



# Tax developments



12 September 2024

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KPMG in Malaysia

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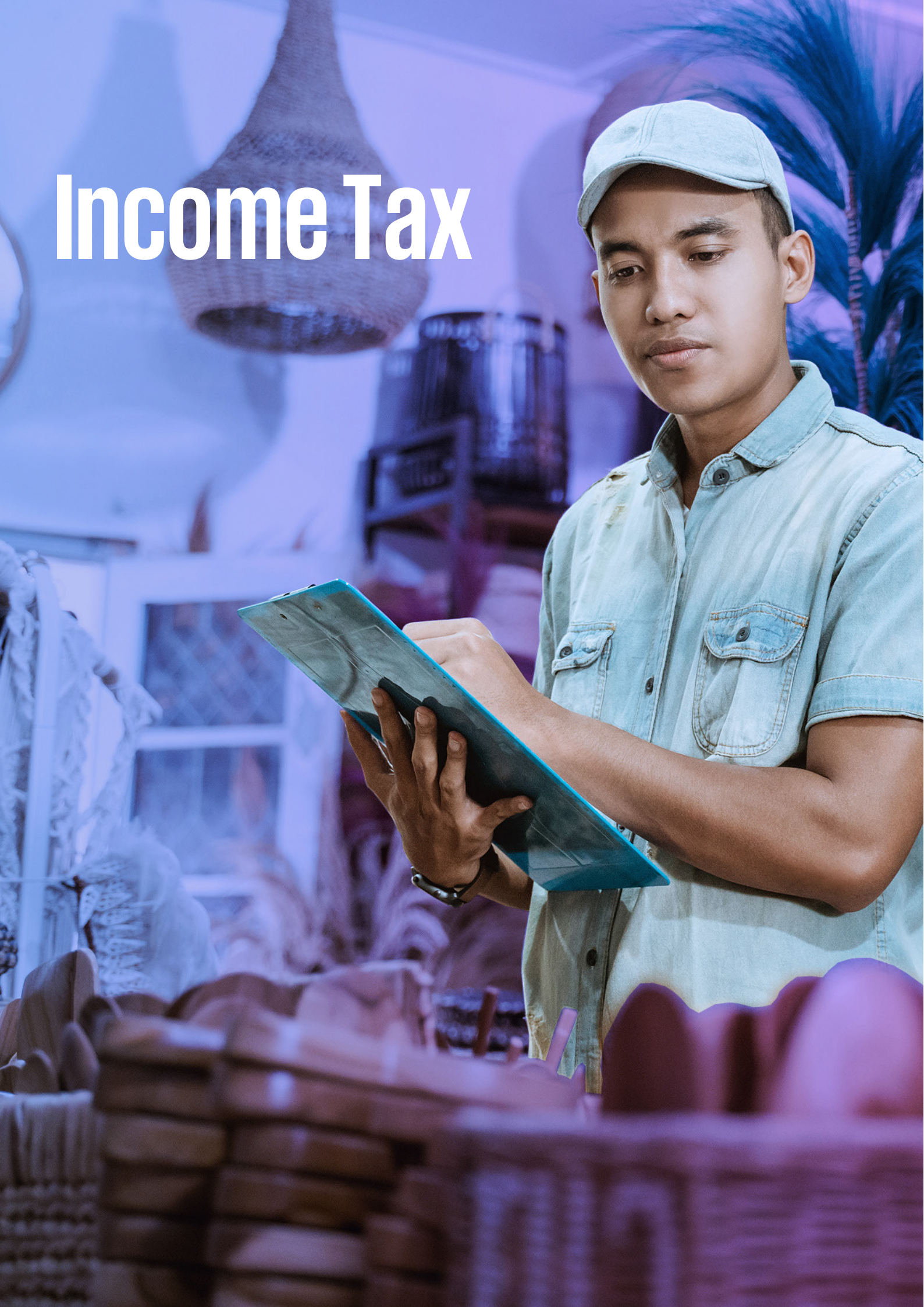
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# Income Tax



# Income Tax

## Guideline on the DGIR's approval under Subsection 44(6) of the MITA for institution / organization / funds

Income received by institutions / organizations / funds that carry out charitable activities and do not operate solely for profit is exempted from tax, provided that the approval conditions set out in the legislation and regulations by the DGIR are adhered to. Effective from YA 2024, the limit of utilizing accumulated funds for participation in business activities is increased from 25% to 35%.

