



Tax developments



10 October 2024

KPMG in Malaysia

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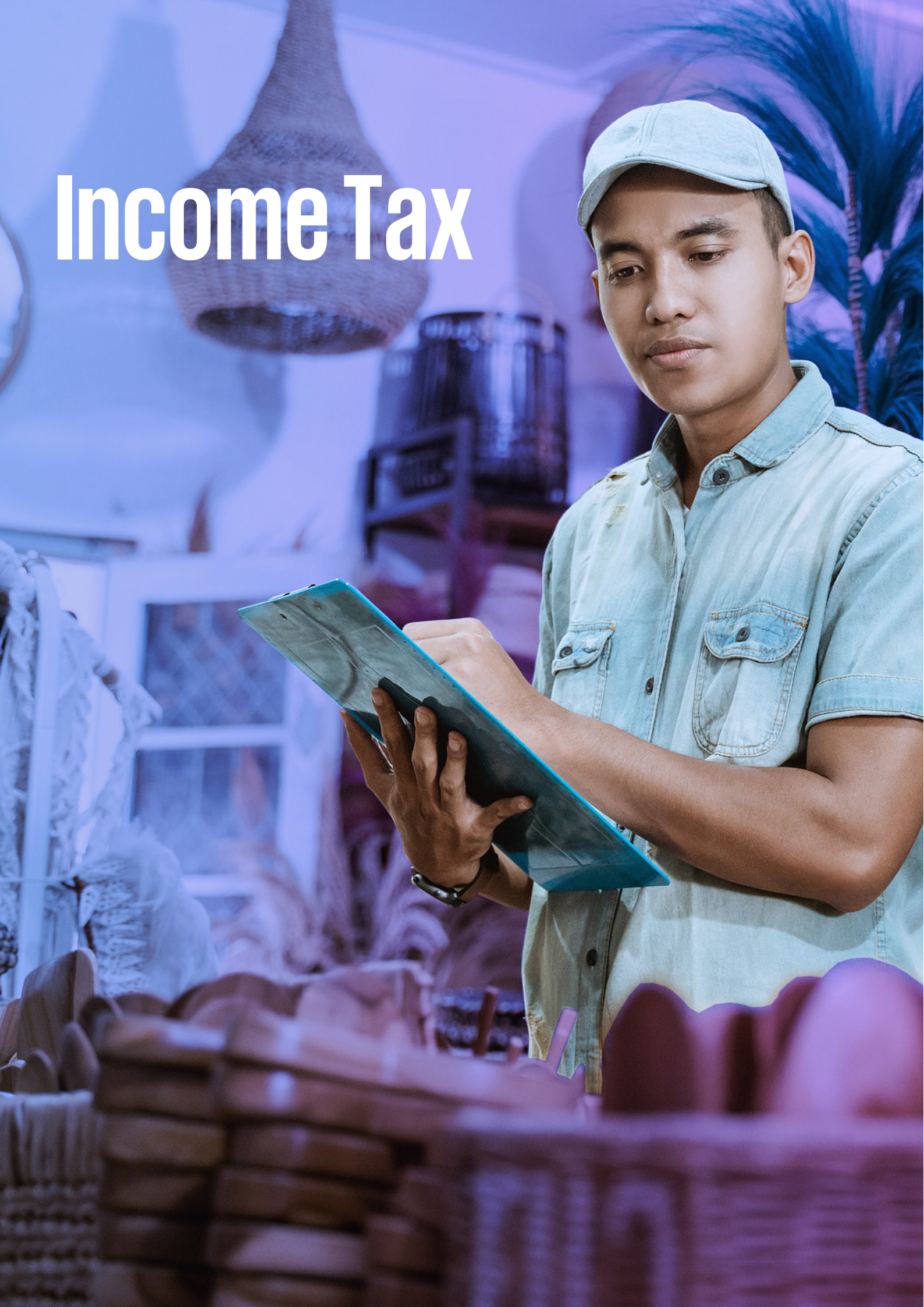
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Income Tax



Income Tax

Legislations of the green technology tax incentives

To strengthen the development of green technology, tax incentives were proposed since the 2014 Budget, in which some were expanded in scope and/or further extended in subsequent years. The following Orders have been gazetted to legislate the proposals:

1. Purchase of green technology asset for own consumption

Exemption order	Tax incentive
Income Tax (Green Technology Incentive) (Asset) (Exemption) Order 2024	<p>Income tax exemption of up to 70% of statutory business income computed at 100% of the qualifying capital expenditure incurred from:</p> <ul style="list-style-type: none"> 25 October 2013 to 31 December 2023 1 January 2022 to 31 December 2023 for rainwater harvesting system <p>The Order is deemed to have come into operation on 25 October 2013.</p>

