

THE STAR – 22 FEB. 2024

“INTERACTIVE: RM6.34bil lost to tax evasion - LHDN”



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INTERACTIVE: RM6.34bil lost to tax evasion - LHDN

By **DIYANA PFORDTEN**



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Thursday, 22 Feb 2024

8:00 AM MYT



LHDN chief executive officer Datuk Dr Abu Tariq Jamaluddin

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CYBERJAYA: Tax dodgers tried to evade paying a staggering total of RM6.34bil last year - that's more than the development expenditures of the Health, Education or Home ministries.

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That was just the amount detected by the Inland Revenue Board (LHDN) last year involving some 137,453 cases of failing to fulfil tax obligations in 2023.

To make things worse, it is estimated that another RM70bil is lost to the shadow economy, which includes illegal businesses and cash transactions.

“Audit statistics and penalty assessments revealed that taxpayers across all categories tried to evade paying a total of RM6.34bil,” LHDN chief executive officer Datuk Dr Abu Tariq Jamaluddin said in an exclusive interview with The Star.

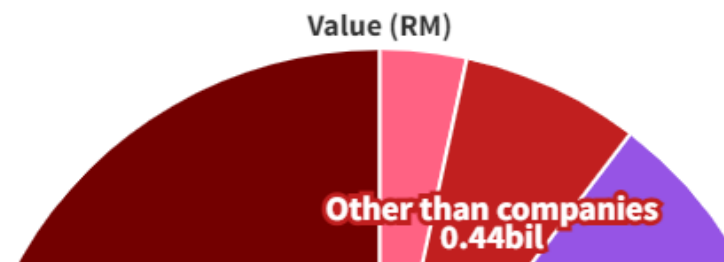
The biggest amount, he said, were owed by companies, at RM4.2bil or 66.3% of the total, with RM3.52bil in additional taxes and RM686mil in penalties. Salaried workers were the second largest in overdue taxes at 23.4% or RM1.48bil, with RM1.44bil in additional taxes and RM46mil in penalties.

Additional taxes and audit penalties by category

Select to filter by amount of tax or penalty/compound imposed:

Total (RM)

Companies Other than companies Salaried workers Employer



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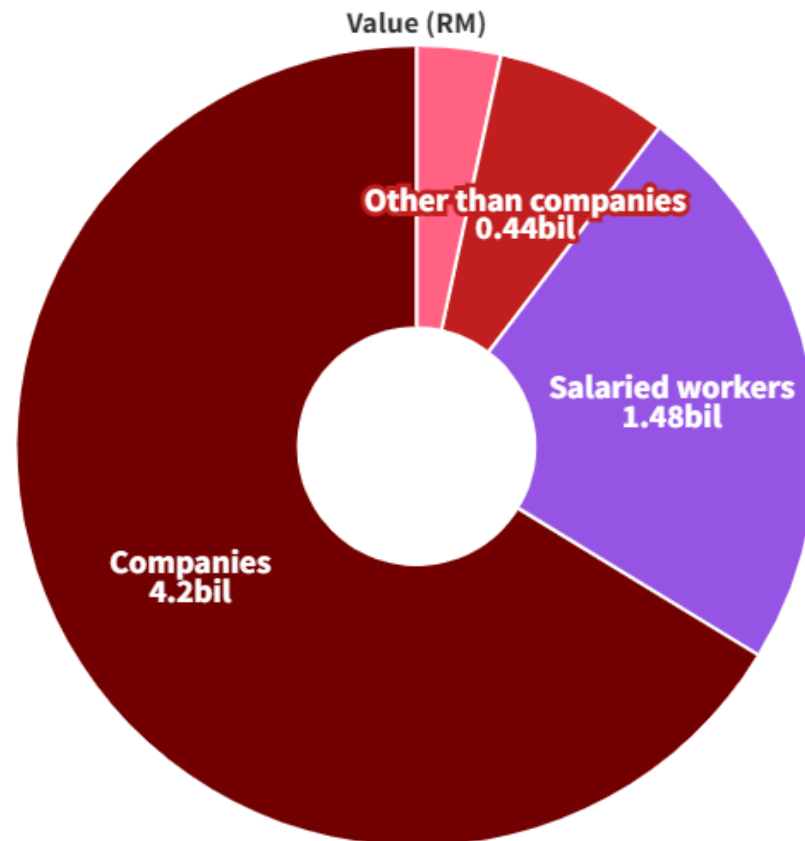
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Source: Inland Revenue Board (IRB)

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In terms of cases, 29.5% or 40,732 cases involved companies, with construction companies being among the top evaders.

