



Tax Summit – Kuching

14 November 2024

Hilton Kuching

KPMG in Malaysia

kpmg.com.my/TaxSummit/kuching





Deep dive into Budget 2025

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Tax Summit 2024 - Kuching | 14 November 2024

Corporate Tax

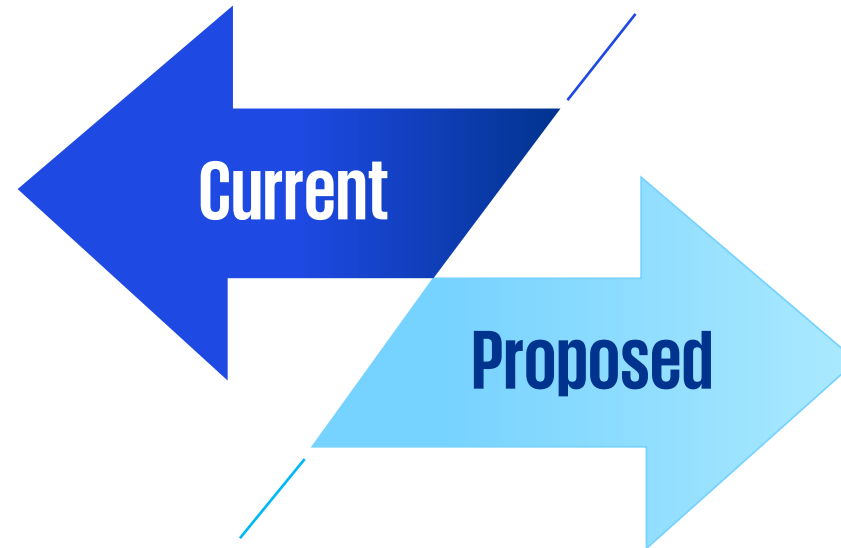




Corporate Tax

Section 77B: Amended Return

Obligation to furnish the Amended Tax Return Form electronically applies to taxpayers in the categories of Companies, LLPs, Trust Bodies and Cooperatives Society



All taxpayers are obliged to furnish Amended Tax Return in an electronic medium or by way of electronic transmission

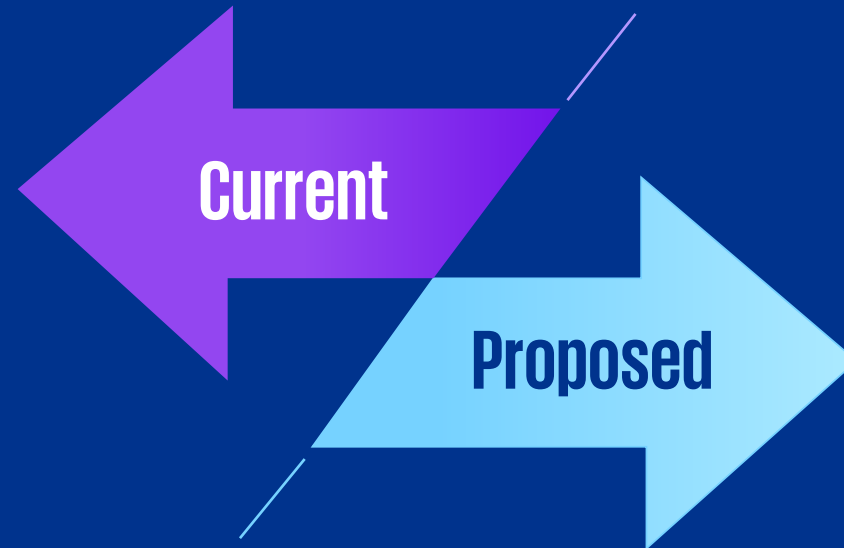
With effect from YA 2025



Corporate Tax

Section 107C(8): Amendment of Tax Estimates

Taxpayers are allowed to amend tax estimate issued by DG before the 9th month



Allowing taxpayers to amend tax estimate issued by DG before the 11th month

With effect from YA 2025

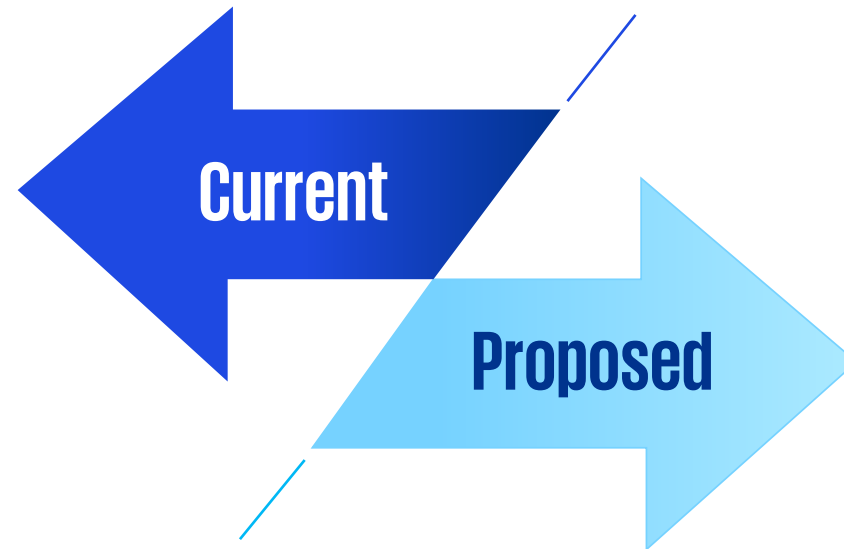


Corporate Tax

Section 113A: Submitting Incorrect Returns, Information Returns or Reports

A fine of not less than RM20,000 and not more than RM100,000 if prosecuted for these offences:

- Incorrect returns (FATCA), information returns (CRS) or reports (CbCR)
- Incorrect information on AEOI or CbCR



- If no prosecution, DGIR may impose penalty of not less RM20,000 and not exceeding RM100,000
- Penalty recoverable as part of tax payable

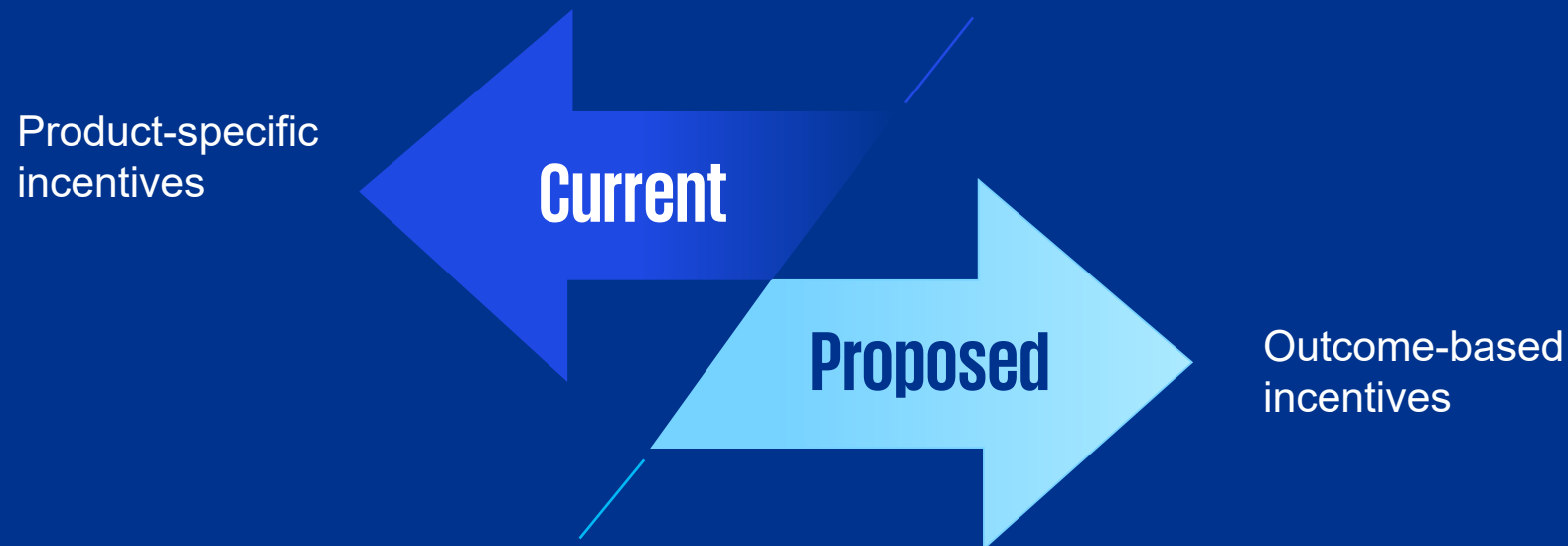
With effect from 1 January 2025

Tax Incentives



New Investment Incentive Framework

Designed to attract high-value activities



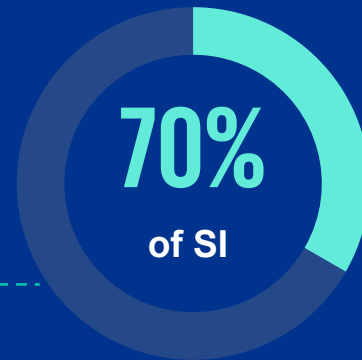
Expected to be implemented in Q3 2025.



Tax Incentives

Tax Exemption

which is equivalent to 50% of the value of increased exports to be expanded to include Integrated Circuit (IC) Design services.



Tax Deduction

where Private Higher Education Institutions (PHEI) and private skill training institutions that develop new courses in areas such as digital technology, AI, robotics, the IoT, data science, FinTech, and sustainable technology



Grant / matching fund

for the expansion of local suppliers in the electrical and electronic sectors, specialty chemicals and medical device sectors.

Tax incentives for Smart Logistics Complex (SLC)

60% Investment Tax Allowance (ITA) to be set-off against 70% of Statutory Income for 5 years

Eligible SLC companies:

- SLC Investor and Operator that invest in the construction of smart warehouses that utilises IR4.0 elements and undertake eligible logistics services activities
- SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years and undertake eligible logistics services activities

For application received by Malaysian Investment Development Authority (MIDA) from 1 January 2025 until 31 December 2027.



Real Property Gains Tax

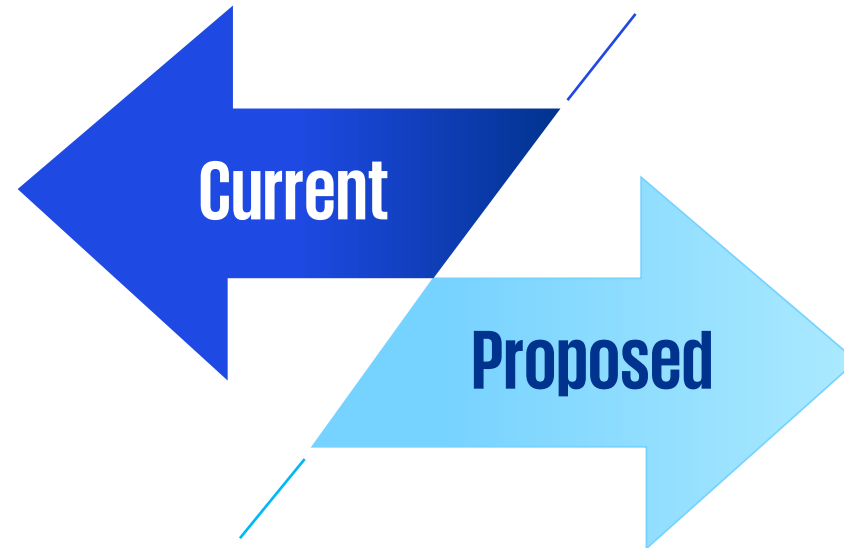




Real Property Gains Tax

Section 7(4): Deduction of allowable loss

- Tax is determined based on the total gains from all disposals
- Current losses are allowed as a deduction against the total gains, including gains from previous disposals within the same year of assessment



- Each disposal shall be treated and taxed separately
- Losses from disposals can only be claimed against **subsequent** disposals within the same year of assessment
- Unabsorbed losses can be carried forward to be utilized on a sequential basis

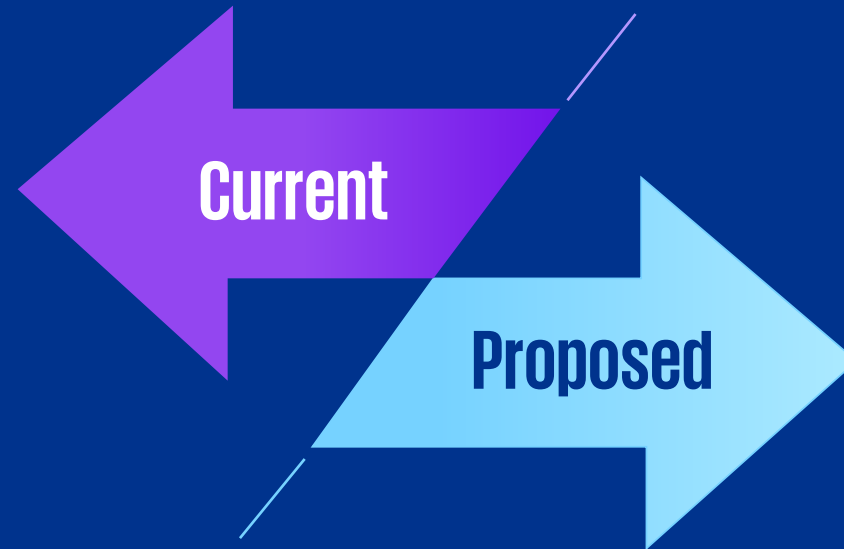
From 1 January 2025



Real Property Gains Tax

Section 21(1A): Payment of the tax

Tax to be paid within 60 days of disposal



Tax to be paid within 90 days of disposal under the self assessment system

From 1 January 2025



Real Property Gains Tax



Failure to submit returns and other offences

Enable court to issue further orders directing taxpayers to submit returns after being convicted for failure to submit returns

From 1 January 2025

Environmental, Social and Governance (“ESG”)

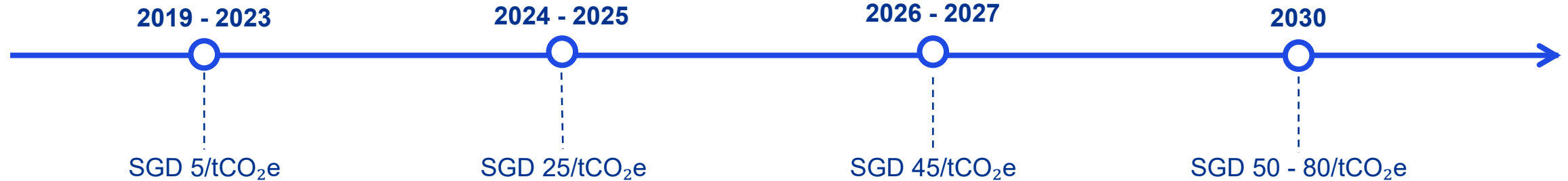




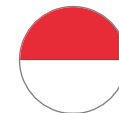
Carbon Tax – what is the Asian trajectory?



