

PART A : PREPARING FOR THE CHANGEOVER

Questions And Answers- Compiled By Lembaga Hasil Dalam Negeri (IRB)

Q1: What will happen in the year 2000?

A1: In the year 2000, there will be a change in the basis of assessment from the preceding year basis to the current year basis. The Income Tax Act 1967 will have to be amended to facilitate the change. The year of assessment 2000 will be in respect of :-

- (a) the basis period ending in the year 1999 (preceding year basis); or
- (b) the basis period ending in the year 2000 (current year basis).

The year of assessment following the year of assessment 2000 on preceding year basis shall be the year of assessment 2000 on current year basis.

Q2: In the year 2000 will I be liable to tax on my income earned in 1999?

A2: You are liable to tax on your income earned in 1999 for the Year of Assessment 2000 on a preceding year basis but as a result of the waiver, you would not have to pay any tax on the 1999 income.

Q3: Will Return Forms be issued for Year of Assessment 2000 (Preceding Year)?

A3: The Return Form for Year of Assessment 2000 will be issued as usual at the beginning of year 2000 (February). Taxpayer will be required to complete and submit Return Form for the Year of Assessment 2000 declaring the income arising from the year 1999. Tax that would have been chargeable will be waived .

Q4: When will the Return Form to declare the income for year 2000 be issued?

A4: The Return Form for the Year of Assessment 2000 requiring taxpayer to declare his income for the year 2000 will be issued at the beginning of the year 2001.

Q5: If my tax for Year of Assessment 2000 on income earned in 1999 is waived, why do I need to file a return for the Year of Assessment 2000?

A5: The return is required by IRB to determine whether you are entitled to the waiver and if you have business income, to compute the capital allowances and losses (if any) due to you.

Q6: Will Notices of Assessment be issued?

A6: Notices of Assessment will be issued for taxable cases. For companies, tax computations will be issued for purposes of confirming the exempt account.

Q7: Will tax have to be computed for the Year of Assessment 2000?

A7: The Return Forms for the Year of Assessment 2000 submitted to IRB has to be accompanied by accounts and tax computation.
Capital allowances will be allowed in arriving at the statutory income of the company, whether or not claimed. Tax liability will be determined and any tax payable will be waived from tax.

Q8: What income are not included in the waiver?

A8: The waiver of tax for Year of Assessment 2000 is not given across the board to all income arising from 1999.
The following income and categories of taxpayer are subject to tax :-

- a. Dividend
- b. Income which is subject to final withholding tax (interest, royalties, technical fees).
- c. Non-citizens and non-resident individuals who commenced or ceased employment in 1999.

Q9: How would dividend income be taxed?

A9: Dividend income will be subject to tax in the Year of Assessment 2000. The tax on dividend can be worked out as follows :-

Example (1)

In 1999, Mr. Tan receives dividend income only. His dividend income will be subject to tax for Year of Assessment 2000. His tax is computed as follows:-

	RM
Gross Dividend (tax deducted at source: RM8,960.00)	32,000
Less: Approved Donations	200

	31,800
Less: Personal Relief	15,000

	16,800
	=====
Tax on First 10,000	250
Tax on balance @ 6%	408

	658

Less: Tax deducted at source	8,960
Tax Repayable	8,302

Example (2)

In 1999 Mr. Tan receives rental income of RM120,000 besides the dividend income of RM32,000. Tax on rental income will be waived. The computation of tax for Year of Assessment 2000 is computed as follows:-

	(A)	(B)
	(With Dividend)	(Without Dividend)
	RM	RM
Gross Dividend (tax deducted at source RM8,960.00)	32,000	-
Rental	120,000	120,000
Total	152,000	120,000
Less: Approved Donations	200	200
	151,800	119,800
Less: Personal Relief	15,000	15,000
Chargeable Income	136,800	104,800
Tax First 100,000	16,750	16,750
Tax on balance @ 29%	10,672	1,392
Tax Payable	27,422	18,142
Therefore Tax on Dividend (A)-(B) (27,422 - 18,142) =		RM 9,280
Less: Tax deducted at source		<u>8,960</u>
Tax Payable		320

Q10: What happens to dividend received as part of business income?

A10: Dividends of such nature is still subject to tax for Year of Assessment 2000 and Section 110 credit (tax deducted at source) will be set-off accordingly.

Example (1)

ABC Sdn. Bhd. is an investment dealing company. Dividends are assessed as part of the business income. Tax on business and interest income is waived. The computation of tax on dividend income for Year of Assessment 2000 is as follows:-

Year of Assessment 2000 (preceding year)

	(A)	(B)
	(With Dividend)	(Without Dividend)
	RM	RM
Business (Statutory Income)	100,000	100,000
Dividend	60,000	-
Interest	40,000	40,000
Total	200,000	140,000
Tax @ 28%	56,000 =====	39,200 =====
Therefore Tax On Dividend (A)-(B) (56,000 - 39,200) =		RM 16,800
		<u>16,800</u>
Tax Payable		NIL =====

Example (2)

XYZ Bhd is an investment dealing company and also receives rent from its properties. Dividend income is taxed as part of business income. For the Year of Assessment 2000, the tax computation on dividend income is as follows:-

Year of Assessment 2000 (preceding year)

	(A)	(B)	
		With Dividend	Without Dividend
		RM	RM
Business (Statutory Income)		20,000	20,000
Dividend	75,000		
Less: Interest expense	25,000	50,000	
Rental		40,000	40,000
Total		110,000 =====	60,000 =====
Tax @28%		30,800	16,800
Therefore Tax on Dividend (A)- (B) (30,800 - 16,800) =			RM 14,000
Less: Tax deducted at source			<u>21,000</u>
Tax Repayable			7,000 =====

Q11: When would a non-citizen or non-resident individual be taxed on his employment income?

A11: A non-citizen or non-resident individual will be subject to tax for the Year of Assessment 2000 (preceding year) if he commences or ceases his employment in 1999. The tax on such income can be worked out as follows:-

Example (1)

Mr. Olivier Laurent is a Canadian citizen and has been working in Malaysia since 1992. He ceases employment in June 1999 and his salary for the period 1.1.1999 to 30.6.1999 is RM76,000. His tax for the Year of Assessment 2000 is computed as follows:-

	RM	RM
Employment income		76,000
Less: Personal Relief		
Individual	5,000	
Wife	3,000	
Child	1,600	
Insurance / EPF	<u>5,000</u>	<u>14,600</u>
Chargeable Income		61,400 =====
Tax on First 50,000		4,750
Tax on balance @ 21%		2,394
Tax Payable		7,144 =====

Example (2)

Mr. Normura arrives in Malaysia on 1 October 1999 and commences employment in Malaysia from 2 October 1999 to 31 December 1999. He receives a salary of RM45,000 from October to December 1999. Mr. Normura is a non-resident for the basis year 1999 and his tax for Year of Assessment 2000 is computed as follows:-.

Tax chargeable RM45,000 @ 30% = **RM13,500**

Q12: How will companies that change their financial year be affected in the waiver year?

A12: The basis period for a Year of Assessment 2000 considered for the waiver will follow that of the financial year of the company. Any company making up accounts of more than 12 months will however be only given a waiver of tax for profits up to 12 months only. The balance will be taxed.

Example

PQR Bhd. makes up its account for the following periods:-

1.7.1997 - 30.6.1998 (12 months)

1.7.1998 - 31.12.1999 (18 months)

1.1.2000 - 31.12.2000 (12 months)

The waiver of tax on profits of company PQR is as follows:-

Basis Period	Year of Assessment
1.7.1997 - 30.6.1998	1999 (taxed)
1.7.1998 - 30.6.1999	2000 (waived) (Preceding Year Basis)
1.7.1999 - 31.12.1999 1.1.2000 - 31.12.2000	2000 (taxed) (Current Year Basis)

Q13: What happens if a company commences business in 1999 and closes its first accounts in year 2000?

A13: For example, if a company commences business on 1.7.1999 and makes up its first accounts of 12 months to 30.6.2000, such a company would not be entitled to the waiver.

Q14: What happens to business losses and unabsorbed capital allowance brought forward to Year of Assessment 2000 (preceding year)?

A14: Based on the Return Forms and accounts submitted for the Year of Assessment 2000 (preceding year) the company's tax will be computed as usual, where unabsorbed business losses and capital allowances brought forward would be allowed. Any tax payable will then be waived.

However, if the results are that there are losses to be carried forward, such losses and capital allowances would be carried forward to the Year of Assessment 2000 (current year).

