



**How to utilize the progress in
Automatic Exchange of Information (AEOI) and
best practice to improve tax compliance of
High Net Worth Individual (HNWI)**

10th IMF - Japan High - Level Tax Conference for Asian Countries

**25 – 26 April 2019
Tokyo**



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Deputy Director General (Management)
Inland Revenue Board of Malaysia**

Background: CRS-AEOI Implementation in Malaysia

Malaysia's 1st exchange – September 2018

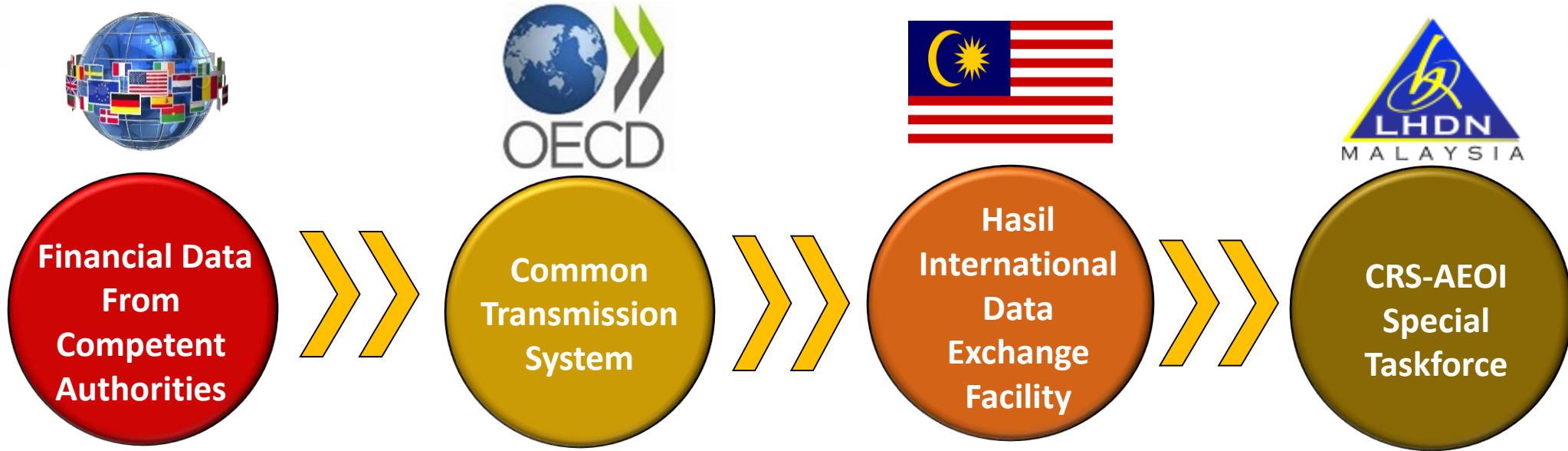
Jurisdictions



OECD
COMMON
REPORTING
STANDARD

| | 2018 | 2019 |
|----------------|-----------|-----------|
| Reciprocal | <u>42</u> | <u>63</u> |
| Non-Reciprocal | <u>15</u> | <u>29</u> |