- Levied on facilities that directly emit $\geq 25,000$ tonne carbon dioxide emission (tCO_2e) of greenhouse gas (GHG) emissions annually
- Covers seven GHGs, namely carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride and nitrogen trifluoride emissions
- Covers 80% of total GHG emissions from about 50 facilities in the manufacturing, power, waste, and water sectors



- JPY 289 (USD 2.04)/tCO₂e (fixed rate since 2012)



- Postponed introduction of carbon tax to 2025



- Planning to introduce carbon tax on energy, transport and industrial sectors in 2025 to achieve carbon neutrality by 2050 and net zero greenhouse gas emissions by 2065
- Proposed to be at rate of 200 baht/tCO₂e and initially levied as part of existing taxes on oil products such as diesel and gasoline



- Proposed to be implemented in 2026 for iron, steel and energy industries. No details on carbon tax – possibly similar to Singapore – RM X/tCO₂e
- Revenue collected is intended to be used to fund research programmes and green technology
- To achieve carbon neutrality by 2050

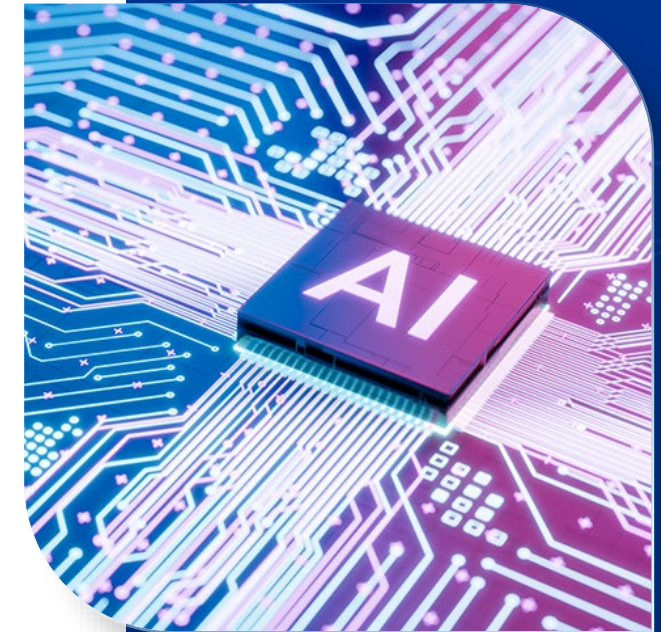
Tax incentives for Carbon Capture, Utilisation and Storage (“CCUS”)

- CCUS is a process involving the capture of CO₂ from sources like power plants, industrial facilities, or directly from the atmosphere. The captured CO₂ will either be stored under deep geological formations, or used for purposes such as production of chemicals, fuels and building materials and enhanced oil recovery.
- In the form of investment tax allowance or income tax exemptions



Tax deduction for Sponsorship of Smart Artificial Intelligence Driven Reverse Vending Machine

- Smart AI Driven RVM serves as a plastic waste depository, designed for recycling through a more effective and structured collection programme
- It is proposed the current tax deductions under Section 34(6)(h) given to contributions or sponsorships of Smart AI Driven RVM be extended for another 2 years (i.e. 1 January 2025 to 31 December 2026)



E-Invoicing





Tax Incentives for e-Invoicing

Accelerated capital allowance claim

1

Purchase of ICT equipment and computer software package

2

Consultation, licensing and incidental fees related to customized computer software development

Current**Proposed**

Initial Allowance

40%

Initial Allowance

20%

Annual Allowance

20%

Annual Allowance

40%

For YA 2024 and 2025 effective from 1 January 2025

Individual Tax



Individual Tax

Dividend Tax

Where annual dividend income exceeding RM100,000

2% tax on chargeable dividend income

- Individual shareholders (resident, non-residents and individuals who hold shares through nominees)
- Formula in determining the chargeable dividend income:

$$\frac{A}{B} \times C$$

A - Dividend statutory income

B - Aggregate income

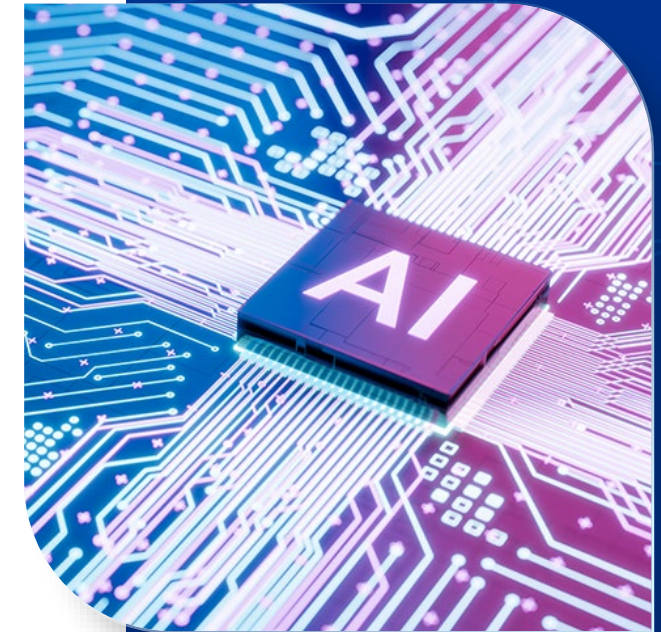
C - Chargeable income

- From YA 2025



Dividend Tax – Exemption proposed

- 1) Dividend income from abroad
- 2) Dividend income distributed from profits of companies that received pioneer status and/or reinvestment allowances
- 3) Dividend income paid, credited or distributed from the profits of shipping companies that is exempted from tax
- 4) Dividend income distributed by cooperatives
- 5) Dividend income declared by closed-end funds
- 6) Dividend income received by residents from Labuan entities
- 7) Any exemption given on dividend income at shareholder level
- 8) Profit distributions made to contributors and depositors by EPF, LTAT, ASNB or any unit trust



Individual Tax

Scenario A – Mr A	RM
Employment Income	80,000
Net Rental Income	10,000
Dividend Income: <ul style="list-style-type: none"> Dividends from EPF for year 2024 declared and received on 10 March 2025 	15,000
Investment in local companies <ul style="list-style-type: none"> Dividends declared on 1 November 2024, received on 15 January 2025 	60,000
<ul style="list-style-type: none"> Dividends received on 30 June 2025 	100,000
<ul style="list-style-type: none"> Dividends declared on 30 November 2025, received on 30 January 2026 	8,000



Individual Tax

- Dividends from EPF of RM15,000 – tax exempt

Calculation of Statutory Dividend Income for YA 2025	RM
Investment in local companies <ul style="list-style-type: none"> • Dividends declared on 1 November 2024, received on 15 January 2025 	60,000
<ul style="list-style-type: none"> • Dividends received on 30 June 2025 	100,000
Total	160,000
Amount in excess of RM100,000	60,000



Individual Tax

Tax Computation		RM
Statutory income from Employment		80,000
Statutory income from Rents		10,000
Statutory income from Dividends	(A)	60,000
Aggregate Income	(B)	150,000
Less: Self relief		(9,000)
Chargeable Income	(C)	141,000
Chargeable Dividend Income (taxed at 2%)		56,400
Chargeable Employment Income & Rents (taxed at scale rate)		84,600

Tax payable
 = RM56,400 x 2%
 = RM1,128

Computation of Chargeable Dividend Income [A / B * C] : RM60,000 / RM150,000 * RM141,000 = RM56,400

Individual Tax

Scenario B	RM
<p>A retiree residing in Malaysia only earns dividend income as sole source of income</p> <ul style="list-style-type: none"> Dividends from EPF for year 2024 declared and received on 10 March 2025 	15,000
Investment in local companies	
<ul style="list-style-type: none"> Dividends declared on 1 November 2024, received on 15 January 2025 	60,000
<ul style="list-style-type: none"> Dividends received on 30 June 2025 	100,000
<ul style="list-style-type: none"> Dividends declared on 30 November 2025, received on 30 January 2026 	8,000



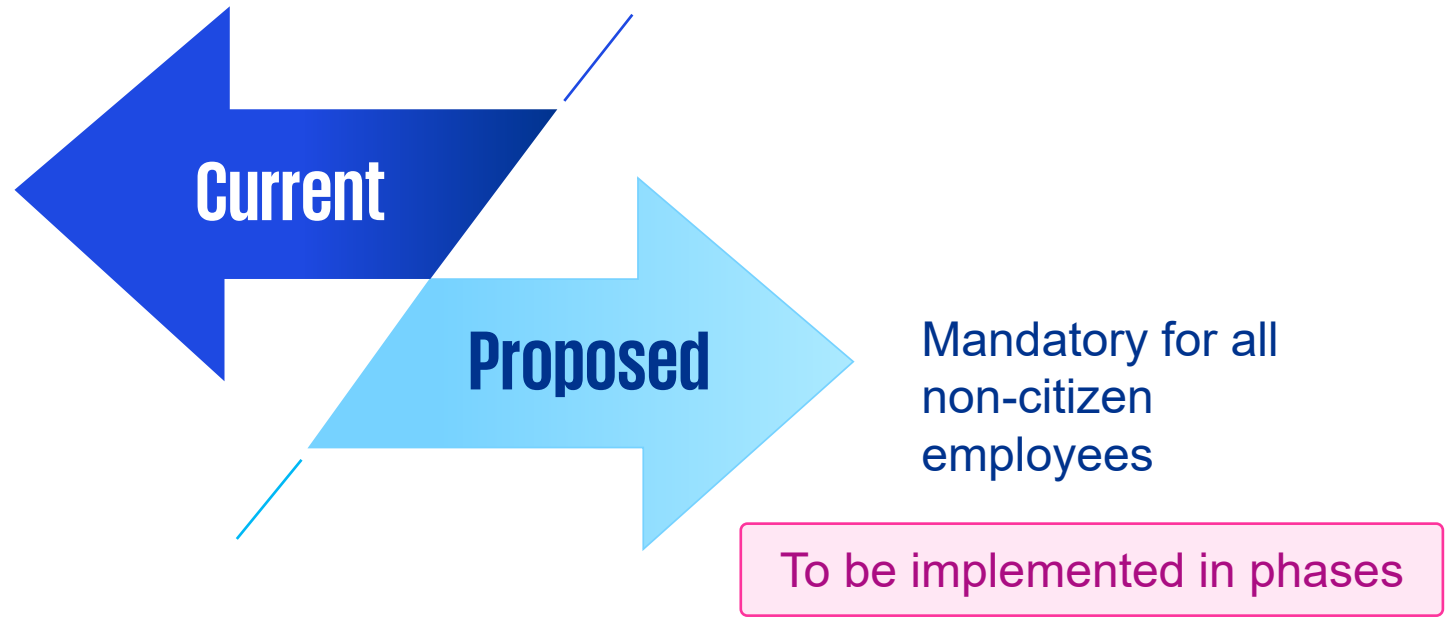
$$\begin{aligned}
 \text{Tax Payable on Dividend Income} &= [\text{RM}160,000 - \text{RM}100,000 - \text{RM}9,000 \text{ (self relief)}] \\
 &= \text{RM}51,000 \times 2\% \\
 &= \text{RM}1,020
 \end{aligned}$$

Individual Tax

Contribution by non-citizen employees to EPF

Employees who are not Malaysian citizens may elect to make **voluntary contribution** to EPF.

	Contribution rate
Stage 1 (below 60 years old)	Employee's share: 11% Employer's share: RM5.00
Stage 2 (Age 60 & above)	Employee's share: 5.5% Employer's share: RM5.00

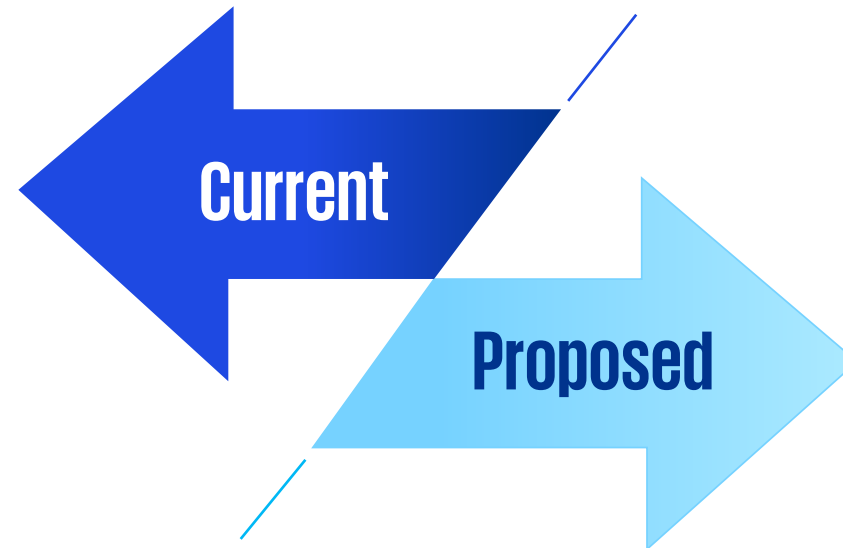




Individual Tax

Income tax exemption on foreign source income (FSI) received in Malaysia by resident individuals

Exempt from 1 January 2022 to 31 December 2026, subject to meeting conditions



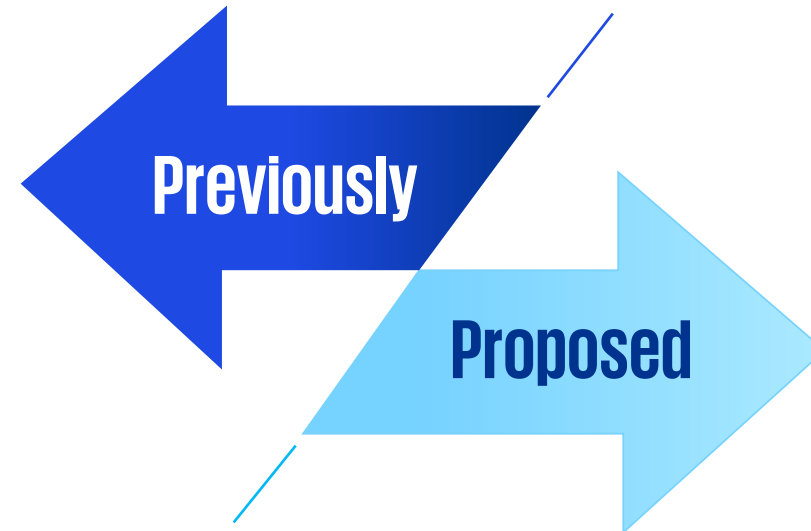
To be extended **until 31 December 2036**, subject to meeting existing conditions



Individual Tax

Reintroduction of tax relief for housing loan interest payment for first residential home

- House, condominium unit, apartment or flat which is built as a dwelling house which is not used to generate any income
- RM10,000 per year for 3 consecutive YAs. Joint owner's eligibility based on interest expended
- Sale and Purchase Agreement (SPA) executed from 10 March 2009 until 31 December 2010



Property Price	Total tax relief per year
Up to RM500,000	RM7,000
Above RM500,000 to RM750,000	RM5,000

- Subject to conditions
- Up to 3 consecutive YAs, commencing from the first year the housing loan interest is paid
- Joint owner's eligibility based on interest expended

For SPA executed from 1 January 2025 until 31 December 2027

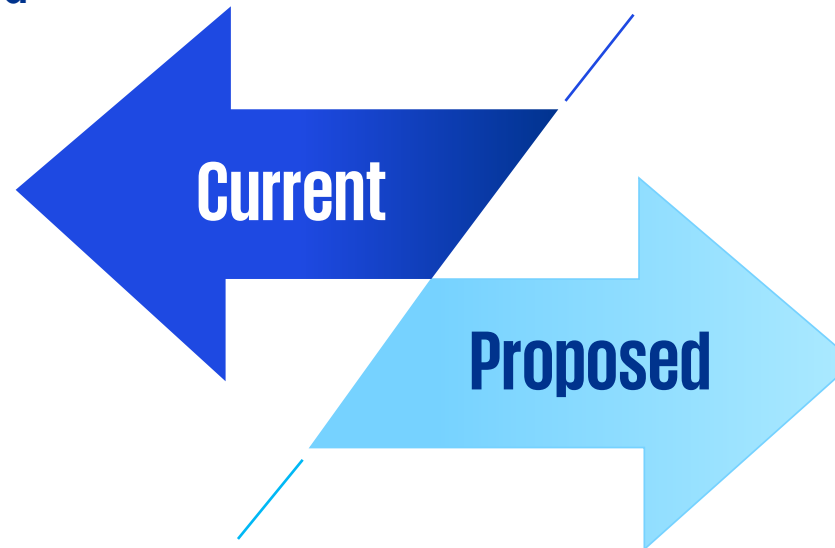


Individual Tax

Tax relief for elderly care

Medical treatment, special needs and parental care expenses, up to RM8,000 covering:

- Medical treatment at clinics and hospitals
- Treatment and homecare nursing, day care centres and residential care centres
- Dental treatment not including cosmetic dental treatment
- Full medical check-up limited to RM1,000



- To be expanded to **grandparents**
- Full medical check-up expenses be expanded to include **vaccination** (limited to RM1,000)