Q15: Will dividends distributed out of income where tax has been waived be exempt from tax in the hands of the shareholders?

A15: An amount equal to the chargeable income upon which tax is waived shall be credited to an exempt account to be kept by the company for distribution of exempt dividends. If the shareholder is a company then any dividend paid out of such exempt dividend income will also be exempt in the hands of the shareholders.

Q16: Will dividends distributed from an exempt account in respect of income where tax has been waived, be subject to tax if such dividends are paid in 1999?

A16: Any dividend distributed from the exempt account will not be subject to tax for the year of assessment 2000 (preceding year).

For example, DEF Bhd's accounting period is 30 June. Tax on income arising in basis period ending 30.6.1999 for Year of Assessment 2000 is waived and the company makes a dividend distribution out of the exempt account on 30.10.1999. Such dividend distribution would also be tax exempt in the hands of the shareholders for the Year of Assessment 2000 (preceding year).

PART B: "CURRENT YEAR ASSESSMENT".

Questions and Answers - Compiled By Ministry of Finance Malaysia & Lembaga Hasil Dalam Negeri (IRB).

Q1: What is meant by "current year assessment system"?

A1: Under the current year assessment system, income derived in the current year will be assessed and liable to tax in the same year. In the 1999 Budget, it is proposed that the current year assessment system be implemented with effect from the years 2000. With this change, it would mean that income derived in the year 2000 will be assessed to tax in the same year.

Q2: What is the difference between "current year assessment" and "preceding year assessment"?

A2: The difference between "current year assessment" and "preceding year assessment" is as follows:

"Current year assessment" means income derived in a current year will be assessed and liable to tax in the same year.

"Preceding year assessment" means income tax charged for a particular year is based on income that has been derived in the preceding year.

We are presently under the "preceding year assessment" system. As such, income derived in 1998 will be assessable in the year 1999 (year of assessment 1999).

Q3: What are the benefits under the "current year assessment system"?

A3: The benefit arising from a current year assessment system is that tax will be assessed and collected on income derived in the same year.

As such, the tax will be collected based on the ability (to pay) and the current cash flow position of the taxpayer. However, under the preceding year assessment basis, tax is collected about a year after the income arises and this has resulted in cash flow problems to the taxpayers in the following year when they have to settle their taxes, particularly in time of recession or economic downturn.

Q4: How does Lembaga Hasil Dalam Negeri (IRB) collect taxes from taxpayers?

A4: The method of payment of income tax is determined following the categories of taxpayers. Taxpayers can generally be categorised into:

(i) Employees (individuals only);

(ii) Business (individuals and companies); and

(iii) Others including co-operatives, associations, Trusts and deceased estates.

Employees

This category of taxpayers are subject to the Schedular Tax Deduction (STD). Under the STD, tax is deducted by the employer from the salaries of the employees based on a schedule as provided by IRB.

Business

The business group comprises individuals (sole proprietors and partners) and companies. This category of taxpayers is subject to the instalment payment scheme. Under the present arrangement, taxpayers are allowed five (5) bimonthly instalments (January, March, May, July and September or February, April, June, August and October).

Others

Same as the business group as mentioned above.

Q5: What is meant by the "Schedular Tax Deduction" (STD)?

A5: The Schedular Tax Deduction (STD) is a collection scheme whereby it is obligatory for each employer to deduct from the salary of each of his employee following a schedule as determined by IRB for payment of income tax of the employees.

Presently, there are 3 categories of employees who are subject to STD:

- (i) Employees who commenced employment before 1 January 1995;
- (ii) Employees who commenced employment after 1 January 1995; and
- (iii) Employees in Sabah and Sarawak.

Category (i)

For employees commencing employment prior to 1 January 1995, tax deduction is in respect of income derived from the preceding year.

Category (ii) and (iii)

For employees commencing employment after 1 January 1995 and employees in Sabah and Sarawak, tax deduction is for the income derived in the current year.

Q6: What are the implications on taxpayers arising from the implementation of the current year assessment system in year 2000?

A6: With the implementation of the "current year assessment" system in year 2000, taxpayers will have to pay tax in year 2000 based on the income derived in the year 2000. However, as the assessment in year 1999 is still based on the preceding year basis, income for 1999 will be assessable to tax in year 2000 and payment of tax has to be made in that year too. This means that the taxpayer would have to pay income tax for 2 years in the year 2000.

Q7: How would the Government relieve the burden on the taxpayers having to pay tax for two years in one year as a result of the change to the current year assessment?

A7: To relieve the burden on taxpayers from payment of income tax for 2 years in one year, the Government proposed to waive income tax on the 1999 income. This means that in the year 2000, tax will not be charged on income for the basis period 1999. Tax that needs to be paid in year 2000 is based on income derived in the year 2000 only.

Even though income for basis year 1999 is waived from income tax, taxpayers are required to declare their income for the said year in the Return Form for Year of Assessment 2000.

Q8: What are the types of income that are chargeable to tax?

A8: Income chargeable to tax following the provisions of the Income Tax Act, 1967 are as follows:

- (a) Employment income;
- (b) Business income;
- (c) Dividends, interest and discounts;
- (d) Rents, royalties and premiums;
- (e) Pension, annuities and other periodical payments; and
- (f) Other income not falling under any of the above.

Under section 3 of the Income Tax Act 1967, remittances received by residents, other than companies, from outside Malaysia are chargeable to tax.

Q9: What is meant by income for 1999 being waived from income tax?

A9: Income for 1999 which is to be waived from income tax is in respect of all income as stated under the answer for the question No. 8 above, derived from basis period 1999, except for dividend income. However, income derived by foreign employees and non-resident individuals who commence or terminate their employment in Malaysia in the year 1999 will be subject to tax. Income derived in the basis period 1999 means income arising and does not necessarily mean income received in the basis period 1999. Income received in the basis period 1999 but relates to employment or business transactions in the basis period 1998 or prior years will be subject to tax in the year the income arises and will therefore not be waived from income tax. For example, compensation received in year 1999 for cessation of employment which took place in 1998 will be considered as income for 1998 and not as income for 1999.

Q10: What are the implications from the waiver of tax on taxpayers?

A10: The assessment and payment positions for each category of taxpayers resulting from the tax waiver on income derived from basis year 1999 are as follows:-

(a) Employees

Based on 3 categories of employees who are subject to STD:

- (i) Employees who commenced employment before 1 January 1995;
- (ii) Employees who commenced employment after 1 January 1995;
- (iii) Employees in Sabah and Sarawak.

Category (i)

For employees under this category, deductions under STD will continue in the year 1999 for payment of tax on 1998 income.

Employees are required to declare their 1998 income in the Return Form for Year of Assessment 1999 which will be issued in the early part of 1999, to be assessed for the Year of Assessment 1999. They will not be taxed on income arising in the year 1999 in year 2000. Beginning from year 2000, they will pay tax based on current year income (year 2000).

Category (ii) and (iii)

For employees under these categories, they are exempted from deduction of tax under STD in the year 1999 because they have already paid tax on their 1998 income through STD in the year 1998. However, such employees are still required to declare their income for 1998 by submitting Return Form for Year of Assessment 1999 to determine their actual tax liability. STD will recommence in respect of these categories in the year 2000.

(b) Business

(c) Others (co-operative, associations, trusts, deceased estates)

For categories (b) and (c) above, they will continue to pay income tax through the instalment scheme as arranged for in 1999 on the income for basis period 1998. They are required to declare income for basis period 1998 for the Year of Assessment 1999. These categories will continue to pay tax in year 2000 but on current year income. These groups of taxpayers will also not be assessed on income for basis period 1999 in the year 2000. However, they will be required to complete Return Form for Year of Assessment 2000 which will be issued in 2000, for declaration of business profits/losses for basis period 1999, to enable the claim for losses to be carried forward to be determined.

Q11: How is the tax treatment on non-residents as a result of the implementation of "current year assessment" system?

A11: Presently taxpayers who are non-residents are assessed as follows:-

(i) Income Tax

Taxpayer	Rate of Tax (%)
Individuals	30% of chargeable income
Companies	28% of chargeable income

(ii) Withholding Tax

Types of Income	Withholding Tax Rate (%)
Interest	15% on gross income -- Final Tax
Technical Fees	10% on gross income -- Final Tax
Royalties	10% on gross income -- Final Tax
Income of foreign public entertainers	15% on gross income -- Final Tax
Contract Payments	10% on contract payment - Not a Final Tax 3% on contract payment for non-resident employees - Not a Final Tax

Non-resident taxpayers are also presently subject to assessment on a preceding year basis and payment of tax for 2 years in one year will also arise in year 2000. Generally the non-resident taxpayers are also waived from tax on income derived in year 1999.