The majority of cases - 96,721 cases or 70.5% - involved individuals investigated by LHDN.

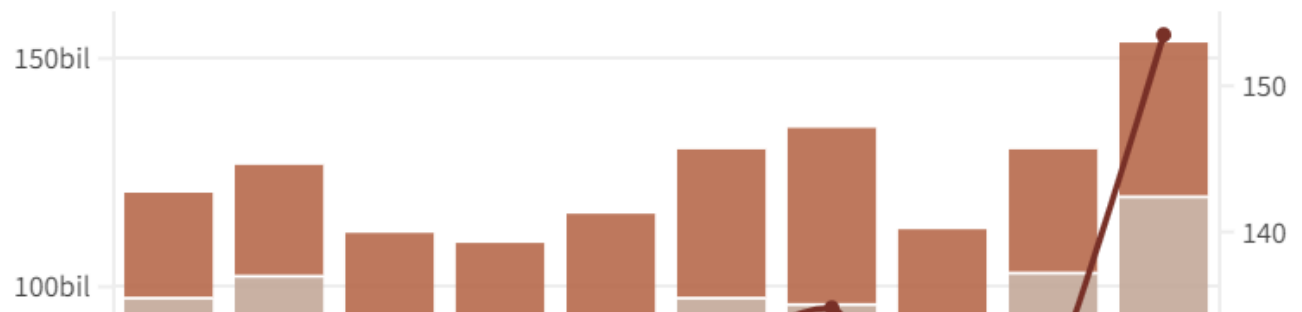
"Sectors identified for non-compliance include wholesale and retail trade, construction, accommodation and food service activities, other service activities, professional, scientific, and technical activities, and agriculture, forestry, and fishing," Abu Tariq said.

According to statistics from data.gov.my, individual taxpayers make up an average of 24% of the country's income tax revenue between 2013 and 2022.

Taxpayers contribution

Over the last 10 years, individual taxpayers contributed an average of 24% of total income tax revenue.