From YA 2025

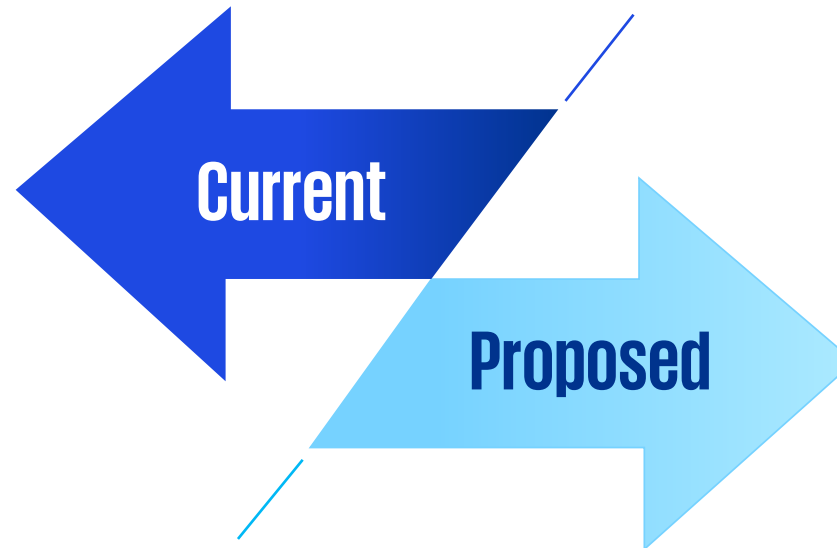


Individual Tax

Tax relief / income tax exemption for elderly care

RM3,000 childcare allowance

- Received by employees, or
- Paid directly by employers to childcare centres



RM3,000 allowance

- To be expanded to elderly care for **parents and grandparents**
- Effective YA 2025



Individual Tax

Tax relief on Medical expenses incurred for self, spouse or child – RM10,000

Current

- 1 Serious illness for self, spouse or child;
- 2 Fertility treatment for self or spouse;
- 3 Vaccination for self, spouse or child, limited to RM1,000;
- 4 Dental examination and treatment expenses for self, spouse or child, limited to RM1,000;
- 5 Full medical check-up, mental health check-up or consultation and COVID-19 detection test inclusive of the purchase of self-test kit for self, spouse or child limited to RM1,000; and
- 6 Assessment and diagnosis, early intervention programme and rehabilitation treatment for children aged below 18 years with learning disability such as autism, attention deficit hyperactivity disorder (ADHD), global developmental delay (GDD), intellectual disability, down syndrome and specific learning disabilities, limited to RM4,000

Proposed

- 5 To be expanded to include:
 - Purchase of influenza test kit
 - Purchase of self-testing medical devices such as glucometer, pulse oximeter, blood pressure monitor and thermometer
 - Fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear
- 6 The limit is to be increased to RM6,000

Effective YA 2025



Individual Tax

Tax relief – increase of limit or expansion of scope

Current

- 1 RM3,000 on premium paid for education and medical insurance for self, spouse and child
- 2 Disabled related further tax relief:
 - Disabled taxpayer – RM6,000
 - Disabled spouse – RM5,000
 - Disabled unmarried child – RM6,000
- 3 RM1,000 on expenses for sports equipment and activities for self, spouse or child
- 4 RM2,500 on installation, rental, purchase including hire-purchase of equipment or subscription for use of electric vehicle charging facility for YA 2024 to YA 2027

Proposed

- 1 The limit is to be increased to RM4,000
- 2 The limit is to be increased to:
 - Disabled taxpayer – RM7,000
 - Disabled spouse – RM6,000
 - Disabled unmarried child – RM8,000
- 3 To be expanded to parents
- 4
 - To be expanded to include the purchase of food waste composting machines for domestic use
 - Claim once within 3 YAs
 - From YA 2025 to YA 2027

Effective YA 2025



Individual Tax

Tax relief – extension of relief period

Current

- 1 RM3,000 on contributions to Private Retirement Schemes (PRS) and premiums paid for deferred annuities up to YA 2025
- 2 RM3,000 on fees paid to registered childcare centres or kindergartens for children aged 6 years old and below up to YA 2024
- 3 RM8,000 for net annual savings deposited into Skim Simpanan Pendidikan Nasional (SSPN) up to YA 2024

Proposed

- 1 To be extended to **YA 2030**
- 2 To be extended to **YA 2027**
- 3
 - To be extended to **YA 2027**
 - Claimable by **either** parent
 - Withdrawals excludes withdrawals to finance education costs for further studies

Stamp Duty



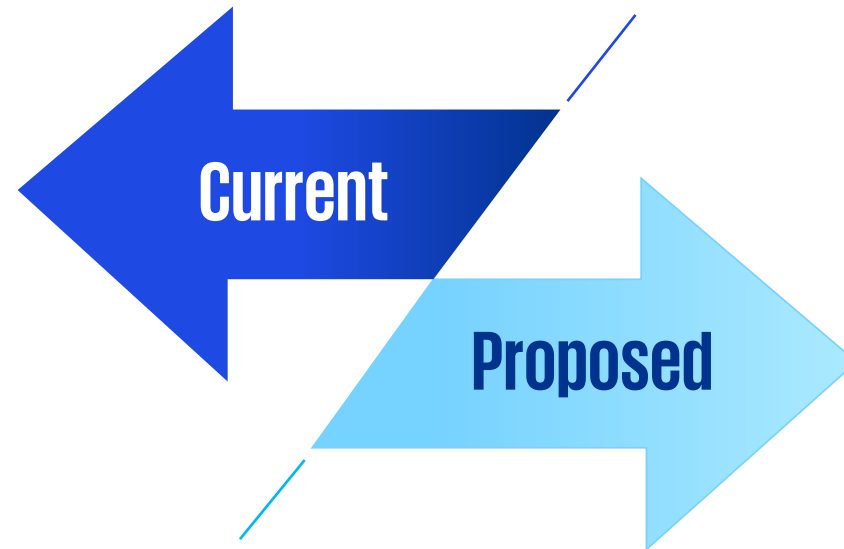


Stamp Duty

Implementation of Stamp Duty Self-Assessment System

Deemed Assessment

Instrument submitted to Collector must be assessed to determine amount of duty payable



- Return and instrument submitted electronically deemed to be assessment by Collector
- Duty on instrument must be paid on date of deemed assessment

From 1 January 2026



Stamp Duty

Implementation of Stamp Duty Self-Assessment System



Relief for errors or mistakes

- Duty payer may claim any excess duty paid due to an error or mistake after return submitted
- Relief application must be made within 24 months after submission of return and duty paid



New assessment or additional assessment

Collector may raise an assessment or additional assessment on underpaid / insufficient duty within 5 years, except in cases of any form of fraud, willful default or negligence related to duty on instruments



Record keeping

7 years

From 1 January 2026

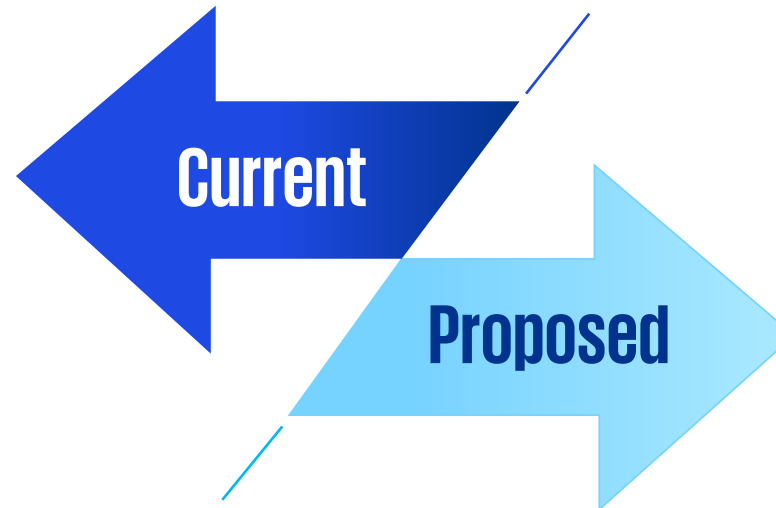


Stamp Duty

Penalty for late stamping

Period of late stamping		
Not exceeding 3 months	Exceeding 3 months but not exceeding 6 months	Exceeding 6 months
RM25 / 5% insufficient duty*	RM50 / 10% insufficient duty*	RM100 / 20% insufficient duty*

* whichever is greater



Period of late stamping	
Not exceeding 3 months	Exceeding 3 months
RM50 / 10% insufficient duty*	RM100 / 20% insufficient duty*

* whichever is greater

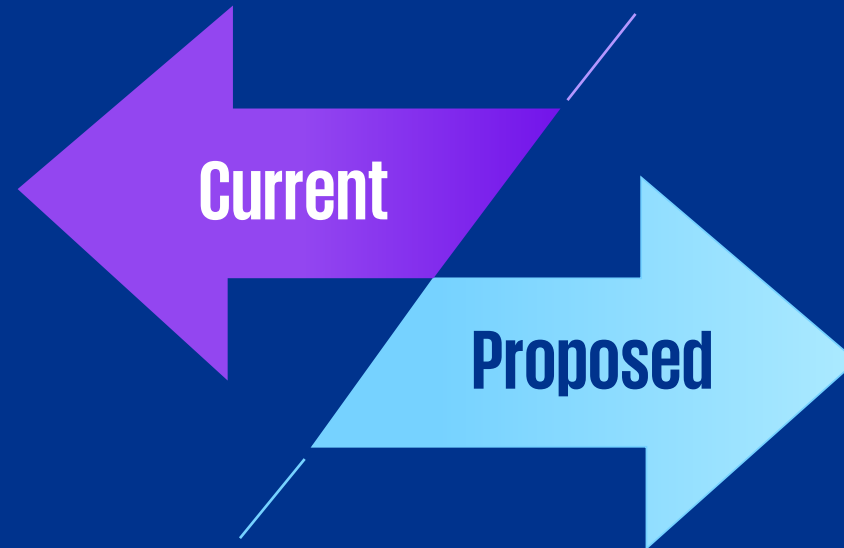
From 1 January 2025



Stamp Duty

Fraud

Fine of RM5,000 for fraudulent actions intended to deceive Government in relation to any duty obligations



Fine of not less than RM1,000 and not more than RM20,000

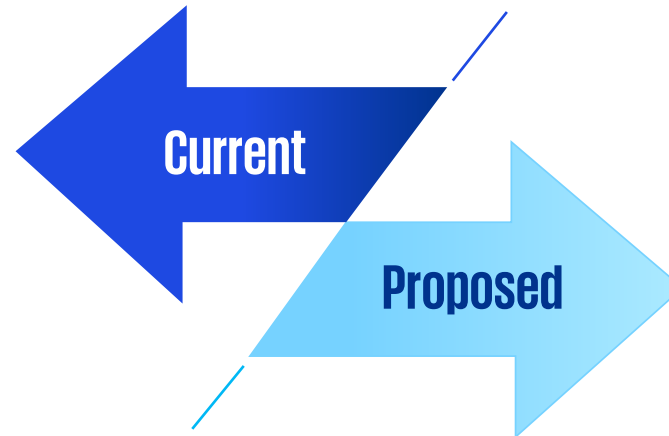
From 1 January 2025



Stamp Duty

Lease / agreement for lease

Average rent and other annual consideration	Period		
	≤ 1 year	> 1 year but ≤ 3 years	> 3 years
RM2,400 and below	Nil		
For every RM250 or part thereof exceeding RM2,400	RM1	RM2	RM4



Average rent and other annual consideration	Period			
	≤ 1 year	> 1 year but ≤ 3 years	> 3 years but ≤ 5 years	> 5 years
For every RM250 or part thereof	RM1	RM3	RM5	RM7

From 1 January 2025

Stamp Duty

Review of stamp duty rate on instruments of assignment for life insurance policies and family takaful certificates

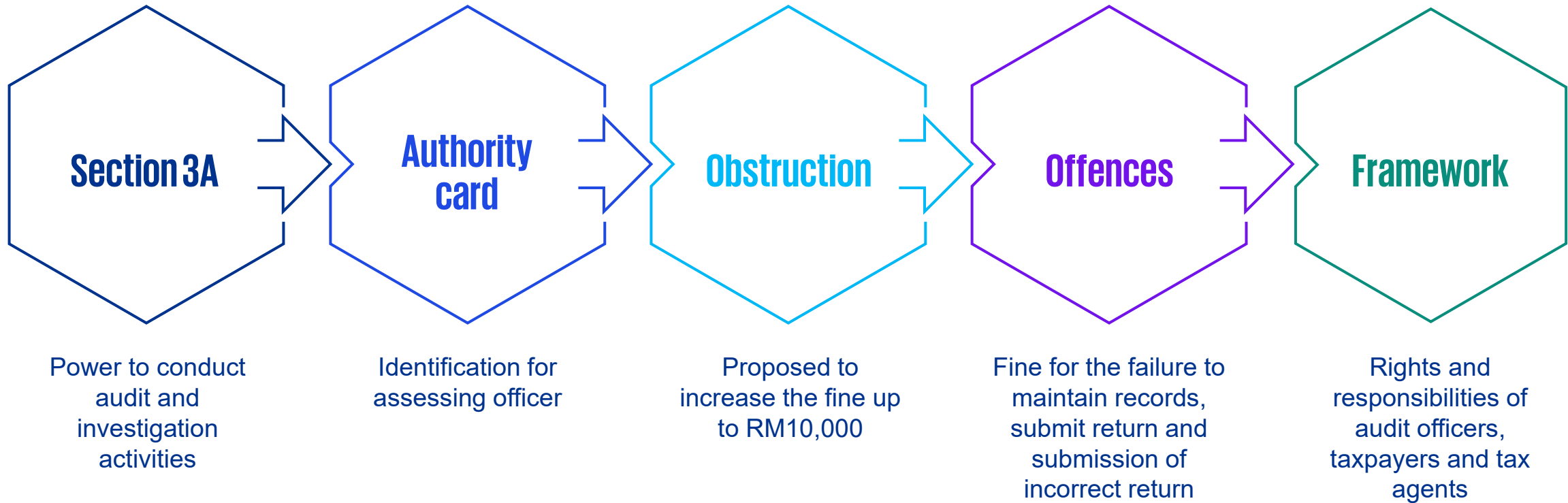
Value of transfer	Current (Ad Valorem)	Proposed (Fixed Duty)
First RM100,000	1%	RM10
RM100,001 to RM500,000	2%	RM100
RM500,001 to RM1,000,000	3%	RM500
RM1,000,001 and above	4%	RM1,000

For instruments executed from 1 January 2025





Stamp Duty Audit & Investigation





Transfer Pricing – Latest updates

Ivan Goh

Partner, Global Transfer Pricing | KPMG in Malaysia





Agenda

1. Common compliance difficulties

Understanding the current transfer pricing compliance requirements and challenges

