



# Tax developments



15 November 2023

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KPMG in Malaysia

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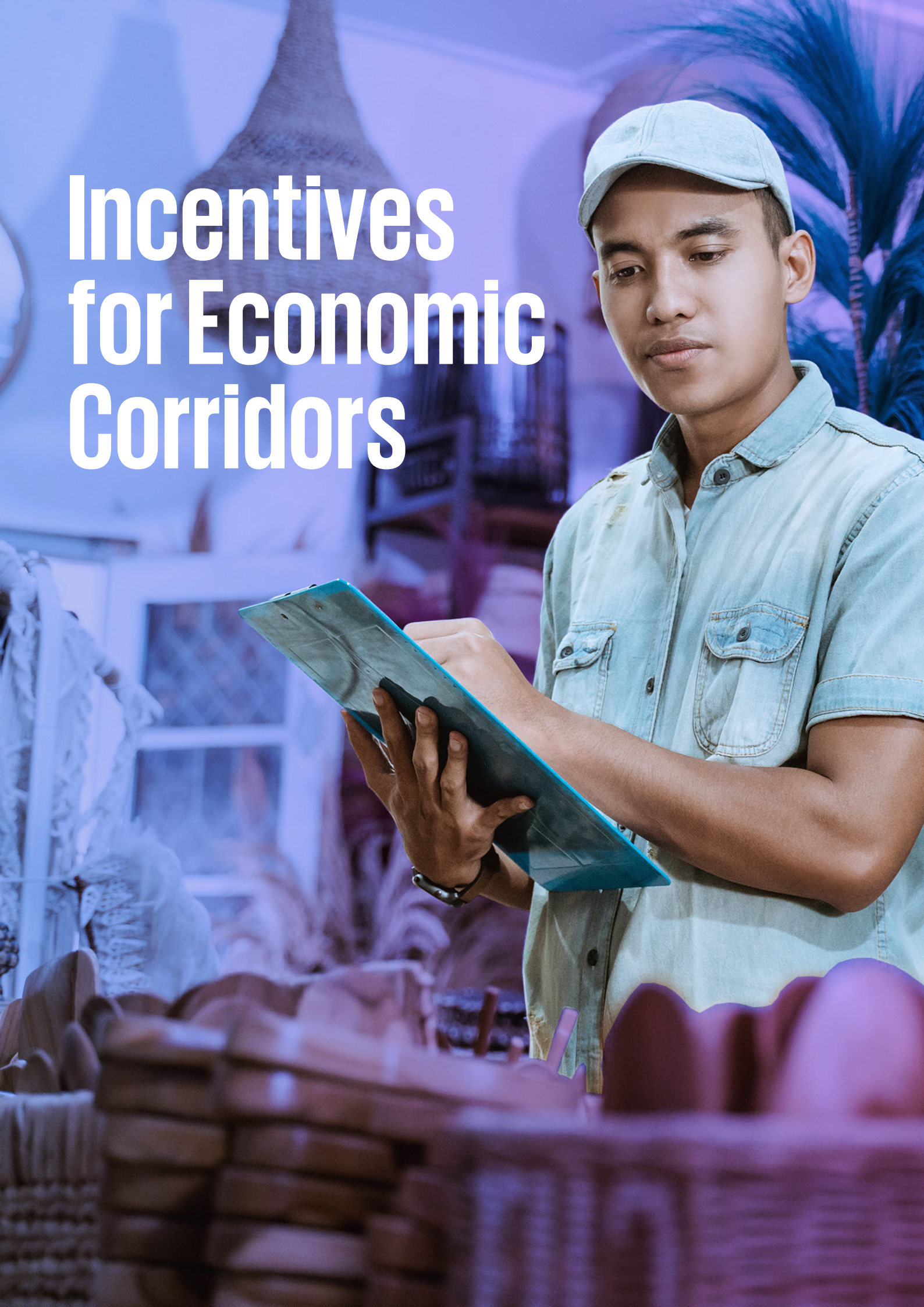
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# Incentives for Economic Corridors





# Incentives for Economic Corridors

## Income tax exemption for IDR-status companies



IDR is the first economic corridor set up in Malaysia, where the southern part of Johor is designated for economic development and growth.

