

SHADOW ECONOMY: UNDERGROUND / NON-COMPLIANT / HIDDEN ECONOMY

CATEGORY:

- REGISTERED, BUT DOES NOT COMPLY WITH TAX REGULATION/TAX LAW
- UNREGISTERED BUT INVOLVED IN CRIMINAL ACTIVITY

NEGATIVE IMPACT ON THE COUNTRY

INCREMENT IN GOVERNMENT
COSTS AND OTHER
BUSINESSES

FRAUD : LEADS TO THE
EMPLOYEES' EXPLOITATION

UNHEALTHY COMPETITION :
AFFECT COMPLIANT
BUSINESSES



UNSAFE TRANSACTIONS :
CONSUMERS AND BUSINESSES
ARE AT RISK

TAXPAYERS' ATTITUDES : AFFECT THE
CREDIBILITY OF SOCIAL NORMS AND THE TAX
SYSTEM IN SUPPORTING VOLUNTARY TAX
COMPLIANCE

LEGISLATION : EVERY TRANSACTION
IS CONSIDERED SUPPORTING ILLEGAL
ACTIVITIES

1. WHAT IS SHADOW ECONOMY ?

The definition of 'Shadow Economy' itself is indefinite. Generally, individuals or businesses involved may not want to be traced by the enforcement agencies due to its non-compliance tax activities. This however causes injustice to taxpayers who has fulfilled their responsibilities to the nation.

You can help to curb these shadow economic activities. How?

- i) Ask for cash receipts during buying and selling activities.
- ii) Record sale and purchase transactions correctly.
- iii) Encourage electronic payment transactions; and
- iv) A written contract must be prepared apart from curbing this shadow economy, it is a protection against any incomplete work, poor quality results or additional incurred costs in the future.

If you are involved in or know the occurrence of this activity in your area, report immediately to HASiL.

2. 2% TAX DEDUCTION AMENDMENT BY PAYING COMPANIES TO AGENTS, DEALER OR DISTRIBUTOR (RESIDENT INDIVIDUAL)

A 2% administrative tax deduction change by the paying company to the agent, dealer or distributor (EPP) will commence in July 2022 and as follows:

- i) The paying company must make a 2% tax deduction to the EPP for each deduction transaction cumulatively by month basis; and
- ii) The amount of 2% tax deduction must be remitted to the Director General of Inland Revenue (DGIR) no later than the last day of the following month.

The paying company is required to submit Form CP107D-Pin 2/2022 in PDF format and Appendix CP107D (2) in Excel format via e-mail according to the HASiL payment centre before payment is made.

Before completing Appendix CP107D(2), the paying company must ensure that the recipient has an income tax number.

For more information, log on to HASiL Official Portal, www.hasil.gov.my > Media Release dated 9 July 2022.

3. CO-OPERATIVE TAX

Co-operative tax is imposed on society/body which resides and receives income in Malaysia:

- i) A co-operative society registered under the Cooperative Act 1993 (Act 502);
- ii) Farmer Association registered under the Farmer Associations Act 1967;
- iii) Farmer Association registered under the Farmer Organisations Act 1973; and
- iv) Fisherman Association registered under the Fishermen Associations Act 1971.

Responsibility of a co-operative society :

- i) Submit Form C1 by e-Filing (e-C1) or manually to Tax Information and Record Management Division (including dormant by co-operative);
- ii) Submit tax estimation by e-Filing (e-CP204); and
- iii) Pay the instalment (estimation by the co-operative)

A co-operative society is subject to tax under Income Tax Act 1967.

Log on to HASiL Official Portal, www.hasil.gov.my > Company > Co-operative Tax for more information.

4. TAX CORPORATE GOVERNANCE FRAMEWORK

TAX CORPORATE GOVERNANCE FRAMEWORK (TCGF) is one of the initiatives introduced as a foundation for HASiL and taxpayers to develop and maintain a more open working relationship in ensuring the tax compliance process is fair and effective.

It sets out techniques and processes within the organization to identify tax risks, evaluate risks and prescribe appropriate actions to mitigate the impact of the tax risks. An effective tax governance framework can foster confidence that an organization is reporting and paying the right amount of tax, enabling the organization to achieve greater certainty in relation to its tax affairs.

This framework can be accessed from HASiL Official Portal, www.hasil.gov.my > Legislation > Tax Audit > Tax Corporate Governance Framework (TCGF).

BEWARE OF TAX SCAMMERS:

TAXPAYERS ARE URGED NOT TO GIVE PERSONAL INFORMATION SUCH AS IDENTIFICATION NUMBER, BANK ACCOUNT NUMBERS OR ONE-TIME PASSWORD (OTP) TO UNKNOWN PARTIES. PLEASE CONSULT WITH HASiL FOR YOUR TAX MATTERS.

BE CAREFUL AND DON'T BE FOOLED.