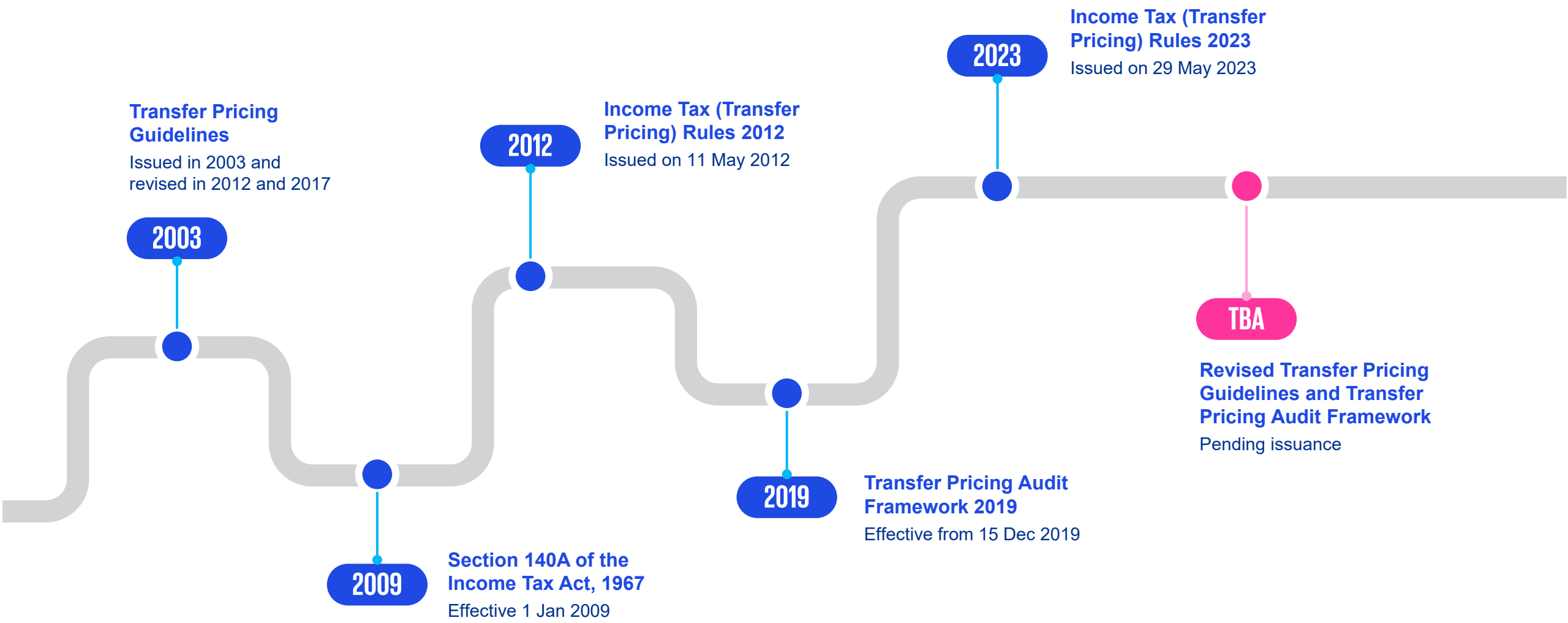
2. Audits & investigations

Navigating transfer pricing audits

Transfer pricing - Common compliance difficulties



Transfer pricing compliance requirements



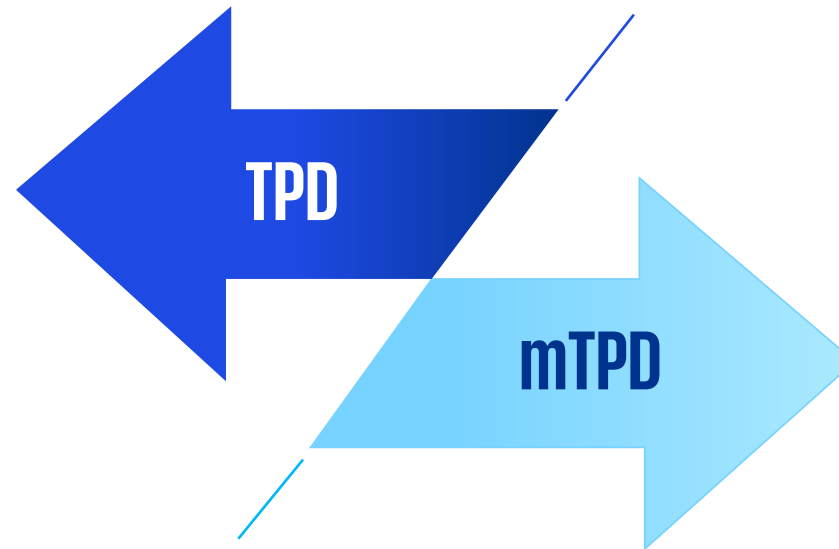


Types of Transfer Pricing Documentation

Persons carrying on a business and falling outside the scope of paragraph 1.3.1 of the Guidelines may opt to use the minimum Transfer Pricing Documentation (“mTPD”) template issued by the Inland Revenue Board (“IRB”).

Contemporaneous transfer pricing documentation (“CTPD”) defined in the TP Rules 2023

- Gross income exceeding RM 25 million; and total amount of related party transactions exceeding RM 15 million
- Financial assistance exceeding RM 50 million



mTPD Template



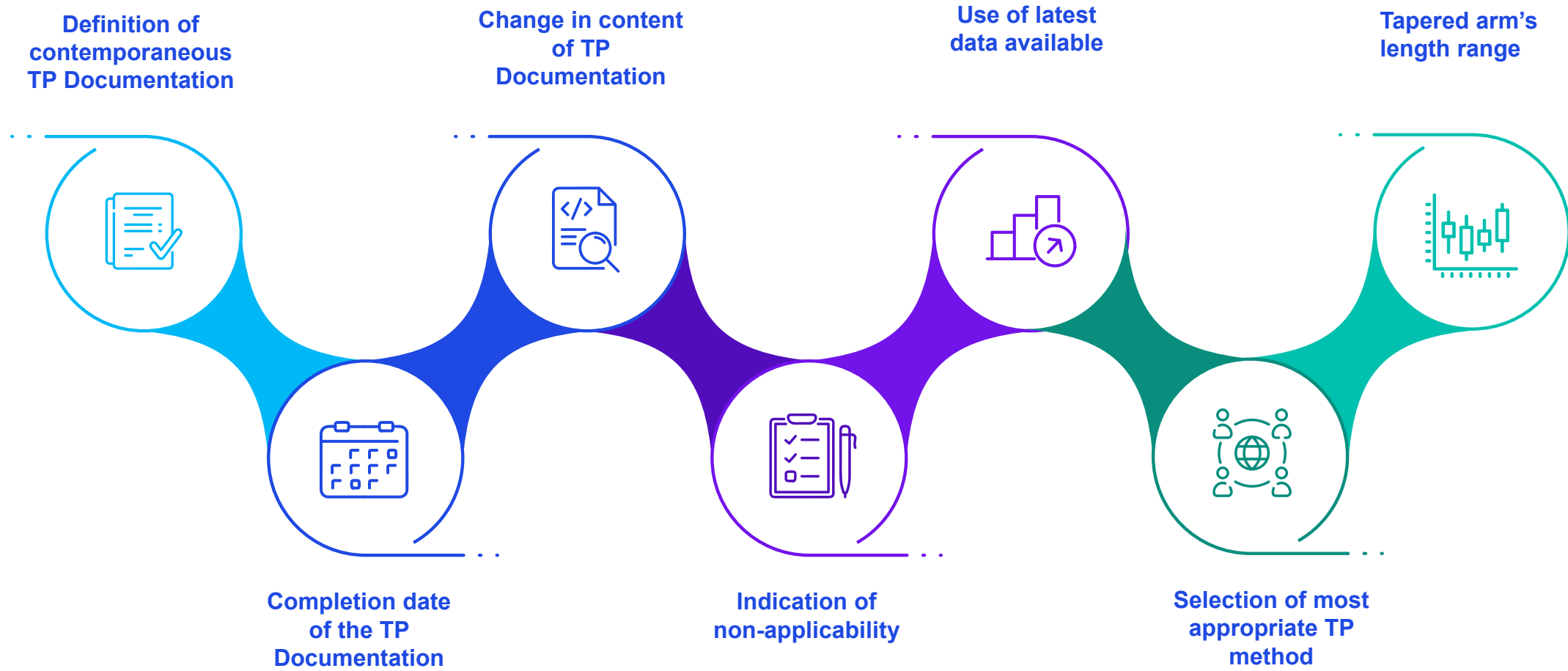
Persons falling outside the scope of paragraph 1.3.1

- Minimum transfer pricing documentation template
- Explanatory notes





What's new on TP Rules 2023



Meeting the definition of a contemporaneous TP documentation

Failure to furnish contemporaneous TP documentation is subject to penalty under Section 113B of the Income Tax Act, 1967



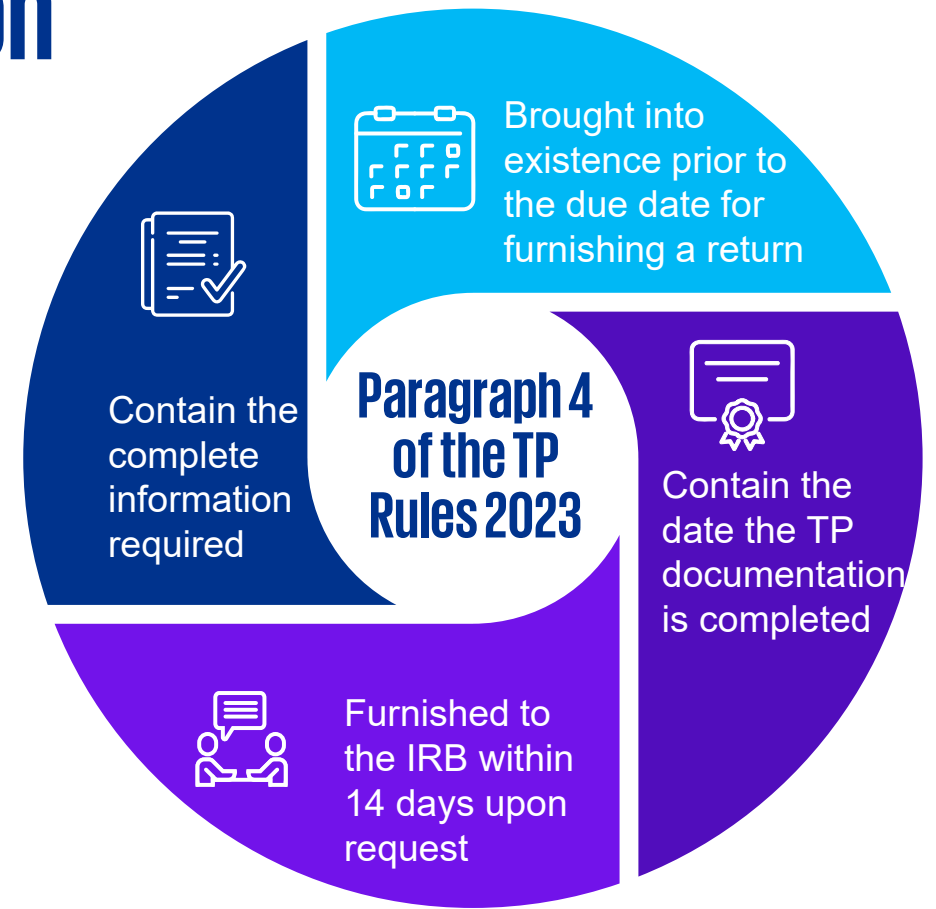
RM 20,000 to 100,000 Fine

per year of assessment



Imprisonment ≤ 6 months

If convicted; or both





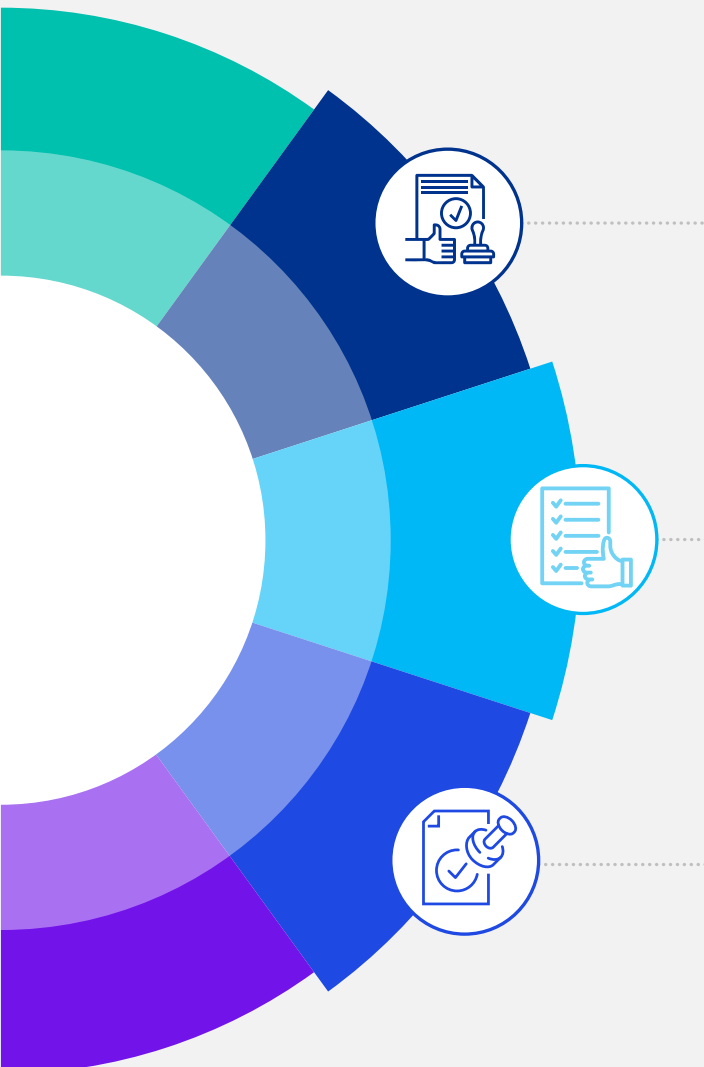
Meeting the deadline

“Brought into existence **prior to** the due date for furnishing a return ...”

Examples

FYE	Income tax return deadline	TP documentation completion date	Contemporaneous TP documentation?
31.03.2024	30.11.2024	30.11.2024	No
31.12.2024	31.08.2025	30.08.2025	Yes*
31.12.2024	31.10.2025	30.10.2025	Yes*

*Subject to the TP documentation containing the complete information required in the TP Rules 2023



Change in content of the contemporaneous TP documentation

TP Rules 2012

Information regarding the person’s business

- This information is reflected in Schedule 2 of the TP Rules 2023, but only a part of it

Documentation

- Documents that provide the foundation for or otherwise support or were referred to in developing the transfer pricing analysis
- Any other information, data or document considered relevant by the person to determine an arm’s length price

Index to documents

TP Rules 2023

Schedules 1, 2, 3 – information on

- The multinational enterprise (“MNE”) Group
- The person’s business
- Cost contribution arrangements