A qualifying company with IDR status may enjoy a 10-year income tax exemption on its statutory income derived from a qualifying activity (excluding intellectual property rights income which is receivable from commercial exploitation of that right) in the IDR, subject to meeting the conditions as set out in the Income Tax (Exemption) (No. 20) Order 2007 (“Principal Order”).

The Income Tax (Exemption) (No. 20) 2007 (Amendment) Order 2023 (“Amendment Order”) has been gazetted to amend the Principal Order. The notable changes, amongst others, are:

- The incentive is not applicable to an IDR-status company which commences its qualifying activity after 31 December 2024 (previously 31 December 2020).
- The qualifying activities are expanded to include the following with effect from 1 January 2021:
  - i) Wellness and assisted living under the existing “Healthcare and related services” sector; and
  - ii) Emerging digital technologies under the new “Digital business and services” sector.

Source for the Orders: Official portal of [Federal Legislation Portal of Malaysia](#)

## Incentives for ECER

Apart from IDR, ECER is another economic corridor established in the Peninsular Malaysia which focuses on the states of Kelantan, Terengganu, Pahang and the district of Mersing in Johor. Incentives are given on cluster basis encompassing manufacturing, tourism, agriculture, education, oil, gas and petrochemical, industrial parks / free zones development.

### a) Further extension

The following Amendment Orders have been gazetted to further extend the ECER incentives for 2 years until 31 December 2024 (previously until 31 December 2022):



Tax Incentive	Principal Order	Amendment Order
Exemption on statutory income derived from a qualifying activity equivalent to 100% of QCE incurred within 5 years.	Income Tax (Exemption) (No. 4) Order 2016	Income Tax (Exemption) (No. 4) 2016 (Amendment) Order 2023
Exemption on statutory income derived from a special qualifying activity equivalent to 60% to 100% of QCE incurred, for a period as determined by the Minister.	Income Tax (Exemption) (No. 5) Order 2016	Income Tax (Exemption) (No. 5) 2016 (Amendment) Order 2023
<p>Exemption on statutory income derived from a qualifying activity for 10 YAs.</p> <ul style="list-style-type: none"> <li>Excludes income from commercial exploitation of intellectual property rights.</li> <li>There must be an adequate number of full-time employees and annual operation expenditure incurred.</li> </ul>	Income Tax (Exemption) (No. 6) Order 2016	Income Tax (Exemption) (No. 6) 2016 (Amendment) Order 2023
<p>Exemption on 70% to 100% of statutory income derived from a special qualifying activity for a period as determined by the Minister.</p> <ul style="list-style-type: none"> <li>Excludes income from commercial exploitation of intellectual property rights.</li> <li>There must be an adequate number of full-time employees and annual operation expenditure incurred.</li> </ul>	Income Tax (Exemption) (No. 7) Order 2016	Income Tax (Exemption) (No. 7) 2016 (Amendment) Order 2023

