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TRICOR INSIGHTS

KEY RECENT TAX UPDATES

In this issue, we summarise the key recent tax related developments as follows:

- (i) Implementation of e-Telegraphic Transfer (e-TT) system
- (ii) DuitNow as a Medium for Tax Refund
- (iii) Exemption on foreign-sourced income from the computation of *Cukai Makmur*
- (iv) Gazette Order for Global Trading Centre Incentive Scheme
- (v) Withholding tax on payments to agents, dealers and distributors.

Implementation of e-TT System

The Inland Revenue Board (IRB) has issued a [media release](#) on 3 March 2022 on the introduction of a new e-TT system to facilitate tax related payments effective from 1 April 2022. The new e-TT system enables payment of income tax, petroleum income tax, real property gains tax (RPGT), tax applicable to foreign artistes, withholding tax (WHT) and compound from within and outside Malaysia.

The e-TT website can be accessed from the MyTax website > ezHasil Services > e-TT at <https://mytax.hasil.gov.my/>.

Broadly, the steps to make payments via e-TT are as follows:

- Step 1: Access the e-TT website at MyTax
- Step 2: Obtain a virtual account (VA) number before each transaction is made.
- Step 3: Complete details of the transaction such as identity of payer, purpose of tax payment and amount as required in the e-TT website
- Step 4: The e-TT website will issue a VA number once the details are completed
- Step 5: Once the VA number for each transaction is obtained, the TT/IBG/RENTAS can be made to that unique VA number.

Tax payment using the VA number from the e-TT system can be performed through internet banking portal and bank counter [via telegraphic transfer (TT) / Interbank Giro (IBG) / Real-Time Electric Transfer of Funds and Security System (RENTAS)] or through the Automated Teller Machine (ATM).

Important note: With effect from 1 April 2022, bank transfers made to the IRB's old CIMB bank account no. 8000766957 will no longer be accepted, and the transaction will be rejected by the bank.

However, taxpayers can still make payments using FPX via ByrHasil (this payment option will continue as usual).

For further information and enquiries, taxpayers can contact Hasil Care Line at 03-8911 1000 / 603-8911 1100 (overseas) or reach out to the IRB via Hasil Live Chat. Further guidance can be obtained from the MyTax website > User Manual > User Manual Electronic Telegraphic Transfer System.

DuitNow as a Medium for Tax Refund

On 28 March 2022, the IRB issued a [media release](#) on the use of DuitNow as an **additional channel** for tax refunds for individual taxpayers. This takes effect from 2022.

Currently, the mediums available for tax refunds are:-

- (a) e-payment: Via Electronic Fund Transfer (EFT) for local taxpayers and Telegraphic Transfer for overseas taxpayers; or
- (b) Manual: Via cheque.

Taxpayers who submit their Income Tax Return Forms (ITRF) for the year of assessment 2021 starting 1 March 2022 can choose to receive their tax refunds via DuitNow. DuitNow is now a refund option for taxpayers without having to provide their bank account details to IRB as required for refunds under EFT.

Taxpayers will need to register DuitNow with their respective banks by using MyKad Number / Passport Number for identification as the IRB does not accept DuitNow registration using mobile phone number for tax refund purposes.

Taxpayers who wish to receive tax refunds via DuitNow can opt to choose this method during e-filing or manual submission of their ITRF. As a start, the DuitNow refund option is **made available for individual taxpayers only** and will be gradually extended to corporate taxpayers by using their respective Business Registration Number for identification.

In the case where tax refund by DuitNow fails, the refund will be made via EFT by using the taxpayer's bank account number and name based on existing records with IRB.

For further information and enquiries, taxpayers can contact Hasil Care Line at 03-8911 1000 / 603-8911 1100 (overseas) or reach out to the IRB via Hasil Live Chat.

Exemption of foreign-sourced income (FSI) from *Cukai Makmur*

As announced in the 2022 Budget, a one-off special tax known as *Cukai Makmur* will be imposed on companies (other than Micro, Small and Medium Enterprises (MSMEs)) generating high income during the COVID-19 pandemic period as follows:

- Chargeable income up to RM100 million is subject to tax at 24%; and
- Chargeable income in excess of RM100 million is taxed at 33%

This is effective for the year of assessment (YA) 2022 only.

The removal of tax exemption on FSI received by any person (other than a resident company carrying on the business of banking, insurance, or sea or air transport) under Paragraph 28, Schedule 6 of the Income Tax Act 1967 has raised concerns among affected taxpayers as to whether FSI which is subject to Malaysian income tax will also be subject to *Cukai Makmur*.

To address this concern, the Income Tax (Exemption) Order 2022 which was gazetted on 5 April 2022, provides that FSI received in Malaysia from 1 July 2022 will be excluded from the application of *Cukai Makmur* (i.e. the 33% tax rate). FSI received from 1 January 2022 to 30 June 2022 will be taxed at 3%.