However, non-resident individuals who commence employment in 1999 will be assessed to tax on the 1999 income.

In respect of withholding taxes, the payers in making payments to non-residents are required to withhold and remit to IRB, tax of the non-residents on specific income and at rates specified. The tax waiver on 1999 income will not be applicable to non-residents receiving income which is subject to withholding tax and considered as a final tax.

On the other hand, withholding tax on the service portion of contract payments is provided as a collection mechanism to ensure compliance of the non-residents to submit Return Forms and to settle their tax liability which will only be determined in the following year. Thus, such withholding tax on the non-resident contractors are not final tax and the non-resident contractors will be given the waiver in respect of income derived in basis period 1999. However, withholding tax will still apply to ensure tax compliance of the non-resident contractors.

Q12: Will the implementation of the "current year assessment" system affect the Government's cash flow?

A12: The implementation of the "current year assessment" system will enable tax on income derived by the taxpayer in a particular year to be collected in the same year too. This means that the Government's cash flow will not be affected by the implementation of current year assessment system but the cash flow will reflect the current economic performance.

Q13: What are the categories of taxpayers which will not be granted the tax waiver on year 1999 income?

A13: The change from the "preceding year assessment" to "current year assessment" system involves the assessment system under the Income Tax Act 1967 and the waiver of tax on basis period 1999 income is given to avoid taxpayers having to pay two (2) years taxes in one year. The categories of taxpayers not given the waiver are as follows:-

(i) foreign employees and non-resident individuals who commence or terminate their employment in year 1999;

(ii) taxpayers subject to withholding tax where it is a final tax.

Q14: Is "current year assessment" system applicable for the Petroleum Income Tax Act 1967 ?

A14: Current year assessment system is not applicable to the Petroleum Income Tax Act 1967. This decision is taken in view of the need for the Government to maximise tax revenue from the upstream petroleum industry which is exploiting the most important natural resource of the country that would be depleted after a period of time. Furthermore, the income tax element has been taken into consideration in the profit sharing contracts of this industry.

Q15: What is the tax treatment on dividends with the implementation of the "current year assessment" system?

A15: With the implementation of the "current year assessment" system, any dividends distributed out of income from basis period 1999 will be exempted in the hands of the recipients (shareholders). For this purpose, companies are required to keep a separate account for income derived in the basis period 1999, which would be waived from the income tax.

Q16: What is the effect of the implementation of the "current year assessment" system on companies enjoying incentives under pioneer status?

A16: If the period of exemption under Pioneer Status overlaps with the basis period 1999 where the tax is being waived, the Government will not extend the relevant pioneer period.

Q17: How is the tax treatment of companies whose financial year is not the same as the calendar year ?

A17: This Ministry takes note that there are companies whose financial year is not the same as the calendar year. For these companies, the implementation of the current year assessment system beginning from the year 2000 will subject them to financial difficulty even though income derived for the basis period 1999 is waived from tax. This is because they are still subject to payment of two - year tax in one year. For example, for a company having a financial year from 1 February to 31 January would have to pay tax on income derived during the period 1 February 1999 to 31 January 2000 as well 1 February 2000 to 31 January 2001 in the year 2000. In line with the objective to avoid the payment of income tax for two years in one year, those companies are required to start making tax payment in the month of January 2000 instead of February 1999 on income derived for the period 1 February 1999 to 31 January 2000. At the same time, those companies will also be allowed to settle their tax on income derived in the basis period 2000 until the end of 2001.

INCOME TAX

1.REQUEST FOR TAX RETURN

Q: I have not received my Income Tax Return Form. How do I obtain a copy of the said form?

A: Contact the Assessment Branch where your income tax file is registered or the nearest Inland Revenue office and request for the relevant forms.

2.TRANSFER OF FILE

Q: I have changed my place of work from Kuantan and I am currently working in Shah Alam but my income tax file is at the Inland Revenue Branch in Kuantan. Can my income tax file be transferred to Shah Alam?

A: You may by way of telephone or letter to the Inland Revenue Branch Kuantan request for your tax file to be transferred to the Inland Revenue Branch Shah Alam. You have to inform the new Branch (in this case the Shah Alam branch) of any future change of address.

3.MEDICAL EXPENSES

Q: Can I make a claim on medical expenses expended on myself ?

A: You may claim medical expenses for serious diseases expended on you, your spouse or child up to a maximum of RM 5,000.00 a year and medical expenses for parents up to a maximum of RM 5,000.00 a year. Such a claim must be supported by original receipts issued by a medical practitioner.

5. SCHEDULAR TAX DEDUCTION (STD)

Q: My employer has been making Schedular Tax Deductions (STD or PCB as it is more commonly known) from January up to December 2001. I have received my Form J (Notice of Assessment) in May 2001 and the tax payable is RM 1,200.00. Do I have to settle the tax raised ? The STD deduction from January - December 2001 totalled RM 1,000.00.

A: If you are in the payment scheme under STD, you do not have to pay the tax separately. In this case, you only have to pay the balance RM 200.00.

6. TO STOP STD DEDUCTION

Q: According to my calculation, I am not liable to tax for the year of Assessment 2001. What should I do to enable my employer to stop / cancel my deductions under STD?

A: You may contact the Assessment Branch directly for confirmation of your non-liability, then inform the Collections Branch and request the issuance of a letter to your employer to stop the STD deductions.

7. STD DEDUCTIONS ARE TOO LOW

Q: My monthly STD deductions are too low compared to the actual tax payable (according to the Form J). How can I increase my deductions to settle the tax payable?

A: You can request your employer to increase your monthly deductions to settle the tax payable. Employers do not have to wait for instructions from the Collections Branch to increase monthly deductions for purposes of paying tax.

8. STD DEDUCTIONS ARE IN EXCESS

Q: My monthly deductions are in excess of the total tax assessed. How do I apply to cancel further monthly deductions and also obtain my over payment of tax?

A: You can contact the Collections Branch directly to obtain a letter to stop the deductions. You can apply for a refund of your credit on condition that all assessments have been finalised to-date.

9. CHILD RELIEF

Q: Is there a limit to the number of children entitled to child relief under the Income Tax Act?

A: There is no limit to the number of children, but relief will only be given for any dependent unmarried child who at the time is:

i) below 18 years of age;

ii) if above 18 years of age, was in receipt of full time education or is under articleship or indenture in trade or profession; or

iii) is physically or mentally disabled (relief for physically or mentally disabled child is RM 5,000.00).

10.RETIREMENT

Q: I am going to retire from civil service, how do I obtain my income tax clearance certificate?

A: You can contact the Assessment Branch where your income tax file is registered and bring along your Form CP 22 B (Notice of Cessation of Employment) that has been completed by your employer. Please ensure that your employer forwards the Form CP 22 B to the relevant IRB Assessment Branch, 6 months before your retirement.

11.BI-MONTHLY INSTALMENT SCHEME

Q: I run a provision shop and from time to time sell provisions at the night market. Can I pay my income tax through the Scheduler Tax Deduction (STD) scheme?

A: No, the STD is strictly for person (s) under employment contract only. If you are in business or self-employed, you can pay your tax through the bi-monthly installment payment scheme. If you are not in the installment scheme, you have to settle your tax within 30 days from the date on the Notice of Assessment (Form J).

12.PENALTY ON LATE LODGEMENT OF RETURN FORM

Q: Would a penalty be imposed if I delay the submission of my return form?

A: Yes, a penalty will be imposed if there is a delay in the submission. All return forms must be submitted within 30 days from the date stated on the form or a period that has been stipulated.

13.ZAKAT / FITRAH REBATE

Q: If I pay zakat or fitrah (religious tithes), can I make a claim of set-off against the tax payable?

A: Yes, you can if you are a Muslim. You have to forward the original receipts to substantiate your claim. The receipts must be in the name of the taxpayer.

14.DEDUCTION FOR DONATION

Q: If I make a donation to the Masjid Fund, can I make a claim for deduction from my tax?

A: You can make a claim for deduction for the donation made but the donation must be made to a body or fund approved by the Director General. Usually the approval (gazette notification) will be stated on the receipt. You have to forward the original receipt with your Form B for the relevant year of assessment.

PAYMENT OF TAX

Q1 : What is STD / PCB?

