



eNewsletter 04/2022

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Tax Updates

Inside eNewsletter 04/2022, we will cover the following updates released by the Inland Revenue Board: –



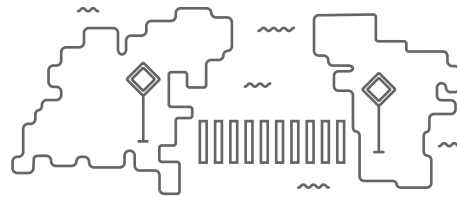
#1

Frequently Asked Questions (FAQ) on the 2% Tax Deduction from Payments made to Agents, Dealers or Distributors



#2

Implementation of e-TT system for Telegraphic Transfer (TT) / Electronic Fund Transfer (EFT) and Interbank GIRO (IBG) payment methods



Frequently Asked Questions (FAQ) on the 2% Tax Deduction from Payments made to Agents, Dealers or Distributors

On 28 February 2022, the Inland Revenue Board (“IRB”) has issued a FAQ on the 2% tax deduction from payments made to agents, dealers or distributors.

To recap, effective from 1 January 2022, payer company is required to remit 2% tax from the payments (in monetary form) made to its agents, dealers or distributors (“ADD”) arising from sales, transactions or schemes carried out pursuant to Section 107D of the Income Tax Act 1967 (“S. 107D”).

The 2% tax deduction is only applicable where payments are made to ADD who are Malaysian resident individuals and have received more than RM 100,000 of such payments (whether in monetary form or otherwise) from the same payer company in the immediately preceding year.

The 2% tax deducted has to be remitted to the IRB within 30 days from the date of payment to the agents, dealers or distributors. It was announced in the IRB’s Media Release issued on 12 January 2022 that the 2% tax deduction from payments made to ADD from January 2022 to March 2022 will be deferred until 31 March 2022. For further details, you may refer to our [eNewsletter 03/2022](#).

We tabulate below the salient points of the FAQ:

Meaning of “company” for the purpose of S. 107D

Pursuant to Section 2 of the Income Tax Act 1967, “company” means a body corporate and includes any body of persons established with a separate legal identity by or under the laws of a territory outside Malaysia and a business trust.

Type of payment subject to 2% tax deduction

All types of payments arising from sales, transactions or schemes carried out by ADD authorised by the payer company (i.e. commission and incentive received in *cash*) but *excludes* credit note, contra and discount.

Meaning of ADD for the purpose of S. 107D

A Malaysian resident individual and also includes:

- a sole proprietor; and
- a partner who is an individual in a partnership.

Determination of the threshold value of RM 100,000

- refers to payment received from only *one* payer company. Hence, where there are several payer companies, the threshold value of RM 100,000 is to be determined separately based on the payments received from each payer company.
- the threshold value is required to be determined by the payer company *every year*.
- an ADD who is not a resident in 2021 but becomes a resident in 2022 is subject to the 2% tax deduction in 2022.

Payment and reporting

by Payer company

- required to declare the payment of 2% tax deducted in Form CP107D as well as report the 2% tax deducted amount in the Form CP58.
- required to fill in a Form CP107D for each recipient. For payer company that has several recipients, the payer company can complete Appendix CP107D(1) (limited to 20 recipients per Appendix) and submit the Appendix along with the Form 107D.
- the 2% tax deduction is still applicable notwithstanding that the ADD is subject to CP500 deduction.
- the 2% tax deduction is required to be made if the ADD is eligible to receive commission payment in December 2021 but the commission is only paid in January 2022.

For e.g. An ADD received commission of RM 80,000 from January to November 2021 and is eligible for commission of RM 25,000 for the month of December 2021 (paid in January 2022). It will result in the following:

- 2% tax deduction is applicable to the ADD for commission paid in year 2022 as the total commission payable to him for year 2021 has exceeded the threshold value of RM 100,000; but
- Commission paid in January 2022 is only required to be reported in Form CP58 for the year ended 31 December 2022.

by ADD

- required to register for an income tax file number for purpose of deduction by the payer company.
- the 2% tax deducted by payer company is treated as part payment of the ADD's actual tax payable in his personal income tax return for that relevant year.

Deferment of payment and reporting

The deferment announced earlier via IRB's Media Release is given automatically to all payer companies. However, the FAQ has further clarified the following: –

- For payments made to ADD from January 2022 to 2 March 2022, deferment is allowed until 1 April 2022; and
- For payments made to ADD from 3 March 2022 and onwards, payer company is required to remit the 2% tax deducted to the IRB within 30 days from the date of payment.

Important Notes to payer company:

Subject to penalty if failed to remit the 2% tax deduction to the IRB within the stipulated deadline; and Not eligible for tax deduction on payments made to ADD in the relevant year of assessment.

Implementation of e-TT system for Telegraphic Transfer (TT) / Electronic Fund Transfer (EFT) and Interbank GIRO (IBG) payment methods

On 3 March 2022, the IRB has issued a Media Release on the implementation of e-TT system for TT / EFT and IBG payment methods. This new system (known as e-TT system) will be effective from 1 April 2022.

The e-TT system will be catered for taxpayers who wish to make payment on the following tax through TT, EFT or IBG methods within and outside Malaysia: -



Except income tax and petroleum tax, other taxes as abovementioned can only be paid manually at HASiL Payment Counters at this juncture.

Steps to access the e-TT system



Step 1
Visit the My Tax Portal at <https://mytax.hasil.gov.my>



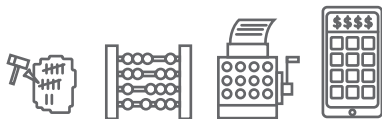
Step 2
Click on ezHasil Services > submenu e-TT;



Step 3
Fill up the required payment information to generate the Virtual Account (VA) number;



Step 4
Use the VA number as payment account number (i.e. payment identification) when making payment through TT at the bank counter or electronic banking portal or Automated Teller Machine (ATM). Payment in cash and cheque is not allowed at the bank counter.



Taxpayers may contact IRB via the following methods for further information on the new e-TT system:



Hasil
Care Line

03-89111000 /
603-89111100
(Overseas)



Feedback
Form

<https://maklum-balaspelanggan.hasil.gov.my/Maklum-Balas/en-US/>



HASiL
Live Chat

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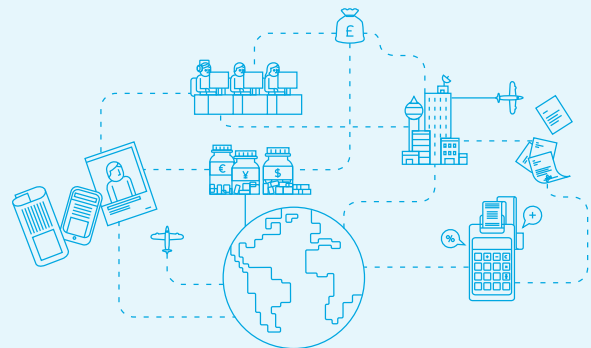
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