Date of completion

The date on which the CTPD is completed

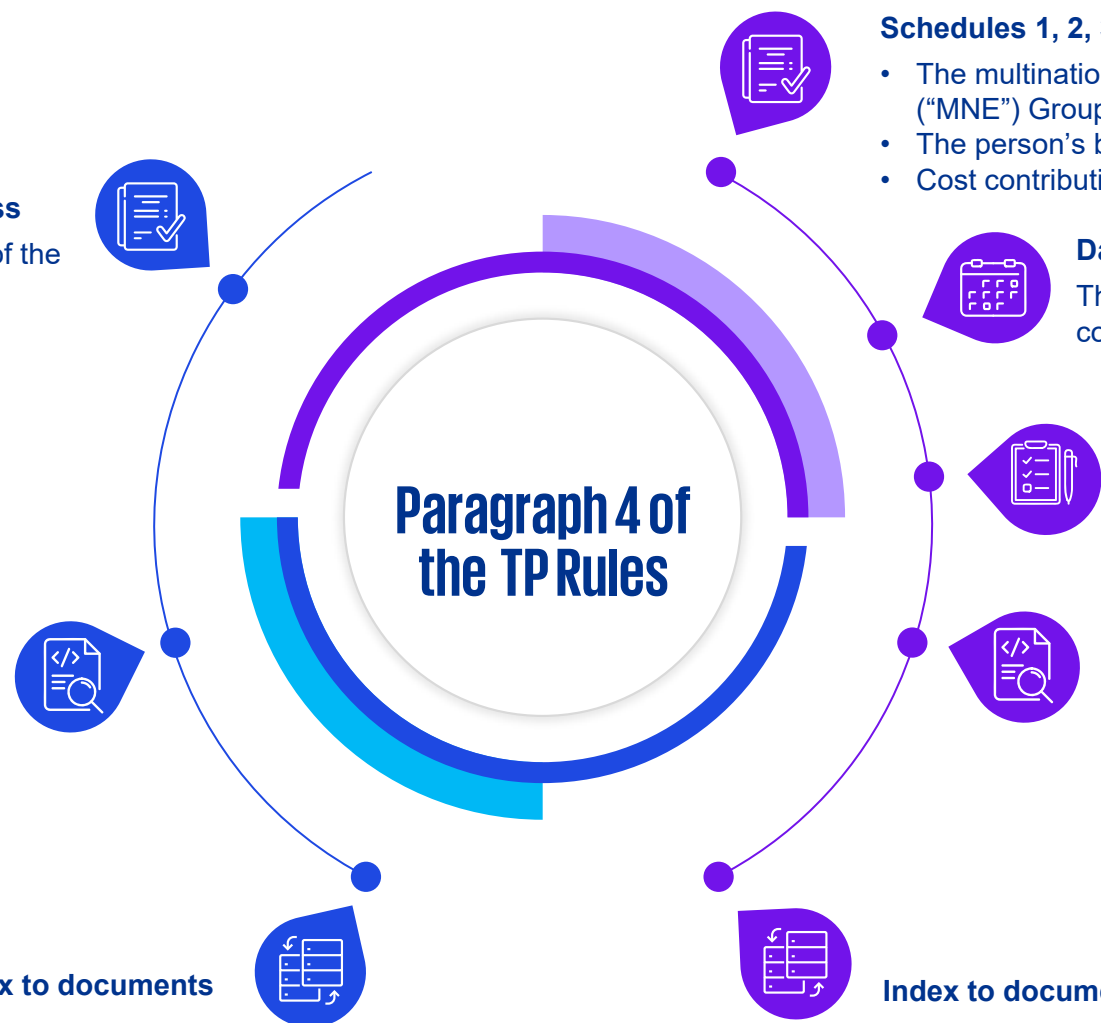
Indication of non-applicability

Requirement to indicate non-applicability

Documentation

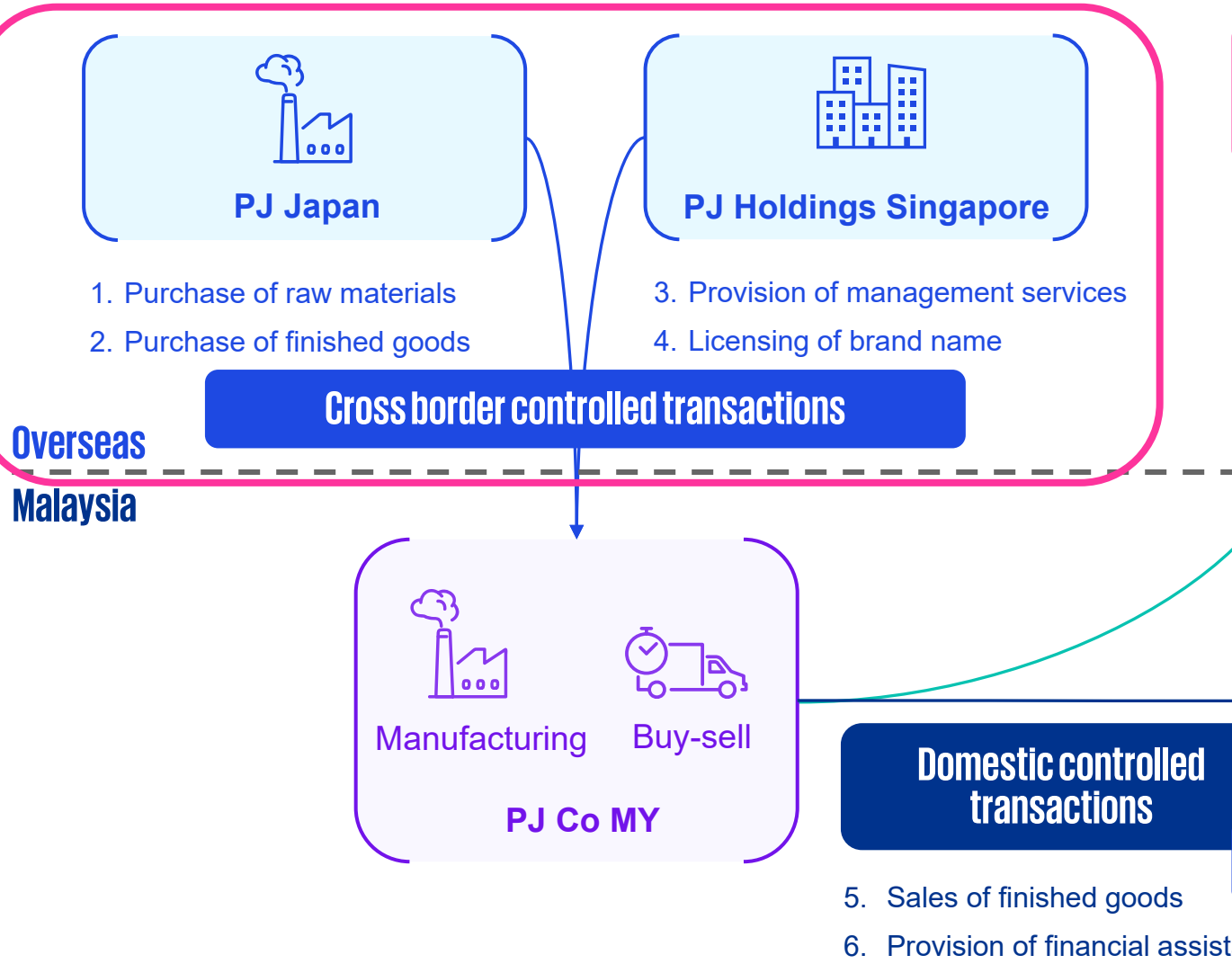
- Documents which become the foundation for, support or were referred to in the development of the transfer pricing analysis
- Any information, data or other related documents used by the person to determine an arm’s length price under Rule 6, including the effect of the material changes to the business conditions during the basis period

Index to documents



Paragraph 4 of the TP Rules

Case study: PJ Group's related party transactions



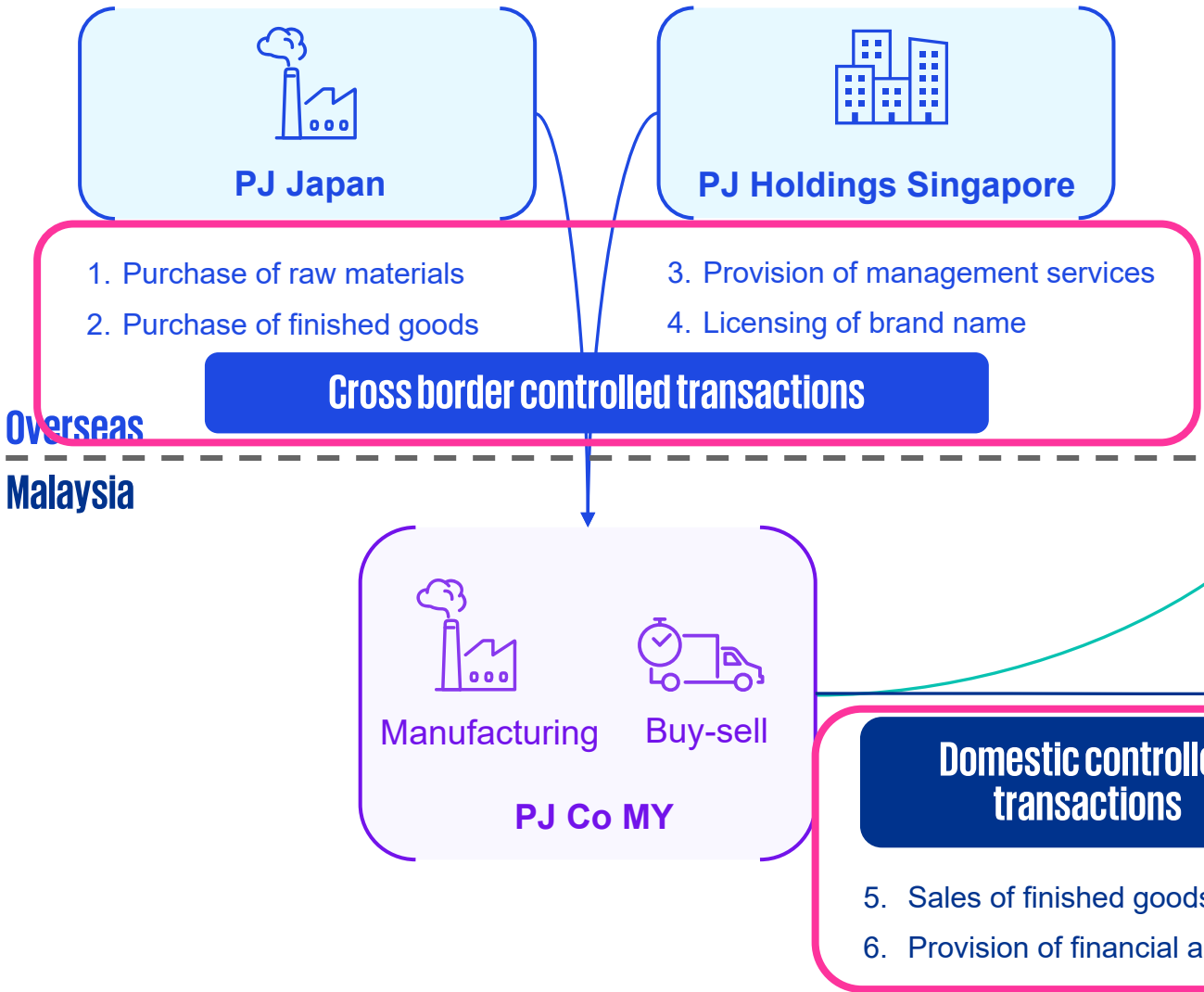
Schedule 1 Information of the MNE Group

- 1** The MNE Group's worldwide organisational structure
 - 2** A description of the MNE Group's businesses that are relevant to the business of the person in the basis period
 - 3** A description of the MNE Group's intangible property that are used in or applied to the business of the person in Malaysia in that basis period
 - 4** The MNE Group's financial activities that are connected to the business of the person in Malaysia in the basis period
 - 5** The financial and tax position of the MNE Group
- 5.** Sales of finished goods
 - 6.** Provision of financial assistance

Case study: PJ Group's related party transactions

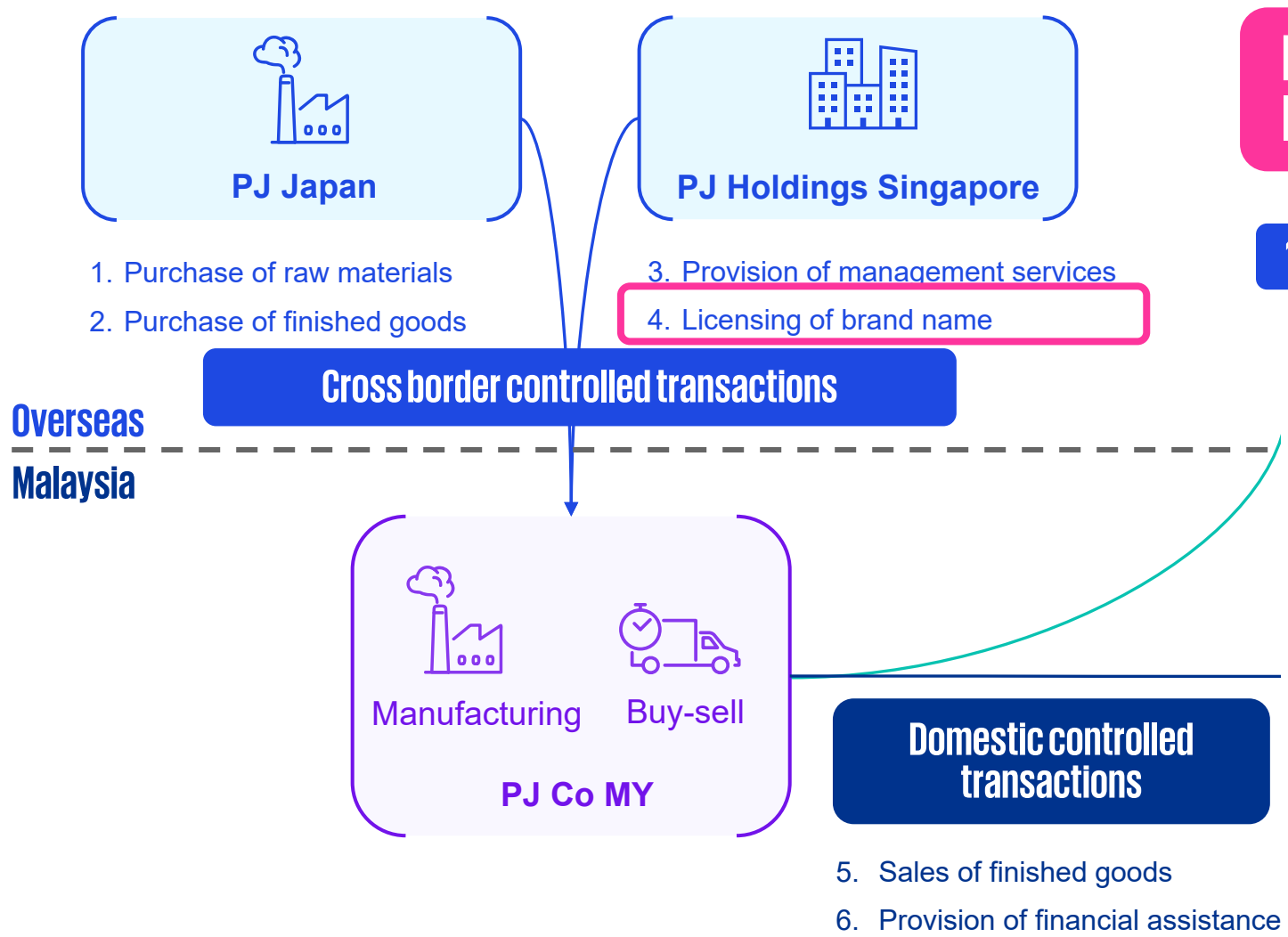


Schedule 2 Information regarding the person's business



- 1 Organisational structure
- 2 Nature of business, industry and market conditions
- 3 The controlled transaction
- 4 Details of the pricing policies
- 5 Assumptions, strategies and influential factors
- 6 Functions, assets and risks analysis
- 7 Comparability analysis
- 8 Selection of transfer pricing methodologies
- 9 Application of transfer pricing methodologies
- 10 Financial information

Case study: PJ Group's related party transactions



Rule 11 Intangible property

1 The owner of the intangible property is **not entitled** to any income attributable to that intangible property if he **neither performs the functions nor controls the functions or risks related to the development, enhancement, maintenance, protection or exploitation (“DEMPE”)** of the intangible property.



Schedule 3 Information and documents regarding a cost contribution arrangement (“CCA”)

- 1 A framework contractually agreed among business enterprises to share the costs and risks of developing, producing or obtaining assets, services or rights, and to determine the nature and extent of the interests of each participant in those assets, services or rights.
- 2 Overall contributions shall be proportionate with the overall expected benefits.
- 3 The participant would be entitled to exploit its interest in the CCA separately as an effective owner, not as a licensee.
- 4 Where a taxpayer enters into a CCA with its associated persons, the arrangement should reflect that of an arm's length arrangement.
- 5 Two major types of CCA most commonly encountered in practice:



Joint development of intangible property

In this arrangement each participant contributes different assets, resources and expertise, and receives a share of rights in the developed property based on the contribution.



Service arrangement

CCA could exist for any joint funding or sharing of costs and risks, for developing or acquiring property or for obtaining services such as pooling resources for the development of advertising campaigns common to the participants' market.



Frequently asked questions

01

TPD - SMEs

Can SMEs be granted exemptions from having to prepare a TPD if they engage in controlled transactions below a specific threshold?

Response from IRB:

Currently, exemption is given only to individuals who are not carrying on a business. Therefore, SMEs engaged in controlled transactions should prepare a full or minimum TPD, depending on the threshold stated in the TP guidelines.

Response from IRB:

Preparation of a full TPD is not required for transactions between persons who are both assessable and chargeable to tax in Malaysia, provided it can be proven that any adjustments made under the Guidelines will not alter the total tax payable by both parties. These persons are allowed to prepare a mTPD.

02

TPD – Domestic RPTs

Is a TPD required for taxpayers with only local RPTs if it can be proven that any adjustments made will not alter the tax payable?

Response from IRB:

Currently, exemption is given only to individuals who are not carrying on a business. Therefore, SMEs engaged in controlled transactions should prepare a full or minimum TPD, depending on the threshold stated in the TP guidelines.

