

2 April 2015 | Issue 8-2015

# TaXavvy

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### ***Income tax exemption on qualifying activities of a MSC status company***

Presently, MSC status companies are eligible for the Pioneer Status (PS) incentive as follows:

- 100% income tax exemption of statutory income (SI) from qualifying activities for a period of 10 years (5 + 5 years), and
- required to operate inside a designated MSC cyber city or cyber centre,

The Income Tax (Exemption) (No. 2) Order 2015 (Order) was gazetted on 19 March 2015. It provides the following incentives for MSC status companies which operates outside the MSC cyber cities or cyber centres.

- 70% exemption of SI from qualifying activities for the first 5 years, while operating outside designated MSC cyber cities or cyber centres.
- 100% exemption of SI from qualifying activities for the extended exemption period granted (another 5 years) but the company must be located within designated MSC cyber cities or cyber centres.
- The incentive is effective from year of assessment 2015 for MSC status applications made from 1 January 2015 onwards.
- The company must be a Malaysian resident company incorporated under the Companies Act 1965 and must not have carried out the MSC status activity at the time the application was made.

### ***Amendment to rules on deduction for Skim Latihan 1Malaysia training programme***

The Income Tax (Deduction for Training Costs under Skim Latihan 1Malaysia for Unemployed Graduates) Rules 2013 has been amended by Income Tax (Deduction for Training Costs under Skim Latihan 1Malaysia for Unemployed Graduates) (Amendment) Rules 2015 which was gazetted on 24 March 2015.

The amendment extends the approval period of the training scheme by the Economic Planning Unit. The period of approval is now from 1 June 2012 to 31 December 2020, instead of 31 December 2016.

The amendments take effect from the year of assessment 2015.

### ***Waiver of late filing penalty due to technical glitch***

The Inland Revenue Board (IRB) has in their letter dated 13 March 2015 to CTIM, acknowledged the technical glitch in the e-Filing system on 28 February 2015. They confirmed that they will consider not to impose late filing penalty on companies which have submitted their tax return via e-Filing on 1 and 2 March 2015. In addition, this consideration will only apply to companies with financial year ended 30 June 2014.

### ***Submission of Form E for dormant companies including companies which have not commenced operations***

The IRB has recently clarified in their e-mail dated 19 March 2015, to the Chartered Tax Institute of Malaysia's (CTIM) on the following:

i) Electronic registration for E number for dormant companies with no employees

The IRB has confirmed that the completion of the "Number of Employees" section in the e-register application is no longer mandatory. Thus, companies can either indicate "o" or leave the section blank.

ii) Requirement to file Form E for dormant companies

The IRB has now confirmed that dormant companies with no employees are required to submit the Form E with effect from YA 2014.

### ***Guidelines on penalties for late filing of income tax return***

The IRB has issued a guideline on late filing penalties under section 112(3) of the Income Tax Act 1967 (ITA) for income tax returns not filed within the timeframe stipulated in sections 77 and 77A of the ITA.

The rate of penalty imposed is as follows:

Late filing timeframe	Rates of penalty on income tax
Up to 12 months	20%
Exceeding 12 months to 24 months	25%
Exceeding 24 months to 36 months	30%
Exceeding 36 months	35%

Any extension of time given will not be considered for computing the late filing timeframe if the tax return is not filed within the extended time. The guideline also states under section 112(4), that the Director General has the power to impose additional penalties in accordance with section 112(4) of the ITA where income tax returns are not filed.

The guideline can be obtained from the IRB website at [www.hasil.gov.my](http://www.hasil.gov.my) (Laws and Regulations > Operational Guidelines).

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