Tax Incentive	Principal Order	Amendment Order
<p>Exemption for 10 YAs to an approved developer on statutory income derived from:</p> <ul style="list-style-type: none"> <li>• disposal of any right over any land, or disposal of a building or rights over a building or part of a building, located in an industrial park or a free zone; or</li> <li>• rental of a building or part of a building, located in an industrial park or a free zone.</li> </ul>	Income Tax (Exemption) (No. 8) Order 2016	Income Tax (Exemption) (No. 8) 2016 (Amendment) Order 2023
<p>Exemption for 10 YAs to a development manager (defined) or park manager (defined) on statutory income derived from a qualifying activity.</p>	Income Tax (Exemption) (No. 9) Order 2016	Income Tax (Exemption) (No. 9) 2016 (Amendment) Order 2023
<p>Deduction of up to RM1mil for a YA on contribution made in cash or in kind by a qualifying person to an approved hallmark event held in the ECER.</p>	Income Tax (Deduction for the Sponsorship of Hallmark Event) Rules 2016	Income Tax (Deduction for the Sponsorship of Hallmark Event) (Amendment) Rules 2023
<p>Deduction to a qualifying company on the value of cash or shares investment made in a related company to finance the qualifying activity carried out by the related company in the ECER.</p>	Income Tax (Deduction for Investment in Qualifying Activity) Rules 2016	Income Tax (Deduction for Investment in Qualifying Activity) (Amendment) Rules 2023
<p>Stamp duty exemption on transfer of real property or on lease of land or building used for the purpose of carrying on a qualifying activity in the ECER.</p>	Stamp Duty (Exemption) (No. 2) Order 2016	Stamp Duty (Exemption) (No. 2) (Amendment) Order 2023

## b) Concessionary income tax rate of 15% for Knowledge Workers (New incentive)



The Income Tax (Determination of Knowledge Worker and Qualifying Activity in the East Coast Economic Region) Rules 2023 provide a concessionary income tax rate of 15% to a qualifying person on his income from an employment with a designated company undertaking a qualifying activity in the Malaysia-China Kuantan Industrial Park. A qualifying person is a knowledge worker (defined) who is residing within the ECER.

This incentive is deemed to have effect from YA 2022 for applications received by the East Coast Economic Region

Development Council from 1 January 2022 to 31 December 2024 and the said employment shall also commence within the application window.

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



# Indirect Tax





# Indirect Tax

## Updates on Sales Tax on LVG

The RMCD has announced that the implementation of Sales Tax on LVG will be effective 1 January 2024 (pending the appointment of effective date). Further details in relation to this matter are as follows:

- i) Updated Sales Tax on LVG guide issued by RMCD (as at 3 November 2023)
- ii) FAQ implementation of Sales Tax on LVG (as at 6 November 2023)

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

## RMCD guideline - Application for extension of export period

Currently, there are facilities for Sales Tax drawback and exemption from payment of Sales Tax on goods to be exported, amongst other, on condition it is exported within a specified period (i.e. within 3 – 12 months). The RMCD has since issued a guideline on the procedures for the application for extension of export period where companies seeking to extend the export period are required to submit the relevant supporting documents before the initial export deadline to the RMCD.

Application for extension of export period involving refund of Sales Tax (drawback) must be submitted to the Internal Tax Division of the zone/ state in which the applicant operates or where his business premises is located. On the other hand, application for extension of export period involving Sales Tax exemption must be submitted to the Internal Tax Division of the controlling station by referring to the station code stated in the exemption certificate.

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

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

## Finance (No.2) Bill 2023

The Finance (No.2) Bill 2023 was released on 7 November 2023. The Bill covers the proposed amendments to several indirect tax legislation.

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

## Indirect tax legislation updates

The following legislations have been gazetted:

### i) Customs (Amendment) (No.2) Regulations 2023

The Customs (Amendment) (No.2) Regulations 2023 has been gazetted, and come into operation on **11 October 2023**. Amendments are made in Second Schedule, Part I, in relation to customs port for Pulau Pinang.

### ii) Customs (Amendment) (No.3) Regulations 2023

The Customs (Amendment) (No.3) Regulations 2023 has been gazetted, and come into operation on **1 November 2023**. Amendments are made in Second Schedule, Part I, in relation to customs port for Johor.

### iii) Excise Duties (Exemption) (Amendment) Order 2023

The Excise Duties (Exemption) (Amendment) Order 2023 has been gazetted, and come into operation on **1 December 2023**.

