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IRB: No plans to amend Act for now

> FMM says tax authority should at least revise practice and allow firms exempted from audit by SSM to file returns using unaudited accounts

BY **EE ANN NEE**
sunbiz@thesundaily.com

PETALING JAYA: The Inland Revenue Board (IRB) will not be amending the Income Tax Act 1967 to allow companies exempted from audit by Companies Commission of Malaysia (SSM) to file returns using unaudited accounts.

The Companies Act 2016, effective this year, allows for dormant companies, zero-revenue companies and threshold-qualified companies (those earning less than RM100,000 revenue and holding at most RM300,000 worth of assets) to be exempted from having to audit their accounts.

"As for now, no amendment will be made (to Income Tax Act 1967 - Section 77A) following the enforcement of the Companies Act 2016," IRB told *SunBiz*.

The Federation of Malaysian Manufacturers (FMM) had called on the IRB to amend its rules in line with SSM's exemption, allowing companies eligible for exemption to file returns without auditing their accounts.

FMM, when asked to comment on IRB's stand, said that while there may not be a need to amend Section 77A of the Income Tax Act, it opined that there is a need for IRB to amend its administrative practice to allow for the filing of unaudited accounts by companies given audit exemptions by the SSM.

It said although not specifically mentioned in Section 77A of the Income Tax Act 1967, the IRB's website

hyperlink to the company tax return form (e-C 2017) did make a note that with effect from Year of Assessment 2014, companies are required to furnish their returns based on audited accounts.

In this respect, FMM said, it appears that the requirement for audited accounts is an administrative procedure set by the IRB.

"Hence, while it may not be necessary to amend Section 77A, IRB should amend its administrative practice to be in line with the new SSM relaxation and update its website accordingly. This would remove uncertainties for companies eligible for audit exemption granted by SSM," FMM told *SunBiz*.

"Otherwise, IRB's administrative requirement effectively invalidates the audit exemption granted by SSM as well as the commission's good intentions to help reduce the cost of doing business by eliminating unnecessary compliance cost for eligible small companies," it added.

FMM said it would be writing to the IRB for confirmation on its understanding of the submission of company tax returns vis-à-vis the SSM's audit exemption.

SSM deputy CEO (regulatory & enforcement) Nor Azimah Abdul Azi, when asked to comment, said SSM had engaged IRB on the proposed audit exemption criteria prior to the release of the Practice Directive 3/2017 on Aug 4, 2017 and there was no objections to SSM's exempting certain categories of private companies fulfilling the criteria from audit requirements.

"Audit exemption is being

introduced in Malaysia for the first time and we are optimistic that companies and industry players will embrace the change in due time," Azimah told *SunBiz*.

She said as audit exemption is only an option made available to companies to do away with audit, SSM believes that corporate communities and industry players in Malaysia are mature enough to decide on the best way of doing business that works well in the interest of their business ventures.

"The requirement to prepare accounts is intact and companies that opted for audit exemption would still be required to lodge unaudited financial statements with SSM. In this regard, there will be no vacuum in public information.

"We do not believe it will affect the filing of tax returns as filing of tax returns is a mandatory obligation imposed upon companies under the Income Tax Act 1967," said Azimah.

Audit exemption is being implemented on a staggered basis. For dormant companies incorporated on or after Jan 31, 2017, it will be effective from Jan 31, 2017; dormant companies incorporated on or before Jan 30, 2017, from Sept 1, 2017; zero-revenue companies from Jan 1, 2018 and threshold-qualified companies from July 1, 2018.

"SSM will be reviewing the audit exemption criteria from time to time to ensure they are in tandem with corporate expectations and, at the same time, preserving the values of corporate governance," said Azimah.

Ministry of Finance Malaysia
No. 5 Persiaran Perdana Presint 2,
Federal Government Administrative Centre,
62592 WP PUTRAJAYA

☎ 03-8000 8000

☎ 03-88823893 / 03-88823894

✉ [pro\[at\]treasury\[dot\]gov\[dot\]my](mailto:pro[at]treasury[dot]gov[dot]my)



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