A1 : Scholar Tax Deduction (STD or PCB) which was introduced in 1st January 1995, is a system of tax recovery where employers make deductions from their employees' remuneration every month in accordance with a **Schedule**. This is mandatory, in that neither the employer nor employee has any choice in the matter. Any deviation from the requirements of the **Income Tax (Deduction from Remuneration) Rules 1994** can only be upon written authorization from the Board.

Q2 : How does STD differ from CP38 deduction?

A2 : As explained in above, STD is an automatic deduction made every month, while CP 38 deduction arise only when the Board issues a specific **direction to the employer** requiring him to make deductions of certain amounts for specified months. Such CP 38 deductions are generally towards settlement of outstanding taxes while STD is on current income (PAY AS YOU EARN)

Q3 : Can STD be remitted through tapes or diskettes?

A3 : This form of remitting STD is allowed; in fact employers having more than 20 employees are encouraged to submit their STD payments through tapes or diskettes because in this way, processing can be achieved faster and there would be no mistakes in transcribing the details into IRB's computer system.

However, whatever mode of remittance that may be used, employers are reminded that they should furnish complete and accurate particulars of all employees so as to avoid delay in crediting the deductions to the respective individual accounts.

Q4 : What are the payments liable to STD?

A4 : STD is due only on employment income, i.e., on **remuneration** that arises from a master servant relationship, and this includes all payment other than benefits-in-kind [Section 13(1)(b)], accommodation benefits [Section 13(1)(c)] and reimbursements. Employment income subject to STD includes salary, wages, commission, overtime, allowances, director' fees, tips and bonuses arising out of exercising the employment. The employer adds up such income, subtracts the employee's EPF contribution (subject to a maximum of RM416. per month or RM 5000 per year), and deducts the STD in accordance with the relevant category in the Schedule that the employee comes under. However, where the payment is **bonus or other lump sum** amount, a special formula has to be adopted to determine the STD.

Q5 : Please explain how Form CP159 is to be completed?

A5 : The **Form CP 159** issued to employers forms part of the Form E and the employer is required to show in it details of remuneration and deduction made in each month of the relevant year. The Form CP 159 is a statement of fact; it shows, among other things, the total remuneration paid and the STD deducted therefrom in each of the given months notwithstanding the basis year to which

the payment refers. E.g. Bonus for 2000 is paid in February 2001. This will not feature in the CP 159 for 2000 in spite of **being payable** for 2000. It will only be stated in the CP 159 for 2001, as it was **actually paid** in 2001.

THE FORM CP 159 IS TO BE COMPLETED IN DUPLICATE.

[Refer to **Statement Of Tax Deductions Under Income Tax (Deduction From Remuneration) Rules 1994 - Form CP159**]

Q6 : How to calculate the STD for director's fees?

A6 : In cases where the Director's Fees is paid monthly together with other monthly remuneration, both the relevant amounts must be added together in order to determine the STD.

For cases where only Director's Fees is paid monthly, the STD is determined in the usual manner.

Where a director is paid a monthly remuneration and he receives Director's Fees in a lump sum, the STD is calculated by using the **Bonus Formula**.

In instances where the director receives only Director's Fees and paid in a lump sum, the relevant amount is divided by the number of months for which the payment relates. STD is determined accordingly and then multiplied by the number of months in question. E.g. A director receives annual Director's Fee of RM36,000.00, without any other remuneration. Therefore the amount applicable per month is RM3,000.00 (RM36,000.00 / 12). The STD for RM3,000 is determined and then multiplied by 12.

Q7 : How to deduct STD if the reference number of the employee is not known?

A7 : Contact the nearest Inland Revenue branch to check for the tax reference number. If that employee does have a tax reference number, action must be taken to register a tax file.

Q8 : What reference number should be used if the employee has two or more reference number as, for example, in the case of a married woman?

A8 : In the case of a married women, quote the husband's reference number but ensure that the wife's code is stated. For other cases, contact the nearest IRB branch for assistance.

Q9 : An over-deduction has been deducted in respect of an employee for a particular month. Will a refund of the excess amount be made to the employee?

A9 : No. As the monthly deduction is made from the employee's remuneration, any refund will accrue to the employee in question.

Q10: Remittance of an amount in excess of that stated in the deduction table has been discovered? Can an adjustment be made in the following month's deduction?

A10: An adjustment is acceptable provided a covering letter explaining the position is sent together with the adjusted deduction. Adjustments are not allowed for different years, for example, an error relating to the deduction in December 1999 cannot be rectified by an adjustment in the deduction made in January 2000. It is advised that you seek assistance from the nearest IRB Branch before making any adjustments.

Q11: An employee is about to cease working. Are tax deductions still required?

A11: Yes. In addition to complying with the monthly tax deduction, the following must also be complied with if that employee is known to be retiring from employment:

All monies due to the employee must be withheld.

A notification of cessation through Form CP 22A (Form CP 22B for employees in the public sector) must be immediately forwarded to the relevant Inland Revenue Assessment Branch.

The correct amount of tax to be paid (if any) must be remitted to the Inland Revenue immediately upon receipt of the certificate of tax clearance.

Q12: An employee has income from other employment sources too. How should his tax deduction be calculated?

A12: An employer is required to deduct tax only in respect of the remuneration paid by him to his employee. The other employers of the employee will be responsible for making the necessary deductions on the remuneration they pay.

Q13: An employee wants tax to be deducted at higher amount than that determined by the table. Can this be complied with?

A13: An employee's actual tax liability may be higher than the total amount of his deductions because of income from other sources. Higher deductions can be made if the employee so requests.

Q14: Will tax deductions be applicable to an employee who makes zakat payments?

A14: Where an employee pays zakat through monthly deduction from his salary, the employer may off-set such zakat payments against the amount of tax deduction for the respective month.

However if zakat is paid in other manner, the employee concerned should contact the IRB branch which handles his tax file for further assistance.

Q15: Will tax deductions be applicable to an employee who is entitled to a refund after taking into account tax deducted at source from dividend income?

A15: Tax deductions are applicable. However, the employee concerned may contact the Inland Revenue office which handles his tax file for assistance.

Q16: If a direction to employer to deduct tax (Form CP38) is received by the employer in respect of one of his employees, will the employer still have to deduct tax under the schedular tax deduction scheme?

A16: Yes, the Direction To Employer To Deduct Tax (Form CP 38) will be issued for the purpose of recovering outstanding tax only.

Q17: If a taxpayer, on receiving his form J, Finds that his STD deductions are insufficient to cover the total tax payable, what should he do?

A17: He should pay the difference within 30 days from the date of Notice of Assessment.

STD ENQUIRIES

STD payments	03 – 62015994 03 – 62003302	Payment Unit, Collection Branch, Kuala Lumpur
Diskette / Tape / Cartridge	03 – 62015998 03 – 62003307	STD (CP 39) Unit, Collection Branch , Kuala Lumpur
STD compliance	03 – 62014696 03 – 62003424 03 – 62003425	Employer's Service Unit, Collection , Kuala Lumpur

Please contact Employer's Service Unit of the nearest IRB office (for employer outside Kuala Lumpur)

CP 204

Q1: What is the relevant form that a company needs to furnish to estimate the tax payable for YA 2003 and where can this form be obtained?

A1: The relevant document is CP204. This form can be obtained at the counter of the Processing Centre at 2nd floor , Block 8A, Government Office Complex, Jalan Duta, Kuala Lumpur or at any IRB Branch offices. The downloadable version is available at IRB homepage www.hasil.org.my.

Q2: When is the due date for submission of CP 204 for companies newly commencing business/operations?

A2: Subject to Section 107C(4), a company newly commencing business/operations need to furnish CP204 within 3 months from the date of commencement.

Q3: What should be the criterion of tax estimate for new a commencement case?

A3: A company newly commencing operation can furnish any amount that it deems reasonable as the estimated tax payable for that year of assessment so long as the variance between the actual tax and the estimated tax is not more than 30%.

Q4: A newly commenced company shall furnish an estimated tax payable within 3 months from the date of commencement and payments are made from the 6th month of the basis period. When shall the company submit the revision?

A4: Revisions on the estimate is subject to Section 107C(7). Therefore a revision can be made in the 6th and 9th month of the basis period.

Q5: What if the basis period for a company newly commencing operation/business is less than 6 months?

A5: In an event where the basis period for a newly commenced company is less than 6 months, the 6th month revision on the estimate of tax payable will not be applicable. Notwithstanding the above, the Company can still submit a revised estimate tax payable with an appeal letter comprising concrete reasoning and supporting documents as evidence. Section 107C(6) will not be applicable and the Company is given a choice to make a single lump sum payment before or on the due date of submission of Form C.