2. Purchase of green technology asset used in Malaysia for the purpose of carrying on a qualifying activity

Exemption order	Tax incentive
Income Tax (Green Technology Incentive) (Project) (Exemption) Order 2024	<p>Income tax exemption of up to 70% of statutory income derived from a qualifying activity <i>or activity other than a qualifying activity*</i> computed at 100% of the qualifying capital expenditure for 3 consecutive YAs commencing from the date the first qualifying capital expenditure was incurred by the company.</p> <p>The Order is deemed to have effect from YA 2020.</p>

** The above seem to indicate that the investment tax allowance can be set off against statutory income from both qualifying and non-qualifying activity. However, another paragraph in the exemption order restricts the unutilized investment tax allowance against statutory income from qualifying activity. The inconsistency between the two paragraphs warrants further clarification by the authorities.*

3. Additional expenditure incurred for obtaining the Final Green Building Certificate

Exemption order	Tax incentive
Income Tax (Green Technology Incentive) (Green Building) (Exemption) Order 2024	Income tax exemption of up to 70% of statutory business income computed at 100% of the qualifying capital expenditure for 3 consecutive YAs commencing from the date the first qualifying capital expenditure was incurred by the company. The Order is deemed to have effect from YA 2020.

4. Provision of green technology services

Exemption order	Tax incentive
Income Tax (Green Technology Incentive) (Services) (Exemption) Order 2024	Income tax exemption of 70% of statutory income (excluding Intellectual Property income) derived from carrying on qualifying services for 3 consecutive YAs commencing from the issuance of the first invoice for the qualifying activity. The Order is deemed to have effect from YA 2020.

5. Provision of solar photovoltaic system leasing services

Exemption order	Tax incentive
Income Tax (Green Technology Incentive) (Solar Photovoltaic System Leasing) (Exemption) Order 2024	Income tax exemption of 70% of statutory income (excluding IP income) derived from the provision of solar photovoltaic system leasing services for: <ul style="list-style-type: none"> • 5 consecutive YAs – qualifying company with an installed capacity of > 3MW to ≤ 10MW • 10 consecutive YAs – qualifying company with an installed capacity of > 10MW to ≤ 30MW The Order is deemed to have come into operation on 1 January 2020.

Qualifying companies are required to comply with the economic substance requirements for the incentives in items 2, 4 and 5 above.

It is however noted that the above Orders do not cater to applications made after 31 December 2023, i.e. Orders for green incentives proposed in the 2024 Budget are pending gazettment.

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

Tax incentives for Forest City Special Financial Zone

Following the Prime Minister's announcement in 2023 to establish a special financial zone in Forest City aimed at enhancing investment, growth, and economic activities in Johor, the second Finance Minister has outlined the tax incentives for the Forest City Special Financial Zone ("Forest City SFZ") during its official launch on 20 September 2024.

Below are the tax incentives announced during the keynote address:

Family offices

Corporate tax rate of 0% for Family Offices under the Single-Family Office Scheme coordinated by the Securities Commission of Malaysia. Please refer to our KPMG Tax Whiz dated 23 September 2024 (click [here](#) to access) for further details.

Financial global business services

Corporate tax rate of 5% for operators of financial global business services, financial technology (fintech) and foreign payment systems.

Knowledge workers

Personal income tax rate of 15% for individual knowledge workers (including Malaysians) who are working in the Forest City SFZ.

