



## WITHHOLDING TAX ON SPECIAL CLASSES OF INCOME

HRD Corp Claimable Courses

**Duration: 1 day**

**Time: 9.00am to 5.00pm**

### INTRODUCTION

Withholding tax is an essential component of Malaysia's tax system, serving as a mechanism for the Inland Revenue Board (LHDN) to collect tax at source from non-resident individuals and entities earning income from Malaysian sources. Despite its critical function in ensuring tax compliance, withholding tax obligations are often misunderstood or overlooked by businesses—leading to exposure to penalties, interest, and non-compliance issues.

This training aims to provide participants with a deep understanding of the withholding tax framework, including the legal obligations imposed on payers, the types of payments subject to withholding tax, applicable rates, and practical steps for proper reporting and remittance to the authorities.

### OVERVIEW

This session will offer a comprehensive overview of Malaysia's withholding tax regime under the **Income Tax Act 1967**, focusing on:

- **Who qualifies as a non-resident:** Understanding the definition and tax status of non-resident individuals and companies under Malaysian law.
- **Taxable payments subject to withholding tax**, such as:
  - Interest payments
  - Royalties
  - Technical and management fees
  - Rental of movable properties
  - Contract payments to non-residents
  - Payments related to digital services and software usage
- **Applicable withholding tax rates** and treaty benefits (if any) under the Double Taxation Agreements (DTA).
- **Timing of payment and filing obligations** with the LHDN to avoid late payment penalties.
- **Common pitfalls and audit risks** encountered by businesses.
- **Latest developments and case law** impacting the interpretation and enforcement of withholding tax in Malaysia.

## OBJECTIVE

This training is specifically designed to equip **accounting, finance, and tax professionals** with the practical knowledge and tools required to manage withholding tax obligations effectively. Upon completion, participants will be able to:

- Identify and assess transactions that attract withholding tax under Malaysian law.
- Determine the appropriate tax rates and DTA reliefs applicable to payments to non-residents.
- Understand the procedural requirements for payment, remittance, and reporting of withholding tax to the authorities.
- Minimize the risk of non-compliance, penalties, and audit disputes by implementing proper internal controls and documentation.
- Apply best practices in reviewing contracts and invoicing to account for withholding tax implications.

## WHO SHOULD ATTEND?

This training is ideal for professionals involved in cross-border payments, tax compliance, and vendor management, including:

- **Accountants and Finance Managers** responsible for preparing or reviewing payments to non-residents
- **Tax Practitioners and Consultants** seeking to deepen their understanding of withholding tax compliance
- **Payroll and HR Personnel** dealing with expatriate remuneration and global assignments
- **Legal and Contract Officers** involved in drafting service agreements with foreign vendors
- **Business Owners and Directors** of SMEs engaging with overseas service providers or contractors
- **Shared Services and Treasury Teams** managing international transactions and remittances
- **Auditors and Compliance Officers** assessing tax exposure and internal control measures

No prior tax expertise is required, but basic familiarity with corporate transactions or accounting principles will be beneficial.

## PROGRAM OUTLINE

### MODULE 1: SPECIAL CLASSES OF INCOME CHARGEABLE TO TAX

This module explores the key categories of payments made to **non-residents** that are subject to withholding tax under **Section 4A of the Income Tax Act 1967**.

#### 1. Derivation of Special Classes of Income

- Overview of income deemed derived from Malaysia
- Interpretation of "source" for non-resident payments
- Impact of Double Tax Agreements (DTA) on source rules

#### 2. Services Rendered in Connection with the Use, Installation, or Operation of Assets

- Tax implications on payments for services tied to equipment usage or installation
- Cross-border equipment leasing and technical service arrangements

#### 3. Advice, Assistance, or Services in Connection with Management or Administration

- Defining taxable professional and management services
- Differentiating between technical vs non-technical services
- Real-life scenarios and tax treatment

#### 4. Rent or Other Payments for Use of Moveable Property

- Taxability of rental payments for movable assets (e.g., equipment, vehicles)
- Legal interpretation of "moveable property"
- Tax treatment of software and intangible property

### MODULE 2: TREATMENT OF EXPENSES

This module examines how various payment types are treated under the withholding tax regime and whether they are subject to deduction.

