



**REVENUE DIVISION
MINISTRY OF FINANCE
BRUNEI DARUSSALAM**

INCOME TAX PUBLIC RULING

PAYMENT AND REFUND OF INCOME TAX

**PR NO. 06/2017
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TABLE OF CONTENTS

1.0	INTRODUCTION.....	3
2.0	RELEVANT PROVISIONS OF THE LAW	3
3.0	INTERPRETATION	3
4.0	PAYMENT OF INCOME TAX.....	4
5.0	PAYMENT OF WITHHOLDING OF TAX.....	13
6.0	MODE OF PAYMENT OF TAX.....	15
7.0	TAX REFUND	19
8.0	EFFECTIVE DATE	24

1.0 INTRODUCTION

The objectives of this Public Ruling (PR) are to explain:-

- i. mode of income tax payment and refund process; and
- ii. the documentations requirement for the refund process.

2.0 RELEVANT PROVISIONS OF THE LAW

2.1 This PR takes into account laws which are in force as at the date this PR is published.

2.2 The provisions of the Income Tax Act, Chapter 35 related to this PR are sections 8, 9, 37, 52, 52A, 60A, 62, 65, 69A, 70, 72, 77 and 78.

3.0 INTERPRETATION

3.1 "body of persons" means any body politic, corporate or collegiate, fraternity, fellowship, or society of persons whether corporate or not corporate;

3.2 "company" means a company incorporated or registered under Companies Act, Chapter 39 or any law in force elsewhere;

3.3 "person" includes a company and a body of persons;

3.4 "resident in Brunei Darussalam" –

- a. in relation to an individual, means a person who, in the year preceding the year of assessment, resides in Brunei Darussalam except for such temporary absences therefrom as to the Collector may consider reasonable and not inconsistent with a claim by such person to be resident in Brunei

Darussalam, and includes a person who is physically present or who exercises an employment (other than as a director of a company) in Brunei Darussalam for 183 days or more during the year preceding the year of assessment;

b. In relation to a company or a body of persons, means a company or a body of persons the control and management of whose business is exercised in Brunei Darussalam;

3.4 "non-resident" means a person not known to be a resident in Brunei Darussalam;

3.5 "tax" means the income tax imposed by the Income Tax Act, Chapter 35; and

3.6 "year of assessment" means the period of 12 months commencing on the 1st day of January 1950 and each subsequent period of 12 months.

4.0 PAYMENT OF INCOME TAX

4.1 Introduction

4.1.1 Income Tax in Brunei Darussalam is governed by Income Tax Act, Chapter 35, Laws of Brunei.

4.1.2 Income tax is payable upon the income of any person accrued in, derived from, or received in Brunei Darussalam. The provisions of the Act are currently imposed on income of companies only and not other persons or bodies of persons.

4.1.3 Commencing year of assessment 2012, a self-assessment scheme has been introduced with the aim to enhance voluntary compliance and streamline the administration of corporate tax in Brunei Darussalam whereby companies self-assess their tax obligations and pay their tax

liability with the submission of tax returns. Hence, System of Tax Administration and Revenue Services (STARS) was rolled out to ease taxpayers in performing their tax obligations under the new regime of self-assessment.

4.1.4 Each director of a company whom is registered with the Registrar of Companies is required to register online via STARS at www.stars.gov.bn. The STARS registration is to enable the company to do filing or submission of any returns and making online payment.

4.1.5 Return ID or payment reference will be generated by STARS when the filing or submission is completed. This return ID or payment reference is to be quoted when making payment to ensure correct and automatic reconciliation process in STARS.

4.2 Estimated of Chargeable Income (ECI)

4.2.1 Filing requirement

A company is required to submit an ECI form to the CIT within 3 months after the end of accounting period relating to that year of assessment.

Example 1:

Assuming BSDD Sdn Bhd's financial year ended is on 31 December. On 31 March 2017, BSDD Sdn Bhd submitted ECI form for the year of assessment 2017. The estimated tax payable amount based on the ECI form is \$20,000.

BSDD Sdn Bhd has submitted the ECI form within 3 months after the financial years ends i.e. within 1 January 2017 to 31 March 2017

Example 2:

Assuming ABC Sdn Bhd's financial year ended is on 30 June. On 31 October 2016, ABC Sdn Bhd submitted ECI form for the year of

assessment 2017. The estimated tax payable amount based on the ECI form is \$35,000.

ABC Sdn Bhd did not submit the ECI form within 3 months after the financial year ends i.e. within 1 July 2016 to 30 September 2016. Hence ABC Sdn Bhd will be guilty of an offence for failure to submit ECI on time and upon conviction, a fine of \$10,000 and in default of payment to imprisonment for 12 months.

4.2.2 Payment requirement

A company is required to pay tax based on ECI for each year of assessment on or before the date when ECI form is submitted.

Example 3:

Assuming BSDD Sdn Bhd's financial year ended is on 31 December. On 31 March 2017, BSDD Sdn Bhd submitted ECI form for the year of assessment 2017. The estimated tax payable amount based on the ECI form is \$20,000. The company made payment of \$20,000 on the same day the ECI form was submitted.

BSDD Sdn Bhd has paid tax for the amount of \$20,000 on the date they submitted the ECI form i.e. 31 March 2017.

Example 4:

Assuming ABC Sdn Bhd's financial year ended is on 30 June. On 31 October 2016, ABC Sdn Bhd submitted ECI form for the year of assessment 2017. The estimated tax payable amount based on the ECI form is \$35,000. The company made payment of \$35,000 on the same day the ECI form submitted.

ABC Sdn Bhd failed to pay tax based on ECI on time. Hence late payment of 5% penalty on \$35,000 will be imposed.

4.2.3 In the event where the company is ready to submit the income tax return and pay the tax within 3 months after the financial year ends, ECI form will no longer required to be submitted.

Example 5:

Assuming DEF Sdn Bhd's financial year ended is on 31 December. On 31 March 2017, DEF Sdn Bhd submitted income tax return for the year of assessment 2017 with tax payable amount of \$50,000. The company made payment on the same day.

DEF Sdn Bhd has submitted income tax return and pay the tax within 3 months after the financial year ends i.e. between 1 January 2017 and 31 March 2017. Hence ECI will no longer be required to be submitted.

4.3 Income Tax Return

4.3.1 Filing requirement

Under self-assessment system, every company is required to submit a complete income tax return annually by 30th June for each year of assessment. Upon receipt, the chargeable income and the tax liability declared in the return would be deemed to have been assessed by CIT. The return form is considered as an assessment order issued to the company on the day the return was submitted.

Example 6:

Assuming BSDD Sdn Bhd's financial year ended is on 31 December. On 31 March 2017, BSDD Sdn Bhd submitted ECI form for the year of assessment 2017. The estimated tax payable amount based on the ECI form is \$20,000. The company made payment of \$20,000 on the same day the ECI form submitted.

On 28 June 2017, the company then submitted the income tax return with the declared tax liability amount of \$23,000.

BSDD Sdn Bhd has submitted income tax return on time i.e. by 30 June 2017.

Example 7:

Assuming SDS Sdn Bhd's financial year ended is on 30 September. For the year of assessment 2017, the company submitted ECI form and paid tax on 31 December 2016 with tax payable amount of \$28,000. On 30 November 2017, SDS Sdn Bhd then submitted the income tax return with tax payable amount of \$48,000.

SDS Sdn Bhd is considered late filer and will be guilty of an offence for failure to submit income tax return on time i.e. 30 June 2017 and upon conviction, will be liable to a fine of \$10,000 and in default of payment to imprisonment for 12 months.

4.3.2 Payment requirement

A company is required to pay income tax on or before 30 June of the relevant year of assessment. If payment is not made within the stipulated time, the outstanding amount will be subject to penalty.

Example 8:

Assuming BSDD Sdn Bhd's financial year ended is on 31 December. On 31 March 2017, BSDD Sdn Bhd submitted ECI form for the year of assessment 2017. The estimated tax payable amount based on the ECI form is \$20,000. The company made the tax payment of \$20,000 on the same day the ECI form is submitted.

On 28 June 2017, the company then submitted the return with the declared tax liability amount of \$23,000. The company is required to pay the remaining balance of \$3,000 (\$23,000 - \$20,000). On the same day of submission, BSDD Sdn Bhd has paid the remaining balance of \$3,000.

BSDD Sdn Bhd has paid the remaining tax based on income tax return on the same day the company submitted the income tax return i.e on 28 June 2017.

Example 9:

Assuming ABC Sdn Bhd's financial year ended is on 30 June. On 30 September 2016, ABC Sdn Bhd submitted ECI form for the year of assessment 2017. The estimated tax payable amount based on the ECI form is \$35,000. On 30 November 2017, ABC Sdn Bhd submitted the income tax return with tax payable amount of \$40,000. The company then made payment on the remaining tax amount of \$5,000 (\$40,000 - \$35,000) on the same day the company filed the income tax return.

ABC Sdn Bhd will be charged 9% penalty on the remaining tax balance of \$5,000 which consists of 5% penalty for failure to pay tax on or before 30 June 2017 and additional 1% to the subsequent months.

<u>Date</u>	<u>Amount</u>	<u>Penalty Rate</u>	<u>Penalty Amount</u>
01.07.2017	\$5,000	5%	\$250
31.07.2017	\$5,000	0%	\$0
30.08.2017	\$5,000	1%	\$50
29.09.2017	\$5,000	1%	\$50
29.10.2017	\$5,000	1%	\$50
28.11.2017	\$5,000	1%	\$50
	Total	9%	\$450

4.4 Additional Assessment

4.4.1 Upon audit, the CIT will assess the company's tax liability accordingly within the year of assessment or within 6 years after the year of assessment.

Example: Between the year 2011 and 2017, CIT can assess and raise additional notice of assessment for the year of assessment 2011 (Financial year end 2010).

4.4.2 However in the case of fraud or willful default which can cause loss of tax, CIT can issued an additional assessment at any time.

4.4.3 Tax on the basis of additional assessment raised by CIT must be paid within 30 days after the service of the Notice of Assessment, regardless of the objection made by the company.

Example 10:

Assuming Aliff Sdn Bhd's financial year ended is on 31 December. On 30 June 2015, the company submitted income tax return form for the year of assessment 2015 with tax amount of \$75,000. CIT then selected Aliff Sdn Bhd's income tax return for audit and made an additional assessment. Notice of Assessment was issued on 2 January 2017 and the payable amount is \$105,000.

Aliff Sdn Bhd is required to pay the remaining tax payable in the amount of \$30,000 (\$105,000 - \$75,000) on or before 1 February 2017.

4.5 Penalty for non-payment

4.5.1 5% penalty

- i. Any tax due based on ECI is not received after 3 months after the end of accounting period relating to the year of assessment, a penalty of 5% penalty will imposed.

Example 11:

Assuming MNO Sdn Bhd's financial year ended is on 30 June. On 31 October 2016, the company submitted ECI form and paid tax for year of assessment 2017 with the estimated tax payable amount of \$10,000.

MNO Sdn Bhd failed to pay tax based on ECI within 3 months after the financial year ends i.e. within 1 July 2016 to 30 September 2016. Hence penalty of 5% shall be imposed on the tax based on ECI form (\$10,000 x 5%).

- ii. Any tax due based on Income Tax Return is not paid after 30 June of the relevant year of assessment, a penalty of 5% of the amount due will be imposed.

Example 12:

Assuming PQR Sdn Bhd's financial year ended is on 31 December. On 30 March 2017, the company submitted ECI form and paid tax for the year of assessment 2017 with tax payable amount of \$35,000. On 30 June 2017, PRQ Sdn Bhd submitted income tax return with tax payable amount of \$42,000.00. Then on 10 July 2017, the company paid the remaining tax amount of \$7,000 (\$42,000 - \$35,000).

PQR Sdn Bhd failed to pay remaining tax liability of \$7,000 on time i.e. by 30 June 2017. Hence 5% penalty shall be imposed on the remaining balance (\$7,000 x 5%).

- iii. Any tax due based on additional assessment remains unpaid within 30 days from the services of notice of assessment, a penalty of 5% of the amount due will be imposed.

Example 13:

Assuming STU Sdn Bhd's financial year ended is on 31 December. The company submitted income tax return for year of assessment 2015 and paid with tax payable amount of \$110,000. The company's return then has been selected for audit. Upon audit completion, CIT has issued Notice of Assessment on 20 July 2017 with total tax payable of \$180,000. The company has to pay the remaining balance of \$70,000 (\$180,000 - \$110,000). On 1 September 2017, STU Sdn Bhd made payment of \$50,000.

STU Sdn Bhd was charged 5% penalty on \$70,000 for failure to pay the tax payable on or before 18 August 2017. The total tax liability and penalty amount is \$73,500.

20.07.2017	NOA	\$70,000
19.08.2017	5% Penalty	\$3,500
	Amount to be paid	<u>\$73,500</u>

4.5.2 Upon the imposition of the 5 % penalty, CIT shall issue demand note to request the company to pay the outstanding tax and 5% penalty. And in the event if payment was still not made within 30 days from the date of the services of demand note, legal action can be taken. If the company is found guilty of an offence for failure to pay, the company will be liable to a fine of \$10,000 and in default of payment to imprisonment for 12 months.

4.5.3 Additional penalty

If the amount of outstanding tax is not paid within 60 days of the imposition of 5% penalty, an additional 1% penalty is chargeable to the tax payable (liability based on ECI or liability based on self-declared tax return or liability based on additional assessment) and it will not exceed 12%.

Example 14:

Assuming STU Sdn Bhd's financial year ended is 31 December. The company submitted income tax return for year of assessment 2015 and paid with tax payable amount of \$110,000. The company's return then has been selected for audit. Upon audit completion, CIT has issued Notice of Assessment on 20 July 2017 with total tax payable of \$180,000. The company has to pay the remaining balance of \$70,000.00 (\$180,000 - \$110,000).

On 1 September 2017, STU Sdn Bhd paid \$50,000. The company then made subsequent payments on 1 November 2017 and 1 December 2017 for amount of \$5,000 and \$15,000 respectively.

Additional penalty of 3% are imposed and calculated as follows:

<u>Date</u>	<u>Amount</u>	<u>Penalty Rate</u>	<u>Penalty Amount</u>	<u>Amount paid</u>
19-Aug-17	\$70,000.00	5%	\$3,500.00	
01-Sep-17				\$50,000.00
18-Sep-17	\$23,500.00	0%	\$0	
18-Oct-17	\$23,500.00	1%	\$235.00	
01-Nov-17				\$5,000.00
17-Nov-17	\$18,735.00	1%	\$187.35	
01-Dec-17				\$15,000.00
17-Dec-17	\$3,922.35	1%	\$39.22	
	Total	8%	\$3,961.57	\$70,000.00

- 4.5.4 In an event where 17% penalty was charged and no payment is made, legal action will be constituted and the company will be guilty of an offence. Upon conviction, a fine of \$10,000 will be charged to the company and if default in payment the company will be subject to imprisonment for 12 months. In addition, the company is still required to pay the outstanding tax liability and the 17% penalty.

5.0 PAYMENT OF WITHOLDING OF TAX

5.1 Introduction

- 5.1.1 Income of a non-resident derived from a Brunei Darussalam source is liable to tax in Brunei Darussalam whereby tax is withheld at source.
- 5.1.2 Resident companies or permanent establishment in Brunei Darussalam are required to act as a withholding agent for the CIT in respect for specified nature of payment made to the non-resident. The payment to the non-resident should be the net amount of invoice, after taking into account withholding of tax.

5.2 Nature of payments subjected to withholding of tax are:

- a) Interest, commission, fee or other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness;
- b) royalties or other lump sum payments for the use of movable property;
- c) use of or the right to use scientific, technical, industrial or commercial knowledge or information;
- d) rendering of assistance or services in connection with the application or use of scientific, technical, industrial or commercial knowledge or information;
- e) management or assistance in the management of any trade, business or profession;
- f) rent or other payments under any agreement or arrangement for the use of any movable property; and
- g) Non-resident director's remuneration.

5.3 For the filing of withholding of tax, please refer to paragraphs 7.1 to 7.5 of the Public Ruling No. 4/2017 - Withholding of tax on specified nature of payment.

5.4 For penalty or consequences of not deducting or remitting withholding tax, please refer to paragraph 20.0 of the Public Ruling No. 4/2017 - Withholding of tax on specified nature of payment.

6.0 MODE OF PAYMENT OF TAX

6.1 Payment at Revenue Division counter

6.1.1 The counter address:

**Revenue Division, Ministry of Finance
Level 1, Island Block
Ministry of Finance Building
Commonwealth Drive
Brunei Darussalam BB3910
Tel No.: +673 2383933 or 2380651
Email: revenue@mof.gov.bn**

6.1.2 Tax can be paid by cash or cheque to the Collector of Income Tax, Brunei Darussalam.

6.1.3 All cheques must be crossed and paid to "**GOVERNMENT OF BRUNEI DARUSSALAM**".

6.1.4 For Withholding of Tax payment, a Return ID must be presented when making payment.

6.1.5 The counter operating hours are as follows:-

Monday to Thursday and Saturday	8:30 am – 12:00 pm and 1:30 pm – 3:30 pm
Fasting Month	8:15 am – 1:30 pm
Public Holiday	Close

6.2 Payment via STARS

6.2.1 Income tax and withholding of tax can be paid electronically via STARS website.

6.2.2 Currently, the facility available is Direct Account Transfer and is for Bank Islam Brunei Darussalam (BIBD) account holders only. Please refer to STARS-BIBD DAT User Guide at STARS website.

6.3 Payment using Bank Channel

6.3.1 Over the counter (OTC)

- i. Income tax and withholding of tax payment can be made at bank counter in cash, cheque or credit advice;
- ii. Return ID or payment reference must be presented to the bank when making payment for auto-reconciliation purpose;
- iii. OTC at bank channel can only be made at the following banks:-
 - a. Bank Islam Brunei Berhad (BIBD); and
 - b. Standard Chartered Bank (SCB).

iv. Payment over the counter can be made using specific Bill Payment Slip as shown below:-

a. Bill Payment Slip for BIBD

The form is titled 'SLIP PEMBAYARAN BIL / BILL PAYMENT SLIP' and features the BIBD logo and various payment method logos including Visa, Mastercard, and others. It contains several sections for data entry:

- NO. KAD / NO. BIL / BILLING ACCOUNT / CREDIT CARD NO.:** A grid for entering account numbers.
- NO. TELEFON / TELEPHONE NO.:** A grid for entering the telephone number.
- NAMA PELANGGAN / NAME OF SUBSCRIBER:** Field 2.3.
- TUNAI / CASH:** Field 2.4.
- SEMIHANYA CDE / CHEQUE DEPOSIT:** Field 2.1.
- NO. CDE / CHEQUE NO.:** Field for cheque number.
- BANK:** Field for bank name.
- Jumlah / Total:** A grid for entering the total amount.
- Sumber Dana / Source of Fund:** A list of checkboxes for funding sources like 'Perolehan Sendiri / Own Business', 'Gaji / Salary', etc.
- ALAMAT / RESIDENCE ADDRESS:** Field 2.2.
- PEKERJAAN / OCCUPATION:** Field for the subscriber's job.

b. Bill Payment Slip for SCB

The form is titled 'BILL PAYMENT' and features the Standard Chartered logo. It includes a 'Please select the utility to pay:' section with checkboxes for VISA, Great Eastern, Standard Chartered Bank Finance (B) BHD, and others. The form contains several sections for data entry:

- Source of Funds:** A list of checkboxes for funding sources like 'Own', 'Salary', 'Commission', etc.
- Please complete the following if you are paying on behalf of the account holder:** Fields for 'Depositor's Name', 'Address', and 'Occupation'.
- Debit Account No.:** Field 2.2.
- Debit Card Member No.:** Field 2.1.
- Customer Name / Cardmember Name / Policy Holder's Name / Subscriber Name:** Field 2.4.
- Card No. / Policy Number / Premium Number / Reference No. / Billing Account No.:** Field 2.5.
- Cheque No. / Bank/Branch / Drawer's Name/A/C No. / Ext. Ref No. / Amount (BND):** Fields 2.3 and 2.6.
- CHEQUE TOTAL:** A grid for entering the total amount.
- CASH:** A grid for entering the cash amount.

v. In the case where payment is made in lump sum and for multiple return ID or payment reference, a credit advice should be used to enable auto-reconciliation in STARS and the payment to be reflected immediately in the system. For further information, please refer to Pay via Bank Channels guide at STARS website.

