



Tax developments



15 November 2022

KPMG in Malaysia

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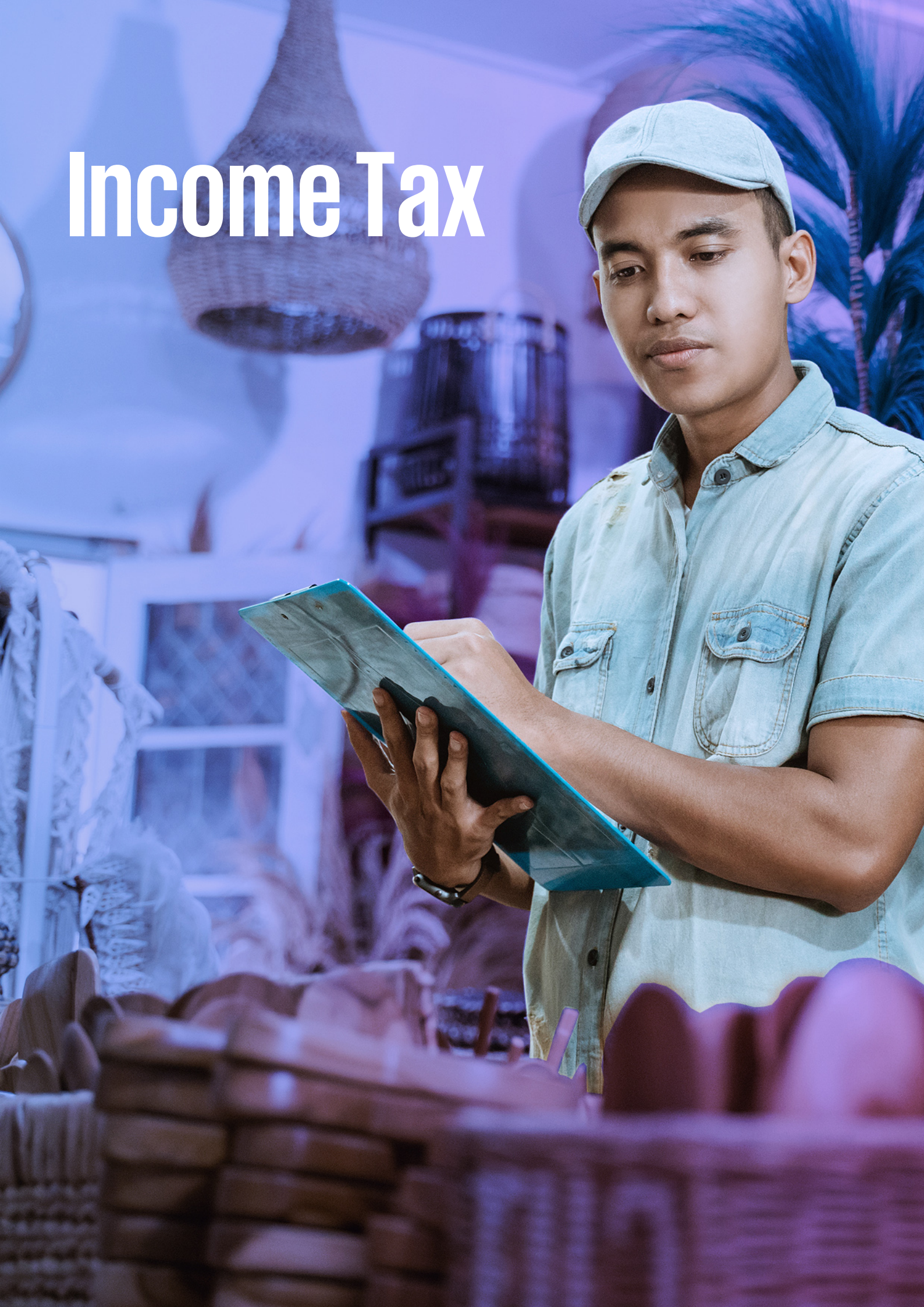
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Income Tax



Income Tax

The relevant authorities have issued the following:

MIRB's updated FAQs on special deduction for renovation and refurbishment cost of business premises

The MIRB has updated the above [FAQs](#) with some notable changes as follows:

- Examples of type of costs not eligible for special deduction include roofing, curtains, and electrical power stations located outside of the company's business premise.
- A deduction can be claimed on the qualifying costs as and when the renovation and refurbishment work has been performed within the eligibility period, i.e. within the period from 1 March 2020 to 31 December 2022. The timing of completion is irrelevant in determining the eligibility of the claim.
- In the case of a multi-storey building where renovation and refurbishment costs are incurred by both the landlord and tenant, the special deduction can be claimed based on floor area.



The FAQs are only available in the Malay Language.

Source for the FAQs: Official portal of [MIRB](#)

MIRB's updated FAQs on Section 107D WHT deducted by companies on payments made to resident individual ADDs

The MIRB has updated its response in the [FAQs](#) to clarify that, where a credit note is in substance a monetary commission payment arising from sales, transactions or schemes carried out by the ADDs, the said amount would be subject to Section 107D WHT.

The FAQs are only available in the Malay Language.