In line with the amended legislation and the proposals in the 2024 Budget, the MIRB has issued the above guideline, which is effective from YA 2024, to provide clarity on the approval criteria under Subsection 44(6) of the MITA.



Amongst others, we wish to highlight the following salient changes:

- Institutions or organizations that wish to apply the increased limit of 35% of the funds for participation in *business activities*\* are required to utilize at least 60% of the income from the immediately preceding year for charitable activities.
- *\*activities that relate to the objective and operation of the institute or organization*
- Institutions / organizations / funds that fail to comply with the approval conditions will be subject to income tax for the YA of non-compliance. However, donors remain eligible for tax deductions on their contributions given.
- Operational and administrative expenses are required to be segregated from expenses related to the spending for the institution / organization / fund's non-profit objective and shall not exceed 20% of the total income for that year. Examples of operating expenses which are not to be regarded as spending for the institution / organization / fund's non-profit objective are rental expenses, unreasonable staff salary, depreciation and capital expenditure.
- The annual audited financial statements (or consolidated financial statements if there is a branch) and tax computation are required to be submitted to the Tax Policy Department of the MIRB. The submission deadline (previously by 30 April) now follows the statutory submission deadline of the income tax return based on the income tax file category.
- For institution / organization / fund that is funded via contribution or donation from its founder / founding members / related company, additional conditions have been imposed. The Subsection 44(6) status approved by the MIRB must be announced to the public and the purpose and use of accumulated funds must be detailed out in the annual audited financial statements.
- In the event the institution / organization / fund plans for dissolution or surrender of its Subsection 44(6) status, an application is required to be submitted to the MIRB within 90 working days from the date of the resolution passed for the dissolution. The MIRB will decide the date of termination of Subsection 44(6) status in writing. Dissolution is not allowed to be carried out before obtaining written approval from the MIRB.

Source for the Guideline (only available in the Malay Language): Official Portal of [MIRB](#)

## MOF's guidelines on application for tax deduction under Section 34(6)(h) of the MITA for expenses relating to anti-corruption effort

### ➤ Integrity and anti-corruption programs

The MOF has in principle approved integrity and anti-corruption programs as a community / charity project under Section 34(6)(h) of the MITA. In conjunction with this, the MOF has released the Guidelines<sup>1</sup> to explain the qualifying person, eligibility criteria, qualifying expenses and the application procedure for the specific tax deduction. Approval for the tax deduction is given from YA 2021.

### ➤ Organizational Anti-Corruption Plan (“OACP”)



To encourage the direct involvement of private sectors in empowering corruption prevention in their organizations, the OACP carried out by organizations is now recognized as an approved education project for purposes of Section 34(6)(h) of the MITA.

The MOF has released the Guidelines<sup>2</sup> to explain the qualifying person, eligibility criteria, qualifying expenses as well as the application procedure for the specific tax deduction. Approval for the tax deduction (capped at RM100,000) will be given from YA 2024 and is only allowed to be claimed once in the 5-year period of the OACP. Expenses for the preparation of OACP which

qualify for a tax deduction under the general deductibility rules of Section 33 of the MITA and expenses for the review of existing OACP do not qualify for the specific tax deduction.

Source for the Guidelines (only available in the Malay Language): Official Portal of [MOF](#)

## MDEC opens application for 2024 digital grants

The MDEC announced that it will be accepting applications for the 2024 digital grants via online beginning from 9 September 2024 until the funds are fully committed. The three digital grants are:

### 1. Digital Content Grant (“DCG”) 2024/2025

DCG mainly supports the creative content sector in Malaysia. There are three types of DCG depending on the scope of projects, namely the Mini Grant (maximum of RM150,000), Prime Grant (maximum of RM500,000) and the Marketing and Commercialisation Grant (maximum of RM300,000).



