



Tax developments



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KPMG in Malaysia

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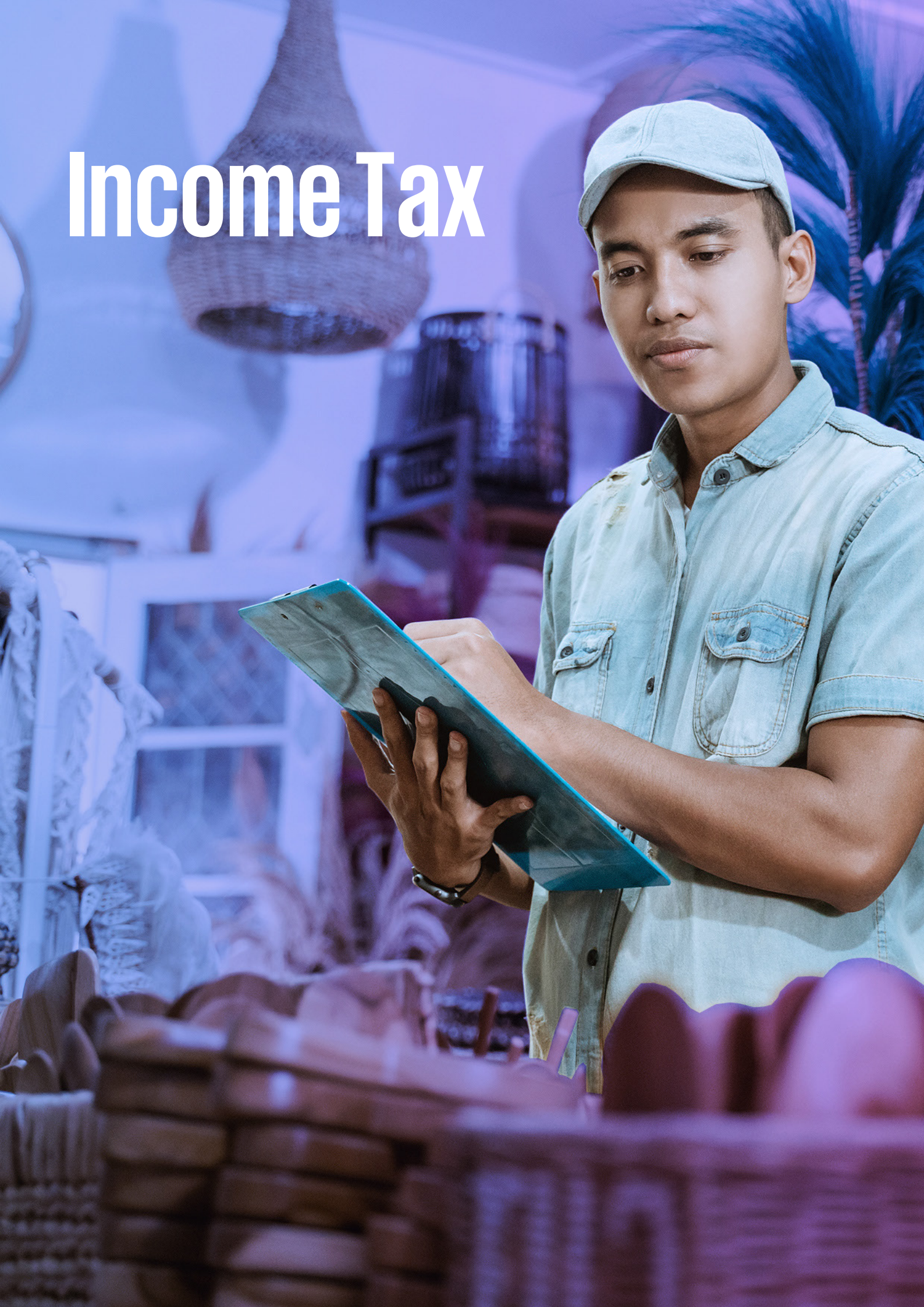
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Income Tax



Income Tax

Incentives for manufacturing companies to relocate to Malaysia

Incentives to encourage manufacturing companies to relocate to Malaysia were initially announced by the Government under the National Economic Recovery Plan and were also included in the 2021 and 2023 Budget proposals.

The following were gazetted on 15 August 2023:

1) For new manufacturing companies

The Income Tax (Relocation of Manufacturing Business Incentive Scheme) Rules 2023 provide a concessionary income tax rate of 0% on the chargeable income of a qualifying activity for:

- 10 YAs, where the amount invested is between RM300 million to RM500 million; or
- 15 YAs, where the amount invested is above RM500 million.