COMPANY LETTERHEAD

Date: DD-MM-YYYY

Dear Sir / Madam,

Please debit our account in **BIBD/SCB**, A/C Number **XXX-XX-XXXXXX-X** to the payee below via Bill Payment:

Bill Payment Payee: **REVENUE DIVISION, MOF**

No	Billing Account Number	Amount in BND
1	Return ID: 600005555	55,000.00
2	Return ID: 600004444	40,000.00
3	Return ID: 600003333	3,000.00
4	Return ID: 600002222	12,000.00
5	Return ID: 600001111	1,000.00
6	Return ID: 600054321	4,000.00
7	Return ID: 600012345	15,000.00
8	Return ID: 600012233	20,000.00
	TOTAL	150,000.00

COMPANY SIGNATURE/CHOP

6.3.2 Internet Banking Facility

- i. Internet banking facility can be made through the following banks:-
 - a. Baiduri Bank Berhad (BAB);
 - b. Bank Islam Brunei Darussalam (BIBD); and
 - c. Standard Chartered Bank (SCB).

- ii. If payment is made through internet banking facility, the following details are required to be filled in order to enable auto payment reconciliation:-
 - a. Revenue Division Tax Payment in payee name field;
 - b. Return ID or payment reference; and
 - c. Amount of tax liability.

6.4 Payment by Telegraphic Transfer

6.4.1 Telegraphic Transfer can be made through the following banks:-

- i. Bank Islam Brunei Darussalam (BIBD); and
- ii. Standard Chartered Bank (SCB).

- 6.4.2 Revenue Division bank account numbers are as follows:-
- i. BIBD : 00-015-01-0017716; and
 - ii. SCB : 01-001-000532-04
- 6.4.3 The remittance slip must contain the following details:-
- i. Company name;
 - ii. Return ID or payment reference; and
 - iii. Purpose of payment.
- Example: Payment for income tax for the year of assessment 2017.
- 6.4.4 Payment remitted must be in Brunei Dollars with instruction to the bank that all charges will be borne by the applicant (the company).
- 6.4.5 Payment made with incomplete information will delay the reconciliation process and the company may be charged for late payment.
- 6.4.6 In the event where the company encountered payment issue, CIT should be informed by providing the payment details via letter or email to revenue@mof.gov.bn.

7.0 TAX REFUND

7.1 Introduction

- 7.1.1 Refund refers to the refunding of tax credit to the company which includes the following:-
- a) Overpayment of income tax or withholding of tax;

Example 15:

Assuming EFG Sdn Bhd's financial year ended is on 31 December. On 31 March 2017, the company submitted ECI with

tax payable amount of \$37,000. However, when income tax return was submitted on 30 June 2017, the tax payable amount was \$27,000 only.

Thus an overpayment of \$10,000 (\$37,000 – \$27,000) will be refunded to EFG Sdn Bhd.

Example 16:

On 5 September 2017, CDE Sdn Bhd has filed withholding of tax form with amount of \$2,550. The generated STARS return ID is 60001234. On 15 September 2017, the company has mistakenly made a double payment to return ID 60001234 with total amount of \$5,100.

Hence, CIT will refund the amount of \$2,550.00 to CDE Sdn Bhd due to overpayment.

- b) Overpayment of income tax due to revised assessment;

Example 17:

Assuming GHI Sdn Bhd's financial year ended is on 31 December. CIT then selected GHI Sdn Bhd's income tax return for audit and made an additional assessment with tax payable of \$55,000. The company then paid for the amount and simultaneously disputed on the disallowed items with justification. Hence a revision on the assessment was made which is final and conclusive and consequently resulted in a lower tax payable amount of \$35,000.

Therefore, overpayment of \$20,000 (\$55,000 - \$35,000) will be processed for refund.

- c) Overpayment of income tax due to incentives; and

Example 18:

Assuming JKL Sdn Bhd's financial year ended is on 31 December. For the year of assessment 2016, the company has a turnover of \$904,000. The company has filed income tax return and paid tax payable in the sum of \$875 on 30 January 2016. Subsequently, on 19 April 2016, CIT has made an announcement that for the year of assessment 2015 onwards, companies with gross sales or turnover which does not exceed \$1 million are exempted from paying tax.

