

## WITHHOLDING TAX ON PAYMENTS TO RESIDENT AGENTS, DEALERS AND DISTRIBUTORS (“ADD”) UNDER SECTION 107D OF INCOME TAX ACT 1967 (“ITA”)

Withholding tax is a mechanism of collecting taxes by **resident payer** on income derived from Malaysia by a **resident or non-resident payee** and remitted to the Inland Revenue Board of Malaysia (“IRBM”).

The existing sections in relation to withholding tax are Sections 107A, 109, 109A, 109B, 109C, 109D, 109E, 109F and 109G of the ITA which set out the deduction of tax on the income earned by both resident and non-resident payee.

### BUDGET

# 2022

*During the tabling of the National Budget 2022, the Government of Malaysia has introduced a new Section 107D to the ITA. A company is now responsible to withhold and remit withholding tax in respect of monetary payments made to ADD.*

In this provision, the “Company” is referred to section 2 of the ITA which means a body corporate and includes any body of persons established with a separate legal identity by or under the laws of a territory outside Malaysia and a business trust.

An ADD is a resident individual who is authorized by the paying company to act as ADD and receives payments arising from sales, transactions or schemes carried out by the ADD. It also includes the sole proprietor and individual partner in partnership.

The withholding tax at the rate of 2% on the gross amount took effect from



1 January 2022

The 2% tax deduction is imposed in the year of assessment (“YA”) on the ADD, who:

#### Condition

received payments **in monetary form**, arising from sales, transactions and schemes carried out during the YA.

#### Threshold

received **RM100,000 or more** (threshold value) in monetary and non-monetary payments in the **immediate preceding year** of assessment.

The company shall deduct and remit the withholding tax to the IRBM within 30 days after paying or crediting such payments in monetary form to the resident payee.

Example	No.	Payment Date	Remission Period
	1	15/04/2022	16/04/2022 – 15/05/2022

Payment of such withholding tax can be made by post or at the IRBM Counter Services (Kuala Lumpur, Kuching and Kinabalu branch). The paying Company is required to complete the withholding tax remittance form CPI07D and appendix (Lampiran CPI07D(1)) which can be accessed through the IRBM official portal <https://www.hasil.gov.my/>

In the *media released*, IRBM has granted a deferment to remit withholding tax under the new S107D of the ITA. In the *FAQs updated by the IRBM as at 28 February 2022*, further clarification was provided on the deferment, as follows:

Date of Payments made to the ADD	Due Date to Remit Withholding Tax to the IRBM
1 January 2022 – 2 March 2022	1 April 2022
3 March onwards	Within 30 days from the date of paying or crediting to the ADD



It is important to take note on an increase of 10% will be imposed if the paying Company failed to remit the 2% tax deductions to IRBM.

**CONSULT US NOW !**



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