The chargeable income exempted from the application of *Cukai Makmur* is computed using the following prescribed formula:

$$[A / B] \times C$$

Where:-

A = statutory income in relation to FSI for the YA 2022

B = aggregate income for the YA 2022

C = chargeable income for the YA 2022

As reported in [Tricolor Insights 1/2022](#), an exemption has been granted by the Ministry of Finance on FSI received by resident taxpayers as follows:

Category of Taxpayers	Type of Exempt Income	Eligibility
Limited Liability Companies/ Limited Liability Partnerships	Dividend income	Subject to eligibility criteria to be detailed in IRB's guidelines
Individuals (except those carrying out partnership business in Malaysia)	All types of income	

The tax exemption on FSI will be effective from **1 January 2022 until 31 December 2026**.

Non-resident taxpayers (i.e., individuals, companies, etc.) remain eligible for income tax exemption on FSI pursuant to Paragraph 28, Schedule 6 of the ITA.

Gazette Order for Global Trading Centre (GTC) Incentive Scheme

The GTC incentive scheme was announced in Budget 2021 to encourage companies to set up their trading and distribution hubs in Malaysia. Following this, the Income Tax (Global Trading Centre Incentive Scheme) Rules 2022 was gazetted on 4 March 2022.

The salient points of the GTC incentive are as follows:

Qualifying activity	Strategic sourcing, procurement and distribution of raw materials, components and finished products to other companies within or outside Malaysia
Qualifying company	<ul style="list-style-type: none"> • Incorporated under the Companies Act 2016; • Resident in Malaysia; • Has not carried on any activity in Malaysia; • Uses Malaysia as its international trading base; and • Fulfils the eligibility conditions of this incentive.
Concessionary corporate tax rate (on taxable income derived from qualifying activity)	10%
Incentive period	5 years (renewable for another 5 years subject to meeting eligibility conditions)
Eligibility conditions	<ul style="list-style-type: none"> • Employs at least 15 full-time Malaysian employees with minimum salary of RM5,000 per month throughout the incentive period to carry on the qualifying activity & at least 50% of these employees are Malaysian; • Has paid-up capital of at least RM1 million; • Incurs annual operating expenditure of at least RM1.5 million to carry on the qualifying activity; • Achieves annual sales revenue from the qualifying activity of at least RM300 million; • Is located in a Licensed Manufacturing Warehouse (LMW), Free Zone (FZ) and/or Bonded Warehouse; and

	<ul style="list-style-type: none"> • Uses Malaysian ports and airports for its qualifying activity <p><i>Note: Other conditions may be imposed as stated in the approval letter.</i></p>
Effective date	<ul style="list-style-type: none"> • YA 2021
Application to be submitted to MIDA	<ul style="list-style-type: none"> • From 1 January 2021 to 31 December 2022

A Guideline on Incentive for Setting up a Global Trading Centre is available at the Malaysian Investment Development Authority's website.

Withholding tax (WHT) on payments to agents, dealers and distributors

The IRB has issued [Frequently Asked Questions \(FAQ\)](#) on 28 February 2022 on WHT on payments to agents, dealers and distributors (ADD) pursuant to Section 107D of the ITA which takes effect from 1 January 2022.

Under Section 107D, companies are required to remit WHT at 2% to the IRB on payments (in monetary form, excluding credit notes, contra-transactions and discounts) made to ADD.

ADD refers to a resident individual (including a sole proprietor/ individual partner to a partnership) who is authorised by the company to act as its agent, dealer or distributor, and receives payments from the company arising from sales, transactions or schemes.

This WHT is only applicable if the total sum of payments (cash and in-kind) received by the ADD from the company in the preceding year is more than RM 100,000. This threshold needs to be evaluated by the company on a yearly basis to determine whether the 2% WHT is applicable to payments made to an ADD for the current year.

The paying company is required to complete the **prescribed Form CP107D** when making the WHT payment. The WHT must be remitted to the IRB within 30 days after paying/ crediting the payments to the ADD. A 10% penalty will be imposed for late payment.

As per item E3 of the FAQ, the requirement to deduct and remit the 2% WHT for payments made to ADD from 1 January 2022 to 2 March 2022 has been deferred to 1 April 2022. For payments to ADD from 3 March 2022 onwards, the due date to remit the 2% WHT is within 30 days from date of paying / crediting ADD.

Please refer to the FAQs for further details.

Contact us

If you require further information on the above, please contact our team: -

Service Line	Name	Email
Corporate Tax and Advisory	Thang Mee Lee Lim Kah Fan	Mee.Lee.Thang@my.tricorglobal.com Kah.Fan.Lim@my.tricorglobal.com
Transfer Pricing	Leow Mui Lee Vivian New Sarah Chew	Mui.Lee.Leow@my.tricorglobal.com Vivian.New@my.tricorglobal.com Sarah.Chew@my.tricorglobal.com
Individual Tax	Thang Mee Lee	Mee.Lee.Thang@my.tricorglobal.com
Tax Audit and Investigation	Lim Kah Fan Thisha Gunasilan	Kah.Fan.Lim@my.tricorglobal.com Thisha.Gunasilan@my.tricorglobal.com
Knowledge Management	Vivian New	Vivian.New@my.tricorglobal.com
Indirect Tax	Leow Mui Lee Thisha Gunasilan	Mui.Lee.Leow@my.tricorglobal.com Thisha.Gunasilan@my.tricorglobal.com

For other Tricolor services, please email to info@my.tricorglobal.com or visit www.tricorglobal.com

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Tricolor Taxand Sdn Bhd
200601026227 (745982-X)

Address:
Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia