Don't take tax estimates lightly, IRB warns companies and individuals

It pays to institute proper management of tax payment and keep an eye on tax estimates

by **HABHAJAN SINGH**

Three months into operations, companies are required to provide their tax payment schedule, says Mohd Idris

YOU can be slapped with a higher tax if you do not pay taxes on time and if you do not manage properly the tax estimates required by the tax authorities. Many seem oblivious to these two requirements, thus end up paying more to the taxman.

"Many companies and individuals are not aware of this. They don't realise the implications of delaying payments. They are also not aware of the importance of submitting proper tax estimates," Inland Revenue Board (IRB) revenue collection department director Mohd Idris Mamat told *The Malaysian Reserve*.

Hence, it pays to institute proper management of tax payment and keep an eye on the tax estimates.

"Three months into operations, companies are required to provide their tax payment schedule. And they have to make sure that they pay before the 15th of each month," he said.

The Income Tax Act 1967 specifies the increase in taxes for failure to observe both the payment deadline and submitting proper estimates.

Under subsection 120(1)(f), companies that fail to furnish estimates as required by law shall be fined between RM200 and RM20,000, or imprisonment for a term not exceeding six months, or both. The details for the requirement are fleshed out in subsection 107C (2), 107C (3) or paragraph S107C (4).

Subsection 107C (9) of the Act states: "Where any instalment amount due and payable has not been paid by the due date or on the date specified by the DG, the amount unpaid shall, without any further notice being served, be increased by a sum equal to 10% of the amount unpaid, and the amount unpaid and the increase on the amount unpaid shall be recoverable as if it were tax due and payable under this Act."

Mohd Idris added that the increase is imposed on the months the payment has been delayed.

The proper tax estimates is covered under subsection 107C (10) of the same Act. It states: "Where the tax payable under an assessment for a year exceeds the revised estimate of tax payable for that year of assessment or if no revised estimate is furnished, the estimate of tax payable for that year of assessment, by an amount of more than 30% of the tax payable under the assessment, then, without any further notice being served, the difference between the amount and 30% of the tax payable under the assessment shall be increased by a sum equal to 10% of that difference, and that sum shall be recoverable as if it were tax due and payable under the Act."

Companies are given two opportunities, at the sixth and ninth month of their financial year, to adjust the estimates provided, via the CP204A form.

"This is to ensure that companies are not burdened when they finally submit their tax returns," he said.

Companies shall furnish their return in the prescribed form, within seven months from the date following the close of the accounting period. Also, a 10% increase in tax will be imposed if they fail to make payment under subsection 103 (3) and additional 5% if there is a balance unpaid upon expiration of 60 days from the due date under subsection 103 (5).

For companies that face an additional assessment during investigation or auditing, Mohd Idris said, they would be given 30 days to settle the tax amount due.

Under subsection 103 (5), a 10% increase in tax will be imposed if they fail to make payment. If they still fail to settle, upon the expiration of 60 days, they will incur an additional 5% increase in tax under subsection 103 (6).

For overseas travel restriction, which can be imposed under Section 104 of the Income Tax Act 1967 or Section 22 of the Real Property Gains Tax Act 1976, taxpayers are mostly advised to check their status online at *http://sspi2.imi.gov.my*. Any tax due and payable must be settled and the IRB must be informed at least seven working days before they plan to leave the country.

Now everyone can fly abroad unless you settle the tax.