Malaysia's Experience: Implementation of CRS-AEOI



CRS-AEOI SPECIAL TASKFORCE

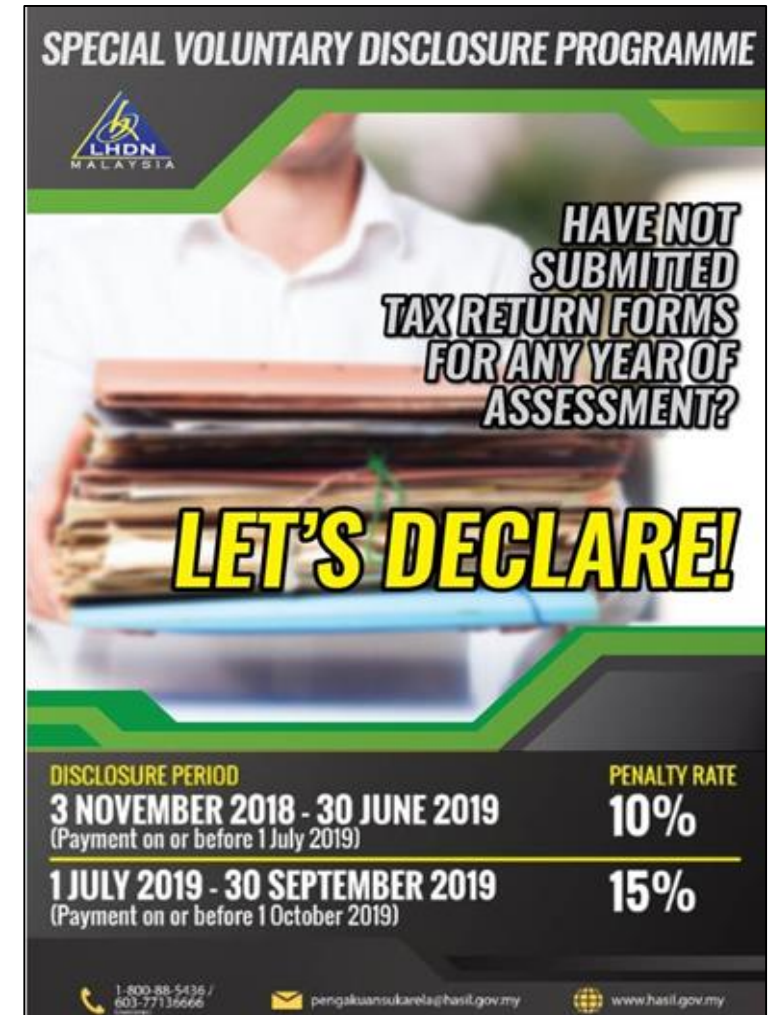
- 8 team members specially appointed by DGIR
- ID to access to CRS-AEOI in HiDEF
- Matching and verifying with IRBM-DW for identification purposes
- Set thresholds and refer cases for Audit (<1M) and Investigation (>1M)
- Set procedures for CRS-AEOI Audit and Investigation – data confidentiality and security
- Helpdesk, monitoring and reporting

CRS-AEOI AUDIT AND INVESTIGATION

- Regional offices: 37 Audit and 17 + 1 Investigation
- Info referred: Name, TIN and Amount
- Matching and profiling with IRBM-DW for other incomes and net worth analysis
- Communication: Letters or telephone call
- Analysis: Means Test or Capital Statement
- Settlement and reporting of CRS-AEOI cases
- HWI / VVIP: Large Taxpayer Unit / Special Action Department

Use in tandem with the Special Voluntary Disclosure Programme (SVDP)

- The SVDP acts as an avenue for those who have income kept in overseas financial accounts, where that income is derived from sources in Malaysia which can be taxed but has yet to be declared to the Inland Revenue Board of Malaysia (IRBM)
- Announced in 2019 National Budget
- Continuous support from the Minister of Finance and the Prime Minister
- Engagement, co-operation and support from tax practitioners, business groups and NGO



SPECIAL VOLUNTARY DISCLOSURE PROGRAMME

LHDN MALAYSIA

HAVENOT SUBMITTED TAX RETURN FORMS FOR ANY YEAR OF ASSESSMENT?

LET'S DECLARE!

| DISCLOSURE PERIOD | PENALTY RATE |
|---|--------------|
| 3 NOVEMBER 2018 - 30 JUNE 2019 (Payment on or before 1 July 2019) | 10% |
| 1 JULY 2019 - 30 SEPTEMBER 2019 (Payment on or before 1 October 2019) | 15% |

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Special Voluntary Disclosure Programme (SVDP)

Implementation Period

3rd Nov 2018 – 30th Sept 2019

1st period

- 3rd Nov 2018 – 30th June 2019
- Penalty rate : 10%

2nd period

- 1st July 2019 – 30th Sept 2019
- Penalty Rate : 15 %

Letters

For general public:

- 1st phase: 4.7 million taxpayers
- 2nd phase: 1.5 million taxpayers

e-Mail Blast

1. For general public:

- 1st phase: 3.6 million taxpayers
- 2nd phase: 3.0 million taxpayers

Target Groups

- Non-Registered Taxpayers
- Non-Submission of Returns
- Incoret Return / Under Reporting (income / disposal of asset / claims)
- Failure to pay stamp duty on instruments

2019 National Budget

Tabled under 2019 National Budget by the Government on 2nd Nov 2018
Fiscal Policy to increase compliance and revenue



Verification of Information

- Internal data
- 3rd party information
- CRS-AEOI

Acceptance of VD

- In good faith
- No further review of cases reported
- Letter of acceptance and assurance

Promotions

- TV, radio announcement, articles in daily news, distribution of pamphlets and banners, SVDP infographic, social media (FB,IG, Twitter, Whatsapp)

Engagement & Briefing

- Internal
- External





Implementation of CRS-AEOI



| Challenges | |
|----------------|---|
| Data Structure | <ul style="list-style-type: none">• Tax Identification Number (TIN) – unmatched / unavailable• Name – not structured, incomplete, surname• Date of Birth – no information• Duplication |
| Data Integrity | <ul style="list-style-type: none">• Validity of information received could not be ascertained |
| Data Matching | <ul style="list-style-type: none">• Difficulties due to incomplete information |
| Income Source | <ul style="list-style-type: none">• Determination of source state |

| Benefits |
|--|
| ➤ Counter tax evasion and illicit transfer / parking of money in other tax jurisdictions |
| ➤ Proof of unreported financial assets – ease of settlement |
| ➤ Additional taxes/revenues from unreported income |
| ➤ Widen tax base |





