

TO ALL MEMBERS

TECHNICAL

Direct Taxation

Clarification on utilisation of tax credits to set-off against future tax instalments

The Institute has recently been made aware that tax credits have not been allowed to be set-off against future tax instalments, and has written a [letter dated 5 December 2016](#) to the Inland Revenue Board of Malaysia (LHDNM) on the matter.

The LHDNM has responded via a [letter dated 14 December 2016](#) that the set-off of tax credits can be allowed in the following situations:-

- To settle the outstanding tax of taxpayers (not including tax estimate instalments).
- To settle the outstanding tax of the same taxpayers but for different types of taxes. For example, Income Tax and Real Property Gains Tax (RPGT) etc.
- For cases where taxpayers were promised set-off before 25 November 2016.

Other than the scenarios mentioned above, the set-off of tax credits is not allowed.

Members are advised to obtain prior confirmation from LHDNM when utilising tax credits to set off tax liability.

The Institute has enquired from the LHDNM on how long the practice of disallowing the set-off of the tax credits against future tax instalments is expected to go on for. Members will be updated on the LHDNM's response once it is received.

Members may view the [Institute's letter dated 5 December 2016](#) and the [LHDNM's letter dated 14 December 2016](#) at the Institute's website.

Disclaimer

This document is meant for the members of the Chartered Tax Institute of Malaysia (CTIM) only. CTIM has taken all reasonable care in the preparation and compilation of the information contained in this E-CTIM. CTIM herein expressly disclaims all and any liability or responsibility to any person(s) for any errors or omissions in reliance whether wholly or partially, upon the whole or any part of this E-CTIM.