



# Tax developments



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KPMG in Malaysia

# Table of Contents

## Income Tax

- 1 Exemptions from CGT and tax on FSI for unit trusts
- 2 CGTRF filing program, sample CGTRF and explanatory notes
- 3 Income tax exemption for an IDR-status company
- 4 Deduction for investment in a BioNexus status company
- 5 MOTAC's guideline for tax deduction for sponsorship of arts, cultural and heritage activities
- 6 Guideline on application for approval under Section 44(6) of the MITA in relation to welfare funds for public hospitals, private hospitals and teaching hospitals
- 7 MIDA's updated guideline and procedures for SBSR incentive

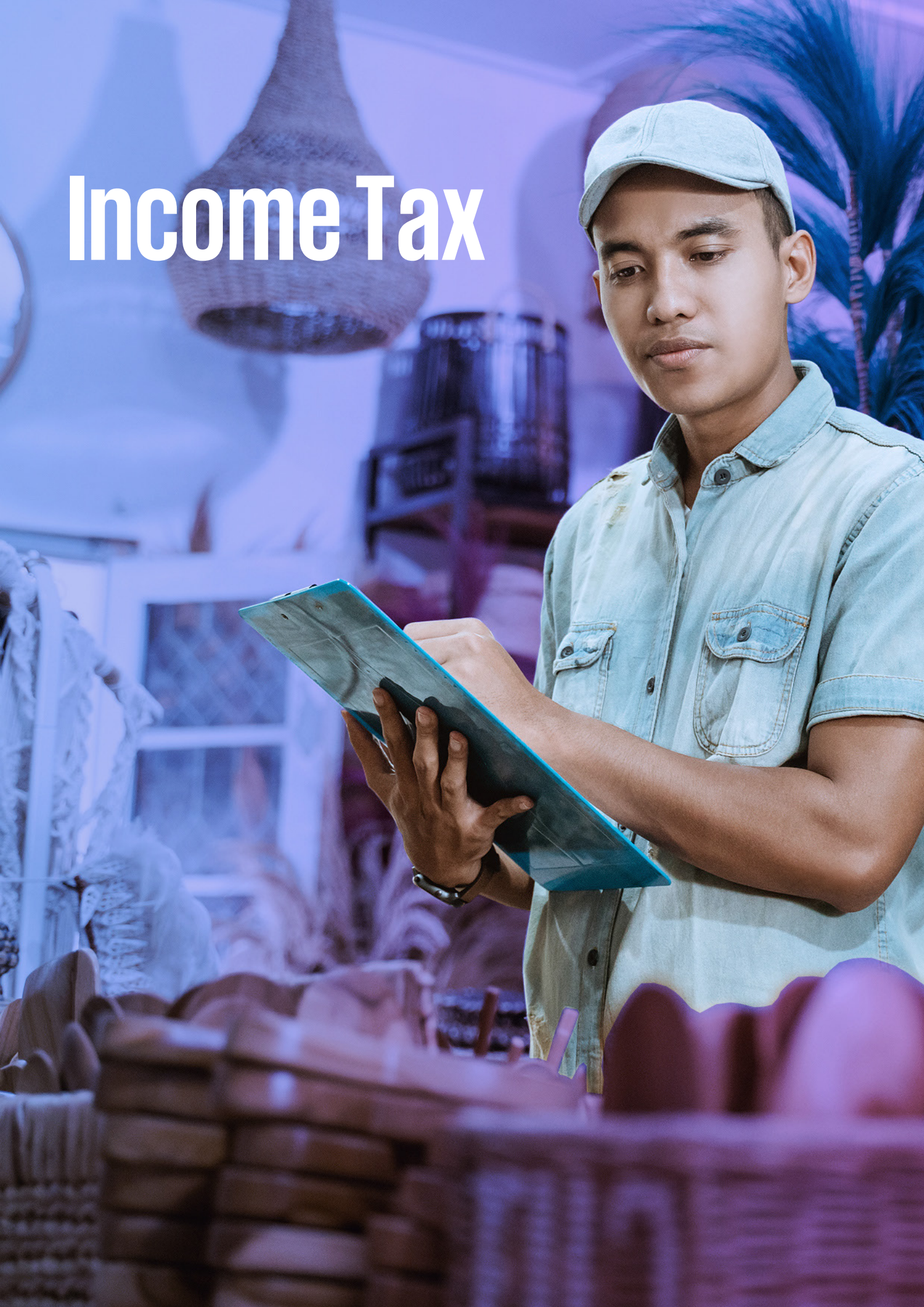
## Indirect Tax

- 1 Indirect tax legislation updates
- 2 Proposed increase in Service Tax rate and expansion of taxable services
- 3 RMCD guide – Exemption from Sales Tax registration

## E-Invoicing

- 1 MIRB's e-Invoicing industry specific FAQs

# Income Tax



# Income Tax

## Exemptions from CGT and tax on FSI for unit trusts

Based on the announcement made by the Finance Minister II, Datuk Seri Amir Hamzah Azizan on 16 January 2024, it is proposed that unit trusts will be exempted from the following:-

### CGT

From 1 January 2024 to 31 December 2028

### Income tax on FSI received in Malaysia

From 1 January 2024 to 31 December 2026

The above exemptions are subject to the gazette of the relevant legislations.