Source for the FAQs: Official portal of [MIRB](#)

MIRB's prescribed forms for submitting and remitting WHT of small value on recurring transactions

Subsequent to the MIRB's [media statement](#) on 27 September 2022 (KPMG's [October monthly tax development](#) refers), the MIRB has released the prescribed forms to cater for taxpayers to submit and remit WHT of small value on recurring transactions on semi-annual basis.

At one glance – Which forms to use?

WHT payment	No concession	Under concession
Section 109 – WHT on royalty and interest to a non-resident person	Form CP37 Pin 3/2014	Form CP37S 1/2022
Section 109B – WHT on special classes of income in accordance with Section 4A of the ITA	Form CP37D Pin 3/2014	Form CP37DS 1/2022

Source for the prescribed forms: Official portal of [MIRB](#)

MIRB's guideline on tax treatment for dormant Labuan entities

The above [guideline](#) clarifies the situation where Labuan entities with dormant status (as prescribed) need to fulfill the substantive requirements. The treatment is similar to that announced in the Labuan Investment Committee's Pronouncements [1-2019](#) and [2-2019](#).

The guideline is effective from YA 2020 onwards.

Source for the guideline: Official portal of [MIRB](#)

Incentives for approved food production projects

The incentives for approved food production projects have been enhanced.

Income tax exemption

The existing [Income Tax \(Exemption\) \(No. 6\) Order 2020](#) ("2020 Order") provides exemption to a qualified resident person on the:

- Statutory income in relation to a new food production project for 10 consecutive YAs; or
- Statutory income in relation to an expansion project for 5 consecutive YAs.

The [Income Tax \(Exemption\) \(No. 6\) 2020 \(Amendment\) Order 2022](#) makes the following changes:

- Expands the list of approved food production projects to cover high seas fishing and planting of seeds for agro food;
- Expands the income tax exemption on expansion projects to cover both statutory income derived from the existing project and the expansion project;
- A new condition has been introduced where in order to be eligible, an expansion project must not have been granted an exemption under the 2020 Order; and



- Extends the application period to 31 December 2022 (previously until 31 December 2020).

The Amendment Order came into operation on 1 January 2016. However, the inclusion of high seas fishing and planting of seeds for agro food as an approved food production project only comes into operation on 1 January 2021.

Income tax deduction

The [Income Tax \(Deduction for Investment in Approved New Food Production Project\) Rules 2022](#) provide a tax deduction for 3 consecutive YAs on an amount equivalent to the value of the approved investment (as prescribed) to finance an approved new food production project undertaken by a related company. The Rules cover the application period to the MOF from 1 January 2021 to 31 December 2022.

The Rules comes into operation on 1 January 2021.

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

Extension of full income tax exemption for Malaysian shipping companies



The [Income Tax \(Exemption\) \(No. 7\) Order 2022](#) extends the 100% income tax exemption to a resident person carrying on the business of transporting passengers or cargo by sea on a Malaysian ship or letting out a Malaysian ship on a voyage or time charter basis for another 3 years until YA 2023 (previously up to YA 2020).

The exemption is subject to an annual verification from the Ministry of Transport Malaysia that the requirements prescribed in the Exemption Order have been fulfilled.

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



Indirect Tax

Indirect Tax

Postponement of implementation of Excise Duty on premixed beverages

The RMCD has issued an announcement dated 21 October 2022 on the postponement of the implementation of Excise Duty on premixed beverages to **1 January 2023**.

Source for the announcement: [RMCD's official website](#) – available in Malay language only



Excise (Amendment) Regulations 2022

The Excise (Amendment) Regulations 2022 has been gazetted and comes into operation on 1 November 2022.

Based on the amendment Regulations, the following paragraphs and particulars are added to the Third Schedule (in relation to heading Section 20):

Section of the Act under which the license is issued	Fee
(e) For manufacture of premix preparation	RM200.00 per year

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

Indirect tax amendment acts

The following indirect tax amendment acts have been gazetted and published on the federal legislation portal on 18 October 2022.

- Sales Tax (Amendment) Act 2022
- Service Tax (Amendment) Act 2022
- Customs (Amendment) Act 2022
- Excise (Amendment) Act 2022
- Free Zones (Amendment) Act 2022
- Tourism Tax (Amendment) Act 2022
- Windfall Profit Levy (Amendment) Act 2022
- Departure Levy (Amendment) Act 2022

The effective date of the abovementioned amendment acts has yet to be announced.

There is no amendment made to the respective proposed bills. Please click [here](#) for copies of our salient points on the proposed bills summarized earlier.

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

Insights on Earlier Tax Whiz

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

No.	Subject	Date of issue
1	KPMG Tax Risk Evaluator	13.10.2022

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

Abbreviation	Reference
ADDs	Agents, Dealers or Distributors
FAQs	Frequently Asked Questions
ITA	Income Tax Act 1967
MIRB	Malaysian Inland Revenue Board
MOF	Ministry of Finance
PR	Public Ruling
RMCD	Royal Malaysian Customs Department
WHT	Withholding Tax
YA	Year of Assessment

Contact Us

Petaling Jaya Office

Soh Lian Seng

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

Tai Lai Kok

Executive Director – 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

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

Associate Director – 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

Penang

Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +604 238 2288
Fax: +604 238 2222
Email: 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

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

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

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

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

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