



# TaXavvy

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## Special Income Remittance Programme (PKPP)



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## Special Income Remittance Programme (PKPP)

Following the proposed removal of foreign-sourced income exemption under Budget 2022, the Inland Revenue Board (IRB) has on 16 November 2021 issued a media release to announce the offering of the PKPP to Malaysian residents which have income that is held outside of Malaysia.

The IRB has on 17 December 2021 issued the frequently asked questions on the PKPP.

### Background

Under the Budget 2022 proposal, the exemption of foreign-sourced income received by any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) which is provided under Paragraph 28 of Schedule 6 of the Income Tax Act 1967 (ITA 1967) is proposed to be removed for Malaysian residents. The proposed removal is to take effect from 1 January 2022. The amendment to the law is to be made through the Finance Bill 2021.

Following the Budget 2022 proposal, the IRB has on 16 November 2021 issued a media release offering the PKPP to Malaysian residents which remit income held abroad into Malaysia during the period from 1 January 2022 to 30 June 2022. It was stated that details will be outlined in FAQs which will be issued.

The Finance Bill 2021 has been passed by Dewan Rakyat on 15 December 2021. It is now pending the passing by Dewan Negara and royal assent by His Majesty Seri Paduka Baginda The Yang Di-Pertuan Agong before it becomes law.

The IRB has on 17 December 2021 issued the FAQ on PKPP (the “FAQ”). Highlights from the FAQ are summarised in this special TaXavvy edition.

### Objectives of the PKPP

The IRB states in the FAQ that the PKPP is implemented to:

1. Encourage taxpayers to bring back income that is held outside of Malaysia within a specified period without being subject to tax audit, investigation and penalties.
2. Update the tax status / tax record of Malaysian residents which have income that is held outside of Malaysia.
3. Relieve the burden for taxpayers which will be impacted by the withdrawal of the foreign-sourced income exemption which has been in place since 1998, with imposition of tax at a special rate.





## Features of the PKPP

The key features of the PKPP are as follows:

<b>Period of PKPP</b>	1 January 2022 to 30 June 2022.
<b>Persons eligible to participate</b>	Individuals, companies, limited liability partnerships, co-operative societies, trust bodies, business trusts, associations and others which are resident in Malaysia.
<b>Benefits of participating the PKPP</b>	<ul style="list-style-type: none"><li>• Income remitted during PKPP period is <b>taxed at 3% (gross)</b>.</li><li>• Income remitted during the PKPP period is <b>not subject to tax audit/investigation and imposition of penalties</b>.</li><li>• Income remitted during the PKPP period will be accepted by the IRB in good faith.</li><li>• Taxpayers are eligible to claim foreign tax credit against the Malaysian income tax that is payable on the income remitted under:<ul style="list-style-type: none"><li>◦ Section 132 of ITA 1967 (bilateral credit) in relation to income sourced from jurisdictions which Malaysia has entered into a double tax agreement; or</li><li>◦ Section 133 of ITA 1967 (unilateral credit) in relation to income sourced from a jurisdiction which has not entered into a double tax agreement with Malaysia.</li></ul></li><li>• Update the status / record of income held outside of Malaysia.</li></ul>



## Features of PKPP (cont'd)

<b>Types of income covered under the PKPP</b>	<p>Income that is held overseas and remitted to Malaysia by a resident whether it is in respect of business income, employment income, dividends, rental income, interest income, royalties or others <b>including Malaysian-sourced income from the year of assessment (YA) 2020 and YAs prior to 2020 which has not been reported.</b></p> <p>Malaysian-sourced income which has been reported previously is not covered under the scope of the PKPP.</p> <p><b>Comment:</b> <i>The inclusion of Malaysian-sourced income into the scope of the PKPP presents not only an opportunity for taxpayers to voluntarily declare such income without being subject to audit and penalties but also avails the special tax rate of 3% on gross income remitted as compared to the prevailing tax rates which taxpayers would otherwise be subject to.</i></p>
<b>Malaysian residents which do not participate in the PKPP but have unreported Malaysian-sourced income from YA 2020 and YAs prior to YA 2020 which are held outside of Malaysia</b>	<p>After the PKPP period, the IRB will review and scrutinise the information of income that is held overseas based on information received through tax information exchange agreement with the other countries.</p> <p>Unreported Malaysian-sourced income discovered from the review is subject to additional assessment and penalties under the provisions of the ITA 1967.</p>
<b>Meaning of income “received” in Malaysia</b>	<p>Income is treated as “received” in Malaysia when the income is remitted / brought in / transferred into Malaysia physically or through banking methods.</p>
<b>Eligibility for foreign tax credit</b>	<p>Taxpayers can claim foreign tax credit under Sections 132 or 133 of ITA 1967 if the income remitted to Malaysia has been subject to foreign withholding tax or foreign income tax. The claim must be supported by the proof of payment of the foreign taxes.</p> <p>The tax credit claimed for a YA shall not exceed the Malaysian tax payable in respect of the income remitted and the tax credit has to be claimed within 2 years after the end of YA 2022 or 2023, respectively.</p>



How to join the PKPP?

Taxpayers need to make an online declaration using a special form (**Borang PKPP**) which can be accessed through MyTax (<https://mytax.hasil.gov.my/>) from 1 January 2022. The declaration can be made on the date(s) when the income is brought in/remitted to Malaysia, or all at once on or before 30 July 2022.

The income must be remitted during the PKPP period from 1 January 2022 to 30 June 2022.

Notwithstanding joining the PKPP, taxpayers are still required to report the income which is remitted into Malaysia in their income tax return forms (ITRF) for the YA 2022 or 2023, respectively.

Payment of tax

Category of taxpayers	Timing of payment of tax
Companies, limited liability partnerships, trust bodies and co-operative societies	<ul style="list-style-type: none"><li>• Tax on foreign income remitted to Malaysia are to be accounted for in determining the:<ul style="list-style-type: none"><li>◦ estimate of tax payable (CP204) for the YA; and</li><li>◦ revised estimate of tax payable in the 6th / 9th month, or 11th month (for YA 2022 only).</li></ul></li></ul>
Others	<ul style="list-style-type: none"><li>• For taxpayers that are subject to the notice of tax installment payment (CP500), revision to CP500 needs to be made on or before 30 June 2022 by taking into account the tax arising from the foreign income remitted to Malaysia.</li><li>• Taxpayers which are not subject to CP500 must settle payment on taxes arising from all sources of income including income remitted from outside of Malaysia on or before the stipulated ITRF submission deadline.</li></ul>

If no revision is made to the CP204 / CP500, tax payment can still be made on or before the statutory deadline for the submission of ITRF. However, the foreign income will be taken into account in the determination of any underestimation of tax, and the computation of the 10% increase in tax (penalty) for underestimation of tax, if applicable.

The FAQ is available on the IRB’s website [www.hasil.gov.my](http://www.hasil.gov.my) (Home > Quick links > Special Income Remittance Programme).



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