MINUTES OF THE DIALOGUE WITH THE OPERATIONS DIVISION OF THE INLAND REVENUE BOARD (IRB) HELD ON MARCH 25, 2003

1. Filing Programme for 2003 – Non Company Cases

The Institutes sought confirmation that the filing programme for the year 2003 is similar to that for the year 2002.

The IRB confirmed that the filing programme for the year 2003 would be similar to that for the year 2002. The IRB further stated that for self assessment system commencing in Y/A 2004, taxpayers should comply with the filing deadlines provided under the Income Tax Act ("the Act").

(Note : The filing programme for year 2003 was already circulated to members previously.)

2. Tax Refund

2.1. Refund of Withholding Tax to Non-Resident Companies under Section 107A of the Income Tax Act (ITA), 1967

Under the official assessment system, non-resident companies (NRC) would have to file their tax returns, tax computations and audited accounts to the non-resident branch of the IRB for examination of their tax liability before the claim for refund of the tax "withheld" is approved.

However, under the self-assessment system (SAS), feedback from members of the Institutes indicated that they were unclear as to the procedure adopted by the IRB before making the refund.

The Institutes requested the IRB to clarify the following matters:-

i. whether the NRC are required to submit tax computations and audited accounts for examination by the non-resident branch before the refund is made (Form C would have been submitted to Unit Pemprosesan of IRB).

ii. whether the tax computations/audited accounts are required to be submitted simultaneously to the non-resident branch when the return forms are submitted to Unit Pemprosesan (provided that the above ***situation i*** is applicable). The Institutes recommended that the tax computations / audited accounts are to be submitted simultaneously so as not to delay the claim for refund.

iii. Otherwise, the Institutes requested the IRB to indicate the appropriate procedure to be adopted by the NRC.

The IRB clarified that tax computations and audited accounts can be submitted simultaneously to the non-resident branch when the Form C is submitted to Unit Pemprosesan.

The IRB further clarified that before a tax refund is made to a non-resident company in respect of withholding tax deducted under Section 107A of the Act, a tax audit will be carried out. The tax audit will be carried out as expeditiously as possible. The IRB also informed that notifications would be given to the taxpayers once the audit is completed.

2.2 Refund of Tax Over-Paid

2.2.1 Effective from Y/A 2001 under the SAS, companies were required to pay monthly instalments of their estimated tax payable; and any credit arising from overpayment of monthly instalments for Y/A 2001 (after the submission of Form C for Y/A 2001) was allowed to be set off against the monthly instalments payable for Y/A 2002 / 2003. This credit can also be set-off against any tax liability for years of assessment prior to Y/A 2001. Credit arising from tax discharged for years of assessment prior to Y/A 2001 is also allowed to be utilised to settle the monthly instalments for Y/A 2002.

However, feedback from the members of the Institutes indicated that since September 16, 2002, the IRB has disallowed any credit (except for credit of RM20,000 or less) arising from the above to be utilised against the monthly instalment payments for Y/A 2002 / 2003. The Institutes were given the understanding that applications to utilise the credit in the above manner have been rejected with the explanation that the credit will be refunded to the companies concerned. Although the IRB has stated that refund of the overpayment of monthly instalments will be made within two/three months after a tax return is filed, many companies only receive the refund cheques after 6 months or longer.

A business friendly approach by the IRB in refunding tax over-paid will be in line with the Government's policy to encourage investment.

In this regard, the Institutes requested the IRB to consider the following matters:-

a. the taxpayers should be given the choice as to whether the tax credit should be utilised to set-off future instalments or refunded to the taxpayers.

b. If the IRB prefers refunding the amount of credit, then it should be refunded (i.e. cheque should be received by taxpayer) within two/three months.

Notwithstanding the above, the Institutes also pointed out that the IRB branches in Kuching and Kota Kinabalu had disallowed the set off of the tax credit (irrespective of amount) against the monthly instalment payments. The Institutes sought clarification from the IRB on this matter.

The IRB noted the above issue. The IRB acknowledged that the tax credit belonged to the taxpayers; and therefore the IRB was in the process of making tax refunds to such taxpayers. The IRB stated that instructions would be given to all the branches to standardise the implementation of the ruling so as to avoid any misinterpretation and miscommunication.

The IRB also clarified that the taxpayers are allowed to set off credit amounting to RM 20,000 or less. However, the IRB has informed that approval is required in off setting the tax credit. The IRB further indicated that taxpayers are allowed to forward their election, i.e., to set off the tax credit or to obtain tax refund from the IRB, by submitting a written request upon submission of the annual tax return.

