



# Cukai Makmur and Carry-Forward of LOSSES

29 October 2021

---

KPMG in Malaysia

# Overview and Commentary



**Neoh Beng Guan**

Executive Director  
Corporate Tax

## Key Message

“A special one-off tax has been proposed for non-SME companies where a 33% corporate income tax rate will be levied on chargeable income exceeding RM100 million.

The Government has heard the calls of the business community and carry-forward of business losses is now being extended to 10 Years of Assessment to allow businesses more time to utilise their unabsorbed business losses.”

## Cukai Makmur and Carry-Forward of Losses



As we continue our battle against the financial and non-financial impacts stemming from the COVID-19 pandemic in Year 2021, Malaysia has reached a full vaccination rate of 95% adults and 62% teenagers which drive the reduction and severity of daily COVID-19 cases. To-date, the Malaysian Government has introduced numerous stimulus packages amounting to RM530 billion with the aim of providing financial assistance to the rakyat to assist them in navigating through the COVID-19 pandemic. Notwithstanding that, it is to be noted that

several industries or companies have made extraordinary profits during the COVID-19 pandemic while a lot of the businesses were struggling as they had to bear the brunt of business closures during the Movement Control Order period implemented by the Malaysian Government to curb the spread of COVID-19.

In this regard, amongst the various corporate income tax initiatives announced in the 2022 Budget, we would like to draw your attention to the following tax initiatives:

### a) Cukai Makmur

In line with the Government’s initiative to assist the rakyat, a special and one-off tax termed as Cukai Makmur (“loosely translated as Prosperity Tax”) has been proposed for companies other than SME that generate high profits during the COVID-19 pandemic in the form of a 24% corporate income tax rate for the first RM100 million chargeable income and remaining

chargeable income at 33%. This one-off tax is proposed to be effective for Year of Assessment ("YA") 2022 only.



It would appear that the proposed 33% corporate income tax rate is not targeted at specific industries, but rather it impacts on all non-SME companies irrespective of activity having chargeable income of more than RM100 million. The additional collection of taxes would definitely boost our Government's coffers. Given that this Prosperity Tax is a one-off in YA 2022, it is unlikely that there will be any serious negative repercussions in investor confidence. After all, many other countries have had to consider imposing various

measures to collect additional revenues to finance their expenditures during these difficult times. It is however necessary that this one-off tax is just that – that it is one-off. Should there be a similar tax introduced the following year, this can be a concern to all.

Having said the above, such a one-off special tax rate can certainly create the motivation to possibly minimize one's taxable profits during that year to avoid having to pay the additional 9% tax. Clearly, this will be a matter that the Inland Revenue Board will take note of and be extra diligent when conducting audits on these large corporates.

Companies that have this level of chargeable income would also need to take note of this proposal and account for the increase in estimated tax liability for YA 2022 in their tax estimates to avoid any underestimation penalty.

From an accounting perspective, one would also need to take into consideration the reversal of temporary differences in year 2022 for deferred tax assets or liabilities as a higher blended tax rate may need to be used to compute deferred tax for those companies forecasted to have chargeable income of more than RM100 million in YA 2022.

## b) Carry-Forward of Losses

Presently, with effect from YA 2019, unabsorbed business losses can only be carried forward for a maximum of 7 consecutive YAs whereafter any unutilized amounts will be disregarded. The unabsorbed business losses carried forward up to YA 2018 can presently only be carried forward up to YA 2025. In cognizance of the constant calls from the business community and the current circumstances where businesses are suffering losses during the



COVID-19 pandemic and therefore unable to fully utilize their business losses within the 7 year period, it is proposed that these business losses can now be carried forward for a maximum of 10 consecutive YAs. This means that the unabsorbed business losses previously carried forward up to YA 2018 can now be carried forward up to YA 2028. This is effective retrospectively from YA 2019.

Even though the above proposal will be much welcomed by taxpayers that have significant unabsorbed business losses as it accords them more time to utilize them, it is worth noting that some ASPAC countries such as Singapore, Hong Kong and Australia allow unabsorbed business losses to be carried forward indefinitely (subject to conditions). In addition, the proposal also does not recognize many infrastructure projects with long gestation periods (particularly privatization projects and PPP) that have significant capital costs and borrowings whereby even with the 10 year loss carry forward rule, it may still result in the inability of such companies to fully utilize their losses.