Q6: In an event if the estimate of tax payable is less than RM 600, is it necessary to submit Form CP204?

A6: In accordance with Section 107C(1), CP 204 must be furnished even if the estimated tax payable is less than RM 600.00 or RM 0.00. Nevertheless the Company has the option to either to pay the installments or fully settle the tax on the due date. Tax will not be increased under Section 107C(9) for cases RM600.00 or less.

Q7: What is the prescribed form that must be furnished for a revision in the 6th or the 9th month?

A7: The prescribed form to be furnished for revisions in the 6th or the 9th month is CP204A.

Q8: Does the company need to state reasons or submit supporting documents when submitting a reduced estimate via CP204A in the 6th / 9th month?

A8: The 6th / 9th month revision on the estimate is processed automatically if the CP 204A is submitted within the due date and the initial submission of CP 204 is furnished in accordance with Section 107C(2) / 107C(4)(a). Therefore no supporting documents are required.

Q9: A company makes a late submission of CP204 for YA 2003 and subsequently forwards a revision in the 6th / 9th month. Will the company be allowed to make the revision?

A9: The company loses its eligibility to apply for the 6th/9th month revision due to the late submission (non-compliance) of CP204.

Q10: Under which section of the Income Tax Act 1967 does it state that a Company loses its eligibility to submit the 6th/9th month revision if it fails to submit Form CP204 on the stipulated due date?

A10: Section 107C(7) ITA 1967 states ' A company may in the sixth month of the basis period for a year of assessment furnish to the Director General **a revised estimate** of its tax payable for that year in the prescribed form...'The significance of the term revised estimate implies to the fact that the original estimated tax payable must exist i.e. furnished in accordance with Section 107C(2) or 107C(4a) in order to make a revision in the 6th / 9th month of the basis period. Section 107C(7) must be read together with Section 107C(2) / 107C(4a) to further interpret this matter.

Q11: Is it still permissible to furnish a photocopied Form CP204 / CP204A or CP204B to IRB?

A11: Photocopied Form CP204/204A/204B is admissible and can be furnished to IRB. However, the particulars/information reported in the form, including the declaration, which is subject to Section 75 ITA 1967 must be filled with block letters using a black ink pen.

Q12: A new company commences operations on 15.5.2001 and closes the first set of accounts on 31.3.2002 and on 31.3 for the subsequent years. The Company wishes to report its income and start monthly installment payments. Please advise how the estimate income is reported.

A12: For compliances purposes under the Self Assessment System (SAS), companies newly commencing must adhere the following:

I.Registration Of Income Tax Reference Number

Application for tax reference C number must be made at the Index Unit, IRB Company Branch. All applications must consist of M&A, Companies Registration Certificate, Borang 9, Borang 49, Borang 24 and duly completed SYKT/RD1A (03) and SYKT RA/001 forms.

II.Determination Of Basis Period In Accordance With Public Ruling 7/2001

In Accordance With Public Ruling 7/2001, the basis periods for the above Company is determined as below:

YA2001 - 15.5.2001-31.12.2001
YA2002 - 1.1.2002-31.12.2002
YA2003 - 1.4.2002-31.3.2003

Its important to determine the basis period for newly commencing cases for the purpose of compliance under Section 107C.

III.Section 107C Compliance- Estimate Tax Payment and Installment Payments for Companies

Year Of Assessment 2001

- Last day for CP 204 submission
i.e. 3months after commencing business : 15.8.2001

- Total number of installment obtained : 8 installments

- First installment payment
i.e. starting from the 6th month of the basis period : 10.10.2001

- Last date for submission of CP204A
i.e. revision in the 6th month of the basis period : 31.10.2001

- Last date for Borang C & R submission
(8 months after 31.3.2002 with an approval
from Processing Centre for extension of time) : 30.11.2002

- Due date for payment of balance of Tax payable
and debt due to the Government : 30.11.2002

Year Of Assessment 2002

- Last day for CP 204 submission
i.e.30days before beginning of the basis period : 1.12.2001

- Total number of installment obtained : 12 installments

- First installment payment
i.e. beginning from second month of the
basis period : 10.2.2002

- Last date for submission of CP204A
i.e. revision in the 6th month of the basis period : 30.6.2002
revision in the 9th month of the basis period : 30.9.2002

- Last date for Borang C & R submission
(7 months after 31.3.2003 with an approval

from Processing Centre for extension of time) : 31.10.2003

-Due date for payment of balance of Tax payable
and debt due to the Government : 31.10.2003

Year Of Assessment 2003

-Last day for CP 204 submission
i.e.30days before beginning of the basis period : 1.3.2002
-Total number of installment obtained : 12 installments
-First installment payment
i.e. beginning from second month of the
basis period : 10.5.2002

-Last date for submission of CP204A
i.e. revision in the 6th month of the basis period : 30.9.2002
revision in the 9th month of the basis period : 31.12.2002

-Last date for Borang C & R submission
(7 months after 31.3.2003 with an approval
from Processing Centre for extension of time) : 31.10.2003

-Due date for payment of balance of Tax payable
and debt due to the Government : 31.10.2003

CP 204 (Estimated Tax) Submission Conditions

- A) Estimate of tax payable (CP204) must be furnished within the stipulated period, i.e.30 days before beginning of the basis period for the relevant year. The Company will lose the eligibility to make revisions in the 6th and 9th month if Form CP 204 is not submitted by the due date.
- B) Estimated tax payable for the current year must not be less than the initial estimate or revised estimate submitted for the previous Year of Assessment

Q13: A newly commenced company prepares an account consisting of less than 12 months and not ending 31st December. The accounts are closed not to coincide with the same the group of companies. Under paragraph 3.5.3 Public Ruling 7/2001, the basis period for the assessment year will follow the calendar year (ending 31 December) each year until a full set of accounts consisting 12 months is prepared. The commencement date is 1.5.2002 and the first set accounts is closed on 31.3.2003

Accounting period	Basis Period	Year of Assessment
01/05/2002-31/03/2003	01/05/2002-31/12/2002	2002
	01/01/2003-31/12/2003	2003
01/04/2004-31/03/2004	01/04/2003-31/03/2004	2004

The period from 01/04/2003-31/12/2003 overlaps in Year of Assessment 2003 and 2004. The adjusted income or adjusted loss common to both basis periods is ignored in the second basis period as stated in paragraph 3.8 Public Ruling 7/2001.

Qa: When is the submission date for CP 204 for YA 2002, 2003 and 2004?

Aa: The submission date of form CP 204 :

YA2002 -is on/before 31.7.2002(3 months from the date of commencement).

YA2003- on/before 1.12.2002 (30 days before beginning of the basis period)

YA2004- on/before 1.3.2003 (30 days before beginning of the basis period)

Qb: Is the installment payment schedule prepared as below?

YA 2002- 10.10.2002-10.5.2003 (8 installments)

YA 2003- 10.2.2003-10.1.2004 (12 installments)

YA 2004- 10.2.2004-10.4.2004 (3 installments)

Ab: The correct installment schedule is as below:

YA2002 - as above

YA2003 - 10.2.2003-10.1.2004 (12 months) – tax estimate for the 12 months period from 1.1.2003-31.12.2003

YA2004 - 10.5.2003-10.4.2004 (12 months) - tax estimate for the 3 months period from 1.1.2004-31.3.2004

Qc: Is the Tax Estimate (CP204) prepared and submitted as below?

For YA 2003- estimated tax payable must not be less than the estimated tax payable submitted for YA 2002.

For YA 2004- estimated tax payable must not be less than tax payable in YA 2003. However, since effectively only 3 months income will be taxed in YA 2004, can the Company construct an installment for only 3 months and submit the tax estimate for the said year lower than the previous years' estimate.

Ac: The actual estimate of tax payable is as below:

YA 2003- submission of tax estimate must not be lower than the estimated tax payable for YA 2002

YA 2004- tax estimate must not be lower than the tax estimate for YA 2003. Nevertheless, since effectively only 3 months income will be taxed, the estimate tax can be divided equally over 12 months because the basis period for that assessment year still comprises 12 months. To avoid the system (SAS) to decline the lower estimate, the Company has to submit an appeal letter along with the CP 204 explaining the lower estimate is due to the overlapping period.

Q14: A company commences operations on 1.4.2002. The accounting period is from 1.4.2002 to 31.3.2003. The Company still hasn't received its Income Tax Reference Number (C number). Can the Company submit Form CP 204? How does the company commence the installment payment in the 6th month of the basis period if the reference number is not obtained by then?