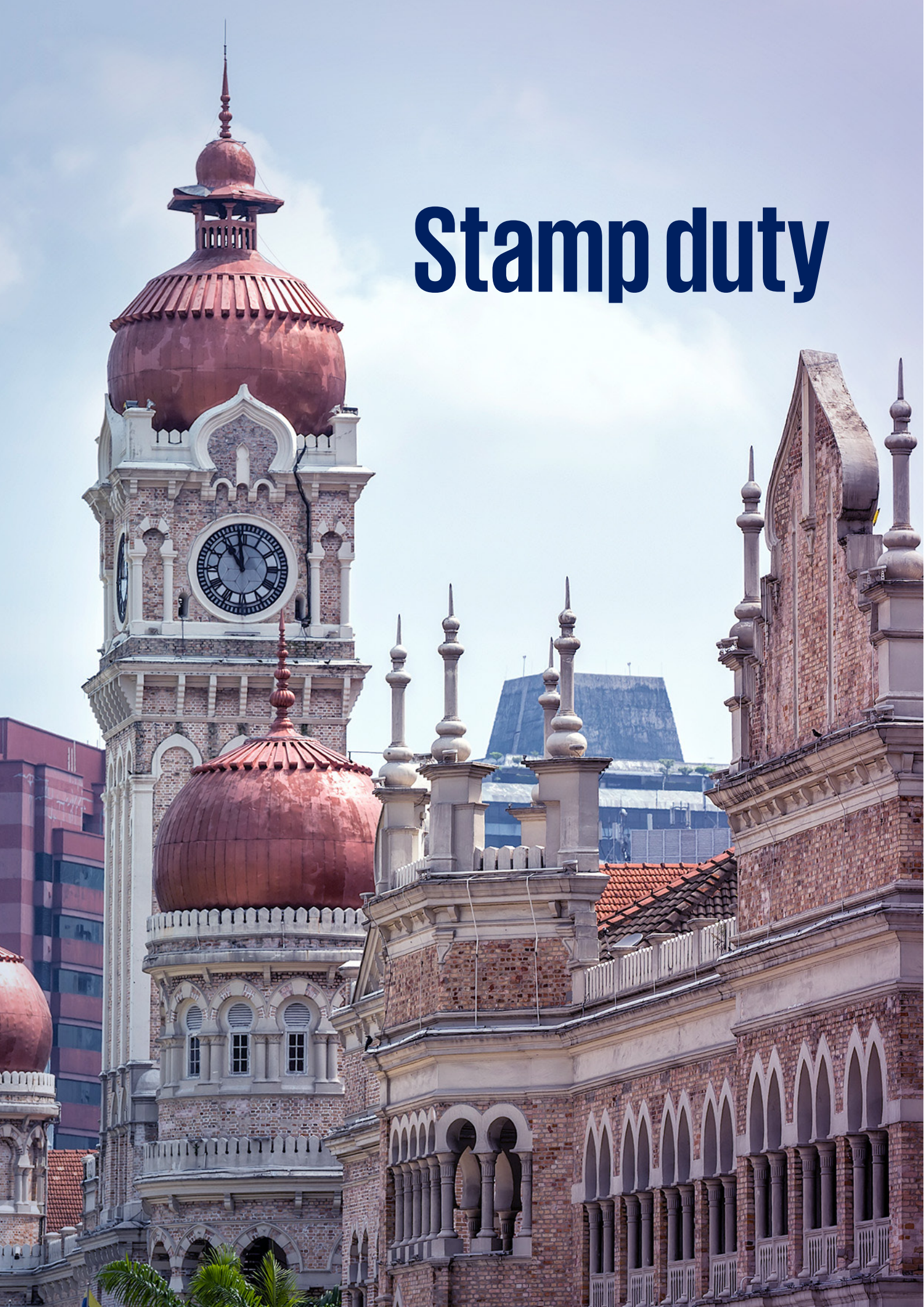
Relocation incentives, etc.

Special tax deduction on relocation costs, enhanced industrial building allowance and withholding tax exemptions for banking, insurance, capital market intermediaries and other eligible entities in the financial sector.

Apart from the above, Bank Negara Malaysia will also provide regulatory flexibilities to locally incorporated foreign banks to open additional branches within the Forest City SFZ as well as foreign exchange flexibilities for offshore borrowing in foreign currency and investment in foreign currency assets.

Source for the keynote address: [Securities Commission Portal of Malaysia](#)

Stamp duty



Stamp Duty

Stamp duty exemption for Independent Smallholder Oil Palm Replanting incentive program

The Stamp Duty (Exemption) Order 2024 has been gazetted to exempt any financing agreement executed from 7 March 2024 to 31 December 2027 under the Independent Smallholder Oil Palm Replanting incentive program between an individual and Bank Pertanian Malaysia Berhad (Agrobank) from stamp duty. The Order is deemed to have come into operation on 7 March 2024.

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



Indirect Tax

Indirect Tax

Public Ruling 2/2024 Amendment (No. 2) 2024

The RMCD has issued Public Ruling 2/2024 Amendment (No. 2) 2024 in relation to Manufacturing Aids and Cleanroom equipment which came into operation on **20 September 2024**.

Amendments are made to Appendix 1, Schedule 1 to include the following items under the list of Manufacturing Aids which are exempted from Sales Tax:

- Blister Pack
- Forming Fabrics
- Press Felts
- Dryer Fabrics

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

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

Indirect Tax (Amendment) Acts 2024

The following Indirect Tax (Amendment) Acts have been gazetted and are currently pending the announcement for the date of commencement of coming into operations:

- Customs (Amendment) Act 2024
- Excise (Amendment) Act 2024
- Free Zones (Amendment) Act 2024
- Sales Tax (Amendment) Act 2024
- Service Tax (Amendment) Act 2024

These Amendments mainly relate to the insertion of definition of “Pulau 1” (Forest City in Johore), exclusion of Pulau 1 from the definition of “Principal Customs Area” and reclassifying as a Designated Area for Sales Tax and Service Tax purposes as well as special provisions relating to Pulau 1.

