

TECHNICAL

Direct Taxation

TAX COLLECTION FRAMEWORK

On 4 December 2015, the Inland Revenue Board of Malaysia (LHDNM) uploaded a revised [Tax Collection Framework](#) (Amendment 1/2015) and it is only available in Bahasa Malaysia. The original Tax Collection Framework was issued in August 2015.

The Contents are briefly summarized below:

Contents		Summary of subject matter		
Introduction (Para. 1)		<i>Introduction and objective</i> The objective of the document is to provide guidance to taxpayers, employers and appointed tax agents on stipulated procedures to carry out the collection function more efficiently and effectively. It also details the methods and processes for collection and repayment of taxes.		
Chap.	Para.	Chapter A – D outline the collection processes and rules under the following statutes:		
A	2	Income Tax Act, 1967 (ITA) Outlines the collection rules (including penalty provisions) and processes relating to: <ul style="list-style-type: none"> a) Monthly tax deduction (MTD); b) Installment payments scheme under S107B (Form CP 500); c) Installment payments scheme under S 107C (Form CP 204); 		
B	3	Petroleum (Income Tax) Act, 1967 (Form CP 250)		
C	4	Real Property Gains Tax Act, 1976		
D	5	Labuan Business Activity Tax, Act 1990		
Chap. E (Para. 6)		<i>Withholding tax (WHT)</i> Outlines the collection rules (including penalty provisions) relating to WHT under the following provisions of the ITA:		
		Section of ITA	Payment type	Rate of WHT (%)
		107A(1)(a) & 107A(1)(b)	Contract payments	10, 3
		109	Interest	15
		109	Royalty	10
		109B	Special classes of income	10
		109C	Interest (other than exempt interest) paid by approved financial institutions	5
		109A	Income derived by non-resident (NR)	15
				Form
				CP 37A
				CP 37
				CP 37
				CP 37D
				CP 37C
				Payment memo issued

		public entertainer		by Assessment Branch
	109D	Income distribution by a REIT to: i. Unitholder other than a resident company; ii. NR company iii. Foreign institutional investor (w.e.f 1/1/2007)	10 25 10	CP 37E
	109E	Profit distributed out of family fund/ family re-takaful fund/ general fund to: i. Individuals and others ii. NR company	8 25	CP37E(T)
	109F	Income under S4(f) ITA	10	CP37F
Chap. F (Para. 7) Payment Services	<p><i>Methods of making payments of taxes</i></p> <p>The methods of making payments that are listed are as follows:</p> <ol style="list-style-type: none"> 1. Payments via electronic medium (system ByrHASiL). 2. Payments at LHDNM counters (KL, Kota Kinabalu and Kuching) 3. Payments through LHDNM's collection agents – via appointed banks' counter service, internet banking, ATM services, Tele-Banking, or cheque or cash deposit machines. (Refer para.7.3 for list of appointed banks.) 4. Payments via account transfers from abroad – through Telegraphic Transfer (TT), Interbank Transfer Giro (IBG) or Electronic Fund Transfer (EFT), or by bank drafts. (Refer para. 7.4 for full details.) 			
Chap. G (Para. 8) Collection	<p><i>Collection of balance of tax owing</i></p> <p>This chapter deals with the collection of taxes owing:</p> <ol style="list-style-type: none"> a. when the amount of payments made based on estimated tax is less than the amount of tax chargeable; b. when the taxpayer fails to make payments resulting in arrears of tax payments. <p>The rules relating to collection processes and penalty provisions are set out in this paragraph.</p>			
Chap. H (Para. 9) Repayments	<p><i>Refunds/ repayments of taxes overpaid</i></p> <p>The rules and procedures for making repayment of income tax (Para. 9.1) and RPGT (Para. 9.3) are outlined.</p> <p>Repayment of income tax apply to excess payments of taxes under the following provisions of the ITA:</p> <ol style="list-style-type: none"> a) S 107 (MTD); b) S 107B (Notice of installment payments); c) S 107C (Estimates of tax payable by companies, limited liability partnerships, trust bodies and cooperatives); d) S111(1) (Refund of overpayments) <p>The repayment procedure include the time limit for taxpayers to make a claim for repayment of tax overpaid, and for the LHDNM to issue a repayment after submission of a (complete) return by the taxpayer.</p> <p>Other topics under this Chapter relate to the following:</p> <ol style="list-style-type: none"> a) Repayments to third parties (individuals; companies; employers). 			

	b) Methods of making repayment (EFT; TT; bank draft; cheque) c) Compensation for late repayment under S111D, ITA. Please refer to paragraph 9 for full details.
Attachments	The document contain the following attachments: 1. Schedule of payment codes 2. Chart showing payment services provided by Agents of LHDNM

Members may read the Tax Collection Framework in full at the websites of the [Institute](#) and the [LHDNM](#).

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