



**TaxSnaps**

## IRBM's FAQ on Withholding Tax (WHT) on Payments Made to Agent, Dealer or Distributor

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A new **Section 107D of the Income Tax Act 1967** (ITA) was introduced under the Finance Bill 2021 following the Budget 2022 announcement on 29 October 2021. This new section is **effective from 1 January 2022** and provides that where a company is liable to make payments in monetary form to an agent, dealer or distributor, the company shall upon paying or crediting such payments, **withhold tax at a rate of 2%** from the said payments.

This applies to agent, dealer or distributor who are a resident individual and who has received **more than RM100,000** (in monetary form or otherwise) from the said company in the immediately preceding year of assessment (YA). It is the responsibility of the company to remit the 2% withholding tax to the Inland Revenue Board Malaysia ("IRBM") within 30 days after having made such payment.

In view of the above, the IRBM has issued a [Frequently Asked Questions \(FAQ\)](#) dated 28 February 2022 (only available in Bahasa Malaysia) to provide further clarifications on the application of the above Section 107D.

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Below are the **salient points** from the FAQ:-

- The WHT is **not applicable** on payment by way of credit note, contra-transaction and discount given to an agent, dealer or distributor.
- The **category of individual** includes sole proprietor and individual partner in a partnership. However, it excludes payment made to a partnership or a Limited Liability Partnership.
- The **threshold amount of RM100,000** in the preceding year is to be determined each year. Also, the residence status of the agent, dealer or distributor in the immediate preceding year is irrelevant for the determination of the threshold amount.
- The agent, dealer or distributor must have an **income tax reference number**.
- The 2% WHT amount is to be reported in **Form CP58**.
- The 2% WHT will be considered as **part of the payment for the balance of tax** to be paid, upon submission of the income tax return form for the relevant YA by the agent, dealer or distributor.
- The WHT shall be remitted to the IRBM **within 30 days** after paying or crediting such payments to the agent, dealer or distributor. Remittance is to be made together with Form CP107D.
- A deferment on the WHT had been granted by the IRBM and the details are as follows:-

Date of Payments Made to the Agent, Dealer or Distributor	Due Date to Remit the WHT
From 1 January 2022 to 2 March 2022	1 April 2022
On or after 3 March 2022	30 days from the date of payment to the agent, dealer or distributor

Note : Reference can be made to the example provided in the FAQ – Part E(3).

- If there is a **failure to make the WHT payment** to the IRBM within the stipulated time, a penalty of 10% would be imposed on the unpaid withholding tax. In addition, the tax deduction for the gross amount of the payment made to agent, dealer or distributor will be disallowed.

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