



TaXavvy

Budget 2019 Edition - Part 2
19 November 2018

Welcome to our ***TaXavvy Budget Edition*** which brings you the key tax proposals of Budget 2019

This TaXavvy edition is prepared based on the Finance Bill 2018, the Income Tax (Amendment) Bill 2018 and the Labuan Business Activity Tax (Amendment) Bill 2018 (collectively, “Bills”).

This edition is a continuation of our Budget 2019 Edition - Part 1 and highlights key tax proposals based on the Bills which are not covered in Budget 2019 Edition - Part 1.

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Review of incentives under Forum on Harmful Tax Practices and Multilateral Instrument.

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(Effective from 1 January 2019). See page 8.

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(Effective from 1 January 2019). See page 9.

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(Effective from YA 2019). See page 6.

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Corporate Tax

Time limit on carry forward of losses and allowances

Current Position	Proposal
<p>Currently, there is no time limit on the carrying forward of the following losses and allowances:-</p> <ul style="list-style-type: none">• Unabsorbed business losses and unutilised capital allowances (CA) from a year of assessment (YA);• Unutilised Reinvestment Allowance (RA) and Investment Allowance for Services Sector (IASS)• Unutilised pioneer losses and investment tax allowance (ITA).	<p>It is proposed that a time limit be placed on the carrying forward of the following losses and allowances: :</p> <ul style="list-style-type: none">• Unabsorbed business losses and unabsorbed CA arising from a YA - 7 consecutive YAs from that YA;• Unutilised RA and IASS - 7 consecutive YAs upon expiry of qualifying period;• Unutilised pioneer losses and ITA - 7 consecutive YAs upon expiry of pioneer/ITA period. <p>(Effective from YA 2019)</p> <p><u>Transitional provision based on Finance Bill 2018</u></p> <p>The following shall be allowed to be utilised for another 7 consecutive YAs, i.e. from YA 2019 to YA 2025:</p> <ul style="list-style-type: none">• Accumulated unabsorbed business losses and unabsorbed CA b/f from YA 2018;• Accumulated unabsorbed RA and IASS b/f from YA 2018 arising from a qualifying period which has expired as at YA 2018;• Accumulated unabsorbed pioneer losses and ITA b/f from YA 2018; <p>Any amount which remains unabsorbed by YA 2025 shall be disregarded from YA 2026.</p> <p>(Effective from YA 2019)</p>

Clawback of Investment Tax Allowance (ITA)

Current Position	Proposal
<p>ITA given on an asset will be clawed back if the asset is disposed within 2 years from date of acquisition</p>	<p>The 2 years will now be extended to 5 years.</p> <p>(Effective from YA 2019)</p>

Corporate Tax

Review of group relief

Current Position

- There is no time limit for a company to surrender its losses to a related company within the same group.
- A company is allowed to surrender its losses from its first 12 months of operations (subject to conditions).

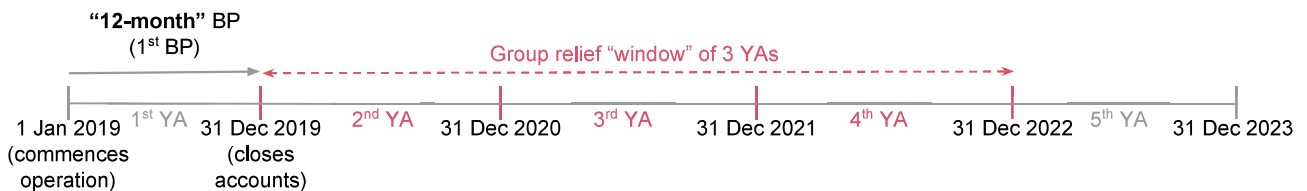
Proposal

- A company is eligible to surrender its losses for a “window” consisting of 3 consecutive YAs only.
- The basis period (BP) for 3 consecutive YAs **must** commence and end, whether or not any losses are surrendered as follows:
 - The BP for the YA it first commences operations (1st BP) is for a period of 12 months.

The “window” for surrendering of losses would start from the 2nd YA to the 4th YA. Losses can no longer be surrendered from the 5th YA onwards.

