

eNewsletter 07/2022: Tax Updates



Inside eNewsletter 07/2022, we will cover the following updates released by the Inland Revenue Board during the month of October 2022 in relation to:

Deferment of Payment of
Small-Value Withholding Tax



Tax Deduction of Renovation and
Refurbishment Costs



Deferment of Payment of Small-Value Withholding Tax

Background

On 27 September 2022, the Inland Revenue Board (“IRB”) has issued a Media Release to announce on the deferment of payment of small-value withholding tax (“WHT”) on payment made to a non-resident person. The deferment is effective from 1 August 2022.

To recap, payments in respect of royalty, interest and special classes of income under Section 4A of the Income Tax Act 1967 (“ITA”) paid to non-residents which does not exceed RM500 per transaction would qualify for the deferment, where payment shall be made to the IRB once in every 6-month period as follows:

Period when payments are made to a non-resident during a year	Due date for remittance of deferred WHT
1 June to 30 November <i>(Note)</i>	By 30 December that year
1 December (in the previous year) to 31 May (of the current year)	By 30 June of the current year

(Note)

For year 2022, the deferment will be effective from August 2022.

It was previously announced in the above Media Release that the payer is required to complete Form CP37 / CP37D and submit the forms together with the WHT to the IRB.

Deferment of Payment of Small-Value Withholding Tax (Cont.)

Updates

On 27 October 2022, the IRB has issued a Media Release to inform that the special WHT forms have been issued for the purposes of the above small-value WHT. Different type of income earned by a non-resident would be accorded specific WHT form, as follows:

Type of income	Provision of ITA	Category of WHT form
Royalty and interest income	Section 109	Form CP37S
Special classes of income under Section 4A	Section 109B	Form CP37DS

The above special WHT forms have been uploaded on the IRB's website at [HERE](#).

Meanwhile, the IRB has updated Column 12 of the special WHT forms (where taxpayers are required to complete the information on the "Date the payment was paid/credited"). With reference to the above period when payments are made to a non-resident during a year, taxpayers can only fill in the date of either 31st May or 30th November in this Column.



For your better understanding, please see a simple illustration below:

Period when payments are made to a non-resident during a year	Date to disclose in special WHT form
1 August to 30 November 2022	30 November 2022
1 December 2022 to 31 May 2023	31 May 2023

In addition, you may find the qualifying conditions of the deferment as stated in our [eNewsletter 06/2022](#) in the second page of the special WHT forms.

Tax Deduction on Renovation and Refurbishment Costs

Background

The Income Tax (Costs of Renovation and Refurbishment of Business Premise) (Amendment) Rules 2021 (“the Amendment Rules”) were gazetted by the Government on 27 December 2021.

To recap, the Amendment Rules being effective from year of assessment (“YA”) 2022 amended the Income Tax (Costs of Renovation and Refurbishment of Business Premise) Rules 2020 (“the Principal Rules”) by substituting the words “2021” with the words “**2022**” thus, extended the eligibility period of tax deduction on renovation and refurbishment costs to 31 December 2022.

The total deduction is still cap at RM300,000, applicable to a person who has incurred the following renovation and refurbishment costs of business premise from the period of 1 March 2020 to **31 December 2022**, and used for the purpose of its business which is certified by an external auditor.

Updates

On 31 October 2022, the IRB has updated the FAQ in relation to tax deduction on renovation and refurbishment costs to incorporate the extension of the eligibility period to 31 December 2022.

We wish to bring to your attention the following salient points of the updated FAQ:

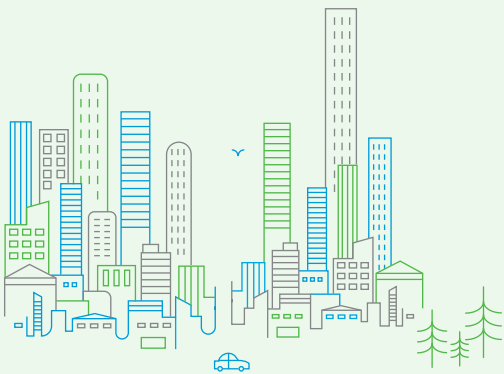
Points to note	Interpretation / Qualifying criteria
Examples to explain on the types of cost not eligible for deduction	Other than the costs which have been stated in our eNewsletter 01/2022 , IRB has clarified via examples in the FAQ that the following costs are also not eligible for deduction: <ul style="list-style-type: none">■ refurbishment of roofing;■ installation of curtains; and■ renovation incurred on TNB power stations as these stations are located outside the business premise.
Certification costs paid to external auditors	IRB has clarified that certification costs paid to external auditors do not eligible for tax deduction under these Rules.
Timing of claiming tax deduction	Based on example 7 of the FAQ, IRB has clarified that tax deduction may be claimed on costs incurred during the eligibility period from 1 March 2020 to 31 December 2022, even though the renovation / refurbishment has yet to complete and used for the purpose of the taxpayer’s business.