Notwithstanding the above, the IRB emphasized that there are still a number of taxpayers who have not been remitting their taxes due. As such, the IRB appealed to all tax agents to remind their clients of their tax payment duties and the consequences of not complying with the Act.

2.2.2 For credit arising from monthly instalment payments for Y/A 2002 (after the submission of Form C for Y/A 2002), the IRB had allowed the credit to be set-off against the monthly instalments for Y/A 2003 or any tax liability in respect of Y/A prior to YA 2001 since refund cannot be processed immediately.

The Institutes sought confirmation that this practice of allowing Y/A 2002 credit to be set-off against instalments payable for Y/A 2003 or prior assessment years will continue to be applicable.

The IRB confirmed that such practice would continue to be applicable for Y/A 2002/ 2003 onwards until further notice. There is no restriction on the amount of tax credit to be set off.

2.2.3 Tax Credit utilised in Group of Companies

The Institutes sought clarification from the IRB as to whether tax credit of a company in a group of companies is allowed to be set off against the tax payable of another company in the group, i.e., the tax credit arising from a holding company to be set off against the tax payable of a subsidiary company.

Feedback from the members of the Institutes indicated that in the past there have been instances whereby the Collection branch of the IRB has allowed such practice. However, the Institutes were given the understanding that recently the IRB appeared to have discontinued such practice. In this respect, the Institutes sought clarification as to whether the IRB would allow such a practice on a case to case basis or has the practice been discontinued.

The IRB clarified that, in principle, the practice of utilising tax credit arising from one entity to be set off against the tax payable by another entity (even if it is a wholly owned subsidiary) is disallowed as it contradicts the legal principle that the entities are separate entities under the Act.

2.2.4 E-Filling

The IRB commented that although the E-filling programme was introduced to the taxpayers / tax agents, the feedback from the IRB processing centre indicated that the usage of E-filling was lower than expected. The IRB sought feedback from the Institutes on the taxpayers /tax agents reluctance in using the system.

The Institutes informed that the current E-filling programme implemented by the IRB is of little help to taxpayers/tax agents in terms of technical aspects. The Institutes also indicated that the IRB is using a stand alone system, whereas most of the taxpayers/tax agents are using a network based system. In addition, the format of the forms published are not open sources; and therefore complications and difficulties are encountered when downloading the said forms. The Institutes also pointed out that the taxpayers / tax agents would have to reorient their system in integrating both the IRB's and the tax agents' system. This poses significant difficulties as this exercise would involve significant amount of resources.

In view that the IRB is heading towards E-filling, the Institutes recommended the IRB to integrate its system with of the tax agents. The Institutes also sought the co-operation from the IRB in consulting and guiding the taxpayers / tax agents on the software developed (i.e., instructions, remedies and solutions), type of technology and platform used in integrating the system to help create a more efficient and user friendly system.

The IRB noted the feedback from the Institutes.

The IRB suggested that a separate meeting between the IT division of the IRB and representatives from the IT division of the tax agent's firm to be held to discuss the possibilities of modifying and integrating the two systems; and therefore, creating a more efficient and user friendly system.

3. Late Receipt or Non Receipt of Notices of Assessment Issued by IRB

a. During the meeting between the Operations Division of the IRB and the professional bodies held on April 15, 2002, the Institutes had highlighted the issue of late receipt or non-receipt of notices of assessment (NAs).

The Institutes also pointed out that the IRB appeared to have discontinued the practice of post-dating the NAs to allow for mailing time. Furthermore, the envelopes containing the NAs no longer bear the postal date stamps; and therefore, it would be difficult to prove that a notice of assessment was received late.

The Institutes have received further feedback from members that there have been instances where the computation of CKHT from the CKHT unit was received by the tax agent but not the notice of assessment (NA). As the NA was still not received after some time, the tax agent checked with the IRB and was informed that the NA was already issued. A request made by the tax agent for a duplicate was rejected by the assessment officer who advised that the taxpayer should personally obtain the duplicate from the assessment branch. The date of the NA indicates that it was issued two weeks after the computation. As it was already past due, a penalty for late payment was imposed.

The Institutes requested the IRB to consider the following matters:-

i. to review the procedure for sending the notices of assessment so as to ensure that these notices are received in good time by the taxpayers; and therefore avoid unnecessary late payment penalties that could be quite substantial in some cases;

ii. to provide copies of notices of assessment immediately upon written requests made by the tax agents.

For CKHT purposes, the IRB informed that the CKHT NA is dated fourteen (14) days after the date of CKHT computation. The IRB informed that taxpayers are issued with a copy of the CKHT computation and the notice of assessment, whilst their tax agents are issued with the CKHT computation.

There have been instances when certain tax agents had requested for duplicate copies of notices of assessments and at the same time requested the IRB to amend the dates stated on the said notices to the dates of the requests. The IRB advised that the amendment would not be allowed as the notices issued were already post-dated by fourteen (14) days. In addition, the IRB clarified that the CKHT assessment branch would only issue duplicate copies of the notices to duly authorized tax agents.

b. At the meeting with the Operations Division of the IRB held on April 15, 2002, the Institutes had highlighted the issue of obtaining the consent from Pos Malaysia regarding the stamping of the postal date on the envelopes containing notices of assessment.

The Institutes sought confirmation as to whether the IRB has obtained such consent from Pos Malaysia regarding the above issue.

The IRB clarified that all postage on IRB correspondence via mail is prepaid, and therefore no postal marks are shown.

The IRB clarified that the issue of the late receipt of the notices is beyond the control of the IRB as it is in the jurisdiction of Pos Malaysia. Therefore, the IRB suggested that the professional bodies raise this issue with Pos Malaysia.

In addition, the IRB will instruct the branches to update the database to avoid any undelivered or incorrect delivery of notices of assessment to taxpayers.

4. Finalisation of Outstanding Tax Assessments

During the meeting between the Operations Division of the IRB and the professional bodies held on April 15, 2002, the Institutes had highlighted the issue on finalisation of outstanding tax returns.

The Institutes also pointed out that there are many cases where the notices of assessment (NA) have not been issued or where appeals have been filed but no outcome has been received for the respective years of assessment. Many companies represented by our members are desirous that their tax status be finalised without further delay and have requested for meetings with the assessment officers to resolve any outstanding matters that may be holding up the finalisation of the tax assessments. However, we are of the understanding that the members have on occasions found it difficult to arrange with assessment officers for a meeting.

In this regard, the Institutes requested the IRB to expedite the finalisation of tax assessments for the outstanding years of assessment; and upon written requests by tax agents/taxpayers, the IRB officers should agree to have meetings to resolve any outstanding matters.

The IRB informed that the outstanding tax assessments would be finalised expeditiously. The IRB also requested tax agents not to send junior employees to resolve the outstanding cases.

In connection with the above, the IRB has expressed dissatisfaction over the following situations *(please refer to Appendix A)*:-

a. **Some newly recruited employees (i.e., junior employees) of certain tax agents have been contacting the IRB's officers and making enquiries regarding matters that should have been known to the tax agents.**

b. **Some newly appointed tax agents have been contacting the IRB to obtain information and documentation in respect of their new clients although those should be obtained from the previous tax agents.**

The IRB request all tax agents to avoid doing the same.

5. Issuance of Tax Reference Numbers

Feedback from the members of the Institutes indicated difficulties encountered in obtaining the tax reference numbers for newly incorporated companies.

The Institutes requested the IRB to expedite the issuance of tax reference numbers upon written request supported by relevant documents, i.e, copy of a company's memorandum and articles of association.

The IRB confirmed that the issuance of tax reference numbers for newly incorporated companies would take a minimum of three (3) days provided completed forms and relevant documents are submitted.

In light of the above, the IRB has also issued some information required for registration of newly incorporated companies *(please refer to Appendix A).*

6. Penalty

6.1 Penalty under Section 107C (10) of the ITA, 1967

During the meeting between the Operations Division of the IRB and the professional bodies held on September 30, 2002, the IRB had informed that for the Y/A 2002 and the subsequent years of assessment, the penalty under Section 107C (10) of the ITA for under estimation of tax payable should be self-computed and paid to the IRB on or before the due date for submission of the company's annual tax return, i.e., Form C.

The Institutes sought clarification from the IRB on the minimum amount of penalty that must be remitted to the IRB by taxpayers.

	RM
Tax payable per income tax computation	68.88
Less: Estimate of tax payable furnished to the IRB	0.00
Difference	68.88
30% of the tax payable (30% x RM68.88)	20.66
	48.22
Penalty on the 10% on excess (10% x RM48.22)	**4.82**

As illustrated above, the Institutes sought clarification from the IRB as to whether the taxpayer is still required to remit the penalty amounting to RM4.82 as due and payable to the IRB. Alternatively, would the IRB dispense with collecting the penalty amounting to RM4.82 as it deemed to be of minimal amount.

The IRB clarified that the minimum amount due and payable to the IRB is RM 5.00.

The IRB further clarified that any amount due and payable which is less than RM5.00 will be automatically waived / exempted.

6.2. Estimate of tax payable under Section 107C (3) of the ITA, 1967

Section 107C (3) of the ITA, 1967 provides that the estimate of tax payable for a year of assessment shall not be less than the revised estimate of tax payable for the immediately preceding year of assessment or if no revised estimate is furnished, the estimate of tax payable for the immediately preceding year of assessment. However, the DGIR may pursuant to Section 107C (8) direct any company to make payment by instalments on account of tax which is or may be payable by the company.

As the current economic slow-down has adversely affected many businesses, many companies have submitted a lower estimate of tax payable for the current year of assessment. In many cases, the IRB has rejected the submission and instead has issued the Form CP 205 (on instalment payments) based on estimate of the preceding year of assessment. Companies are required to comply with the instalment scheme until the 6th month and then submit a revised tax estimate. This poses a serious problem to them as they are already in tight cash flow position.

The Institutes proposed that the IRB issue broad guidelines as to the areas and aspects that need to be looked into in determining / exercising IRB's discretionary power in allowing a variation for the estimation of tax payable. In addition, the Institutes also sought consideration from the IRB in reviewing and processing genuine cases.

The IRB indicated that it would issue broad guidelines on the above issue. The IRB further indicated that the relevant supporting evidence should be submitted to the IRB when applying for variation of the estimation of tax payable. The IRB explained that due consideration will only be given on a *'case to case'* basis.

6.3 Revision in the 9th Month

For Y/A 2002, only companies with the financial year ending 31 December 2002 had the opportunity to revise its estimated tax payable in the 9th month of the basis period. Companies with a non-December year end were not able to do so as the concession was announced after the 9th month of their basis periods.

In this respect, the Institutes recommended that for Y/A 2002, the IRB may consider on a case to case basis an appeal against imposition of the 10% penalty (computed on the tax difference in excess of 30% of the final tax payable) if the appeal is submitted by a taxpayer with a non-December year end supported by reasonable circumstances (i.e., where the company gained a large contract during the 7th to 9th months of its basis period for YA 2002).

The IRB noted the above issue. The IRB clarified that under normal circumstances, the fluctuation would not be more than the 30% threshold. Therefore, for those companies for whom revisions were made during the 6th month, there should be an adequate buffer, i.e., via the 30% threshold. The IRB further indicated that consideration will be given to appeals on a 'case to case' basis.

In addition, the IRB has indicated that in respect of the example mentioned above where a large contract was gained, the taxpayer / tax agent is required to provide evidence to the IRB that the contract was secured after the 6th month of the basis period.

7. Appeals

Under the official assessment system, a company after submitting its tax return and tax computation is able to submit a revised tax computation when it is discovered that an error or mistake has been made before the issuance of the notice of assessment by the IRB.

However, under the SAS, when a company submits its tax return, the return is deemed to be a notice of assessment and deemed to be served on the company on that day. Section 99 of the Income Tax Act, 1967 provides that a person aggrieved by an assessment may appeal to the Director General within thirty days after the service of the notice of assessment. In some cases under the SAS, the tax agent/company may discover an error/mistake in the tax computation/return more than thirty days after submission of the tax return.

As the appeal procedure has not been suitably modified under the Income Tax Act to cater for SAS, the Institutes sought clarification from the IRB on the following matter:-

i. whether the IRB would accept a revised tax return form after the thirty day period; and

ii. If so :-

   a. to which unit/branch of the IRB should the revised return form be submitted; and

   b. what are the relevant documents; i.e., tax computation, audited accounts, revised work sheets, etc. to be submitted by the company to the IRB

iii. If not :-

a. the company file a written application in a prescribed form (Form N) for an extension of the period to appeal; or

b. Should the company file an application for relief in respect of error or mistake under Section 131 (1) of the Income Tax Act, 1967.

c. In either case to which unit/branch of the IRB should the Form N or application under Section 131 (1) be filed?