## Authors



**Neoh Beng Guan**

Executive Director  
Corporate Tax  
bneoh@kpmg.com.my



**Benjamin Ang**

Associate Director  
Corporate Tax  
benjaminang@kpmg.com.my



# Contact Us

## Petaling Jaya Office

### Tai Lai Kok

Executive Director –  
Head of Tax and Head of Corporate Tax  
ltai1@kpmg.com.my  
+603 7721 7020

### Bob Kee

Executive Director – Head of Transfer Pricing  
bkee@kpmg.com.my  
+603 7721 7029

### Soh Lian Seng

Executive Director –  
Head of Tax Dispute Resolution  
lsoh@kpmg.com.my  
+603 7721 7019

### Long Yen Ping

Executive Director –  
Head of Global Mobility Services  
yenpinglong@kpmg.com.my  
+603 7721 7018

### Ng Sue Lynn

Executive Director – Head of Indirect Tax  
suelynng@kpmg.com.my  
+603 7721 7271

## Outstation Offices

### Penang Office

#### Evelyn Lee

Executive Director – Penang Tax  
evewflee@kpmg.com.my  
+604 238 2288 (ext. 312)

### Kota Kinabalu Office

#### Titus Tseu

Executive Director – Kota Kinabalu Tax  
titustseu@kpmg.com.my  
+6088 363 020 (ext. 2822)

### Ipoh Office

#### Crystal Chuah Yoke Chin

Tax Manager – Ipoh Tax  
ycchuah@kpmg.com.my  
+605 253 1188 (ext. 320)

### Kuching & Miri Offices

#### Regina Lau

Executive Director – Kuching Tax  
reglau@kpmg.com.my  
+6082 268 308 (ext. 2188)

### Johor Bahru Office

#### Ng Fie Lih

Executive Director – Johor Bahru Tax  
flng@kpmg.com.my  
+607 266 2213 (ext. 2514)

# KPMG Offices

## **Petaling Jaya**

Level 10, KPMG Tower,  
8, First Avenue, Bandar Utama,  
47800 Petaling Jaya, Selangor  
Tel: +603 7721 3388  
Fax: +603 7721 3399  
Email: [info@kpmg.com.my](mailto:info@kpmg.com.my)

## **Penang**

Level 18, Hunza Tower,  
163E, Jalan Kelawei,  
10250 Penang  
Tel: +604 238 2288  
Fax: +604 238 2222  
Email: [info@kpmg.com.my](mailto:info@kpmg.com.my)

## **Kuching**

Level 2, Lee Onn Building,  
Jalan Lapangan Terbang,  
93250 Kuching, Sarawak  
Tel: +6082 268 308  
Fax: +6082 530 669  
Email: [info@kpmg.com.my](mailto:info@kpmg.com.my)

## **Miri**

1st Floor, Lot 2045,  
Jalan MS 1/2,  
Marina Square, Marina Parkcity,  
98000 Miri, Sarawak  
Tel: +6085 321 912  
Fax: +6085 321 962  
Email: [info@kpmg.com.my](mailto:info@kpmg.com.my)

## **Kota Kinabalu**

Lot 3A.01 Level 3A,  
Plaza Shell,  
29, Jalan Tunku Abdul Rahman,  
88000 Kota Kinabalu, Sabah  
Tel: +6088 363 020  
Fax: +6088 363 022  
Email: [info@kpmg.com.my](mailto:info@kpmg.com.my)

## **Johor Bahru**

Level 3, CIMB Leadership Academy,  
No. 3, Jalan Medini Utara 1,  
Medini Iskandar,  
79200 Iskandar Puteri, Johor  
Tel: +607 266 2213  
Fax: +607 266 2214  
Email: [info@kpmg.com.my](mailto:info@kpmg.com.my)

## **Ipoh**

Level 17, Ipoh Tower,  
Jalan Dato' Seri Ahmad Said,  
30450 Ipoh, Perak  
Tel: +605 253 1188  
Fax: +605 255 8818  
Email: [info@kpmg.com.my](mailto:info@kpmg.com.my)

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

[kpmg.com.my/Tax](http://kpmg.com.my/Tax)

 [facebook.com/KPMGMalaysia](https://facebook.com/KPMGMalaysia)

 [twitter.com/kpmg\\_malaysia](https://twitter.com/kpmg_malaysia)

 [linkedin.com/company/kpmg-malaysia](https://linkedin.com/company/kpmg-malaysia)

 [instagram.com/kpmgmalaysia](https://instagram.com/kpmgmalaysia)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.