Source for the Speech: Official Portal of [MOF](#)

## CGTRF filing program, sample CGTRF and explanatory notes

The MIRB has republished the CGTRF filing program with the addition of guide notes. The sample CGTRF along with its explanatory notes have also been issued.

The notable points are as follows:

- **Disposal of capital assets which qualifies for two-month exemption**

The Income Tax (Exemption) (No. 7) Order 2023 was released earlier to provide exemption for CGT on gains from disposal of share of a company incorporated in Malaysia not listed on the stock exchange made by a company, limited liability partnership, trust body and co-operative society during the period from 1 January 2024 to 29 February 2024. The CGTRF guide notes and explanatory notes indicated that a similar exemption also applies on the disposal of shares of a controlled company incorporated outside Malaysia which owns real property situated in Malaysia or shares of another controlled company or both (Section 15C shares). Nevertheless, this exemption is still pending the relevant gazette that is required in order to be legislated.

- **Exemption from CGT filing obligations**

Taxpayers are exempted from CGT filing obligations in respect of the disposals which qualify for the two-month exemption above.

Source for the CGTRF filing program, sample CGTRF and explanatory notes: Official Portal of [MIRB](#)

## Income tax exemption for an IDR-status company

The Income Tax (Exemption) Order 2024 provides a 5-year income tax exemption to an IDR status company that carries out a qualifying activity within the approved node on or after 24 October 2013 but not later than 31 December 2024 (“incentive period”). The exemption amount is equivalent to the amount of qualifying capital expenditure incurred for the purpose of carrying on the qualifying activity and to be set off against the statutory income derived therefrom. The Exemption Order is deemed to have come into operation on 24 October 2013 with the following exception:-



Qualifying activities	Sector	Effective date
Wellness and assisted living	Healthcare and related services	1 January 2021
Emerging digital technologies	Digital business and services	1 January 2021
<ul style="list-style-type: none"> <li>▪ Information technology outsourcing</li> <li>▪ Business process outsourcing</li> <li>▪ Knowledge process outsourcing</li> </ul>	Global business services	1 November 2016

Application for the incentive shall be made through the Iskandar Regional Development Authority within the incentive period.

Source for the Order: [Federal Legislation Portal of Malaysia](#)

## Deduction for investment in a BioNexus status company

Under the Income Tax (Deduction for Investment in a BioNexus Status Company) Rules 2016, a qualifying person is eligible for a tax deduction equivalent to the value of investment made in a BioNexus status company to finance the initiation of the commercialisation stage of a new business as approved by the Minister.

The Income Tax (Deduction for Investment in a BioNexus Status Company) (Amendment) Rules 2024 have been gazetted to legislate the 2021 Budget Proposal to further extend the incentive period for another 2 years for investment made up to 31 December 2024 (previously up to 31 December 2022). The Amendment Rules are deemed to have come into operation on 1 January 2023. You may refer to KPMG’s Tax Developments dated 12 January 2024 (access from [here](#)) for further details on other BioNexus tax incentives.

Source for the Rules: [Federal Legislation Portal of Malaysia](#)



Source for the Guideline: Official Portal of [MOTAC](#)

## MOTAC's guideline for tax deduction for sponsorship of arts, cultural and heritage activities

Presently, Section 34(6)(k) of the MITA provides for a tax deduction of up to RM1 million in respect of the sponsorship made for any arts, cultural or heritage activity approved by the MOTAC. The deduction is however limited to RM300,000 for sponsoring foreign arts, cultural or heritage activity. The MOTAC has issued the above guideline to explain on the criteria and application procedure for the tax deduction.

## Guideline on application for approval under Section 44(6) of the MITA in relation to welfare funds for public hospitals, private hospitals and teaching hospitals

The MIRB has published the above technical guideline (only available in the Malay Language). The guideline explains the qualifying criteria, application procedure, responsibilities of the committee managing the fund, consequences of breach of conditions of approval, approval period and tax relief for contributors or donors.

Source for the Guideline: Official Portal of [MIRB](#)



## MIDA's updated guideline and procedures for SBSR incentive

In line with the 2023 budget proposal, the MIDA has updated the above by extending the application window for SBSR incentive for another 5 years up to 31 December 2027 (previously up to 31 December 2022).

Source for the Guideline: Official Portal of [MIDA](#)

# Indirect Tax



# Indirect Tax

## Indirect tax legislation updates

The following legislations have been gazetted:

### I. Excise Duties (Amendment) Order 2024

The Excise Duties (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. It is noted that only cosmetic changes have been made and the applicable excise duty rates as prescribed in the Excise Duties (Amendment) Order 2022 remain unchanged.

The Excise Duties (Amendment) Order 2022 will be revoked following the coming into operation of the Amendment Order.

### II. Excise Duties (Exemption) (Amendment) Order 2024

The Excise Duties (Exemption) (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. Amendments are made in the Schedule, Part I, in relation to items 41 and 42 pertaining to premix preparation.