■ Total ■ Corporates ■ Others ■ Individuals



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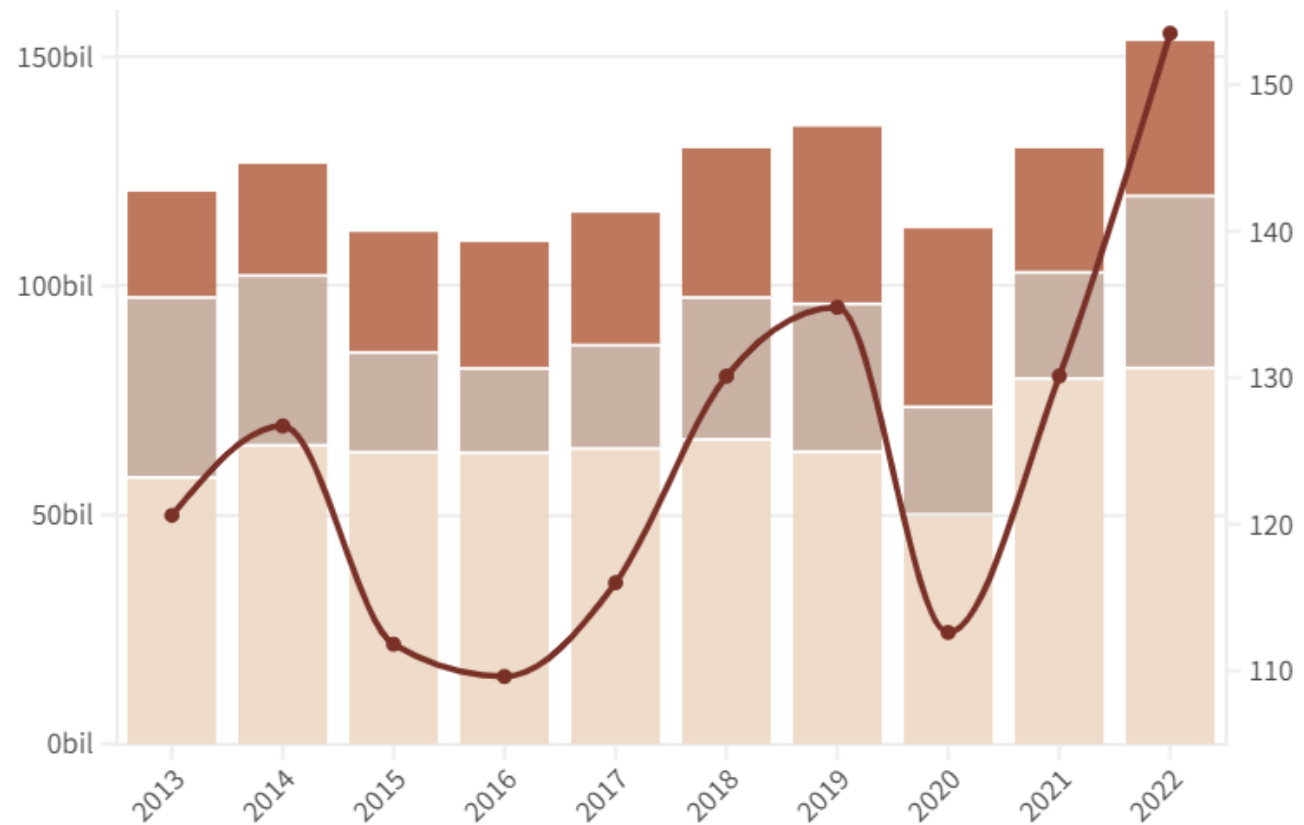
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Taxpayers contribution

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Source: [Data.gov.my](https://data.gov.my)

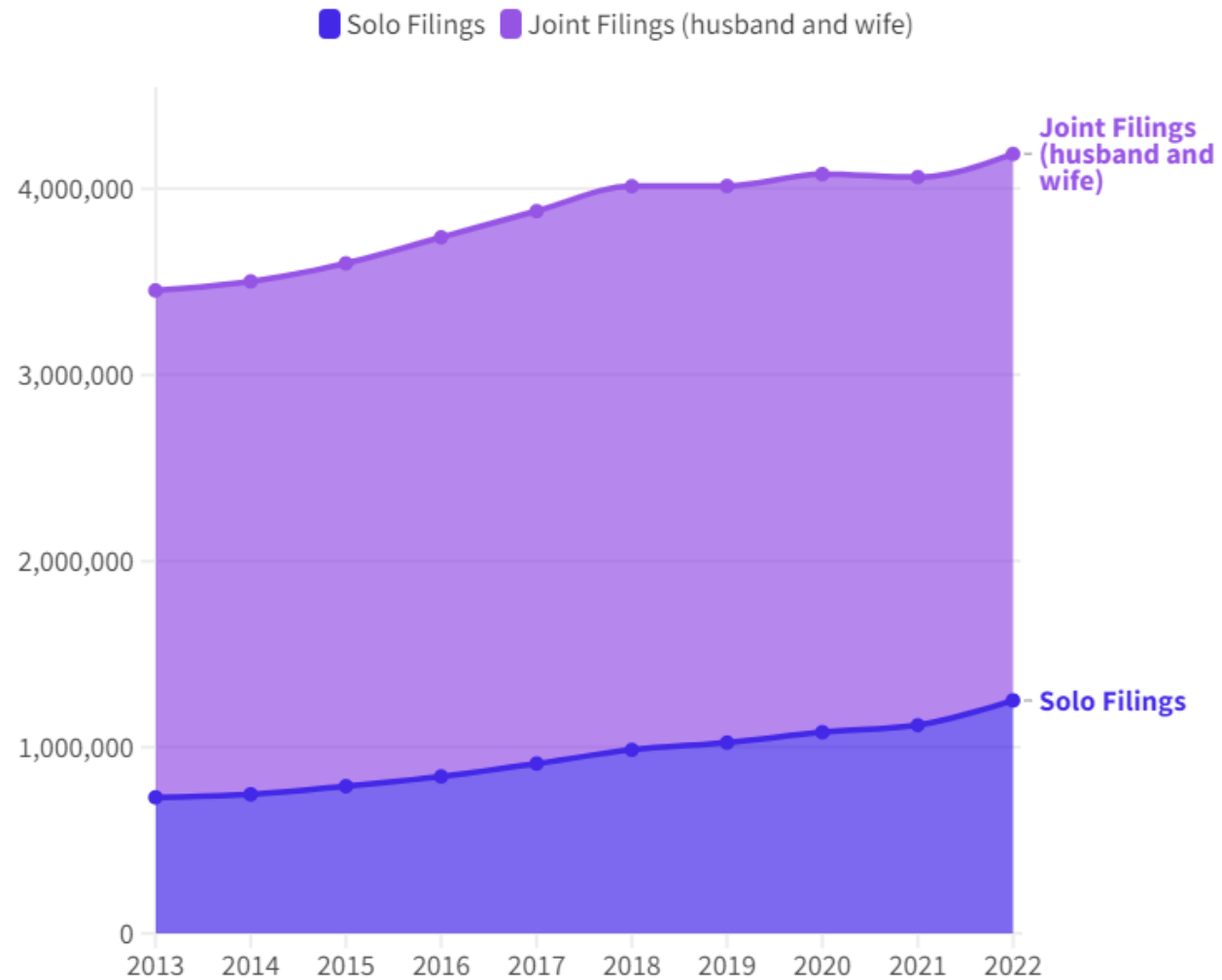
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Number and type of tax filings, 2013-2022



Source: [Data.gov.my](https://data.gov.my)

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A rough comparison by The Star of tax losses against allocations in Budget 2024 shows that the RM6.34bil which the tax evaders failed to pay last year is more than the development expenditures of ministries such as Health (RM6.1bil), Education (RM5.9bil), and Home (RM5.1bil).

What can the value of unpaid taxes fund?

The following shows the size of tax losses in 2023 in comparison to the development budgets of ministries for this year.

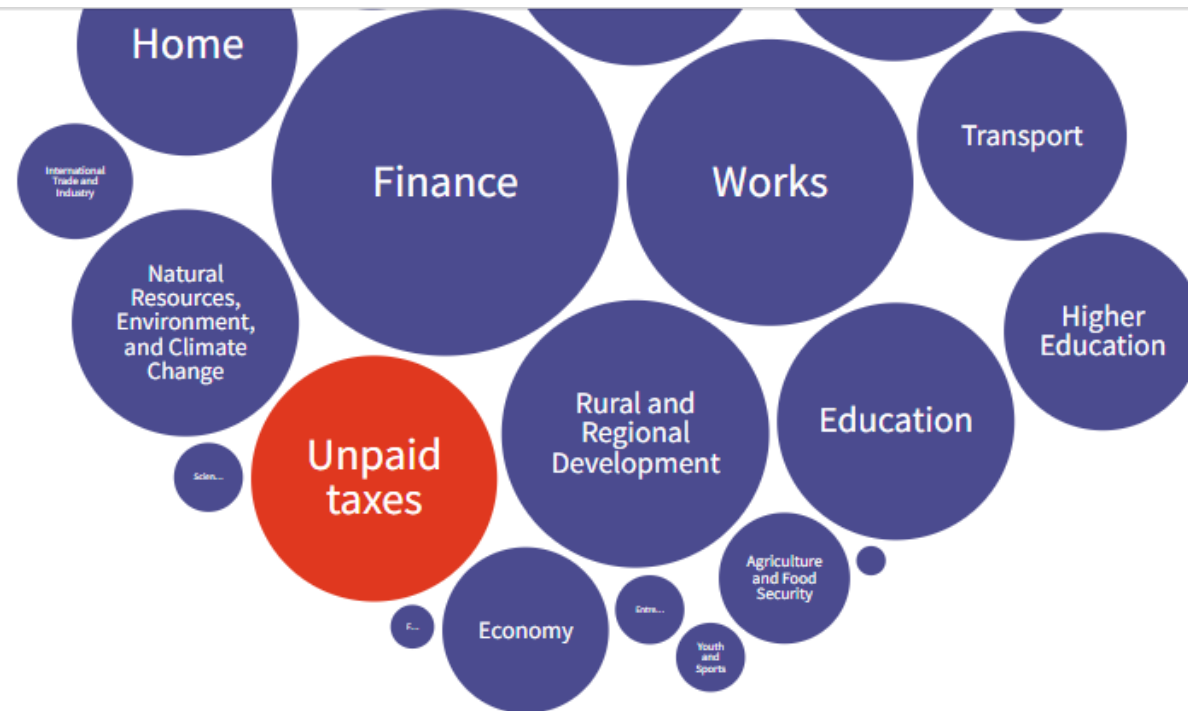
The bigger circles indicate a higher value. Tap or click on each circle to see the value in ringgit.



