

## Tax Collection Framework

The Inland Revenue Board (“IRB”) has recently issued the Tax Collection Framework (“Framework”) which came into effect on 3 February 2021. The earlier Framework dated 20 April 2016 is no longer applicable. To view the Framework (available in Bahasa Malaysia only) in full, click [HERE](#)

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We would like to highlight the following salient points from the Framework:-

- I. **The IRB will stop accepting tax payments by cheques delivered via mail or courier in stages, starting from 1 January 2021, and will stop accepting cheques payments completely from 1 April 2021, except for the following types of payments:**
  - ✓ Withholding tax;
  - ✓ Compounds;
  - ✓ Income Tax on Public Entertainers; and
  - ✓ Real Property Gains Tax.
- II. **Initial / instalment payments by cheque for tax audit and investigation cases can still be made at the Kuala Lumpur Payment Centre. However, this method of payment will be stopped once payment through online direct debit is introduced.**
- III. **The Framework provides detailed information on the procedures for tax payment and the related tax increases in the event of non-compliance in respect of the below-mentioned for which we have summarized a few pertinent points to note:-**
  - **Monthly Tax Deduction (“MTD”) under the Income Tax Act 1967 (“ITA”):**
  - **Notice of Instalment Payments (CP500) / Application for Amendment to Instalment Payments (CP502) :**
    - *The tax estimate amount in CP500 is based on the amount of tax payable for the preceding year of assessment (“YA”); and the income from an employment source is not included for the estimation amount as the said income will be subject to MTD instead.*
    - *Taxpayers who do not comply with the instalment scheme will be subject to 10% increase in tax on the unpaid instalments.*
    - *If there is a difference between the actual tax payable and the amended estimated amount with the 30% of actual tax payable; then, such difference will be subject to 10% increase in tax (without any notice being issued).*



- **Tax Estimates (CP204) / Revised of Tax Estimates (CP204A) under the ITA**

- *Besides companies, limited liability partnerships ("LLPs"), trust bodies and cooperatives; non-resident companies that are only subject to withholding tax as well as dormant companies are also required to submit CP204.*
- *If the monthly instalment payments are not complied with, there will be a 10% increase in tax on the unpaid instalments (without any notice being issued).*
- *If there is a difference between the actual tax payable and the estimated amount with the 30% of actual tax payable; then, such difference will be subject to 10% increase in tax.*

- **Notification of Change of Accounting Period (CP204B) under the ITA**

- **Petroleum income tax under the Petroleum (Income Tax) Act 1967**

- **Real property gains tax under the Real Property Gains Tax Act 1976**

- *There will be 10% increase in tax if the amount of real property gains tax is not paid within 30 days after the Issuance of the Notice of Assessment; and/or If the requirement to withhold tax of 3% / 7% is not complied with.*

- **Labuan tax under the Labuan Business Activity Tax Act 1990**

- **Withholding Tax under the ITA**

- *The Framework details the various types of payment that would attract withholding tax, the withholding tax rate(s) and the related form(s) to be submitted to IRB when making the withholding tax payment.*
- *If the withholding tax payment is not complied with within the specified time, there will be a 10% increase in tax on the unpaid withholding tax amount.*



**IV. Details on the tax payment services that are available such as online payment platform (using the ByrHASIL application), internet banking, IRB payment counters, collection agents, etc. are provided.**

**V. Details on the procedures for tax refund to the taxpayer under the ITA are provided.**

- Before the process of refund is made, the excess tax credit balance can be used for the following purposes –
  - ✓ *Utilised to set-off against prior and current YAs' outstanding taxes, including potential increase in tax*
  - ✓ *Utilised for current year's instalment payments (CP204/CP204A/CP500)*
  - ✓ *Utilised for collections and other instalment payments*

**VI. Procedures for tax refund for other categories of taxpayer are also mentioned.**

**VII. Compensation of 2% on the refund amount can be given to the taxpayer if the IRB delays in the refund process as follows –**

- *After 90 days from the submission of tax return by way of e-Filing;*
- *After 120 days from the submission of tax return by way of manual filing.*
- *Compensation is only applicable if the tax returns are submitted not later than **30 April/30 June** for individuals; and within 7 months after the close of the financial year-end for companies, LLPs, trust bodies and cooperatives.*

**VIII. Reference can be made to “Lampiran 1” for the details of the IRB's collection agents and “Lampiran 2” for various tax payment codes.**

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