Amendment has been made to widen the Exemption Order to include the following persons to be exempted, subject to meeting the conditions specified:

(1) Item No.	(2) Persons Exempted	(3) Goods Exempted
43	Federal or State officials who have completed official service abroad	One imported motor vehicle under heading 87.03 or one motorcycle under heading 87.11 of the prevailing Customs Duties Order
44	Federal or State officials who have completed official service in Labuan or Langkawi	One motor vehicle under heading 87.03 or one motorcycle under heading 87.11 of the prevailing Customs Duties Order

Subject to qualifying conditions, the abovementioned persons would be provided fifty percent exemption of excise duty.

### iv) Sales Tax (Persons Exempted from Payment of Tax) (Amendment) (No.2) Order 2023

The Sales Tax (Persons Exempted from Payment of Tax) (Amendment) (No.2) Order 2023 has been gazetted, and come into operation on **1 December 2023**.

Amendment has been made in Schedule A to widen the Order to include the following persons and items to be exempted, subject to meeting the conditions specified:

(1) Item No.	(2) Persons	(3) Goods Exempted
5B.	Franchise holder, distributor or dealer of motor vehicle	Locally manufactured motor vehicle under heading 87.02 of the prevailing Customs Duties Order
5C.	Franchise holder, distributor or dealer of motor vehicle	Locally manufactured motor vehicle under heading 87.02 (van and bus) of the prevailing Customs Duties Order
5D.	<ul style="list-style-type: none"> <li>i) express bus operator;</li> <li>ii) stage bus operator;</li> <li>iii) school bus operator</li> </ul>	Van or bus under heading 87.02 (with at least 18 seater and above) of the prevailing Customs Duties Order



## v) Customs Duties (Exemption) (Amendment) (No.4) Order 2023

The Customs Duties (Exemption) (Amendment) (No.4) Order 2023 has been gazetted, and come into operation on **1 December 2023**.

Amendment has been made in the Schedule, Part I, to widen the Exemption Order to include the following persons and items to be exempted, subject to meeting the conditions specified:

(1) Item No.	(2) Persons Exempted	(3) Goods Exempted
117.	Any Aerospace Maintenance, Repair and Overhaul (MRO) company endorsed by MIDA	Machinery, equipment and specialized tools endorsed by MIDA which to be used for MRO activities
118.	Any Aerospace MRO company endorsed by MIDA	Spare parts, components, materials and specialized consumables goods endorsed by MIDA which to be used for MRO activities
119.	Federal or State officials who have completed official service abroad	<ul style="list-style-type: none"> <li>i) One imported motor vehicle under heading 87.03 or 87.04; or</li> <li>ii) one imported motorcycle under heading 87.11, of the prevailing Customs Duties Order</li> </ul>
120.	Federal or State officials who have completed official service in Labuan or Langkawi	<ul style="list-style-type: none"> <li>i) One motor vehicle under heading 87.03 or 87.04; or</li> <li>ii) one motorcycle under heading 87.11, of the prevailing Customs Duties Order</li> </ul>

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

# e-Invoicing





# e-Invoicing

## MIRB's updated guidelines on e-Invoicing

The MIRB has issued an updated e-Invoice Guideline (Version 2.1) and e-Invoice Specific Guideline (Version 1.1) (both referred to as "Guidelines") on 28 October 2023 which replace the e-Invoice Guideline (Version 2.0) and e-Invoice Specific Guideline (Version 1.0) dated 29 September 2023.