The IRB informed that the present procedures for appeals are still applicable. In this respect, the IRB also informed that all appeals are to be forwarded to the respective branch offices, and the relevant documentation required depends on the type of appeal. The taxpayers / tax agents can submit a letter of appeal stating the grounds of the appeal.

The IRB added that appeals related to penalty under Section 112(3) due to late submission of return form should be forwarded to Pusat Pemprosesan Kuala Lumpur, whereas appeals on the following should be submitted to the IRB branches:

a. Tax Computation;

b. Amendments to the details in the form C other than tax computation;

c. Section 112(3) penalty imposed on an assessment raised under Section 90(2A) for non-submission of form C.

Alternatively, the taxpayers / tax agents have the option to file Form Q for the appeals which are submitted within thirty (30) days from the date of service of the notices of assessment. For those appeals which are submitted after the thirty (30) days period, the taxpayers / tax agents are required to submit Form N in the first place.

Where there are errors on the return form, Pusat Pemprosesan should be informed. If an application is being filed for relief due to an error or mistake, the application should be made under Section 131.

8. Submission of Form C, R and CP 204

At the meeting with the Operations Division of the IRB held on April 15, 2002, the IRB had informed that return forms are only issued to active companies. The Institutes were given the understanding that if a company has become inactive, it should inform the IRB with appropriate explanations. The IRB has further indicated that companies which are dormant but are issued with the return forms should submit their tax returns with NIL income and state that they have ceased business so that the IRB can update its record. Meanwhile, if no accounts are available, the companies concerned are to submit the return forms only.

However, there are occasions where the IRB has yet to update the taxpayers' records although the relevant notifications have been submitted to the IRB for some time.

The Institutes requested the IRB to expedite the updating of taxpayers' records. In addition, the Institutes also sought clarification from the IRB as to whether companies which are inactive or have not commenced operations will still be required to submit Form C/R/CP204 after due notifications have been given to IRB as stated above.

The IRB informed that instructions will be given to the relevant branches to expedite the updating of the taxpayers' records. Meanwhile, the IRB advised the taxpayers / tax agents to submit relevant and complete documentation indicating the current status of the said companies to the IRB

9. Confirmation of Payment

The Institutes sought clarification from the IRB on the purpose for issuing the letter of ***"confirmation of payment"*** to taxpayers ***(please refer to the Appendix B)***.

The IRB advised that the letter of 'confirmation of payment' is an alternative document that can be used by those who may have lost the receipts of payments, etc.

The IRB further informed that it would not issue any duplicate of the receipt of payment to taxpayers.

10. Change Of Company Name

Pursuant to the Companies Act, 1965, a company has to write its former name together with the current name on all relevant documents for a period of twelve months. The Institutes sought confirmation as to whether the tax returns should include ***"formerly known as (followed by company's former name)"*** if the company has changed its name during the year. The Institutes noted that the space available for writing in the company's name is limited.

The Institutes recommended that the former name of the company not be included in the form. Alternatively, the company would enclose a certified true copy of the Form 13

issued by the Companies Commission of Malaysia for notification of the change of the company's name.

The IRB informed that sufficient spaces are provided in the name box to include the former name of the company. The IRB also indicated that if the spaces provided are insufficient, the taxpayers are to enclose the Form 13 upon submission.

11. Erroneous Forms C & R

When due to various reasons (e.g., an incorrect industry code has been used) an erroneous Form C or R had been submitted in the previous year, the Institutes sought clarification on the following matters:-

i. whether the amended forms should be headed as "Amended" on the cover page only or throughout all the pages of the forms;

ii. whether the Form R which has no errors is to be submitted simultaneously if amendments are made only to the Form C;

iii. whether to resubmit an amended Form R if the Form R previously submitted had some errors.

The IRB clarified that only pages with errors are to be amended and headed "*Amended*" upon resubmission to the IRB. However, the IRB further clarified that the taxpayers / tax agents are to submit an amended Form R if major errors / mistakes are discovered.

The IRB advised taxpayers/tax agents to complete forms C, R, CP 204, CP 204A and CP 204B correctly and has highlighted some common errors made by taxpayers/tax agents *(please refer to Appendix C).*

12. Industry code for the description of businesses.

The Institutes pointed out that although the industry codes are well laid out and systematic, it does not extensively describe the many businesses that are carried out in Malaysia.