Example 1

A company commences its operations on 1 January 2019 and closes its accounts on 31 December 2019:

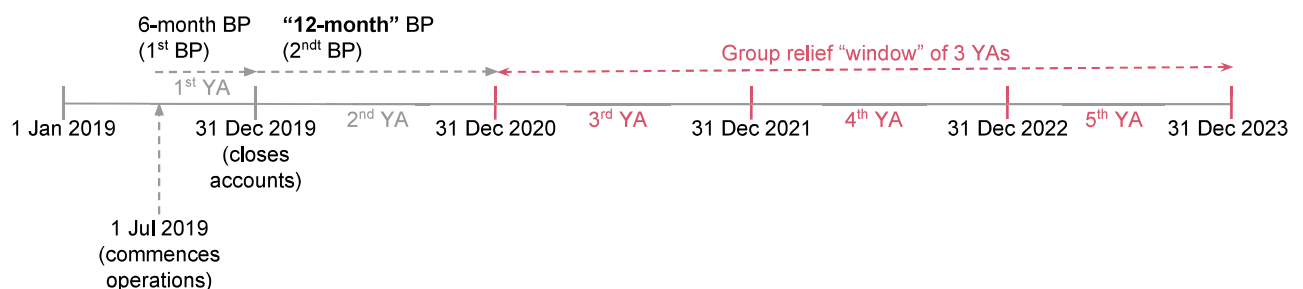


- The BP for the YA it first commences operations (1st BP) is for a period of less or more than 12 months, and the next BP consists of a period of 12 months (2nd BP).

The “window” for surrendering of losses would start from the 3rd YA to the 5th YA. Losses can no longer be surrendered from the 6th YA onwards.

Example 2

For example, a company commences its operations on 1 July 2019 and closes its accounts on 31 December 2019:



(Effective from YA 2019)

Corporate Tax

Review of group relief (cont'd)

Current Position	Proposal
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- Transitional provision

Commencement of operations of surrendering company	YA(s) losses can be surrendered
2015	2019
2016	2019 and 2020
2017	2019, 2020 and 2021

(Effective from YAs 2019 to 2021)

- | | |
|---|--|
| <ul style="list-style-type: none"> • A company with unutilised ITA or unabsorbed pioneer losses is eligible to claim group relief or surrender its losses upon the expiry of its incentive period. | <ul style="list-style-type: none"> • A company with unutilised ITA or unabsorbed pioneer losses will not be eligible to claim group relief or surrender its losses. |
|---|--|

(Effective from YA 2019)

Abolishment of “par value” regime

The following proposed amendments follow after the abolishment of “par value” regime or “nominal value” of shares pursuant to the Companies Act 2016 effective from 31 January 2017.

- a) For the determination of the requirement:
- Of at least 70% relationship in respect of ordinary shares between surrendering and claimant companies;
 - For surrendering and claimant companies have paid-up capital in respect of ordinary shares of >RM2.5 million

“ordinary share” means any share other than a share which carries only a right to any dividend which is of— (a) a fixed amount or at a fixed rate per cent of the nominal value of the shares; or ...

“ordinary share” means any share other than a share which carries only a right to any dividend which is of— (a) a fixed amount or at a fixed rate per cent of the ~~nominal~~ value of the shares; or ...

(Effective from YA 2019)

- b) For determination of:
- Residual profits that is available for distribution to equity holders, i.e. profits less a fixed amount or at a fixed rate per cent of the “nominal” value of the shares of that company

“residual profits” means profits of the claimant or surrendering company after deducting any dividend which is of— (a) a fixed amount or at a fixed rate per cent of the nominal value of the shares of that company; or ...

“residual profits” means profits of the claimant or surrendering company after deducting any dividend which is of— (a) a fixed amount or at a fixed rate per cent of the ~~nominal~~ value of the shares of that company; or ...

(Effective from YA 2019)

Corporate Tax

Earnings Stripping Rules (ESR)

The implementation of ESR which limit interest deduction for financial assistance between related companies within the same group was first announced during Budget 2018 to take effect from 1 January 2019. This is Malaysia's response to the OECD's Base Erosion and Profits Shifting (BEPS) Action 4 [Limiting base erosion involving interest deductions and other financial payments]. Details and scope of the ESR were however not provided then.