Topic	Salient Updates to the Guidelines														
<b>Implementation timeline</b>	<p>The implementation timeline has been updated as summarised below for the relevant categories of targeted taxpayers:</p> <table border="1" data-bbox="421 678 1455 1285"> <thead> <tr> <th data-bbox="421 678 812 822">Targeted taxpayers</th> <th data-bbox="812 678 1110 822">Previous implementation date</th> <th data-bbox="1110 678 1455 822">Updated implementation date</th> </tr> </thead> <tbody> <tr> <td data-bbox="421 822 812 927">Annual turnover or revenue of more than RM100mil</td> <td data-bbox="812 822 1110 927">1 June 2024</td> <td data-bbox="1110 822 1455 927">1 August 2024</td> </tr> <tr> <td data-bbox="421 927 812 1070">Annual turnover or revenue of more than RM50mil and up to RM100mil</td> <td data-bbox="812 927 1110 1070">1 January 2025</td> <td data-bbox="1110 927 1455 1218" rowspan="2">1 January 2025</td> </tr> <tr> <td data-bbox="421 1070 812 1218">Annual turnover or revenue of more than RM25mil and up to RM50mil</td> <td data-bbox="812 1070 1110 1218">1 January 2026</td> </tr> <tr> <td data-bbox="421 1218 812 1285">All other taxpayers</td> <td data-bbox="812 1218 1110 1285">1 January 2027</td> <td data-bbox="1110 1218 1455 1285">1 July 2025</td> </tr> </tbody> </table> <p>It is to be noted that the e-Invoice implementation date for new businesses or operations commencing from the year 2023 onwards is 1 July 2025.</p>	Targeted taxpayers	Previous implementation date	Updated implementation date	Annual turnover or revenue of more than RM100mil	1 June 2024	1 August 2024	Annual turnover or revenue of more than RM50mil and up to RM100mil	1 January 2025	1 January 2025	Annual turnover or revenue of more than RM25mil and up to RM50mil	1 January 2026	All other taxpayers	1 January 2027	1 July 2025
Targeted taxpayers	Previous implementation date	Updated implementation date													
Annual turnover or revenue of more than RM100mil	1 June 2024	1 August 2024													
Annual turnover or revenue of more than RM50mil and up to RM100mil	1 January 2025	1 January 2025													
Annual turnover or revenue of more than RM25mil and up to RM50mil	1 January 2026														
All other taxpayers	1 January 2027	1 July 2025													
<b>Foreign income</b>	<p>Previously, the income recipient is required to issue the e-Invoice within the same month the income is received in Malaysia.</p> <p>Following the current updated Guidelines, the income recipient is to issue the e-Invoice latest by the end of the month following the month of receipt of the foreign income.</p>														
<b>Service tax</b>	<p>Taxpayer is required to include the service tax in the self-billed e-Invoice where service tax on imported taxable service is applicable.</p>														
<b>Transaction types</b>	<p>The paragraph in relation to applicability of e-Invoice to all taxpayers including businesses engaged in the provision of goods and services and certain non-business transactions between individuals has been removed.</p>														
<b>Notification</b>	<p>The paragraph that notifications will be sent to taxpayers mandated to adopt e-Invoice in phases has been removed.</p>														

Topic (cont'd)	Salient Updates to the Guidelines (cont'd)
<b>Required data field</b>	The time of issuance of e-Invoice must be the current time.
<b>Currency exchange rate</b>	The paragraph that specific guidance on currency exchange rate will be issued at a later time has been removed.

Source for the Guidelines: 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	<a href="#">Updates on e-Invoicing</a>	4 October 2023
2	<a href="#">2024 Budget Snapshots</a>	14 October 2023
3	<a href="#">2024 Thought Leaders</a>	14 October 2023
4	<a href="#">2024 Budget – Indirect Tax Perspective</a> and <a href="#">Personal Budget Widget</a>	16 October 2023
5	<a href="#">2024 Budget Updates</a>	17 October 2023
6	<a href="#">Sales Tax on Low Value Goods (“LVG”) – Starting 1 January 2024</a>	7 November 2023
7	<a href="#">Finance (No. 2) Bill 2023 Highlights</a>	9 November 2023

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

Abbreviation	Reference
ECER	East Coast Economic Region
IDR	Iskandar Development Region
FAQ	Frequently Asked Questions
LVG	Low Value Goods
MIDA	Malaysian Investment Development Authority
Mil	Million
MIRB	Malaysian Inland Revenue Board
QCE	Qualifying Capital Expenditure
RM	Ringgit Malaysia
RMCD	Royal Malaysian Customs Department
YA	Year of Assessment



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