03

Extension of time (“EOT”) for TPD

Can a company request for EOT to complete the TPD and for it to still be considered contemporaneous?

Response from IRB:

The CTPD must be prepared prior to the due date for furnishing a tax return. If an EOT is granted for tax return filing, the same extended due date would apply for the preparation of the TPD.

Response from IRB:

To qualify as a CTPD, the TPD should contain all requirements stipulated under subrules 4(1) and 4(2) of the TP Rules 2023.

04

Contemporaneous TPD

What is the difference between a CTPD and a TPD?

Source: IRB (2024), [FAQ on matters arising from transfer pricing 1.0](#) and [FAQ on matters pertaining to transfer pricing \(TP\) 2.0](#)



Frequently asked questions (continued)

05

Schedule 1 - Malaysian parent company

If the parent company is incorporated in Malaysia and the subsidiary is incorporated overseas, is Schedule 1 still required given that Schedule 2, paragraph 1(a) includes a worldwide organisational and ownership structure?

Response from IRB:

Schedule 1 (info on MNE group) and Schedule 2 (detailed info on taxpayer's business) serve different purposes.

Thus, both Schedule 1 and Schedule 2 requirements should be met, regardless of whether the parent company is incorporated in Malaysia and the subsidiary is incorporated overseas or vice versa.

Response from IRB:

If the MNE group businesses are relevant to the business in Malaysia, Schedule 1 should be prepared, even if the taxpayers only engage in domestic controlled transactions.

06

Schedule 1 - Domestic controlled transactions

If a Malaysian subsidiary of an MNE group is only involved in domestic controlled transactions and is required to prepare a full TPD, is it still required to prepare Schedule 1?

07

Schedule 1 - Consolidated financial statements

The TP Rules 2023 mention that an MNE is a group that is required to consolidate its financial statements. My group operates in a foreign country but does not consolidate its results. Does the taxpayer still need to prepare Schedule 1?

Response from IRB:

For purposes of TPD in Malaysia, Schedule 1 applies to MNE groups with business establishments in two or more jurisdictions, regardless of whether the MNE group has consolidated its financial statements. These businesses also include permanent establishments. The TP Rules 2023 will be amended accordingly to address this purpose.

Response from IRB:

MNE groups refer to business establishments in two or more jurisdictions. These business establishments include, but are not limited to, dormant companies, newly established companies, and inactive companies. Therefore, if the group fulfils this definition, Schedule 1 is applicable.

08

Schedule 1 - Dormant / inactive / newly incorporated company

If the overseas companies are dormant, inactive, newly incorporated with no revenue, or have no related party transactions with the Malaysian company for the year of assessment, is the Malaysian company still required to prepare Schedule 1?



Frequently asked questions (continued)

09

Benchmarking (“BM”) - result revision

If the taxpayer prepared the CTPD in a timely manner, based on information that is available at that point in time, why should there be a need for further revision? This results in extra compliance cost.

Response from IRB:

Taxpayers are allowed to prepare their TPD based on the most current reliable information reasonably available at the time of preparation. However, once the current year financial information for the comparable is available, revisions to the BM result should be made.

Response from IRB:

Where there is an upward TP adjustment, taxpayers have the option to make a voluntary disclosure (“VD”). In VD cases, the surcharge rate is 0-4%.

However, any request for downward TP adjustment will not be entertained since the TP Rules 2023 do not provide for such measures.

10

BM - updated data

If taxpayers must update their BM analysis with current financial data, will there be a waiver of the surcharge imposed on the TP adjustments resulting from the subsequent review? Are taxpayers allowed to request an amendment if the updated BM results in a downward adjustment?

11

TP methodologies - separate and combined transactions

Are taxpayers allowed to apply one method for conducting BM analysis for all transactions?

Response from IRB:

To accurately approximate arm's length conditions, the arm's length principle should be applied on a transaction-by-transaction basis. However, if an adequate evaluation cannot be made on a separate basis, it is acceptable to evaluate a combination of transactions, unless the nature of the transactions differs significantly.

Response from IRB:

IRB prefers local comparables for BM analysis to accurately reflect the economic and commercial realities of market conditions in Malaysia. Nevertheless, foreign comparables may be used, provided that the information on the foreign comparables submitted to the IRB is accurate, sufficient, and verifiable. Reasonable justification on the use of the foreign comparables should be included in the CTPD.

12

Comparability analysis - Selection of comparable companies

Please clarify whether a benchmarking analysis must be conducted with Malaysian companies, or can data from the Asia Pacific region be used?

Transfer Pricing - Audits & investigations





Transfer pricing audit environment

01

“Focus will be put on cross border transactions, domestic TP, ...”

IRB chief executive officer Datuk Dr Abu Tariq Jamaluddin

[IRB to focus on increasing tax collection](#)

New Straits Times, 1 March 2024

[Tax Matters – Exercise vigilance over areas under focus by IRB](#)

The Sun, 20 May 2024

02

“The IRB has openly come out that its **main areas of focus in carrying out its enforcement activities will cover domestic transfer pricing, ...**

The intention here is to, firstly, collect extra taxes and penalties and, secondly, the punishment imposed on such taxpayers should serve as a deterrent to others not to follow suit.”

03

“The IRB across all branches is now **focusing on interest-free loans between related parties** and imposing retrospectively deemed interest income on the lender on the grounds that **interest-free loans are not being provided on an arm’s length basis.**

If the interest-free loan is between two **domestic companies, there is no guarantee**

that the section of the IRB that raises the tax on the income side will ensure that the

corresponding deduction is given on the deemed interest payment which may be dealt with by a different section of the IRB.”

[Tax Matters – Interest-free loans blitz is now haunting taxpayers](#)

The Sun, 26 August 2024



IRB's integrated compliance visits



Ops Borneo 1.0 & 2.0

- Sarawak and Sabah
- 13 May 2024 – 14 May 2024, 10 June 2024 -14 June 2024
- 317 officers (Sarawak) + 260 officers (Sabah)



Ops Zapin

- Johor
- 2 July 2024
- 73 cases (premises)
- 251 officers



Ops Gading

- Pahang
- 31 July 2024 – 1 August 2024
- 346 cases
- 184 officers
- In collaboration with Royal Malaysian Customs Department



Ops Pantai Timur

- Terengganu and Kelantan
- 12 August 2024 – 14 August 2024
- 836 cases (Terengganu) + 86 cases (Kelantan)
- 155 officers



Ops Hidang

- Penang



Ops Mega Corp

- Klang Valley
- 14 August 2024 – 15 August 2024
- Large taxpayers, special industries and multinationals
- 210 officers



Ops Metro 2024

- Klang Valley
- 19 August 2024 – 22 August 2024
- 3,969 cases (establishments)
- In collaboration with Royal Malaysian Customs Department



Ops Minang

- Negeri Sembilan
- 10 September 2024 – 12 September 2024
- 258 cases
- 95 officers



Ops Jebat

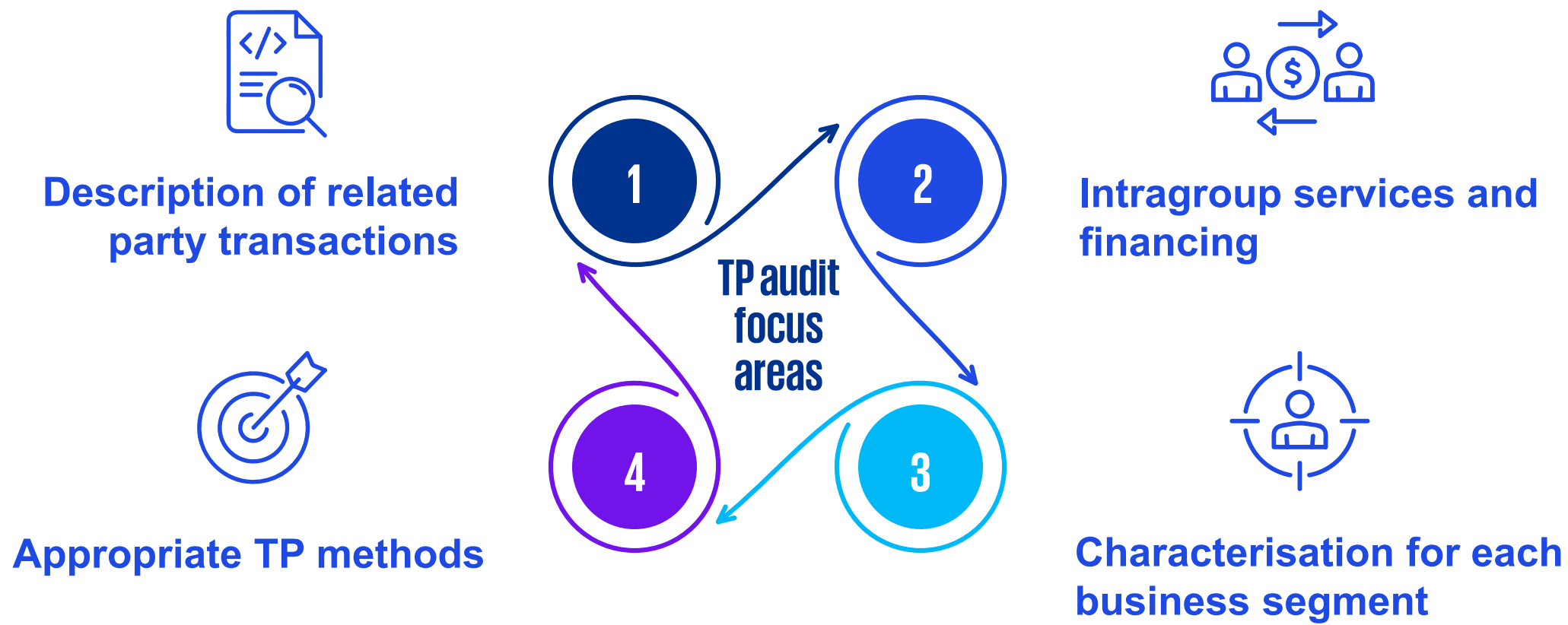
- Malacca
- 10 September 2024 – 12 September 2024
- 327 cases
- 102 officers



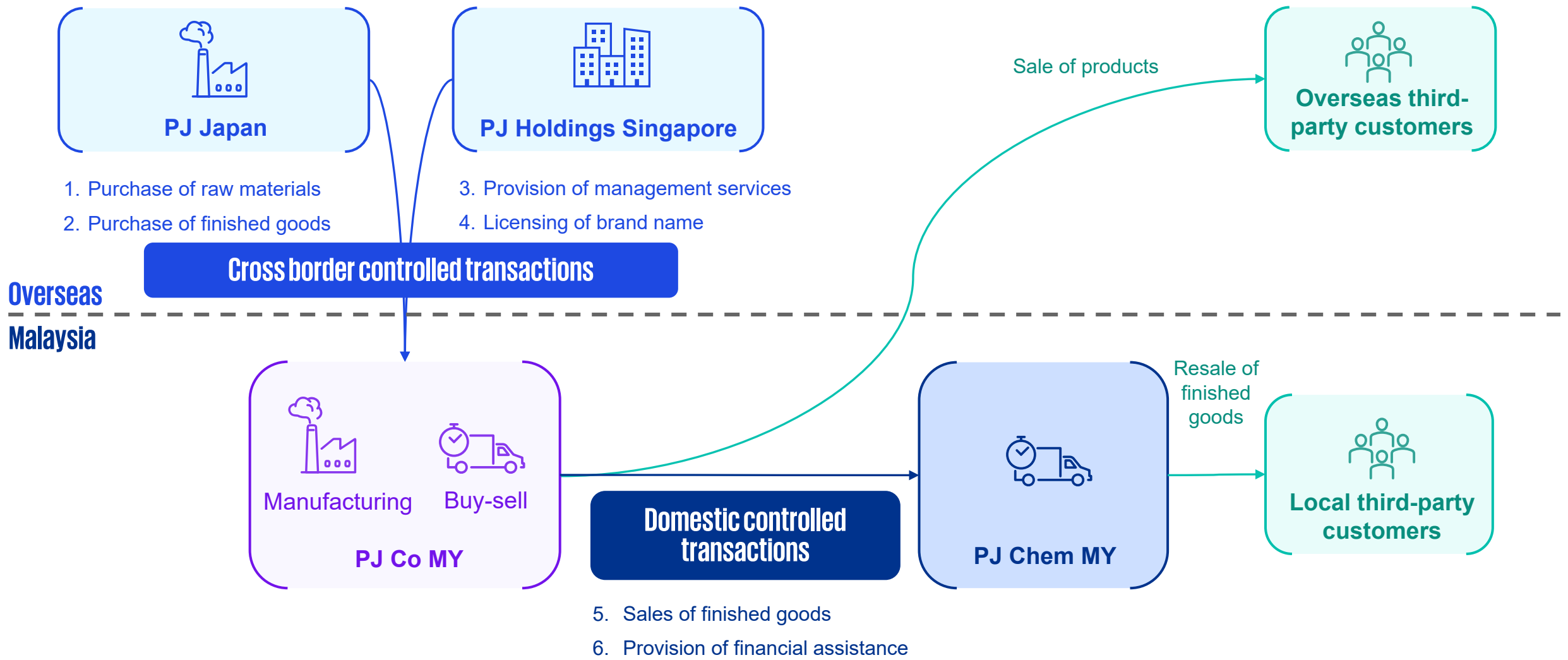
Ops Labuan

- Federal Territory of Labuan

Transfer pricing audit focus areas



Case study: PJ Group's related party transactions





Effective strategies for dispute resolution

01

Description of related party transactions

- Apart from the nature of related party transactions and pricing policies, what additional information would the IRB expect?
- What are the best practices for conducting a periodic review of transfer pricing policies?
- Is it necessary to disclose the functional profiles of both parties in the TP documentation?

Case study

- 6 types of RPTs
- 3 related parties
- 2 business segments

02

Intragroup services and financing

- Is there a “rule of thumb” in Malaysia in determining the arm’s length mark-up for provision of management services?
- What supporting documents should be maintained to prove the benefits received, and what challenges might arise in gathering this evidence?
- Is it appropriate to use fixed deposit (“FD”) rates as an arm’s length interest rate?

- Provision of management services
- Provision of financial assistance

03

Characterisation for each business segment

- Is it important to characterise the company based on business segments?
- Is it necessary to maintain segmented accounts and perform separate economic analysis?
- What are the common challenges faced in preparing segmented accounts, especially on shared expenses?

- Manufacturing
- Trading

04

Appropriate TP methods

- From a commercial perspective, is Comparable Uncontrolled Price (“CUP”) method challenging to apply in commodity transactions?
- Which benchmarking approach is more appropriate: an entity-wide approach or a transactional approach?
- Is there room for discussion if taxpayers fall outside the arm’s length range?

- Transactional
- Segmental
- Entity-wide



Navigating TP audits under TP Rules 2023

Question 1

When is the IRB likely to commence TP audits for YA 2023?



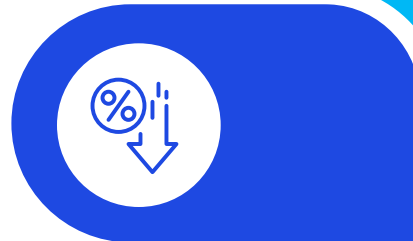
Question 4

What types of documents are typically requested during a TP audit?



Question 2

How can taxpayers reduce the risks associated with TP audits?



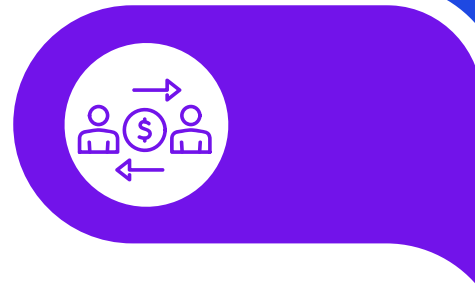
Question 5

Does IRB audit domestic controlled transactions?



