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IRBM Enforcement: Stoppage Orders on Unpaid Taxes

Key Takeaway

- Outstanding tax liabilities may also have direct implications for the international travel arrangements of individuals and company directors.

The Inland Revenue Board of Malaysia ("IRBM" has authority to restrict taxpayers from leaving Malaysia where the relevant statutory conditions are satisfied. Commonly known as a **Stoppage Order**, this enforcement action may affect individuals and company directors who have outstanding tax liabilities.

The measure applies to tax arrears under the Income Tax Act 1967 (ITA) and the Real Property Gains Tax Act 1976 (RPGT Act). IRBM has indicated that travel restrictions are an enforcement measure taken when taxpayers fail to settle outstanding tax liabilities following reminders and notices.

Who may be affected?

A Stoppage Order may be imposed on:

- **Individual taxpayers:**
  Individuals with outstanding tax liabilities who intend to leave Malaysia without settling the relevant amounts.
- **Company directors:**
  Directors who fall within the applicable statutory requirements and are personally liable for qualifying corporate tax arrears.
- **RPGT taxpayers:**
  Individuals or relevant company directors with outstanding Real Property Gains Tax liabilities.

Under the relevant tax legislation, directors may be exposed to personal liability for company tax debts. Accordingly, company directors should not assume that outstanding corporate tax liabilities will have no implications for their personal travel arrangements.

How to check travel restriction status

Before making overseas travel arrangements, taxpayers are advised to check their travel restriction status through the following official channels:

- MyTax Portal: **https://mytax.hasil.gov.my/**
- Immigration Department of Malaysia – SSPI: **https://sspi.imi.gov.my/SSPI/**

Taxpayers should also review their outstanding tax balances and contact the relevant IRBM office if any arrears or travel restrictions are identified.

How to cancel or obtain temporary release from a Stoppage Order

Based on IRBM's latest published guidance, taxpayers may consider the following arrangements:

A. Full settlement

Taxpayers may obtain cancellation of the travel restriction by settling the full outstanding amount Payment can be made through the approved channels, including ByrHASiL. Proof of payment must be submitted to IRBM, and taxpayers should obtain written confirmation of approval or cancellation before travelling.

B. Temporary release

Where full settlement is not possible, taxpayers may apply for temporary release, subject to IRBM's approval and the applicable conditions.

The current IRBM guidance provides for the following requirements:

- The taxpayer or their authorised representative may visit or contact the IRBM office responsible for managing the taxpayer's tax file;
- Submit a formal application letter stating the overseas destination, purpose of travel and intended duration of stay;
- Make a payment of at least 50% of the outstanding tax amount using the applicable payment methods;
- Upon approval, IRBM will issue a Temporary Release Letter specifying the approved period during which the travel restriction is temporarily lifted.

Temporary release is subject to IRBM's approval and should not be treated as an automatic entitlement.



Recommended actions

A Stoppage Order may affect business continuity, particularly where company directors are required to travel overseas for business meetings, investment activities or other corporate commitments.

Companies should therefore:

1. Regularly review outstanding corporate income tax and RPGT liabilities.
2. Monitor tax instalments and withholding tax payment obligations.
3. Assess potential personal tax exposure of directors.
4. Reconcile outstanding tax balances with IRBM records.
5. Check travel restriction status before directors undertake overseas travel.
6. Engage IRBM promptly to resolve outstanding tax liabilities or negotiate an acceptable payment arrangement.

A Stoppage Order is an important tax collection enforcement measure that may affect both individual taxpayers and company directors. Businesses should adopt proactive tax compliance practices, monitor outstanding tax liabilities and address potential issues with IRBM before they escalate into travel restrictions.

For more details, please refer to :
Source: IRBM official webpage – Stoppage Order

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