A new Section 140C is now proposed to be inserted to the Income Tax Act 1967 to provide for the following:

Maximum amount of interest deduction	The deduction of interest expense in connection with financial assistance is restricted to a maximum amount to be stated under Rules made under the Income Tax Act 1967. The maximum amount was announced in Budget 2018 to be in the region of 10% to 30% of EBIT/EBITDA.
Scope of transactions	Only controlled transactions are covered. The determination of control depends on whether the parties are associated. The meaning of associated persons is to be in line with the the proposed expanded scope for transfer pricing purposes. Please refer to page 9.
Financial assistance	Includes loan, interest bearing trade credit, advance or debt and provision of security or guarantee.
Interest expense	Includes interest on all forms of debt or payments economically equivalent to interest but excludes expenses in connection with raising of finance.

(Effective from 1 January 2019)

PwC's comments

Section 140C is silent on whether the financial assistance for ESR purposes is restricted to those transacted with associated persons from overseas.

The substance-over-form approach to scope-in payments economically equivalent to interest may create uncertainty in certain cases. To avoid pitfalls, such payments should be identified and explicitly spelt out in the Rules.

It is hoped that certain optional rules (based on the OECD's BEPS Action 4) to address volatility of earnings such as carry forward rules, will be introduced. Such rule will ensure that companies with business or project which requires a long gestation period are not denied of the tax benefits from the deduction of interest expense incurred due to lack/absence of earnings during the initial years.

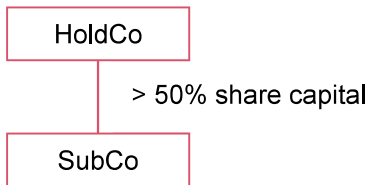
Corporate Tax

Scope of “associated person” for transfer pricing and ESR purposes

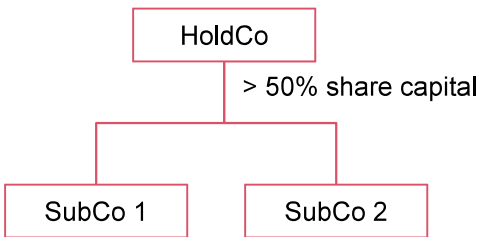
Current Position

The determination of association between two entities includes the reference to the percentage of shareholding as follows:

- i) Between Holding Co (HoldCo) and Subsidiary Company (SubCo)



- ii) Between Sister companies



Proposal

In addition to the existing conditions, in the event that:

- HoldCo uses intellectual property (IP) from SubCo;
- HoldCo dictates purchases and sales from a SubCo, and prices thereof; or
- Director(s) or Board of Directors of a SubCo are appointed by Hold Co and vice versa,

the existing shareholding requirement of more than 50% is lowered to **more than 20%**.

(Effective from 1 January 2019)

Corporate Tax

Amendment to the scope of special classes of income under Section 4A(ii) of the Income Tax Act 1967 (Act)

The scope of special classes of income for non-residents under Section 4A(ii) of the Act is to be amended as follows (words with strikethrough denote words to be deleted from the existing scope):

“amounts paid in consideration of ~~technical~~ advice, assistance or services rendered in connection with ~~technical management or administration of~~ any scientific, industrial or commercial undertaking, venture, project or scheme”

(Effective from coming into operation of the Finance Act)

PwC's comments

Payments to non-residents which fall within the scope of Section 4A(ii) of the Act are currently subject to withholding tax (WHT) unless the service is performed from outside Malaysia. Payments for technical services are currently covered within the scope of Section 4A(ii).

With the proposed amendment to Section 4A(ii), the question of whether or not a service is technical in nature will no longer be relevant. This could provide Section 4A(ii) with the powers of a “catch-all” provision for services rendered by non-residents which do not fall within the scope of other provisions in the Act. More payments to non-residents would likely be subject to withholding tax unless the service is performed outside Malaysia. Services scoped under Section 4A(ii) are currently exempted from withholding tax under the Income Tax (Exemption) (No. 9) Order 2017 if they are performed outside Malaysia .

Notwithstanding the changes to our domestic law, where payments are made to a resident of a country which has entered into a double tax agreement (DTA) with Malaysia, the taxability of the payment (i.e taxing right) is subject to the provisions of the respective DTAs. DTAs generally provide Malaysia with taxing rights over business profits under the Business Profits Article only if the profits arose from activities carried out via a permanent establishment (PE) in Malaysia unless a specific Article grants a specific taxing right. For example, DTAs with a Technical Fee Article (e.g. DTAs with Singapore, UK and Germany) grant Malaysia with the right to impose tax even in the absence of a PE. However, this usually applies only for payments which are technical in nature. The taxing right for services which are non-technical in nature would generally fall back on Business Profits Articles where it depends on whether the non-technical service arose from a PE in Malaysia.