Tax Deduction on Renovation and Refurbishment Costs (Cont.)

Updates

Points to note

Claiming tax deduction on multi-storey building



Interpretation / Qualifying criteria

Based on example 8 of the FAQ, in a situation where both the landlord and tenant have incurred renovation and refurbishment costs respectively on a multi-storey building, the following conditions have to be taken into consideration for claiming tax deduction:

- For renting of same floor :-
 - Floor area has to be determined and identified between landlord and number(s) of tenant.
- For renting of different floor :-
 - Floor area of each floor has to be determined and identified between landlord and number(s) of tenant.

Do take note that the total deduction is capped at RM300,000 for the landlord and for each of the tenants respectively, supported by invoices or relevant documents of similar nature.

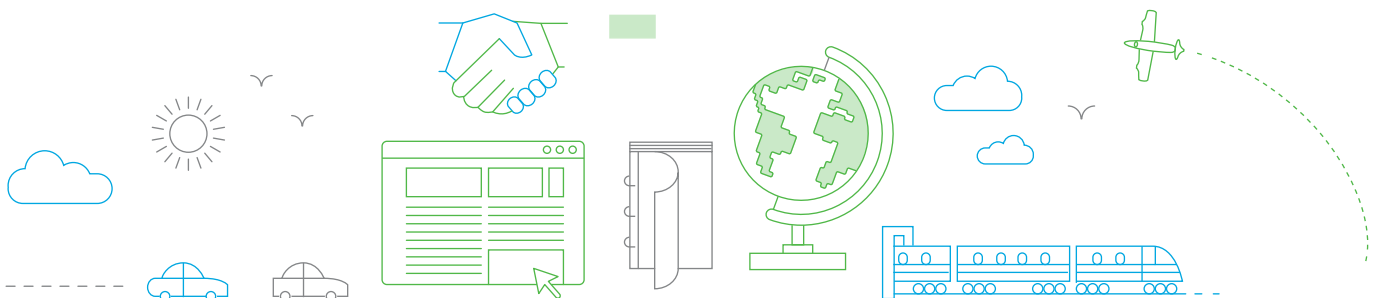
Documents to retain for claiming tax deduction



1. Certification of incorporation;
2. Proof of ownership of business premise **(Note)**;
3. Invoices relating to renovation and refurbishment costs; and
4. Certification by an external auditor.

(Note)

For rented premises, there must be a valid tenancy agreement between the landlord and tenant.



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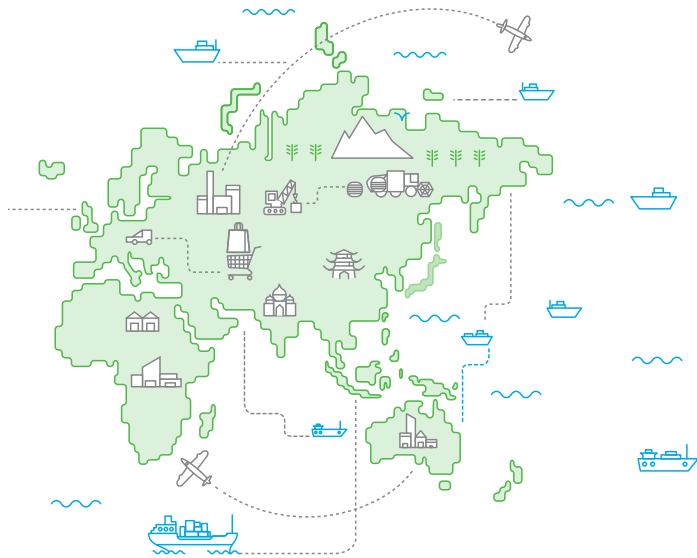
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