A14: The Company can submit the Form CP204 using a temporary reference number; which is IV/C and followed by the Company Registration Number (ROC) e.g. IV/C 123456-A. At the same time, the Company must submit its application for Income Tax Reference Number (C Number) at the IRB Company Branch. Once the company obtains the Income Tax reference number, it must notify the Processing Centre immediately so that the installments schedule can be issued for the remaining months left in the basis period via Form CP205. For example, if the Company receives the Reference Number in December 2002, the installment schedule will begin from 10.12.2002 to 10.8.2003. Nine installments are given based on the number of months remaining.

Q15: A Company commences operation on 1.11.2001 and closes the first financial year on 31.12.2001. Therefore, the direction of basis period and submission dates of Form CP204 is as below:

Year of Assessment	Basis period	Submission of Form CP204
2001	1.11.2001-31.12.2001	31.1.2002
2002	1.1.2002 - 31.12.2002	1.12.2001

Please confirm whether the submission date of Form CP 204 for YA 2001 is after submitting Form CP 204 for YA 2002. In what manner should the installment payments originate?

A15: For the above illustration, the Company is advised to submit Form CP 204 for both years together on/before 1.12.2001. YA 2001 will comprise 2 installments, beginning 10.4.2002, which is the 6th month after commencing operations. Meanwhile, installments for YA 2002 will begin on 10.2.2002.

However, if the duration of the basis period consists of less than 6 months for a company commencing operation/business, the company has a choice to make

- single advance payment,
- pay on the due date of Form C submission or
- comply the installment schedule.

Q16: A company wishes to make an additional revision in the estimated tax payable in other than the 6th/9th month of the basis period. Is there any prescribed form to be filled for the abovementioned reason?

A16: There is no specific prescribed form to be filled for revisions in other than the 6th/9th month of the basis period. Nevertheless, the company needs to submit an appeal letter with relevant supporting documents to substantiate the appeal. The company will have to obtain an approval letter from the Kuala Lumpur Processing Centre (KLPC) before proceeding with payments based on the application.

Q17: A company is awarded with a contract in the last month of the financial year. Subsequently, the company submits an appeal with an increased estimated tax payable in the 12th month of the basis period. Will the IRB entertain such appeals and at the same time, consider prolonged installment payments?

A17: The company can submit the appeal to KLPC for approval on the revised estimate tax payable and new payment period even though the proposed payment schedule exceeds the existing payment period. If the appeal succeeds, the new prolonged payment period shall not exceed the submission date of Form C for that year of assessment.

Q18: A company faces financial difficulty in the midst of the installment period and appeals for a rescheduling of the installments based on its own proposal. Nevertheless, the number of installment payment is maintained equivalent to the number of months in the basis period. Can the Company appeal for such rescheduling of the installment payments?

A18: The IRB will process the appeal. If the appeal is approved, the installment scheme will be rescheduled as per the DG's discretion/Company's request in the SAS. No further installments will be given after the final payment.

Q19: A company changes the accounting period resulting the basis period of the company for a Year of Assessment to be extended to 18 months. Will the company be allowed to make further revisions in the estimated tax payable after the 9th month?

A19: The automatic revision in the estimated tax payable is still maintained in the 6th/9th month even though the basis period is extended to 18 months. Nevertheless, if the company wants to make a revision after the 9th month, an appeal letter with relevant supporting documents can be submitted to KLPC.

Q20: An erroneous Form CP 204 is submitted to KLPC stating incorrect basis period. Does the company need to furnish CP 204B to rectify the error?

A20: Form CP204B is used solely for purpose of notifying IRB if there is a change in the accounting period due to change in financial year-end or liquidation cases. Therefore CP204B cannot be furnished to rectify any errors made in Form CP 204. In the event if an error is made in CP 204, the company needs to write in a letter explaining the errors together with the copy of the CP 204 submitted earlier with incorporating the corrections to be made.

Q21: If a company changes the financial year-end, what is the due date for submission of Form CP 204B?

A21: A company changing the financial year-end needs to notify IRB as soon as the new date is affirmed. I.e.:

- 1)if the new accounting period is shortened, Form CP 204B need to be furnished a month before the start of the new accounting period
- 2)if the new accounting period is lengthened, Form CP204B need to be furnished a month before the existing accounting period ends

Q22: What is the new estimated tax payable amount to be furnished in Form CP 204B?

A22: The new monthly payable amount shall not be lower than the initial monthly payment amount:

Example:

Existing accounting period: 1.7.2001-30.6.2002

Estimate tax payable: RM12, 000 (**RM1, 000 p.m.**)

On 1.3.2002 the Company changes its accounting period to year ending 31.12.2002. Therefore the new basis period consists of 18 months – 1.7.2001- 31.12.2002. Accordingly the new estimated tax payable stated in Form CP204B must not be lower than RM 18,000.00 (**RM 1,000** x 18 months)

Q23: Will the new estimated tax payable amount which is submitted via CP204B used as the new estimated tax payable for that year of assessment when a comparison is made between the actual tax and estimated tax in the determination of penalty under Section 107C(10)?

A23: The submission of Form CP204B will not alter the approved estimated tax payable for the year of assessment. Therefore the new estimated tax payable stated in CP 204B will not be used as comparison with the actual tax during the computation of penalty under Section 107C(10). Therefore, the company is still required to submit CP204A for 6th/9th month revision or an appeal letter in order to make revision in the estimated tax payable; be it upward or downward.

Q24: A company submits CP204B to notify the change in accounting period. Is it necessary to attach the Director's Resolution?

A24: Its advisable to do so for reviewing purposes.

Q25: Is it a requirement for a company under liquidation to furnish CP204B?

A25: A company under liquidation needs to furnish CP204B with a resolution confirming the liquidation. (Borang 11- confirming the date of commencement of liquidation process)

Q26: A Company submits estimated tax payable for YA 2001 based on the assessment for YA1999. Subsequently the assessment for YA 2000 (Current Year) is raised at a relatively lower amount then the tax payable for YA 1999. Can the Company furnish the estimated tax payable for YA 2002 based on the tax assessed for YA 2000 (Current Year)?

A26: Section 107C(3) requires the submission estimate tax payable by a Company for current year must not be less than revised estimate or initial estimate made the previous year. Nevertheless, IRB will consider the Company's appeal if the application for lower estimate is attached with an appeal letter and supporting documents. If the appeal is approved, the Company can use that amount (YA2000 CY) as the basis to submit the estimated tax payable in YA 2002. However, if the appeal is declined by IRB, the submission of estimated tax payable (CP204) must comply with Section 107C(3). Therefore the estimate must be based on the previous year's revised estimate or initial estimate.

Q27: A company submits CP 204 with a lower estimated tax payable and doesn't receive any confirmation letter / CP 205 from the IRB. Can the company assume IRB has approved the proposal?

A27: Section 107C(3) states the estimate of tax payable for a year of assessment shall not be less than the revised estimate of tax payable for the immediately preceding year of assessment or if no revised estimate is furnished, the estimate of tax payable for the immediately preceding year of assessment. Therefore, submission of lower initial estimate tax as stated in the question above will be declined by the IRB and a letter/CP205 will be generated by the SAS. The company can call the IRB call centre for verification if the payment schedule/letter is not received by the payment due date.

Q28: A Company submits estimate of tax payable of RM 100,000 for YA2003 via CP204. Subsequently, upon submission of Form C 2003, the assessment is deemed at RM 300,000, (note the difference of 30% from the initial estimation). However, the Company pays another RM150, 000 before submission of Form C 2003, bringing the total sum paid to RM 250,000. Will the company be eligible for the tax increased under Section 107C (10)?

A28: Though additional payments were made before submission of Form C, Section 107C(10) will still come to effect. The Self Assessment System will automatically recognize the 30% shortfall between the actual tax (Form C) and the estimated tax payable (CP204). However the taxpayer can make an appeal towards the tax increase at the Collections Branch.

Q29: A Company submitted a low estimated tax payable and is liable for tax increased under Section 107C(10). When is the due date to make the payment towards the tax increased (Section 107C (10))?

A29: The provisions under Section 107C(10) does not require IRB to sent a demand note. Tax increase under Section 107C(10) will be determined once the actual tax is known. Providing that the Borang C is furnished within the stipulated period (Section 77A), the date of assessment is the date Borang C is furnished to Director General.
Therefore, the tax increase will be imposed when the Borang C is furnished and due date for payment of the tax increase is the same date. The Company is expected to compute the tax increase and make the payment to IRB.