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Source: 2024 Estimated federal expenditure, Ministry of Finance & LHDN • NOTE: Development expenditure refers to the amount of money spent for projects and programmes related to the ministry. The other type of spending, known as operating expenditure, is the sum spent on the day-to-day expenses of running the ministry.

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✶ A Flourish hierarchy chart

Abu Tariq said tax evasion predominantly involves individuals and companies attempting to avoid paying income tax by intentionally showing lower taxable income or

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failing to report income to LHDN.

“Those assisting others in tax evasion are also considered offenders,” he said.

He added that investigations into taxpayers are initiated based on risk assessment criteria and various information sources, including surveillance and profiling activities, public complaints, and referrals from prosecution cases.

“Among the cases prosecuted in court are those who fail to submit the income tax return form for many years and involving a significant amount of unreported taxable income,” he said.

Then, there is the shadow economy, which involves unregistered businesses and cash transactions. It is another significant contributor to tax evasion.

The shadow economy refers to economic transactions that are deemed illegal, either because the goods or services traded are unlawful in nature, or because the transactions failed to comply with governmental reporting requirements.

“The loss of tax revenue due to unregistered business activities and illegal undertakings in 2023 amounted to a staggering RM70 billion annually.

“According to the 2017 Association of Chartered Certified Accountants Report, the shadow economy in Malaysia is expected to be 21% of the gross domestic product from 2020 to 2025, equivalent to RM300 billion,” he said.

Abu Tariq said non-compliance by tax evaders involved underreported sales, making

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false purchases, claiming false expenses, owning high-value assets or property without proper reporting, and employers not remitting Monthly Tax Deductions (PCB) within the specified period.



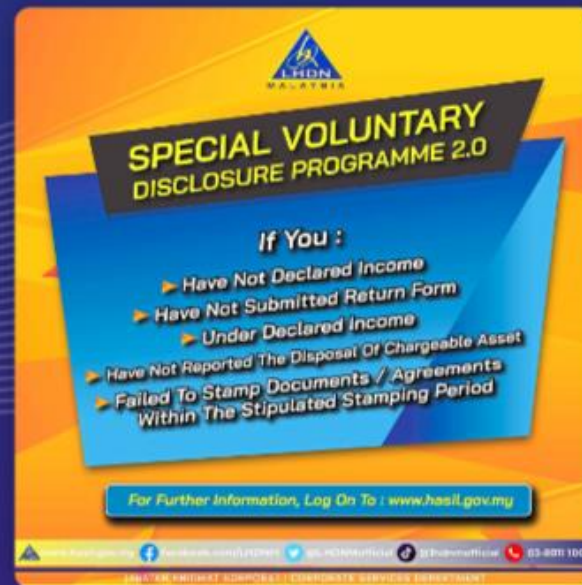
What is tax evasion?