### III. Excise Duties (Payment of Premix Preparation) Order 2024

The Excise Duties (Payment of Premix Preparation) Order 2024 has been gazetted, and come into operation on **1 March 2024**. The Order sets out the method of payment for excise duty by licensed manufacturers and licensees.

The Excise Duties (Premix Preparation) (Payment) Order 2022 will be revoked following the coming into operation of the Order.

### IV. Excise (Exemption from Licensing) (Amendment) Order 2024

The Excise (Exemption from Licensing) (Amendment) Order 2024 has been gazetted, and come into operation on **1 March 2024**. Amendments are made in the Schedule by inserting item 7 in relation to exemption from licensing provided to manufacturers who manufacture any flavoured milk powder under subheadings 1806.90.9000, 1901.90.3200 and 1900.90.3900, for total sugar content of 46.7 grams per 100 grams or less.

Source for the legislations: [Federal Legislation Portal of Malaysia](#)



## Proposed increase in Service Tax rate and expansion of taxable services

1. The RMCD had recently conducted a webinar on 15 January 2024 covering the latest updates on Malaysia's 2024 Budget. During the webinar, the RMCD had shared several pointers in relation to the proposed increase in Service Tax rate, transitional rules for the proposed increase in Service Tax rate and proposed expansion of the scope of Service Tax.

Please click [here](#) for a copy of our earlier Tax Whiz for details.

2. The RMCD also held a handholding session on 22 January 2024, covering amongst others, the transitional rules for the proposed increase in Service Tax rate during the session.

Please click [here](#) for a copy of our earlier Tax Whiz for details.

## RMCD guide – Exemption from Sales Tax registration

The RMCD has issued a guide in relation to Sales Tax registration exemption dated 5 February 2024. The guide provides amongst others, further elaboration/ clarification and examples for the 16 activities/ manufacturing operations which are listed under the Sales Tax (Exemption from Registration) Order 2018 and its Amendments.

For more details, please click [here](#) for the guide (available in Malay language only).

Source for the guide: [Official Portal of RMCD - MySST \(Guides\)](#)

# e-Invoicing



# E-Invoicing

## MIRB's e-Invoicing industry specific FAQs

The MIRB has issued industry specific FAQs on e-Invoicing for the e-Commerce industry. Below are some of the notable updates:

### e-Invoicing FAQs for e-Commerce Industry (updated 22 December 2023)

Below are the salient points in relation to the e-Commerce industry:

Subject matter	Responses from the MIRB
Sales or transaction made with consumers through e-Commerce platform	<p>e-Commerce platform provider:</p> <ul style="list-style-type: none"> <li>i) is to issue e-Invoice (upon request) or receipt (if no e-Invoice is requested) to consumers while merchants are not required to issue e-Invoice or receipt;</li> <li>ii) is allowed to issue a consolidated e-Invoice for transactions where a receipt is issued (no e-Invoice is requested); and</li> <li>iii) is required to input the applicable coding for "classification" (as referred to in the data catalogue issued by the MIRB) in e-Invoice to indicate such transaction is an e-Commerce transaction.</li> </ul>
Record income generated by merchant / service providers	<p>e-Commerce platform provider:</p> <ul style="list-style-type: none"> <li>i) is to issue a self-billed e-Invoice to record the income earned by the merchant / service provider through the e-Commerce platform in accordance with the current billing arrangement and issuance frequency of the e-Commerce platform provider;</li> <li>ii) is not allowed to issue a consolidated e-Invoice to record the income earned by the merchant / service provider through the e-Commerce platform; and</li> <li>iii) may issue draft / proforma invoices to merchant / service provider, however only the final e-Invoice is to be submitted to MIRB for validation.</li> </ul>
Consolidated e-Invoice	Retailers may be advised not to include e-Commerce transactions in the same consolidated e-Invoice as brick-and-mortar store transactions to prevent confusion in future reconciliation due to differing transaction flow, responsibility and classification (as referred in e-Invoice data catalogue).

Source for the FAQ: Official Portal of [MIRB](#)

# Insights on Earlier Tax Whiz

Please refer below to our earlier Tax Whiz for more information.

No.	Subject	Date of issue
1	Proposed Increase in Service Tax Rate and Expansion of Taxable Services	16 January 2024
2	Proposed Increase in Service Tax Rate and Expansion of Taxable Services - Latest Update	24 January 2024
3	Capital Gains Tax - What do you need to consider?	31 January 2024

The table below sets out the various abbreviations and references used in this publication.

Abbreviation	Reference
CGT	Capital Gains Tax
CGTRF	Capital Gains Tax Return Form
FAQ	Frequently Asked Question
FSI	Foreign Sourced Income
IDR	Iskandar Development Region
MITA	Malaysian Income Tax Act, 1967
MIDA	Malaysian Investment Development Authority
MIRB	Malaysian Inland Revenue Board
MOTAC	Ministry of Tourism, Arts And Culture
RMCD	Royal Malaysian Customs Department
SBSR	Ship Building and Ship Repairing

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