Due to the exemption, JKL Sdn Bhd tax payment amount of \$875 for the year of assessment 2016 will be refunded.

Example 19:

Assuming DSR Sdn Bhd's financial year ended is on 31 March. On 30 June 2016, the company submitted the income tax return for the year of assessment 2017 with tax liability of \$30,000. Then on 15 August 2016, DSR Sdn Bhd noticed they have not claimed for tax credit on local employment of two new local employees hired during the year and subsequently applied for refund. The calculation are as follows:

	<u>Amount</u>
Gross Tax payable	\$30,000
Less:	
Tax credit @50% of \$48,000	(\$24,000)
Salaries of 2 new local employees (\$2,000 per month x 12 months = \$24,000) (\$24,000 x 2 = \$48,000)	
Balance tax payable after tax credit	<u>\$6,000</u>

Hence the company will be refunded for overpayment of tax in the amount of \$24,000 (\$30,000- \$6,000).

- d) Tax refund due to Avoidance of Double Taxation Agreement
Please refer to paragraph 19.0 of Public Ruling No. 4/2017 -
Withholding of tax on specified nature of payment.

7.2 Tax refund process

7.2.1 The company must apply refund officially by letter, email or via STARS eServices portal. The return status shall be updated from time to time in STARS eServices portal.

7.2.2 If the application is proven to the satisfaction of CIT, the approval letter will be issued to the company stating the overpaid amount to be refunded and the documents required to be submitted for the refund process.

7.2.3 The company can claim for tax refund by the company within 6 years from the end of the year of assessment to which the claim relates.

Example 20:

Assuming Bike Sdn Bhd's financial year ended is on 31 December. On 31 March 2010, the company submitted ECI form and paid tax for the year of assessment 2010. The tax liability amount is \$95,000. Then on 30 June 2010, Bike Sdn Bhd submitted income tax return form with tax payable amount of \$92,000.

On 2 January 2017, Bike Sdn Bhd submitted application letter for refund on overpayment of ECI for amount of \$3,000 (\$95,000 - \$92,000) for year of assessment 2010.

After review, CIT will not grant approval on the application as the year of assessment the refund relates to has lapsed.

- 7.2.4 Tax refund will be paid to the company within 7 working days from the receipt of complete documentations.

Example 21:

Assuming EFG Sdn Bhd's financial year ended is on 30 June. On 30 September 2015, the company submitted ECI form and paid tax for the year of assessment 2016. The tax payable amount is \$70,000. Then on 30 June 2016, EFG Sdn Bhd submitted income tax return form with tax payable in the amount of \$62,000. Simultaneously on the same day, EFG Sdn Bhd submitted refund application letter for the overpayment of ECI for amount of \$8,000 (\$70,000 - \$62,000).

CIT reviewed the application and issued the approval refund letter stating the amount to be refunded and required documents. On 4 November 2017, EFG Sdn Bhd submit the complete documentation to CIT.

The refund will be paid to EFG Sdn Bhd not later than 14 November 2017.

- 7.2.5 Company's tax compliance will be reviewed before the refund can be processed.
- 7.2.6 Before the amount is refunded, CIT will offset the previous outstanding tax liability including unpaid penalty, if any.

7.3 The supporting documents for tax refund

- 7.3.1 The company are required to submit the following documents:-

- i. Original receipt of payment or acknowledgement letter; and

- ii. Treasury Accounting and Financial Information System (TAFIS)
Vendor ID registration which consists of:-
- Original Vendor ID form;
 - Company's incorporation certificate;
 - Copy of Form X Section 16/17 or Form VI; and
 - Header of company's latest bank statement that shows the bank account number.

Note:

In the event where the company has not registered to TAFIS or the company's current bank account is no longer the same as the one existing in TAFIS, the refund payment may take longer than 7 working days.

- 7.3.2 In the case where a company lost or unable to retrieve the original receipt or acknowledgement letter issued by the CIT, a police report and Statutory Declaration endorsed by the court are required to be submitted instead.

8.0 EFFECTIVE DATE

This ruling is effective from 1 January 2018 except for paragraphs 5.3, 5.4 and 7.1.1(d) which effective date is from 1 April 2017.