

TaXavvy

IRB's Practice Note on effective date of withholding tax exemption

The Income Tax (Exemption) (No.9) Order 2017 (Exemption Order) was issued on 24 October 2017 to provide withholding tax exemption on income in respect of services falling under Sections 4A(i) and 4A(ii) of the Income Tax Act 1967 (Act) where such services are performed outside of Malaysia. The Exemption Order is to be effective from 6 September 2017.

The Inland Revenue Board (IRB) has issued Practice Note No. 3/2017 (PN 3/2017) to clarify on how the effective date of 6 September 2017 is to be implemented as follows:

- (1) The WHT exemption applies for services performed from 6 September 2017 onwards.

Contract signed	Services performance period	Exemption from WHT under Section 109B of the Act
From 6 Sep 2017	From 6 Sep 2017	Yes
Before 6 Sep 2017	Before and from 6 Sep 2017	No – Portion for services performed before 6 Sep 2017 Yes – Portion for services performed from 6 Sep 2017

- (2) In respect of cases where WHT has been paid to the IRB but subsequently becomes exempted upon issuance of the Exemption Order, an application for refund of the WHT may be made to the IRB.

Contract signed	Services performance period	Payment date	Exemption from WHT under Section 109B of the Act
Before 6 Sep 2017	From 6 Sep 2017	Before 6 Sep 2017	Yes

Eligible to claim refund, if WHT has been paid to the IRB.

PN 3/2017 is available on Inland Revenue Board's website www.hasil.gov.my (Internal Link > Practice Note).

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