There is no corresponding proposed amendment to the deemed derived from Malaysia provision, i.e. Section 15A of the Act. Currently, Section 15A(b) deems amounts paid by a resident to a non-resident in respect of the following payments to be derived from Malaysia and hence subject to WHT:

“amounts paid in consideration of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme”

The above mirrors the current scope of Section 4A(ii). Retaining the underlined words in the deeming provision potentially creates an inconsistency and may render payments for services which are non-technical to escape the deeming provision.

Corporate Tax

Derivation of business income

Business income is currently subject to Malaysian income tax if its derived or deemed derived from Malaysia. Business income which is deemed to be derived from Malaysia currently includes business income that is not attributable to any business operations carried on outside Malaysia. In addition to the existing deeming rules, it is proposed that business income of a person attributable to a “place of business” shall also be deemed to be derived from Malaysia. For this purpose, “place of business” is defined as:

- a) a place of management;
- b) a branch;
- c) an office;
- d) a factory;
- e) a workshop;
- f) a warehouse;
- g) a building site, or a construction, an installation or an assembly project;
- h) a farm or plantation; and
- i) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;

A person is also deemed to have a place of business in Malaysia if:

- a) That person carries on supervisory activities in connection with a building or work site, or a construction, an installation or an assembly project in Malaysia; or
- b) There is another person acting on his behalf who:
 - Habitually concludes contract, or habitually plays the principal role leading to the conclusion of contracts - routinely concluded without material modification;
 - Habitually maintains a stock of goods or merchandise in that place of business from which such person delivers goods or merchandise; or
 - Regularly fill orders on his behalf.

(Effective from coming into operation of the Finance Act)

PwC's comments

This deeming provision which is based on the definition of PE in Malaysian Double Tax Agreements (DTA) is introduced to ensure that the same conditions which create a PE would also cause the income arising from the PE to be deemed derived from Malaysia.

The deeming provision also provides an explicit test to determine the taxability of the business profits of a resident of a non-DTA country and the test is consistent with the test for a resident of a DTA country.

Corporate Tax

Requirement of audited accounts

The Income Tax Act 1967 shall be amended to provide that income tax returns are to be filed based on financial statements made in accordance with the requirement of the Companies Act 2016 (CA 2016).

PwC's comments

This legislative update is in response to the business community's request that private companies which are exempted from audit under CA 2016 should be allowed to file their tax returns based on unaudited accounts. The IRB has previously indicated that no legislative changes will be made.

(Effective from YA 2019)

Tax incentives

New definition of Research and Development (R&D)

A single definition of R&D is to be legislated for the purpose of Income Tax Act 1967 (ITA) and Promotion of Investments Act 1986 (PIA).

Current practice / law	Proposed definition for ITA and PIA
Not defined in the ITA. Public Ruling No. 5/2004 provides a definition of “research” or “scientific research” which is based on the definition under the PIA.	<p>“Research and development” means any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, or processes, but does not include—</p> <ul style="list-style-type: none">(a) quality control or routine testing of materials, devices or products;(b) research in the social sciences or the humanities;(c) routine data collection;(d) efficiency surveys or management studies;(e) market research or sales promotion;(f) routine modifications or changes to materials, devices, products, processes or production methods; or(g) cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods. <p>The proposed definition is applicable for the following:</p> <ul style="list-style-type: none">i) Double deduction for approved in-house R&Dii) Double deduction for payments for the services of of a R&D Company or Contract R&D Companyiii) Capital allowance claim in relation to plant and machinery used for approved in-house R&Div) Single deduction for revenue expenditure on R&Dv) Industrial building allowance in relation to building used for approved R&Dvi) Industrial building allowance in relation to building used for R&D by a R&D Company or Contract R&D Companyvii) Pioneer Status or Investment Tax Allowance for Contract R&D Companyviii) Pioneer Status or Investment Tax Allowance for R&D Companyix) Pioneer Status for commercialising R&D findings <p>(Effective from coming into operation of the Finance Act)</p>

Tax incentives - Removal

Existing incentive

Tax exemption for wholesale money market fund

Interest income derived from licensed banks, Islamic banks and development financial institution by a wholesale money market fund which complies with the criteria as set out in the SC's Guidelines is exempted from tax.