Q30: A company with financial year ending 31.12.2001 submitted Form CP204 for YA2001 on 30.11.2000 with an estimated tax payable of RM200. Subsequently when the company closes accounts for 31.12.2001 in February 2002, tax payable is computed at RM10, 000. Successively, the company pays the balance tax payable of RM 9800 before the due date. Will the Company be imposed a tax increased under Section 107C(10) even if the balance payment is made before the due date of submission of Form C? Can the Company make an appeal to reduce the above-mentioned tax increased?

A30: The company is liable for the tax to be increased under Section 107C(10) due to low estimation of the tax payable. Comparisons will NOT be made between revised estimated tax payment / initial estimate tax and the tax paid. The fact that the Company only made the difference payment after closing of the accounts does not provide a positive impact when appeal is made. However if the Company learns of the increase in the tax to be paid before closing of the accounts and immediately submits an appeal and payment, it will serve as a good basis for appeal after Section 107C(10) is imposed.

Q31: Can a Company with an existing overpayment credit in its IRB account apply to set-off that amount with its current years installment payment under Section 107C?

A31: Such applications need to be submitted to the IRB Collections Branch for approval.

Q32: The Processing Centre has approved an application for a reduced estimated of tax payable for YA2003. The Company has made payments exceeding the (reduced) estimated tax. Therefore, can the Company apply for a refund or propose to offset the credit with estimated tax payable for YA2004?

A32: :The application for refund / off-set will be processed once the Form C for YA 2003 has been duly submitted and the tax payable is debited in the ledger. Application for refund/ off-set can be submitted to the Collections Branch.

Q33: A Company initially submits a "0" estimated tax payable via CP 204 and subsequently in the 6th month submits CP204A with an estimate tax payable of RM 20,000. Which installment payment slip (CP 207) should the Company use, 1st or 6th installment?

A33: The Company can use any payment slip (CP 207), as the system can accept it. Nevertheless, the Company is advised to use the 5th or the 6th slip depending on the installment.

Q34: An appeal letter pertaining to CP 205 has been submitted to the Collections Branch and no reply has been received since.

A34: All appeals related to CP 204 and CP 205 must be submitted to KLPC. All appeal letters will be processed and replied by the Processing Centre.

Q35: A company fails to comply with Section 107C installment payments as scheduled in CP204/205. Will the Company be liable for tax increase under Section 107C(9). When is the due date for payment for that tax increase?

A35: Tax increase of 10% will be imposed on the amount unpaid by the due date. The company is to compute the tax increase/s and make the payment to IRB as soon as the installment period ends. However, IRB will issue a demand note for that tax increase. If the payment has been made, the Company should ignore the demand note.

Q36: A company submits CP 204 with an estimated tax payable of RM6000.00 for YA 2003. Subsequently, the company fails to make any payments due to losses incurred during the basis period. Will the company be subject to tax increase under Section 107C(9)?

A36: Section 107C(9) states 'where any installment amount due and payable has not been paid by the due date or on the date specified by the Director General, the amount unpaid shall, without any further notice being served, be increased by a sum equal to ten per cent of the amount unpaid...' Therefore, revisions can be submitted in the 6th/9th month of the basis period to reduce/differ the payment schedule.

Q37: Can a Company fully pay the estimated tax payable under Section 107C within the first 6 installments and not 12 installments as furnished in CP 204? The Company proposes to fully settle the installments within the first 6 months.

A37: If the initial CP 204 is furnished within the due date, the system will generate an installment scheme comprising installments equivalent to the number months in the basis period. The company can make its own payment instruction if the company chooses to fully pay the installments within the first six months. However, the payments must be made within the due date for every month and payments made cannot be lower than the amounts scheduled in the initial payment schedule.

Q38: A company commences liquidation on 1.7.2001. The accounting year-end prior datation is made up to 31 March every year. Therefore:

- last set of audited accounts 1.4.2001-30.6.2001
- 1st set of Borang 75 1.7.2001-31.12.2001
- 2nd set of Borang 75 1.1.2002-30.6.2002

The company still receives dividend and interest income. How does it fill CP204?

A38: A company under liquidation needs to determine the new basis period for the purpose of filling up CP 204/CP204B. Therefore, for the illustration above, the basis period for YA 2002 (failure year) comprises 3 sets of accounts:

- 1.4.2001-30.6.2001 (accounts before liquidation)
- 1.7.2001-31.12.2001 - Borang 75
- 1.1.2002-30.6.2002 - Borang 75

CP204 for YA 2002 shall be furnished before 1.3.2001 i.e. 30 days before beginning of the basis period of YA 2002. The estimated tax furnished shall incorporate the income forecasted for the period 1.4.2001-30.6.2002.

Q39: Amendments in the installments payments schedule due to changes in the accounting period from 31.3 to 31.12 as below:

1.4.2000 - 31.3.2001
 1.4.2001 - 31.12.2001
 1.1.2002 - 31.12.2002

The basis period is determined as below:

Year of Assessment	Basis Period
2001	1.4.2000-31.3.2001
2002	1.4.2001-31.12.2002

i) For YA 2002, the company has submitted CP204 with an estimate tax payable of RM18, 000 for the basis period comprising 12 months and the monthly installment is RM 1,500 (May 2001-April2002). Subsequently, in the month of July 2001, the Company submits CP204B with a new estimate tax payable of RM 24,000 for YA 2002 due to the change in the accounting period, i.e. 1.4.2001-31.12.2002 (21 months). The Company has made installment payments amounting RM 1500 x 3 months =RM4500.00 (May –July). Therefore, the balance of installments to be paid is RM24, 000-RM4, 500=RM19, 500; and installments schedule is drawn up as depicted in Scheme A below.

Scheme B is accordance to the instructions in the CP204B, which states; the amount of the each installment in the new (prolonged) basis period shall not be lower than the original installment amount. Therefore, which is the correct scheme that the Company should use as a model in CP204B?

Installment Number	Scheme A (RM)	Scheme B (RM)	Payment Date
1	1500	1500	May 2001
2	1500	1500	Jun 2001
3	1500	1500	July 2001
4	1500	1500	Aug 2001
5	1500	1500	Sept 2001
6	1500	1500	Oct 2001
7	1500	1500	Nov 2001
8	1500	1500	Dec 2001
9	1500	1500	Jan 2002
10	1500	1500	Feb 2002
11	1500	1500	Mac 2002
12	1500	1500	Apr 2002

13	1500	1500	May 2002
14	1500	1500	Jun 2002
15	1500	1500	July 2002
16	1500	1500	Aug 2002
17	-	1500	Sept 2002
18	-	1500	Oct 2002
19	-	1500	Nov 2002
20	-	1500	Dec 2002
21	-	1500	Jan 2003
	<u>24000</u>	<u>31500</u>	

ii) Is the Company allowed to make revision in the estimate tax payable in the 10th month of the (21 months) basis period?

iii) Assuming that the estimate tax payable for YA 2002 (comprising 21 months) is RM 24,000.00, can the Company furnish a lower estimate tax payable (Form CP 204) for YA 2003 which comprises 12 months?

A39: The Company should comply with Scheme B.

Since the CP204B with an estimate of 24,000.00 was submitted in the 4th month of the basis period (July), an appeal letter has to be attached together. Failing which, the monthly installment amount of RM 1500 must be maintained through out the new basis period as depicted in Scheme B. On the other hand, if the Company submits an appeal letter with CP204B in the month of July 2001, and subsequently the appeal is approved by IRB, the payment schedule will be revised as below:

$$\begin{aligned}
 \text{RM}24000 - \text{RM}4500 &= \text{RM}19500/18 \text{ months} \\
 &= \text{RM}1083 \text{ p.m for } 17 \text{ months} + \text{RM } 1089 \text{ final} \\
 &\quad \text{installment}
 \end{aligned}$$

In general, the Company is advised to submit CP204B and CP 204A in the 6th month of the basis period (September 2001). In accordance with Section 107C(7), the revised estimate of RM24000 will be automatically approved by IRB. A revised installment schedule will be issued as below:

		RM
May2001-Sept2001	1500.00 x 5 months =	7500.00
Okt2001-Dec2002	1031.00 x 15 months =	15465.00
Final payment on Jan 2003	=	<u>1035.00</u>
		<u>24000.00</u>

ii) If the Company's basis period is prolonged exceeding 12 months, the sixth month revision is still maintained in the 6th month of the basis period (i.e. September 2001) and the 9th month revision is in December 2001. No further automatic revision will be given to Companies with basis period exceeding 12 months. Any requests for further revisions must be accompanied with an appeal letter and supporting documents.

iii) Estimate tax payable for YA 2003 shall not be lower than RM24, 000.00. Nonetheless, the Company can submit an appeal letter with CP204 explaining the lower estimation is due to the overlapping period.