- 01 **Underreporting sales or not reporting at all** [+ Info](#)
- 02 **Making false purchases** [+ Info](#)
- 03 **Making fake claims, overclaiming, or making personal purchases** [+ Info](#)
- 04 **Owning high-value assets or property but declaring a lower income** [+ Info](#)

05

Employers not remitting Monthly Tax Deduction

+ Info



How do I declare my income?

+ INFO

WHO NEEDS TO REGISTER THEIR TAXES?

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Source: LHDN



He said tax evaders would also be involved in transfer pricing and bringing assets or income to countries with lower tax rates to evade taxes.

“The transfer of income that should be taxed in Malaysia but is instead transferred to countries offering lower tax rates results in the country losing tax revenue.

“Companies choosing to relocate their operations to countries with lower tax rates can lead to a decline in investment and spending in the home country.

“This could directly affect employment, with potential job reductions in specific sectors,” he said.

An online complaint system known as e-Pelarian Cukai (e-PC) was also launched on Jan 1, 2023 to allow the public to report cases of tax evasion by individuals or companies.

“Through this system, a total of 3,292 cases have been reported since Jan 1, 2023.

He said those who have yet to declare their income have until May 31 to make use of the Special Voluntary Disclosure Programme 2.0 (SVDP) to pay their taxes without penalties.

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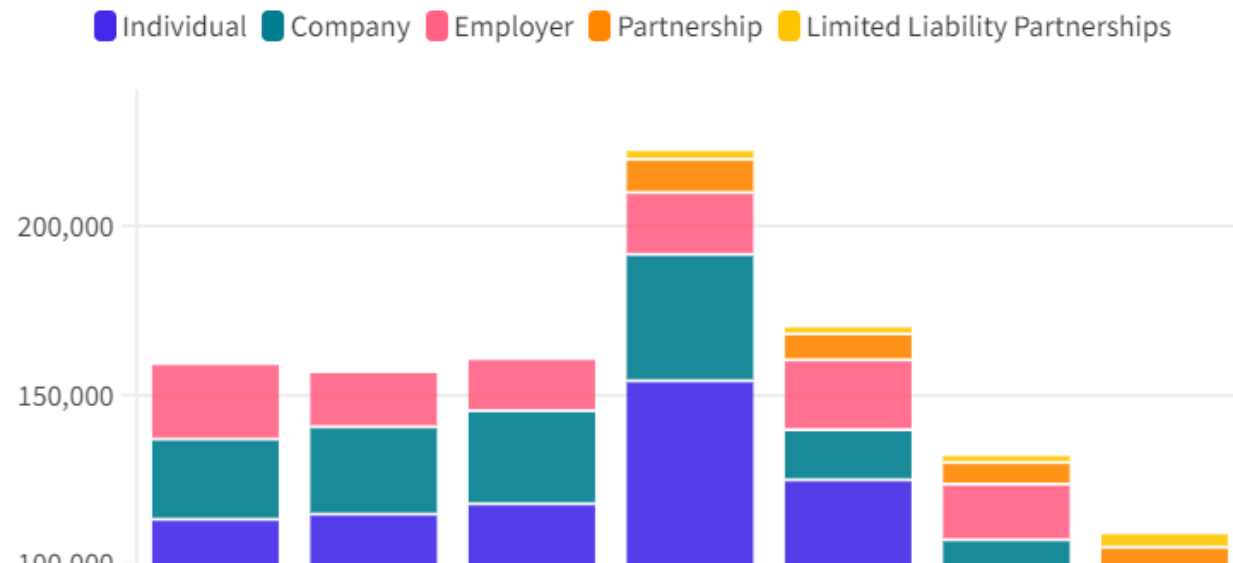
Since 2023, 7.8mil citizens and permanent residents have been automatically assigned a Tax Identification Number (TIN).

“Individuals only need to activate their account through MyTax portal. They can then declare their income and pay their taxes,” he said.

As of Jan 31, LHDN had received 64,748 voluntary disclosures from taxpayers.