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

e-Invoicing



e-Invoicing

Income Tax (Issuance of Electronic Invoice) Rules 2024

The Income Tax (Issuance of Electronic Invoice) Rules 2024 [P.U.(A) 265] (“the Rules”) come into operation on 1 October 2024.

In view of the Rules being published on 30 September 2024, the mandatory implementation date of 1 October 2024 for persons with annual sales of more than RM100 million has been determined for e-Invoicing in the Rules.

The timelines outlined in the Rules for persons falling under other sales threshold categories are in line with the MIRB’s e-Invoice Guideline, i.e. 1 January 2025 for persons with annual sales of RM25 million to RM100 million and 1 July 2025 for other persons.

The Rules are generally in line with the MIRB’s guidelines released in relation to the e-Invoicing requirements in Malaysia. Although the abovementioned mandatory implementation date of 1 October 2024 has been determined for e-Invoicing in the Rules, the updated General FAQ dated 4 October 2024 provides clarification that the date 1 October 2024 is specific to the period in which any penalty for non-compliance, should they arise, be imposed. The mandatory implementation date of e-Invoice as outlined in the e-Invoice Guideline remains unchanged.

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

MIRB’s updated guidelines on e-Invoicing

The MIRB has issued an updated e-Invoice Guideline (Version 4.0) and e-Invoice Specific Guideline (Version 3.1) (both referred to as “Guidelines”) on 4 October 2024 which replace the e-Invoice Guideline (Version 3.2) and e-Invoice Specific Guideline (Version 3.0) dated 30 July 2024.

Subject Matter	Salient Updates to the Guidelines
Exemptions from implementing e-Invoice	<p>The following persons are exempted from issuing e-Invoice (including issuance of self-billed e-Invoice):</p> <ul style="list-style-type: none"> a) Foreign diplomatic office b) Statutory body, statutory authority and local authority, in relation to the following: <ul style="list-style-type: none"> i. collection of payment, fee, charge, statutory levy, summon, compound and penalty by carrying out functions assigned under any written law; and ii. transaction of goods sold and services performed before 1 July 2025 c) International organization for transaction of any goods sold or service performed before 1 July 2025. <p>The above has been updated in the Guidelines to be in line with the abovementioned Rules.</p> <p>For tax purposes, the latest Guidelines further clarify that any existing document(s) issued by the exempted persons in addition to receipts would be used as proof of expense.</p>

Subject Matter (cont'd)	Salient Updates to the Guidelines (cont'd)
Buyer's details for foreign diplomatic office	The MIRB has further clarified that in relation to transactions with persons in Section 1.6.1(a) of the MIRB's e-Invoice Guideline i.e. foreign diplomatic office, suppliers are allowed to replace the Buyer's details in accordance with the details for the issuance of consolidated e-Invoice.

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

MIRB's e-Invoicing general FAQ

The MIRB has issued the updated General FAQ on the implementation of e-Invoicing in Malaysia dated 4 October 2024. The updated General FAQ provides clarification in relation to e-Invoicing requirements primarily on the mandatory implementation date following the gazettment of the Rules, importation and exportation of goods or services and MSMEs. The notable updates include:-

- i) The mandatory implementation date of 1 October 2024 for persons with annual sales of more than RM100 million which has been determined for e-Invoicing in the Rules refers specifically to any penalty for non-compliance, should they arise, to be imposed starting from 1 October 2024. That said, the mandatory implementation date of e-Invoice as outlined in the e-Invoice Guideline remains unchanged. On the same note, commencement of the 6-month interim relaxation period for taxpayers in the aforementioned sales threshold remains unchanged i.e. 1 August 2024;
- ii) Illustration of examples in relation to "Reference Number of Customs Form No. 1, 9, etc." data field in multiple shipments and drop ship business arrangements;
- iii) Retention of relevant import documentation to obtain information for issuance of e-Invoice;
- iv) Non-application of e-Invoice exemption for MSME with non-individual shareholder / holding company / related or joint venture company with annual turnover or revenue exceeding RM150,000;
- v) Time period and requirement for e-Invoice implementation following annual turnover or revenue exceeding threshold of RM150,000 for an MSME; and
- vi) Provision of information by MSME e-Commerce vendor to e-Commerce platform provider for issuance of e-Invoice.

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	A game-changer for family businesses: the time is now	23 September 2024
2	Unit trust funds under the spotlight	4 October 2024

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

	Reference
FAQ	Frequently Asked Questions
MOF	Ministry of Finance
MIRB	Malaysian Inland Revenue Board
MITA	Malaysian Income Tax Act, 1967
MSME	Micro, Small and Medium Enterprises
MW	Megawatt
RM	Ringgit Malaysia
RMCD	Royal Malaysian Customs Department
YA	Year of Assessment

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