It applies to qualifying companies relocating their facilities or setting up new operations in Malaysia for a qualifying activity which is not specifically excluded in the Schedule of the Rules.

2) For existing manufacturing companies (new business activity)

Income Tax (Exemption) Order 2023 provides an income tax exemption which is equivalent to the qualifying capital expenditure made by a qualifying company to relocate its overseas manufacturing facility to Malaysia for a new business segment. The exemption is given for 5 years and the amount exempted is set off against the statutory income derived from a qualifying activity, which is not specifically excluded in the Schedule of the Order. The incentive can only be enjoyed by one company in each group of companies.

For assets disposed of to a related company where an exemption is applied by the transferor company, the qualifying capital expenditure incurred by the transferee shall be deemed to be zero.

A qualifying company for the above incentives shall comply with the conditions imposed, which amongst others, include:

- a minimum investment of RM300 million in fixed assets excluding land within 3 years from the date of the first qualifying capital expenditure; and
- employment of at least 80% of full-time Malaysian employees by the 3rd year from the date of the first invoice in relation to the qualifying activity.

The above incentives are deemed to have effect from YA 2021 for applications made through MIDA from 1 July 2020 to 31 December 2024.

Following the above, the MIDA has updated its Guideline for Special Tax Incentive (Relocation) for Manufacturing Sector to be aligned with the conditions set out in the respective subsidiary legislation and provides more details on the operational procedures.

Source for the Rules, Order and Guideline: Official portal of [Federal Legislation Portal of Malaysia](#) and [MIDA](#)



Incentives for Principal Hub in Malaysia

The Income Tax (Exemption) (No. 2) Order 2023 and Income Tax (Exemption) (No. 3) Order 2023 have been gazetted on 23 August 2023. These Orders are applicable to companies which have applied for the Principal Hub 2.0 incentive through MIDA during the period from 1 January 2019 to 31 December 2020.

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

Guideline for manufacture of EV charging equipment in Malaysia

It was announced in the 2023 Budget proposals that tax incentives will be given for new and existing companies that make early investments to undertake expansion and/or diversification activity for manufacturing of EV charging equipment.

The incentives are given in the form of:

- i. Income tax exemption of 100% on statutory income for up to 10 YAs (from YA 2023 to YA 2032); or
- ii. Income tax exemption equivalent to investment tax allowance of 100% on qualifying capital expenditure incurred within 5 years to be set off against 100% of statutory income.



In the recently issued MIDA's Guideline and Procedures for the Application of Tax Incentive for Manufacture of Electric Vehicle Charging Equipment, it is noted that:

- The implementation mechanism for the incentives is as provided under the Income Tax (Exemption) (No. 11) Order 2006 and Income Tax (Exemption) (No. 12) Order 2006.
- Applications will be considered by the National Committee of Investment, subject to the eligibility criteria.

Applications for the incentives are to be submitted online to MIDA from 25 February 2023 until 31 December 2025.

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

Mandatory use of e-Services

The MIRB has announced that the mandatory use of e-Services for taxation through the MyTax portal will commence in stages from 1 September 2023. The MIRB expects its service delivery to be fully online by 1 January 2024.

Taxpayers are encouraged to switch to end-to-end services for all transactions to ensure secured and organised records of transactions, including online payments.

List of mandatory e-Services from 1 September 2023:

Application for Tax Identification Number	e-Daftar
Application for Pin number	e-KYC, e-CP55D
Update of information	e-Kemaskini Profil for individual and company
Advance payment	e-PCB, e-CP39, e-Data PCB, e-CP204
Submission of returns, documents	e-Filing, e-Data Prais/e-CP8D, TAeF, MITRS, STAMPS
Applications	e-BNT for company, e-residence, e-SPC

Other e-Services are expected to be mandatory from 1 January 2024:

Tax payments	e-Billing, ByrHASiL, e-TT, e-WHT, e-107D
Submission of RPGT returns	e-CKHT
Application for amendment	e-BE amendment

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

Updates on administrative procedure for payment of WHT using e-TT method

Previously, where payment for WHT was made using the e-TT method, taxpayers were required to email the completed WHT form and the supporting documents to the MIRB. However, this requirement ceases to apply effective from 1 September 2023, as announced by the MIRB in its media release dated 30 August 2023.

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

MIRB's updated Guidelines and FAQ on SVDP 2.0

The MIRB has issued an updated Operational Guidelines No.2/2023 ("Guidelines") on 22 August 2023 which replaces the Operational Guidelines No.2/2023 dated 2 June 2023, updated FAQ dated 22 August 2023 as well as uploaded the MIRB's Responses to Questions Compiled from the SVDP 2.0 Webinar on 13 July 2023 and 27 July 2023.