ALSO READ > [Less than four months left for voluntary disclosure, LHDN reminds taxpayers](#)

Inland Revenue Board online tax registration (e-daftar) from 2017 to 2023



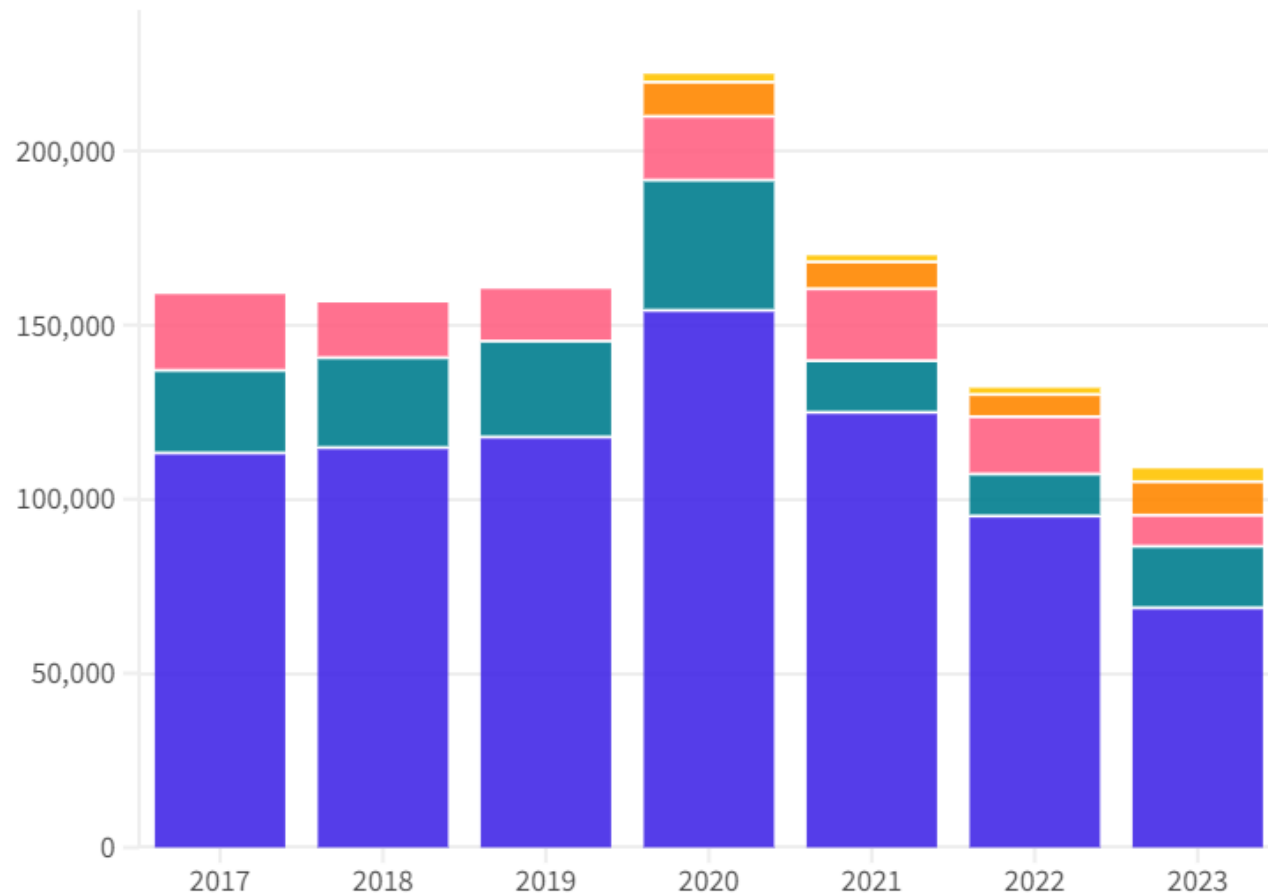
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from 2017 to 2023

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Individual Company Employer Partnership Limited Liability Partnerships



Source: [Inland Revenue Board \(IRB\)](#).

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✿ A Flourish chart

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Source: [Inland Revenue Board \(IRB\)](#).

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✶ A Flourish chart

The SVDP is open to all categories of taxpayers except employers with cases involving unreported or under-reported income; excessive or disallowed expenses or claims; overstated deductions or rebates; and excessive claims for capital allowances or incentives.