

The TaxSnaps logo, which includes a solid yellow square to the left of the word "TaxSnaps" in a white, sans-serif font. The letter "S" in "Snaps" is yellow and underlined with a yellow line.

2022 Budget And Finance Bill 2021 Highlights

Following the Budget 2022 announcement on 29 October 2021, the Finance Bill 2021 was made available after the tabling for first reading in Parliament on 9 November 2021.

This edition of TaxSnaps covers the proposed amendments in the Finance Bill 2021 which were not covered in our earlier 30 October 2021 edition on 2022 Budget Highlights.

In this connection, let us go through on a select few of the key tax proposals from the Finance Bill 2021 that can be of interest to you and your business –

continued...

2022 Budget And Finance Bill 2021

Highlights

Income Tax

(1) Foreign-sourced income (“FSI”) received by a tax resident person is no longer exempted from tax

- From 1 January 2022, the exemption for FSI will only be applicable to a person who is not a tax resident in Malaysia on FSI received in Malaysia
- Whereas, for a person who is a tax resident in Malaysia, income tax is chargeable on such FSI received in Malaysia
- FSI received in Malaysia by a Malaysian tax resident from –
 - 1 January 2022 to 30 June 2022 is subject to tax at the rate of 3% of gross income
 - 1 July 2022 is subject to tax at the prevailing tax rate

Effective Date: From 1 January 2022

Corporate Tax

(2) Power to call for bank account information for purpose of making garnishee order application

- The Director General of the Inland Revenue (“DGIR”) may by notice require any financial institution to furnish the account information of a person (on whom civil proceedings has been instituted and a judgement has been obtained) for the purpose of making an application to court for a garnishee order
- The financial institution must not disclose to any person that such request was made to the financial institution
- Failure by the financial institution to comply with the above is an offence which is liable to a fine of RM200 to RM20,000 or imprisonment for a term not exceeding 6 months or to both

Effective Date: From 1 January 2022



2022 Budget And Finance Bill 2021

Highlights

Corporate Tax (cont')

(3) Withholding tax on payments made to agent, dealer or distributor

- Withholding tax of 2% is applicable on payments in monetary form made by a company ("payer") to an agent, dealer or distributor arising from sales, transactions or schemes carried out by that agent, dealer or distributor
- Payer –
 - The payer must remit the 2% withholding tax amount to the DGIR within 30 days after paying or crediting such payments
 - Where the payer fails to remit the tax withheld to the DGIR, the unpaid amount will be subject to an increase (*penalty*) of 10%
 - The payer is also not allowed to claim a deduction on the payments made to the agent, dealer or distributor if the withholding tax requirements are not complied with
- Payee –
 - Agent, dealer or distributor refers to any resident individual who is authorised by a company to act as its agent, dealer or distributor
 - The withholding tax is only applicable if the total sum of payments (whether in monetary form or otherwise) received by that agent, dealer or distributor from the payer in the immediately preceding basis year for a year of assessment ("YA") is more than RM100,000
 - The DGIR shall apply the withholding tax paid or recovered towards the payment of tax payable for any YA by that agent, dealer or distributor

Effective Date: From 1 January 2022

2022 Budget And Finance Bill 2021

Highlights

Individual Tax

(4) Expansion of Scope of Income Tax Relief on Medical Treatment Expenditure For Self, Spouse and Child

- A resident individual is eligible to an income tax relief of up to RM8,000 on medical expenses for serious diseases for self, spouse and child; and fertility treatment for self and spouse. The relief also includes full medical check-up and vaccination expenses of up to RM1,000 each
- The income tax relief for medical check-up expenses of up to RM1,000 is expanded to cover the COVID-19 detection test (including self-detection test kit) and mental health examination or consultation
- The abovementioned expenses must be evidenced by receipts in order to be eligible for the said income tax relief

Effective Date:

From YA 2021 – COVID 19 detection test expenses

From YA 2022 – Mental health examination or consultation expenses

Real Property Gains Tax (“RPGT”)

(5) Increase in the rate of retention sum by the acquirer

- The rate of retention sum by the acquirer is increased to 5% from 3% in the cases where:
 - the disposal is within a period of 3 years after the acquisition date of the chargeable asset
 - the disposer is a company incorporated in Malaysia or a trustee of a trust or body of persons registered under any written law in Malaysia
- The acquirer is required to retain the whole of the money or the above 5% of the total value of the consideration, whichever is the less and within 60 days (after the acquisition date) pay that retention amount to the DGIR

Effective Date: From 1 January 2022

2022 Budget And Finance Bill 2021

Highlights

RPGT (cont')

(6) Offence for leaving Malaysia without payment of RPGT

- It is an offence to leave Malaysia without payment of RPGT
- The scope of such offence is expanded to include sums or debt of RPGT payable; and the related fine for such offence has been increased "from not exceeding RM5,000" to "between RM200 to RM20,000"
- In this connection, any person who leaves Malaysia without payment of RPGT is liable (upon conviction) to an imprisonment not exceeding 2 years or to a fine between RM200 to RM20,000 or to both

Effective Date: From 1 January 2022

Tax Administration

(7) Tax Identification Number ("TIN")

- The following person shall have a "TIN" –
 - any person who is assessable and chargeable to tax;
 - any person who is required under the Income Tax Act 1967 ("ITA") to furnish a tax return; or
 - any person who is citizen aged 18 years old and above.
- The DGIR will assign the "TIN" as he may determine
- Any person who has been assigned a reference number on or before 1 January 2022 is deemed to have been assigned a "TIN" under the ITA
- Every person is also required to use the assigned "TIN" for RPGT and stamp duty purposes

Effective Date: From 1 January 2022

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