<sup>1</sup> Guideline on Application of Tax Deduction under Section 34(6) of the MITA: Integrity and Anti-Corruption Program

<sup>2</sup> Guideline on Application of Income Tax Deduction on Expenses Incurred by Company Organizing the Organization Anti-Corruption Plan (OACP) under Subsection 34(6) of the MITA

## 2. Malaysia Digital Catalyst Grant (“MDCG”)

MDCG provides funding of up to RM1 million or 50% of project costs, whichever is lesser, to encourage innovation in Malaysia’s digital sector. The grant supports projects delivering scalable, high-impact solutions within the Malaysia Digital Promoted Sectors for up to one year.

## 3. Malaysia Digital Export Grant (“MDXG”)

Similar to MDCG, MDXG also offers funding of up to RM1 million or 50% of project costs to facilitate global expansion in Malaysian companies through high-value technological activities.

Both MDCG and MDXG are exclusively available to local or foreign-owned companies with the Malaysia Digital status. Applications shall be made through the Malaysia Digital platform. Please refer to the MDEC Grants website (accessed [here](#)) for more information on the application criteria, specific conditions and the submission requirements for the respective grants.

Source for the Press Release: Official Portal of [MDEC](#)



# Indirect Tax

# Indirect Tax

## Bill of Demand - Penalty and surcharge remission incentive programme 2024 (“Incentive Programme”)

The RMCD has launched an Incentive Programme covering GST, Sales Tax 2.0, Service Tax 2.0, Tourism Tax and Departure Levy from 26 August 2024 to 31 December 2024 (“Programme Period”). Conditions to be eligible for the Incentive Programme are as follows:

- The Incentive Programme is only valid for **bill of demand** in relation to taxable periods ended on or before 31 December 2023
- Payment of taxes, penalty and surcharge is to be made during the Programme Period
- The Incentive Programme is also applicable to companies with approved instalment payment arrangements
- For cases with a decision from the Court and no further appeals have been made, the company is not eligible for the incentives under this Incentive Programme for the same taxable periods in which the decision relates
- For companies which have made payment including off-setting method or any other settlement method before 26 August 2024, no refund of taxes and penalty/ surcharge is allowed
- The Incentive Programme does not involve applications for penalty/ surcharge remission for cases which are eligible for full remission such as penalty/ surcharges arising from technical issues, adjustment of output taxes from bad debt recovered as well as retention sum, and penalty/ surcharge on taxes which have been granted remission by MOF

The incentives given are as follows:

Category	Payment received during the Programme Period		Penalty/ surcharge remission under the Incentive Programme
	Tax	Penalty/ Surcharge	
1. Tax, penalty and surcharge	100%	0%	100%
2. Tax and penalty/ surcharge	100%	0%	100%
3. Penalty/ surcharge	0%	15%	85%

Source for the announcement: [Official Portal of RMCD – MySST](#) – available in Malay language only

## Service Tax Policy 4/2024 (Amendment No.1)

The RMCD has issued **Service Tax Policy 4/2024 (Amendment No.1)** – Improvements to the Service Tax treatment on logistics services.

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

Source for the Service Tax Policy: [Official Portal of RMCD – MySST \(Service Tax Policy\)](#) – available in Malay language only



## Service Tax guides

The RMCD has issued the following revised Service Tax guides (available in Malay language only) to provide further clarification:

- Guide on Preparation of Insurance Policy and Takaful Certificate dated 29 August 2024
- Guide on Credit Card and Charge Card dated 2 September 2024

Source for the Guides: [Official Portal of RMCD – MySST \(SST Guides\)](#) – available in Malay language only

# Insights on Earlier Tax Whiz

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

No.	Subject	Date of issue
1	Service Tax Policy 4/2024 (Amendment No. 1)	26 August 2024

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

	Reference
DCG	Digital Content Grant
DGIR	Director General of Inland Revenue
GST	Goods and Services Tax
MDCG	Malaysia Digital Catalyst Grant
MDEC	Malaysia Digital Economy Corporation
MDXG	Malaysia Digital Export Grant
MOF	Ministry of Finance
MIRB	Malaysian Inland Revenue Board
MITA	Malaysian Income Tax Act, 1967
OACP	Organizational Anti-Corruption Plan
RMCD	Royal Malaysian Customs Department
YA	Year of assessment

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