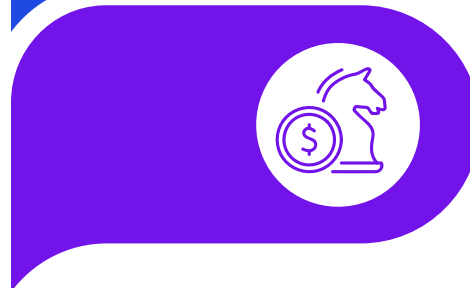
Question 3

What are the main considerations for intragroup services and intragroup financing?



Question 6

What avenues are available to mitigate TP risks?



Overview of the Tax Corporate Governance Framework (“TCGF”)

Introduction

- TCGF is part of the Malaysian IRB’s initiative towards adopting a cooperative tax compliance process that is fair and effective
- Based on 3 main pillars: mutual trust, understanding and openness and transparency

Objective

- TCGF sets out the IRB’s expectation on the application of the TCGF
- Adopts the OECD’s six principles of a good TCGF

Scope of TCGF

Broadly, covers direct taxes such as income tax, petroleum tax, real property gains tax, transfer pricing, withholding tax, etc.



Key focus area

- Roles and responsibilities
- Control framework
- Control testing
- Management of tax risks
- Significant or new transactions
- Tax and accounting results

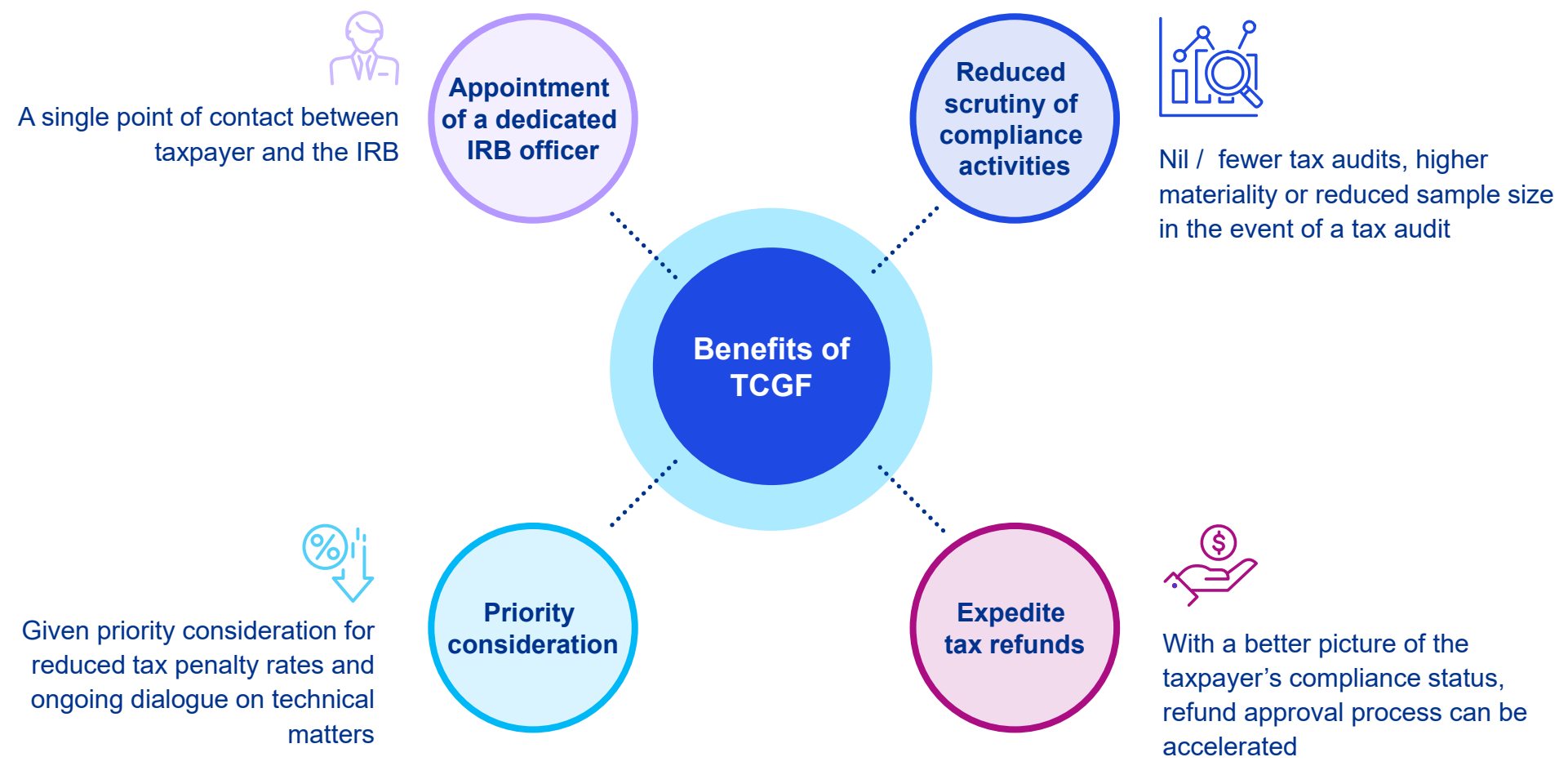
Implementation

- TCGF is suitable for all sizes and types of businesses
- Public listed, large companies and state-owned entities are strongly encouraged to actively participate in the TCGF programme **[Turnover RM100million and above]**

TCGF programme

- Phase 1 – pilot programme
- Phase 2 – all companies (July 2024 onwards)

Benefits of participating in the TCGF programme





Key takeaways

How can I mitigate TP audit risk?

Considerations



Ensure that robust TP documentation is in place to meet the contemporaneous requirements



Maintain accessible supporting documents and evidences to deal with TP audit upheaval



Participate in various tax initiative programmes (e.g., Voluntary Disclosure, Advance Pricing Arrangements and Tax Corporate Governance Framework)



Indirect Tax – Recent developments

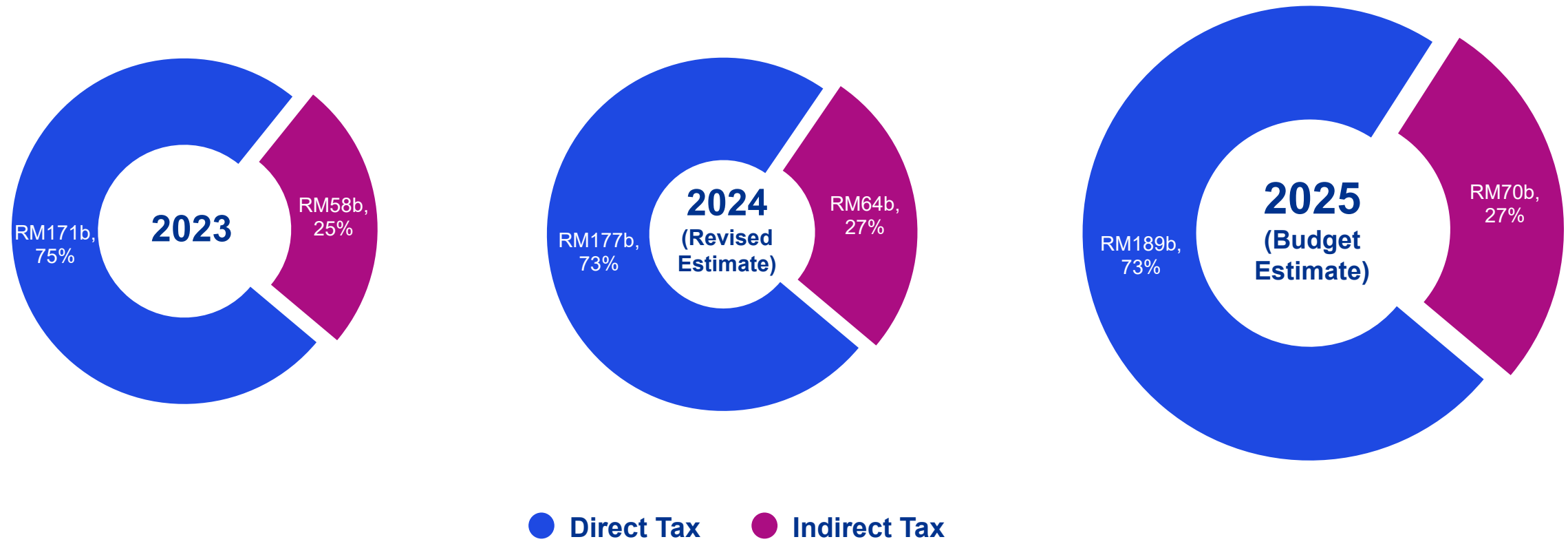
Dany Oon

Executive Director, Indirect Tax | KPMG in Malaysia

Tax Summit 2024 - Kuching | 14 November 2024

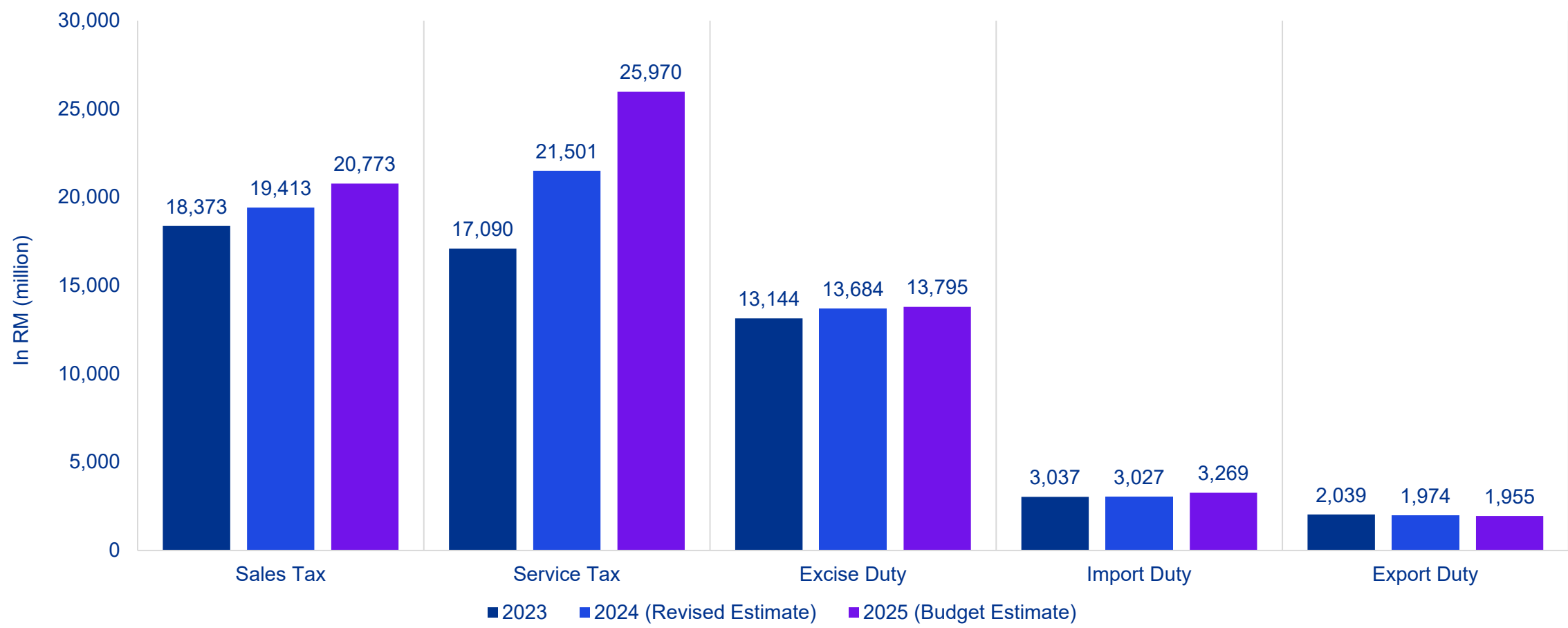


Federal Government Revenue – Direct & Indirect Taxes



Source: 2025 Fiscal Outlook and Federal Government Revenue Estimates

Revenue Breakdown for Indirect Tax



Source: Ministry of Finance, 2025 Fiscal Outlook and Federal Government Revenue Estimates

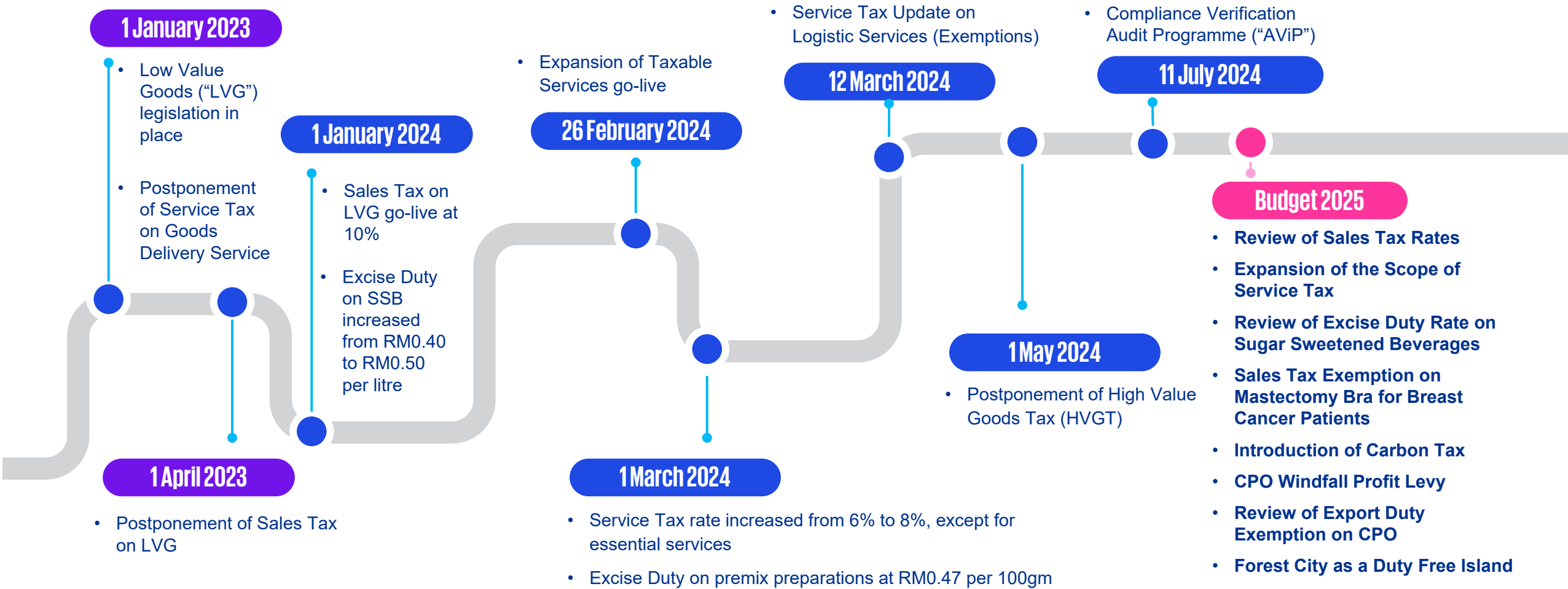
Note: Not including other indirect taxes



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Key Timeline of Sales Tax and Service Tax since 2023



2025 Budget – Indirect Tax Perspective

1

Review of Sales Tax Rates

2

Expansion of the Scope of Service Tax

3

Review of Excise Duty Rate on Sugar Sweetened Beverage

4

Sales Tax Exemption on Mastectomy Bra for Breast Cancer Patients

5

Introduction to Carbon Tax

6

Crude Palm Oil (“CPO”) Windfall Profit Levy

7

Review of Export Duty Exemption on CPO

8

Forest City as a Duty Free Island



Review of Sales Tax Rates

Current

Sales Tax imposed on goods manufactured in Malaysia as well as on imported goods at the prescribed rates of :

0% **5%** **10%**

Basic food items are generally exempted from Sales Tax



Proposed

Basic food items will continue to be exempted from Sales Tax.

Proposed increase in Sales Tax on **non-essential items** such as imported premium goods (e.g. Avocado and Salmon).

The above is proposed to be effective from 1 May 2025.

What is non-essential items?

What is premium goods?

Is it only limited to imported goods?

Transitional rules?





Expansion of the Scope of Service Tax

Current

8% Service Tax rate on most taxable services.

6% Service Tax rate on essential services such as food and beverages.