Pursuant to the above, we wish to highlight the notable update to the Guidelines:-

- Tax audit or tax investigation action can be taken on transfer pricing issues in the YA voluntary disclosure has been made in the circumstance the voluntary disclosure under SVDP 2.0 is made **only** on non-transfer pricing issues and it is found that there is a risk on transfer pricing issues and vice versa if the voluntary disclosure is made **only** on transfer pricing issues (refer Paragraph 5.10 of the Guidelines).

We also wish to highlight the other salient points from the updated FAQ:-

- SVDP 2.0 is not applicable for voluntary disclosure made on incorrect tax rates applied previously;
- The definition of a "new taxpayer" for the purpose of SVDP 2.0 includes taxpayers who do not have any tax transaction in MIRB's records, with 'having records' referring to estimated assessments raised or Monthly Tax Deduction made and regarded as final tax in the absence of an ITRF;
- Taxpayers who have submitted a voluntary disclosure through ITRF / RPGT return form via e-Filing and meet the eligibility requirements of SVDP 2.0 can contact the nearest State MIRB / Special Branch to obtain the SVDP 2.0 Letter;
- A tax agent may assist taxpayers in making voluntary disclosures under SVDP 2.0 via the following:-
 - new taxpayer - submitting the ITRF through the TAeF System
 - existing taxpayer
 - submitting the ITRF through the TAeF System if no return submitted previously
 - where undeclared income is concerned, making a voluntary disclosure through MyTax Portal submitting the SVDP 2.0 Additional Income Reporting Form and tax computation subsequent to populating individual identification card number, choosing Tax Agent category and entering the taxpayer's information to the portal;
- Voluntary disclosures may only be made individually for each taxpayer through the MyTax Portal, not in bulk;

The MIRB has also shared the following notable points in responses to questions compiled from the SVDP 2.0 Webinar on 13 July 2023 and 27 July 2023:-

- Taxpayers may participate in the SVDP 2.0 for the YA(s) in which tax audit has been completed;
- MIRB will not consider signing a composite assessment (i.e. Form X1 or Form X2) for SVDP 2.0;
- The declaration pages of SVDP 2.0 Additional Income Reporting Form can be signed by the Directors of the company or any authorised personnel in the company.

Source for the updated Guidelines, FAQ and MIRB's Responses to Questions Compiled from the SVDP 2.0 Webinars: Official portal of [MIRB](#)

Indirect Tax



Indirect Tax

VDP – Sabah state Sales Tax

The Sabah state MOF has announced a Special VDP for Sabah state Sales Tax with the program period from 15 August 2023 to 31 December 2023.

No penalties will be imposed on taxpayers who voluntarily disclose and make good of the tax underpaid during the program period for the following two (2) items brought out from Sabah, i.e.:

- i. Fishery commodities (brought out from Sabah between 1 May 2021 and 14 August 2023); and
- ii. Scrap iron (brought out from Sabah between 1 February 2022 and 14 August 2023).

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

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



Personal Tax



Personal Tax

Non-Malaysian citizens working in companies with relocation incentives

The Income Tax (For An Individual Resident Who Is Not A Citizen And Holds C Suite Position In An Approved Company) Rules 2023 have been gazetted to provide a concessionary income tax rate of 15%. The incentive is given for a period of 5 consecutive YAs to a non-citizen resident individual who holds a C-suite position for companies enjoying the following relocation incentives:

Relocation incentives	Submission window to MIDA
Income Tax (Exemption) Order 2023	7 November 2020 – 31 December 2024
Income Tax (Relocation of Manufacturing Business Incentive Scheme) Rules 2023	7 November 2020 – 31 December 2024
Income Tax (Relocation of Provision of Services Business Incentive Scheme) Rule 2022	7 November 2020 – 31 December 2022

The incentive is limited to only 5 qualifying individuals for every approved company, whose monthly salary is not less than RM25,000.

The rules are deemed to have effect from YA 2021.

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



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

Abbreviation	Reference
EV	Electric Vehicle
FAQ	Frequently Asked Questions
ITRF	Income Tax Return Form
MIDA	Malaysian Investment Development Authority
MIRB	Malaysian Inland Revenue Board
MOF	Ministry of Finance
RM	Ringgit Malaysia
RPGT	Real Property Gains Tax
SVDP	Special Voluntary Disclosure Programme
TAeF	Tax Agent e-Filing System
TT	Telegraphic Transfer
VDP	Voluntary Disclosure Program
WHT	Withholding Tax
YA	Year of Assessment

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