

GETTING STAMP DUTY RIGHT

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ALMOST nine months into the first phase of the Stamp Duty Self-Assessment System (STSDS), which began on Jan 1, businesses have moved from asking “what is changing?” to a more pressing question: “are we getting it right?”

The shift from formal assessment to self-assessment under the Stamp Act 1949 marks a significant change in how businesses manage their stamp duty obligations and compliance.

The experience of duty payers has also highlighted gaps and areas where the government and the Inland Revenue Board (IRB) could do more to support compliance.

ADDRESSING COMPLIANCE CHALLENGES

Businesses that identify compliance challenges early will be better placed to manage them.

On the technical front, investing in employees’ stamp duty knowledge is essential.

This is particularly important given the range of instruments covered by the Act and the consequences of incorrect returns.

Better technical knowledge can help address the recurring challenge of identifying chargeable

instruments.

This is not always straightforward, particularly when a transaction involves multiple agreements, ancillary documents and side letters.

It also addresses the challenges faced in classification of duty (whether the instrument attracts the fixed duty of RM10 or ad valorem rates).

Where transactions involve complex or ambiguous instruments, seeking professional advice or engaging with the IRB before filing can help reduce risks.

On the operational front, businesses should move away from manual tracking which is not sustainable for high volumes of stamping requests across multiple entities and various departments.

They can adopt centralised workflows with clear intake processes, role-based accountability, structured approval stages, and systematic document storage.

Technology platforms designed for stamp duty workflow management can help consolidate requests, automate deadline tracking, and provide dashboard visibility over the status of all instruments required for stamping.

Besides reducing reliance on manual effort, it can strengthen

governance and audit readiness.

Critically, businesses should develop and implement standard operating procedures (SOPs) and governance frameworks tailored to their stamp duty obligations.

This includes defining internal roles and responsibilities, establishing standardised processes for instrument identification, duty classification, return filing and payment, and putting in place escalation protocols.

Clear governance reduces the risk of errors and inconsistent treatment, and builds a defensible compliance trail for IRB audits.

PREPARING FOR AUDIT

Under the STSDS, there is no upfront review by the collector. Instead, the IRBM will conduct audits at a later stage to verify the accuracy of returns filed.

Maintaining a clear compliance trail is essential, an issue typically faced by businesses who rely on fragmented email chains.

This includes retaining all executed instruments stamped, the basis for duty computation, supporting valuations and internal review and approval records.

Businesses should also consider conducting periodic internal

reviews or health checks of returns filed to date, identifying and voluntarily rectifying errors before they surface in an audit.

Establishing a clear escalation and response protocol for IRB queries will help ensure that audit interactions are managed efficiently and consistently.

ADDITIONAL STEPS TO SUPPORT BUSINESSES

Beyond the progress made by the government and the IRB in rolling out the STSDS, a few recommendations remain on measures to further support compliance in easing the burden of businesses.

REDUCE stamp duty for inter-company instruments under common control such as inter-company loan agreements, royalty agreements, service agreements, and lease agreements to lower the cost for transaction within a group.

ENHANCED published guidance on the treatment of common instrument types, frequently asked questions reflecting real-world scenarios, and regular engagement with industry stakeholders would help bridge the knowledge gap of duty payers.

AN advance ruling mechanism for stamp duty, which is similar to that available for income tax would allow duty payers to seek

certainty on the stamp duty treatment of complex or ambiguous instruments before filing. This would reduce the risk of genuine errors and the associated penalties.

REFINEMENTS or simplification of the Act, which makes compliance simpler, clearer, and more practical would support duty payers through the transition.

LOOKING AHEAD

The STSDS represents a fundamental modernisation of Malaysia’s stamp duty administration.

As the regime is still maturing, businesses should use this period to strengthen their internal frameworks, prepare for audits, and engage constructively with the government and the IRBM.

The government has an opportunity to listen, learn from early implementation experience and refine the system towards achieving compliance without placing a disproportionate burden on duty payers.

The road ahead calls for partnership between taxpayers and administrators to build a system that is both robust in its compliance goals and practical for those it serves.

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