Effective 26 February 2024, Service Tax expanded to include :



Logistics



Brokerage



Maintenance or repair



Karaoke

Proposed

Expansion of Service Tax on commercial service transactions between businesses e.g. fee-based model

The above is proposed to be effective from 1 May 2025.

What is to be expanded?

Existing or New Group?

Any exemptions (e.g. B2B and intra-group relief)?

Transitional rules?



Review of Excise Duty Rate on Sugar Sweetened Beverages

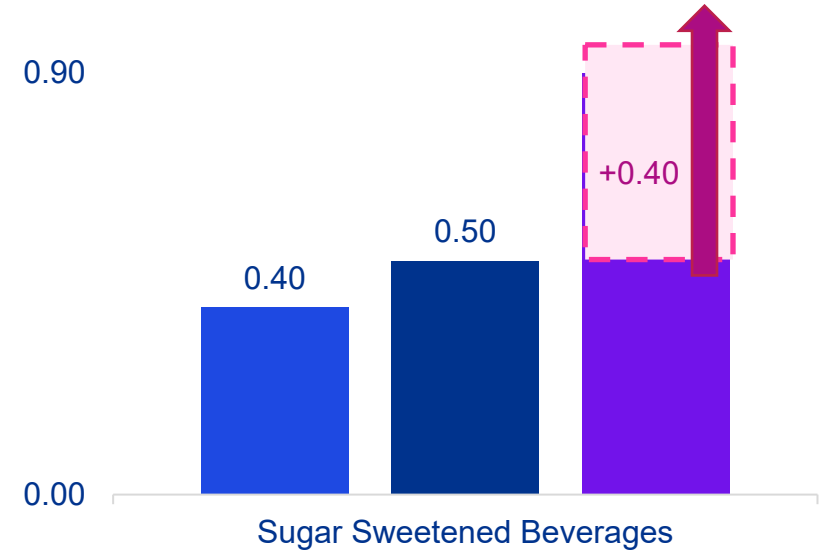
Current

Below are the types of SSB that are subject to Excise Duty:

Tariff Code	Type of Beverages	Sugar Content Threshold	Excise Duty Rate
22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	>5g/100ml	RM0.50 per litre
	Flavoured milk-based beverages containing lactose	>7g/100ml	RM0.50 per litre
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml	RM0.50 per litre

Proposed

Excise Duty increased in phases at **RM0.40 per litre** from 1 January 2025 onwards.



The above is proposed to be effective from 1 January 2025.

Sales Tax Exemption on Mastectomy Bra for Breast Cancer Patients

In line with the value of compassion and to ease the burden of breast cancer patients, it is proposed that Sales Tax exemption be given for mastectomy bra.

Product	Tariff Code	Current		Proposed
		Import Duty	Sales Tax	Sales Tax
Mastectomy bra (made from cotton)	6212.10.1100	0%	10%	0%
Mastectomy bra (made from other textile materials)	6212.10.9100	0%	10%	0%

It is proposed that the above is applicable for applications received by the Ministry of Finance from **1 November 2024** until **31 December 2027**.





Introduction of Carbon Tax



- To achieve carbon neutrality by 2050
- Carbon Tax on the **iron and steel industry** as well as **energy industry** by 2026.



Iron and Steel Industry



Energy Industry

Mechanism of Carbon Tax?

Impact on prices?

Interaction with CBAM?

How do other countries compare?

Carbon trading: Taxable or tax deductible? Is it a goods or services? Is it subject to Sales Tax or Service Tax?



- Levied on facilities that directly emit $\geq 25,000$ tonne carbon dioxide emission (tCO₂e) of greenhouse gas (GHG) emissions annually
- Covers six GHGs, namely carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. From 2024 onwards, to include nitrogen trifluoride emissions
- Covers 80% of total GHG emissions from about 50 facilities in the manufacturing, power, waste, and water sectors



Postponed introduction of carbon tax indefinitely



JPY 289 (USD 2.04)/tCO₂e (fixed rate since 2012)

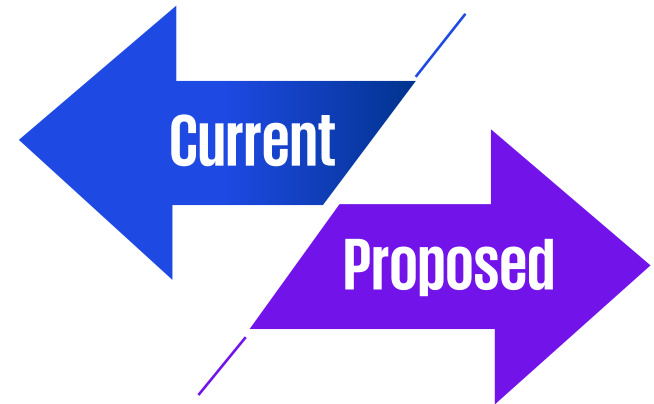


Planning to introduce carbon tax on energy, transport and industrial sectors to achieve carbon neutrality by 2050 and net zero greenhouse gas emissions by 2065

Crude Palm Oil (“CPO”) Windfall Profit Levy

Currently, the windfall profit levy is imposed at the following rates :

	Rate	Current
Peninsular Malaysia	3%	CPO Price > RM3,000 per MT
Sabah & Sarawak	3%	CPO Price > RM3,500 per MT



The below is the proposed increase rates in windfall profit levy threshold:

	Rate	Proposed
Peninsular Malaysia	3%	CPO Price > RM3,150 per MT
Sabah & Sarawak	3%	CPO Price > RM3,650 per MT

The above is proposed to be effective from 1 January 2025.



Review of Export Duty Exemption on CPO

The export duty rates for CPO were last revised on 1 January 2020 through a partial exemption. To ensure the supply of CPO in the domestic market, it is proposed that the export duty rates after taking into account the partial exemption be revised as follows :

CPO Market Price (RM/MT)	Current Rate	Proposed
≤ 3,600		No changes
3,601 – 3,750	8.0%	8.5%
3,751 – 3,900	8.0%	9.0%
3,901 – 4,050	8.0%	9.5%
> 4,050	8.0%	10.0%

The above is proposed to be effective from 1 November 2024.

Forest City as a Duty Free Island



The signing of the Johor-Singapore Special Economic Zone Memorandum of Understanding (“JSSEZ”) in January 2024 marks a major achievement of economic cooperation between Malaysia and Singapore.



In tandem, the Government has approved Forest City as a Duty Free Island to support tourism and local economic activities.



A Duty Free Island would typically be accorded special indirect tax incentives and exemptions. Recently, [Pulau 1 Forest City](#) has been gazetted as a designated area for Sales Tax and Service Tax.



Businesses looking to undertake operations in Forest City should take note of this development as it could impact the way businesses are conducted as well as competitiveness.









Practical Issues for Indirect Tax





Practical Issues for Indirect Tax

Key Issues

- 
 Additional taxes or duties due to Transfer Pricing adjustments
- 
 Non-compliance with tax / duty exemption conditions
- 
 Omission to charge / account for taxes
- 
 Under-reporting of duties and taxes
- 
 Incorrect valuation / classification of goods
- 
 Late registration for SST and late payment of taxes







Examples – Sales Tax/ LMW/ Customs

- Year end TP adjustment which may affect value of taxable goods manufactured
- Sales Tax valuation on related party transaction – based on Computed Value Method? Includes “Royalty”, “Assist” and “Marketing” costs?
- Compliance with conditions for Sales Tax exemption – any exemption applied for exempted goods or waste/ scrap?
- Registered manufacturer forgot to charge Sales Tax on taxable goods due to error in customer location
- Correct HS Code adopted?
- Applied the wrong exemption e.g. C1/ C3 instead of B4?
- Applied exemption on non-qualifying goods or before exemption period?
- Failure to meet LMW/ ATIGA conditions?



Practical Issues for Indirect Tax

Key Issues

- 
 Additional taxes or duties due to Transfer Pricing adjustments
- 
 Non-compliance with tax / duty exemption conditions
- 
 Omission to charge / account for taxes
- 
 Under-reporting of duties and taxes
- 
 Incorrect valuation / classification of goods
- 
 Late registration for SST and late payment of taxes

Examples – Service Tax

- Forgot to account for imported taxable services at the earlier of invoice received or payment made
- Forgot to charge and levy Service Tax on taxable services?
- Provision of taxable services to related companies which do not qualify for intragroup exclusion (e.g. employment, advertising services, maintenance or repair)?
- Error in applying the B2B exemption?
- Missed out on declaring a payment received?
- Forgot to monitor the 12-months deemed paid rule?
- Is the 'exported services' subject to Service Tax?



E-Invoicing – Lessons learnt from 1st Implementation Group

Panelist:

Alan Wee

Director, Audit (Company & Non-Company), Lembaga Hasil Dalam Negeri Sarawak

Moderated by:

Regina Lau

Partner, Tax Sarawak | KPMG in Malaysia

Tax Summit 2024 - Kuching | 14 November 2024

E-Invoicing



Post implementation – Statistics

7,400 companies using e-invoice system, 58 mil e-invoices issued as at Oct 14 – MOF

KUALA LUMPUR (Oct 23): A total of 7,400 companies have adopted the e-invoice system, with 58 million e-invoices issued as of Oct 14, according to the Ministry of Finance (MOF).

This reflects the positive reception among companies in complying with the implementation of e-invoicing, the ministry said.

The first phase of the e-invoice rollout began on Aug 1, targeting large companies with annual sales exceeding RM100 million, while the second phase will commence on Jan 1, 2025, involving companies with annual revenues of between RM25 million and RM100 million.

“The full implementation will begin on July 1, 2025, involving all businesses, including micro, small, and medium enterprises (MSMEs),” the ministry said in a written reply published on Parliament’s website on Tuesday.

The MOF said this in reply to a question from Azli Yusof (PH-Shah Alam),

Bernama

who inquired about the policy and status of e-invoicing, its benefits and challenges encountered, and how it can enhance the efficiency of the tax system and address the shadow economy.

It said the system helps by curbing tax leakages and tackling the shadow economy, while real-time data minimises the chances for businesses to underreport sales or inflate their expenses.

“A unique identification number will be assigned to each verified e-invoice, allowing the Inland Revenue Board of Malaysia (IRB) to track transactions during audits, ensuring no alterations, fraud or forgery of the e-invoice.

“This step improves overall tax collection efficiency and compliance, helping the government tackle issues related to the shadow economy,” the ministry added.

The MOF noted that one of the chal-

lenges faced by sellers during the initial phase of e-invoicing was the difficulty in obtaining buyers’ Tax Identification Numbers (TIN) for the issuance of e-invoices.

“To ease the process of obtaining the buyer’s TIN, the IRB is developing a platform to check TIN numbers,” it said, adding that accessing the MyInvois portal was also another challenge faced by users.

However, the IRB has improved communication through various mediums, including user guides and educational videos for taxpayers.

Moreover, to ensure smooth e-invoice management, the IRB has introduced the batch upload function, and the details are available on the user guidelines on the MyInvois portal.

Read also: IRB launches ‘MyInvois’ app for easy e-invoicing



Post implementation

- Pressing Teething Issues faced by Businesses



Obtaining Buyer's Tax Identification Number (TIN) details

HASiL has announced an interim relaxation period to allow additional time for information gathering.



Tax Deductibility

Use e-Invoice or existing documentations for tax purposes



Transacting with businesses in different implementation phases

Transition period still allows usual business practice until mandated implementation phase



Timing for e-Invoice issuance for importation of goods / services

For importation of goods, issuance is allowed in the month following customs clearance or after receiving receipt of foreign goods. For importation of services, payment by a Malaysian Buyer.



Business Registration Number (BRN) information

Ensure BRN is updated correctly



Post implementation

- Practical Issues
 - E-billing
 - Divergence between accounting and e-invoicing
 - System constraints
 - Specific matters



Post implementation

- Practical Issues
 - Importation

68. In relation to drop shipment transactions where the goods are not physically imported into Malaysia, when will the Malaysian taxpayers be required to issue self-billed e-Invoice?

As there is no importation of goods into Malaysia, the timing of issuance of self-billed e-Invoice will be upon the foreign invoice being recorded in the Malaysian taxpayer's accounting system.



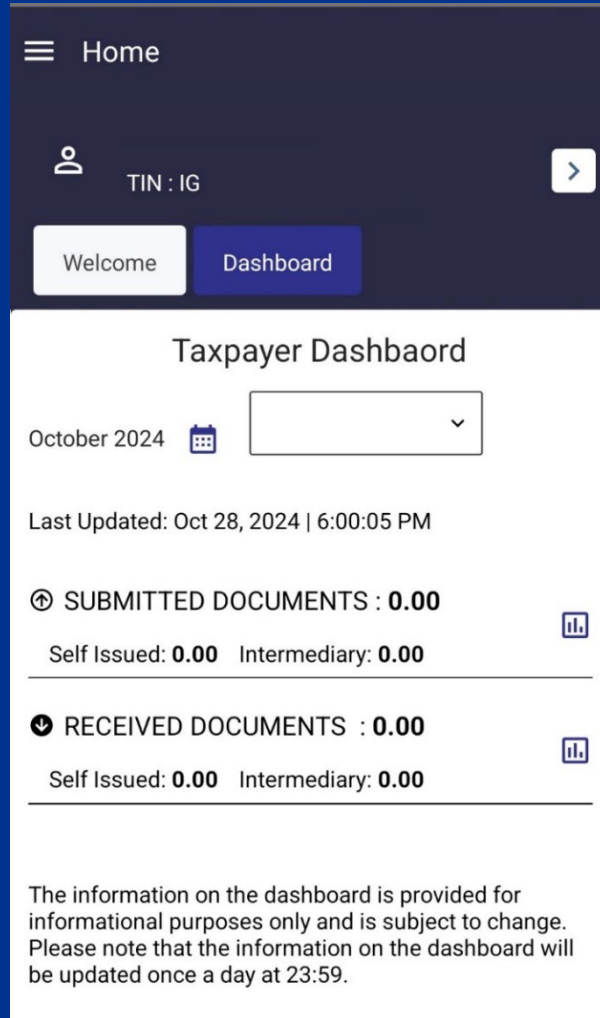
Myinvois App



 Login



Myinvois App



Home


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Welcome Dashboard


Taxpayer Dashboard

October 2024

Last Updated: Oct 28, 2024 | 6:00:05 PM

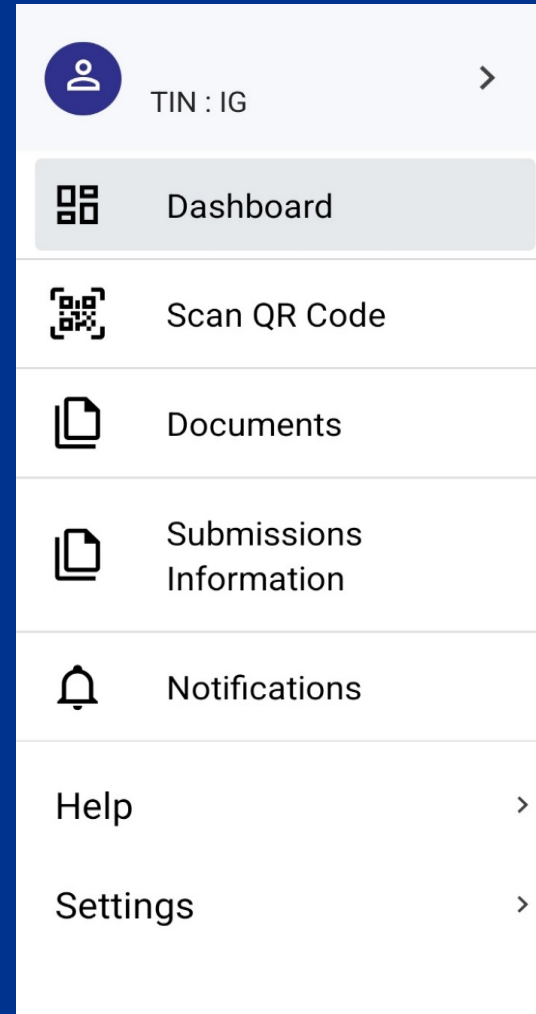
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⊖ RECEIVED DOCUMENTS : 0.00 

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