#### 1. Reimbursements

- Whether reimbursements are subject to withholding tax
- Criteria for identifying genuine reimbursements
- Supporting documentation requirements

#### 2. Disbursements

- Tax treatment of disbursements paid on behalf of a non-resident
- Risk of recharacterization as income

### 3. Advance Payments and Deposits

- Withholding tax treatment on advance payments and deposits
- Timing of tax deduction – at payment or service delivery?
- Refund implications if services are not rendered

## MODULE 3: WITHHOLDING TAX COMPLIANCE PROCESS

This module walks participants through the **operational aspects** of fulfilling withholding tax obligations correctly and on time.

### 1. Deduction of Tax

- When and how tax should be deducted
- Grossing-up calculations and contract structuring
- Determining the correct withholding tax rate

### 2. Remittance of Tax Deducted

- Remittance procedures and deadlines to LHDN
- Form CP37 and online submission via e-TT
- Currency conversion and payment logistics

### 3. Consequences of Non-Compliance

- Penalties for failure to deduct or remit tax
- Disallowance of expenses under Section 39(1)(j)
- Late payment interest and audit exposure

## MODULE 4: APPEAL PROCEDURES AND RELIEF

Understanding how to manage disputes and seek relief when withholding tax has been wrongly applied or overpaid.

### 1. Appeal by Payer on Payment of Withholding Tax

- Grounds for appeal and procedural steps
- Time limits for appeal submission
- Supporting documentation and case preparation

### 2. Application for Relief Other Than in Respect of Error or Mistake

- Other avenues of relief under Section 131 and Section 131A
  - Relief for double taxation under DTA
  - Examples of successful relief applications
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## MODULE 5: LEGISLATIVE PROVISIONS – SECTION 109B AND 107A

This final module dives into the **statutory basis** for withholding tax in Malaysia and its application.

### 1. Withholding Tax under Section 109B and 107A of the Income Tax Act

- Section 109B: Withholding tax on special classes of income (e.g., services, rent, royalties)
- Section 107A: Withholding tax on contract payments to non-resident contractors
- Differences in scope, rate, and compliance requirements
- Case studies involving LHDN audits and enforcement actions

### METHODOLOGY

- Simple, practical lectures using real time examples.
- Group discussion and peer sharing.
- Practical review exercises and checklists.

## TRAINER'S PROFILE

### **THILLESWARY SELVARAJA** **(Chartered Certified Tax Practitioner (CTP))**

**THILLESWARY SELVARAJA** is a seasoned tax professional and Chartered Certified Tax Practitioner (CTP) with over 25 years of experience in Malaysian taxation, international tax practices, and regulatory compliance. She is a licensed Tax Agent under Section 153(3)(c) of the Income Tax Act 1967 and an associate member of the Chartered Tax Institute of Malaysia (CTIM).

Thilleswary holds a Bachelor of Arts (Hons) in Accounting and Finance from HELP University and a Master of Business Administration (MBA) in Finance from the University of Southern Queensland. Her strong academic background complements her extensive hands-on experience in tax consulting, strategic financial management, and compliance advisory.

As an HRDF Accredited Certified Trainer, Thilleswary specializes in delivering practical and engaging training programs in various areas of taxation, including corporate and employment income tax, tax planning for non-accountants, preparation of capital statements, and tax audit frameworks. Her training approach emphasizes the practical application of tax principles, equipping professionals to handle real-world tax matters with confidence.

Thilleswary's reputation as a Subject Matter Expert in Taxation is built on her ability to simplify complex tax issues and provide actionable insights across business structures—from sole proprietorships to corporations. Her training philosophy is rooted in merging theoretical knowledge with practical insights, helping participants bridge the gap between compliance and strategic tax management.

## PARTICIPATION REGISTRATION & FEE

To register and to obtain the latest participation fees either for Public Training or In-House Training Series, please email to marketing department at [mytrain2@mytrainingmalaysia.com](mailto:mytrain2@mytrainingmalaysia.com)

Registration via online can be done thru our website at [www.eliteedge.com.my](http://www.eliteedge.com.my)

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