Thank you



INLAND REVENUE BOARD OF MALAYSIA

Automatic Exchange of Information (AEOI)

2018 List of Reportable Jurisdictions

| | | |
|---------------|-------------------|---------------------|
| 1. Australia | 15. Ireland | 29. Norway |
| 2. Belgium | 16. Isle of Man | 30. Pakistan |
| 3. Brazil | 17. Italy | 31. Poland |
| 4. Bulgaria | 18. Japan | 32. Portugal |
| 5. Colombia | 19. Jersey | 33. San Marino |
| 6. Denmark | 20. Korea | 34. Seychelles |
| 7. France | 21. Liechtenstein | 35. Singapore |
| 8. Germany | 22. Lithuania | 36. Slovak Republic |
| 9. Greece | 23. Luxembourg | 37. Slovenia |
| 10. Guernsey | 24. Malta | 38. South Africa |
| 11. Hong Kong | 25. Mauritius | 39. Spain |
| 12. Hungary | 26. Mexico | 40. Sweden |
| 13. India | 27. Netherlands | 41. United Kingdom |
| 14. Indonesia | 28. New Zealand | 42. Uruguay |



Automatic Exchange of Information (AEOI)

2018 List of Non Reciprocal Relationships

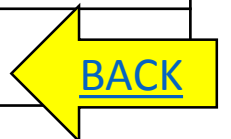
| | | |
|-------------------|-----------------|--------------------------------------|
| 1. Bahamas | 6. Cook Islands | 11. Panama |
| 2. Bahrain | 7. Grenada | 12. Saint Kitts and Nevis |
| 3. Barbados | 8. Lebanon | 13. Saint Lucia |
| 4. Bermuda | 9. Montserrat | 14. Saint Vincent and the Grenadines |
| 5. Cayman Islands | 10. Nauru | 15. United Arab Emirates |



Automatic Exchange of Information (AEOI)

2019 List of Reportable Jurisdictions

| | | | | |
|---------------|--------------------|-------------------|-----------------|---------------------|
| 1. Andorra | 14. Croatia | 27. Hungary | 40. Luxembourg | 53. Saudi Arabia |
| 2. Argentina | 15. Czech Republic | 28. Iceland | 41. Malta | 54. Seychelles |
| 3. Australia | 16. Denmark | 29. India | 42. Mauritius | 55. Singapore |
| 4. Austria | 17. Estonia | 30. Indonesia | 43. Mexico | 56. Slovak Republic |
| 5. Azerbaijan | 18. Faroe Islands | 31. Ireland | 44. Netherlands | 57. Slovenia |
| 6. Barbados | 19. Finland | 32. Isle of Man | 45. New Zealand | 58. South Africa |
| 7. Belgium | 20. France | 33. Italy | 46. Norway | 59. Spain |
| 8. Brazil | 21. Germany | 34. Japan | 47. Pakistan | 60. Sweden |
| 9. Bulgaria | 22. Gibraltar | 35. Jersey | 48. Panama | 61. Switzerland |
| 10. Canada | 23. Greece | 36. Korea | 49. Poland | 62. United Kingdom |
| 11. Chile | 24. Greenland | 37. Latvia | 50. Portugal | 63. Uruguay |
| 12. China | 25. Guernsey | 38. Liechtenstein | 51. Russia | |
| 13. Colombia | 26. Hong Kong | 39. Lithuania | 52. San Marino | |



Automatic Exchange of Information (AEOI)

2019 List of Non Reciprocal Relationships

| | | | |
|---------------------------|-------------------|---------------------------|--------------------------------------|
| 1. Antigua and Barbuda | 9. Cayman Islands | 17. Macau, China | 25. Saint Vincent and the Grenadines |
| 2. Anguilla | 10. Cook Islands | 18. Marshall Islands | 26. Samoa |
| 3. Aruba | 11. Costa Rica | 19. Montserrat | 27. Turks and Caicos Islands |
| 4. Bahamas | 12. Curaçao | 20. Nauru | 28. United Arab Emirates |
| 5. Bahrain | 13. Cyprus | 21. Qatar | 29. Vanuatu |
| 6. Belize | 14. Grenada | 22. Romania | |
| 7. Bermuda | 15. Kuwait | 23. Saint Kitts and Nevis | |
| 8. British Virgin Islands | 16. Lebanon | 24. Saint Lucia | |

