

TECHNICAL

Direct Tax

LHDNM MEDIA RELEASE: CLARIFICATION ON THE IMPOSITION OF 100% PENALTY FOR FAILURE TO DECLARE INCOME AND INCORRECT INFORMATION

The Inland Revenue Board of Malaysia (LHDNM) has uploaded a [Media Release](#) in their website on 16 May 2017 to provide clarification on the imposition of penalty at a rate of 100% of the tax payable on undeclared or under declared income which will be implemented with effect from **1 January 2018**. Under the Income Tax Act 1967, the Director General of Inland Revenue has the power to impose a penalty for the offence of default in declaring income or correct income which is subject to tax.

The following are examples of cases which will be subject to the 100% penalty rate:

- a. Repeated offences of undeclared or incorrectly declared income received by way of a return form;
- b. Refusal to give full co-operation during an audit or investigation process;
- c. Failure to give information or documents requested to assist in an audit or investigation process;
- d. Carrying out an organised tax evasion scheme, or
- e. Failure to comply with the tax law even though the tax payer has been audited or investigated before.

Members may read the Media Release in full at the websites of the [Institute](#) and the [LHDNM](#).

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