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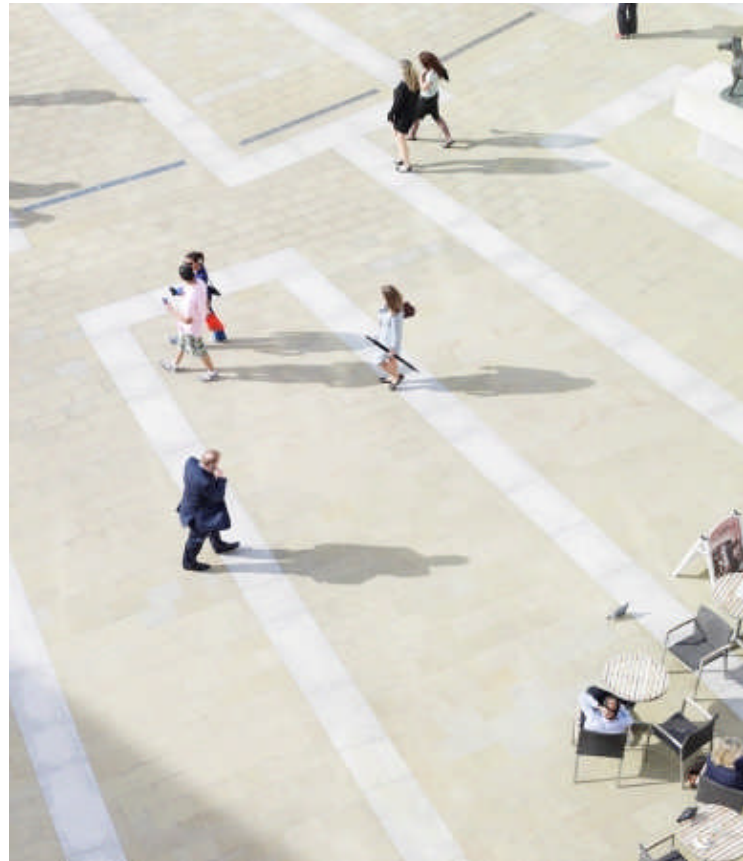
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2 Inland Revenue Board's response to issues raised on Public Ruling 1/2014

3 Guideline on compensation on late refund of over-payment of tax

3 GST



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Inland Revenue Board's response to Public Ruling 1/2014 (PR 1/2014)

The Inland Revenue Board (IRB) has responded to issues raised by the Chartered Tax Institute of Malaysia (CTIM) on PR 1/2014 – *Withholding tax on special classes of income*. The following are some of the key issues raised and IRB's responses:

Regrossing of payment made to a non-resident

The IRB has maintained its view that where withholding tax (WHT) is borne by a Malaysian payer, payments made to the non-resident are to be regrossed to determine the correct amount of WHT to be deducted.

The IRB also indicated that the case of *Esso Production Malaysia Inc v Ketua Pengarah Hasil Dalam Negeri* (2003) MSTC 4016 (High Court) cannot be taken as a precedent case due to the peculiar facts of the case. The High Court decided in the *Esso Production Malaysia Inc* case that the act of regrossing of payment is not permitted under the provisions of the Income Tax Act 1967 (the ITA).

Due date for payment of WHT

It is provided in PR 1/2014 that where the due date for payment of WHT falls on a weekly holiday (e.g. Saturday and Sunday in Kuala Lumpur or Friday and Saturday in Terengganu) or a public holiday in Malaysia, the payment would be due on the following working day. The IRB clarified that the extended date should be based on the state where the tax file of the payer is registered.

In addition, the IRB informed that it will rectify the error in paragraph 19 of PR 1/2014 which states that the payment of WHT is to be made to the IRB within 30 days from payment to the non-resident. The due date of the payment should be 1 month instead of 30 days as provided under section 109B of the ITA.

Please refer to CTIM's website at <http://www.ctim.org.my> for full details of the IRB's response.

Guideline on compensation on late refund of over-payment of tax

The IRB has issued GPHDN 1/2014 - Guideline on compensation on late refund of over-payment of tax under section 111D of the ITA dated 15 May 2014. The guideline explains the categories of taxpayers who are eligible for the above compensation and the method of calculating the compensation at the rate of 2%.

The compensation is calculated on a daily basis starting from the first day after the end of 90 days (for submission of tax return via e-filing) or 120 days from the statutory filing due date (for submission of tax return via post or hand) from the statutory filing due date until the date the refund is approved by the IRB.

Please refer to IRB's website at www.hasil.gov.my (Law and Regulations > Operational Guidelines)

GST

As reported in TaXavvy 4-2014, the Royal Malaysian Customs Department (RMCD) has announced that a taxable person can register for a GST identification number starting from 1 June 2014. The RMCD has issued a guide 'Getting Ready for GST – Registering for GST' to assist those who wish to register with the RMCD for GST.

The RMCD has also uploaded a new GST Industry Guide on Investment Banking and a new draft GST Industry Guide on Money Services Business on their website <http://gst.customs.gov.my>.

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