The Institutes sought clarification from the IRB regarding a business carried out by a company that does not fall within any particular industry code, for example; a company specialising in the sound and lighting effects system whereby the business is carried out for advertising or specifically organised events and functions and where lighting is the core activity or specialty of the company. It is noted that there is no appropriate industry code for a company carrying out such activity; and therefore shall the company be categorised under the industry code of 74300 for Advertising or the industry code 74999 for Other Business Activities not categorised elsewhere.

The IRB clarified that minor mistakes made by taxpayers/tax agents in determining the industry code will not invalidate the Form C. However, for new businesses, the IRB advised that the companies concerned are to use the industry code which are most applicable to the businesses.

13. Furnishing the Estimate of Tax Payable

Section 107 C (2) of the ITA, 1967 provides the following:-

> *'Except as provided in subsection (4)(a), the estimate of tax payable for a year of assessment shall be made in the prescribed form and furnished to the Director General* ***not later than thirty days*** *before the beginning of the basis period for that year of assessment.'*

Many taxpayers have equated the thirty days as to mean only one month. This has caused significant problems as the IRB has deemed those CP 204s' submitted on the 31st day of the month as being a late submission. The Institutes requested that the IRB consider accepting those CP204 that were submitted on the 31st day of the month.

The IRB informed that the estimate should be furnished within a period of thirty days as provided in the Act. However, the IRB indicated that flexibility will be given to those CP 204 submitted on the 31st day of the particular months.

14. Liquidation of Companies

The Institutes suggested that for the purpose of submitting the Form CP 204 in respect of a company under liquidation, the company's estimated tax payable should be done on a proportionate period basis, i.e.; not to deem that there has been a change in accounting date. Therefore, the company is not required to file the Form CP 204B indicating a change of the accounting date as no such event has actually taken place.

The IRB informed that for liquidation where the previous year audited accounts is done up to the 31st of December of the particular year, the accounting period would be deemed as the basis period for the year of assessment of that particular year. The IRB further informed that a company under liquidation is required to submit the Form CP204B. However, the IRB further added that they will look into this matter and to notify the professional bodies shortly on the appropriate treatment.

15. Operational Headquarters (OHQs)

In the 2003 Budget, an exemption for OHQs was announced, but the gazette order has not been issued yet. However, MIDA has come out with their guidelines stating that an OHQ will be exempted from income tax for a period of 10 years.

The Institutes pointed out pursuant to Section 107C of the ITA, 1967, the estimate of tax payable for a year of assessment shall not be less than the estimate / revised estimate of tax payable of the immediately preceding year of assessment.

As the OHQ is now exempt whereas previously, it was taxable at a 10% rate, the professional bodies sought confirmation as to whether the OHQ should file its CP204 with a NIL income amount or otherwise.

The IRB informed that the above gazette order for OHQ is to be treated as effective from Y/A 2003 onwards. The IRB also informed that for cases where an OHQ is fully exempt, the OHQ should state the amount as NIL in the Form CP 204 upon submission to the IRB. The IRB further indicated that the IRB would accept the estimated figures provided that the OHQ states the reason as being *"pending the gazetting of the order of exemption".*

16. Investment Holding Company (IHC)

The Institutes requested the IRB to consider the exceptional cases of interest income received involving an IHC. In general, the provision on taxing interest income (non-business source) is that the interest is only taxed when received. A situation arises in completing the Form CP204, i.e., should the interest income receivable during that particular year of assessment (but received in the next year) be included.

The Institutes also pointed out that under the official assessment system, the taxpayers do not declare the interest receivable in the tax computation for that particular year of assessment, but would only declare it once it is received in the following year of assessment. As such, the interest income, will in practice, be taxed in the next year of assessment with notations indicating the year in which it was receivable.

The Institutes recommended that for the purpose of Form CP 204, the company may have to include the amount of the interest receivable as part of the estimated tax payable as to avoid any penalty that may be imposed for underestimation of tax payable for that particular year of assessment. The Institutes requested the IRB to consider certain flexibility in reviewing and processing the Form CP 204 for an IHC as the system is not tailored to accommodate such cases.

The IRB noted the above issue.

The IRB stated that the above issue is an exceptional case. The IRB clarified that for these exceptional cases, taxpayers / tax agents are to arrange a meeting with IRB's officers to discuss the issue. Meanwhile, taxpayer / tax agents are to comply with the present procedure in calculating the estimated tax payable.

17. Tax Audits & Investigation

The Chairman proposed that a separate meeting be conducted to discuss the issues on tax audits and investigations.