



Tax Espresso – Special Alert

Remittance of 2% withholding tax on payments made by a company to a resident individual agent, dealer or distributor deferred

In a [media release](#) (available only in Bahasa Malaysia) dated 12 January 2022, the Inland Revenue Board of Malaysia (IRBM) announced that the remittance of 2% withholding tax under the new Section 107D of the Income Tax Act, 1967 (ITA) (*inserted via the Finance Act 2021 which has come into operation on 1 January 2022*) is deferred until 31 March 2022.

During the tabling of the National Budget 2022, the Government of Malaysia has introduced a new Section 107D to the ITA, which requires a company that is liable to make payments in monetary form to a resident individual arising from sales, transactions or schemes carried out by that resident individual as the authorised agent, dealer or a distributor of the company, to withhold tax at the rate of 2% on the gross amount, with effect from 1 January 2022.

The 2% withholding tax on monetary payments shall apply if the total sum of payments (whether monetary or otherwise) received by that resident individual from the company in the immediate preceding year of assessment exceeds RM100,000.

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 that resident individual.

Deferment of the remittance of withholding tax under the new Section 107D of the ITA

The IRBM has agreed to defer the remittance of withholding tax under the new Section 107D of the ITA until 31 March 2022 to allow companies to make the necessary arrangements in notifying all its agents, dealers and distributors.

In line with the above, all companies will be allowed to remit the 2% withholding tax to the IRBM from 1 April 2022 onwards on payments made in monetary form to agents, dealers or distributors for the months of January 2022 to March 2022, without any imposition of penalty.

To facilitate a clearer understanding on the deferment of the remittance of withholding tax under the new Section 107D of the ITA, the IRBM will issue a list of Frequently Asked Questions (FAQs) which can be accessed through the official portal of <http://www.hasil.gov.my> in due course.

For any queries or assistance, please reach out to your usual Deloitte contact.



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