



Tax Espresso News Release

Greetings from Deloitte Malaysia's Tax services group

Employer's Readiness for Monthly Tax Deduction (MTD) as Final Tax – Compulsory from 1 April 2015

In line with the objective of the Inland Revenue Board (IRB) to implement the MTD as a final tax, the Income Tax (Deduction from Remuneration) (Amendment) (No.2) Rules 2014 came

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Takeaways:

Effective 1 April 2015, compulsory inclusion of benefits-in-kind and value of accommodation, if any, in the calculation of monthly tax deduction (MTD) as final tax.

into operation on 1 January 2015. The new MTD payable date has been amended to 15th of the following month (instead of 10th).

Section 77C(1) of the Income Tax Act (ITA) was also amended to expand the eligibility criteria of the employees for their MTD to be implemented as a final tax.

Compulsory Effective Date 1 April 2015

From the feedback of the employers for an extension of time to be ready for the implementation of MTD as a final tax, the IRB announced on 12 February 2015 that the period for employers to rectify their payroll system for the inclusion of benefits-in-kind (BIK) and value of living accommodation (VOLA), where applicable, in the MTD calculation of their employees is extended to 31 March 2015.

Employers who have not included the BIK and VOLA where applicable in the MTD calculations for the months of January – March 2015 will not be penalized. They are expected to “catch up” on the inclusions where applicable effective from 1 April 2015 i.e. April 2015 payroll.

Failure to Comply

Failure to comply with the MTD will render an employer liable to prosecution under Rule 17, Income Tax (Deduction from Remuneration) Rules 1994 (“The Rules”). Under this Rule, any person, who, without any reasonable excuse fails to comply with Subrule 10(1) or Rule 3 is liable to prosecution and upon conviction, can be fined not less than RM200 and not more than RM2,000 or to imprisonment for a term not exceeding six months or to both.

Important deadline:

15th of the following month
for MTD payable to the
IRB

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