FORM R

Part I, column 2A(1) – Installment payments under Section 107C.

Q1: A company pays the final (12th) installment within the basis period of YA2001. Is this payment included in Form R 2001 as a payment made under Section 107C?

A1: Yes.

**Q2: Final (12th) Installment payment under Section 107C
A company has a basis period beginning from 1.1.2001 to 31.12.2001. Therefore, the final installment for YA 2001 is made on 10.1.2002. Is this payment included in column 2A(I), Part 1 of Form R 2002?**

A2: Yes

Q3: A company unintentionally omits an installment payment made in the basis period of YA 2001 under Section 107C amounting RM36,000.00 and doesn't include that payment in the Form R 2001 furnished to IRB. Subsequently, the company also fails to submit an amendment to the said Form R 2001 to rectify the error. However, the due date for submission of Form R 2002 is at the end of the current month, therefore can the omitted payment of RM 36,000.00 included in column 2A(1), Part 1 of Form R 2002?

A3: An amendment must be submitted to revise the said Form 2001 with a letter explaining the revision. The amended credit balance brought forward has to be reflected in Form R 2002.

Q4: An approval is received from the Collections Branch allowing a company to utilize the tax overpaid in YA 2002 for YA 2003 installment payments under Section 107C. Can the company include the set off amount in Part I, Item 2A(1) of Form R 2003 as payment made in basis period 2003?

A4: The set off amount can be included in Part I Item 2A(1) of Form R 2003 if the approval letter from the Collections Branch is received within the basis period of YA 2003.

Q5:

Payments in overlapping period

A company has an overlapping basis period for YA 2002 and 2003 as below:

YA 2002 Basis period: 1.1.2002-31.12.2002

YA 2003 Basis period: 1.4.2002-31.3.2003

The period from 1.4.2002 to 31.12.2002 overlaps in both the years of assessment. Installment payments are paid concurrently for YA 2002 and 2003 on 10th May to 10th December 2002 amounting RM 50,000 and RM 20,000. How are these payments reported in the respective year of assessments? Can the summation of both the amounts paid (RM70, 000) reported in Form R 2002?

A5: The payments paid shall be reported accordingly in the relevant year of assessment.

Part 1, column 2A(111) – Tax payment under section 103A(3)

Q6: A company makes an additional tax payment for YA 2002 on 30.6.2003 even though the Companies Branch has not raised the additional assessment for YA 2002 yet. Can the company presume that this additional payment is made in the basis period of YA 2003 and claim the paid amount in Form R 2003?

A6: The additional payment is deemed to have been made in the basis period that the additional assessment is issued. Therefore the additional payment cannot be included in Form R 2003 if the additional assessment is not issued in the basis period of YA 2003.

Advance Payment For Back duty Cases

Q7: A company under investigations pays advance payments of RM50, 000 monthly commencing from 15.3.2001 before composite assessment is raised. Can these advance payments reported in Form R 2001 under column 2A (III), Part 1?

A7: No. The advance payments are deemed paid in the basis period the composite assessment is raised.

Part 1, column 2F(1)- Tax refund for the previous year of assessment.

Q8: Until now, a company still has not received tax refund for YA 2002 as mentioned in column B4 of Form C 2002 furnished on 31.7.2003. Can the company write this amount in column 2F(1), Part 1 of Form R 2003? What if the Collections Branch has approved an offset?

A8: The tax overpaid is deemed to be refunded on the day Form C 2002 is furnished (31.7.2003). Therefore, the overpaid amount shall be written in column 2F(1), Part 1 of Form C of YA 2003 (basis period 1.1.2003-31.12.2003) even though tax overpaid is not received or the Collections Branch approves an offset.

Q9: A company complies with payments under Section 107C and subsequently is granted remission of tax under Section 129(2) ITA 1967 for YA 2002. Which column in Form R relates to the reduction of Section 108(5) credit in this incidence?

A9: If the approval from Collections Branch is obtained in the basis period of YA 2003, the company can include the payments data in Form R YA 2003 in column 2F(1), Part 1.

Part II, column 1, Form R YA 2001 - Credit balance confirmation by DG

Q10: A company needs to furnish Form R 2001 but the Section 108 credit confirmation by the DG for YA 2000 (CY) and the prior years is not received.

A10: The company shall compute the section 108 credit for YA 2000(CY) and prior years based on the tax charged as indicated in Form J (excluding penalty)

Q11: Can back duty payments made for composite assessments (for assessments prior to YA 2001) utilized as Section 108 credit? How can this amount be included in the Section 108 account?

A11: Composite assessment payments shall NOT be utilized as Section 108 credit if the taxpayer agrees to "waive/forego" his rights upon the Section 108 credit in the agreement signed between the taxpayer and DG. If there isn't such clause in the agreement, the principal amount paid towards the assessment can be included. The agreement signed need to be verified.

Part II, column 2, Form R 2001- Tax charged for a year of assessment but an assessment is not made

Q12: A company submits a revised tax computation within the stipulated date but the revision to the said assessment is not made to date. Can the company include this amount in Column 2, Part II of Form R 2001?

A12: Once the revision is made by IRB, the revised amount for the relevant basis year shall be written either in column 6 or 9 of Form R accordingly.

Q13: A company submitted Form C for YA 1998 and 1999 but to date, assessment is not made for both the years. Can the company include the tax charged based on the company's tax computation for both the years in this column?

A13: The company can do so providing that the Form C is furnished on or before 31.8.2001.

Part II, column 3, Form R for YA 2001

Q14: The basis period for a company is from 1/4/2000 to 31/03/2001 (YA 2001). Dividends were paid in 30.10.2000 (within the basis period of YA 2001). Is the tax deducted from the above dividend written in this column or in column (c) Part III?

A14: Tax deduction from the abovementioned dividend occurs on 30.10.2000. Therefore the deducted amount shall be written in column 3 Part II of Form R 2001. If the dividend is paid out between 1.1.2001-31.3.2001, the deducted amount shall be written in column (c) Part III.

Part II – Column 5, Form R 2002

Q15: A company furnishes Form C 2000 (CY) late on 30/11/2001. The assessment for YA 2000(CY) has not been made till today. How and when can the company claim the Section 108 credit or the tax charged for that Year of Assessment?

A15: The above-mentioned company cannot claim the Section 108 credit in the Form R unless the assessment for YA 2000 (CY) is made. E.g. If an assessment for YA 2000 (CY) is made on 12.10.2002, a company which has basis period from 1st January to 31st December can include the tax charged for the year of assessment in column 5, Part II of Form R YA 2002.

Q16: Related to the question above, the company has obtained an approval from the Collections Branch to set off the tax overpaid with future assessments.

A16: The approval from Collections Branch allows the company to indicate the set-off amount in column 2A(II) Part I of the Form R as part of the installment payment under Section 107C. Nevertheless, it will carry no effect to column B4 of the Form C of that year of assessment.

Q17: An approval letter is received from the Collections Branch approving a set off of tax overpaid under Section 107C in YA 2001 against installment payments under Section 107C for YA 2002. Can this amount be indicated in column 2A(1) Part 1 of Form R 2002?

A17: Yes, this amount can be included column 2A (1), Part 1 of Form R 2002. Please ensure that the approval letter from the Collections Branch is duly received and the said credit amount to be transferred physically existed on the date of transfer. E.g. If Form C for YA 2002 (basis period 1.7.2002-30.6.2002) is furnished on 31.1.2003; effectively the overpayment credit will exist from 31.1.2003. If the approval from the Collections Branch allows set off of installments due on 10.02.2003, 10.03.2002 and 10.04.2003, the relevant basis period implicated is YA 2003 (basis period – 1.7.2002-30.6.2003). Therefore, the set off amount shall be included in column 2A(1) Part 1 of Form R 2003.

Part III

Q18: A company pays tax-exempt dividends in the basis period for YA 2001. Can this information be reported in Part III?

A18: Tax-exempt details need to be reported in the exempt account in column I2, Part 1 in Form C.

Declaration

Q19: Can a tax agent sign the declaration?

A19: No. Only individuals convened under Section 75 ITA 1967 shall sign the declaration.