Proposal

The Budget Speech indicated that the tax exemption will cease from 1 January 2019.

Based on the Finance Bill 2018, the cessation of tax exemption applies only to interest income attributable to corporate unit holders. Interest income attributable to unit holders other than a company remains to be tax exempted based on current rules.

Implementation of BEPS Minimum Standards

Introduction

Malaysia is a member of the Inclusive Framework on BEPS. As member, Malaysia is committed to implement the four BEPS minimum standards, namely:

1. Preferential Tax Regimes and Transparency under Action 5
2. Treaty Shopping under Action 6
3. Country-by-Country Reporting (CbCR) under Action 13
4. Making Dispute Resolution Mechanisms More Effective [Mutual Agreement Procedure (MAP)] under Action 14

Malaysia has already implemented CbCR in 2017 and has signed the Multilateral Instrument (MLI) which enables countries to streamline the implementation of BEPS treaty measures.

Review under Forum on Harmful Tax Practices (FHTP) under Action 5

Tax regimes/incentives which are subject to FHTP review are :

- Regimes which grant a preferential tax treatment/rate compared to the general principles in the country; and
- The regime applies to income from financial or geographically mobile activities [e.g. income from intellectual property rights (IPR)]

Such regimes will then be reviewed to determine whether it has “harmful” features.

IP Incentives	Non-IP Incentives
<ul style="list-style-type: none"> • Nexus Approach Only R&D expenditures incurred in Malaysia are eligible for Income tax exemption. • Transparency Incentives that comply with FHTP's requirement must be gazetted by 31st December 2018. <p>Source: Ministry of Finance</p>	<ul style="list-style-type: none"> • Ring Fencing No distinction on tax treatment including transaction and currency restrictions between residents and non-residents. • Transparency Incentives that comply with FHTP's requirement must be gazetted by 31st December 2018. • Substantial Activities Substantial activities requirements under FHTP are as follows: <ul style="list-style-type: none"> • adequate investment amount or annual business operating expenses incurred in Malaysia; and • adequate number of full-time job employment in Malaysia.

Implementation of BEPS Minimum Standards

The following proposed amendments have been included in the Bills.

1. Labuan

- Removal of restrictions to transact with non-Labuan entities and in Ringgit. This is to be effected by amending the definition of Labuan business activity.
- Removal of the option to pay RM20,000 of tax.
- A Labuan entity shall have an adequate number of full-time employees and annual operating expenditure in Malaysia. The substantive requirements shall be based on regulations to be made by the Minister of Finance.
- Exclusion of certain income from the preferential tax treatment: income arising from royalty and other income derived from an intellectual property right (IPR) if it is receivable from as consideration for the commercial exploitation of that right. Income tax instead of Labuan Business Activity Tax shall be charged on such income. IPR is defined as :

“a right arising from any patent, utility innovation and discovery, copyright, trade mark and service mark, industrial design, layout-design of integrated circuit, secret processes or formulae and know-how, geographical indication and the grant of protection of a plant variety, and other like rights, whether or not registered or registrable”

2. Insurance/takaful and foreign fund management

- It is proposed that the tax rates be revised as follows:

Business	Current Income tax rate (%)	Proposed Income tax rate (%)
General reinsurance / retakaful	24	8
Inward reinsurance	5	8
Offshore insurance / takaful	5	24
Foreign fund management	10 (until YA 2020)	24 (YA 2021 onwards)

Implementation of BEPS Minimum Standards

3. Pioneer Status incentive for Contract R&D Companies

- The grant of the incentive will be subject to substantive requirements, i.e. having adequate number of full-time employees and having incurred adequate amount of annual operating expenditure in Malaysia for activities relating to R&D.
- Royalty and other income derived from an IPR receivable as consideration for commercial exploitation of that right will no longer be exempted.
- Transitional provision:
 - Where the incentive has been granted on or before 16 October 2017, the above substantive requirements shall not apply until 30 June 2021.
 - Where the incentive is granted after 16 October 2017, the above substantive requirements must be met from 1 January 2019.

(effective from 1 January 2019)

MIDA has issued a revised guideline on R&D incentives. Please refer to [TaXavvy Issue 8/2018](#) for further details.

Implementation of BEPS Minimum Standards

Multilateral agreement in relation to tax treaties under Action 6

Together with over 80 countries, Malaysia has signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("Multilateral Instrument" or "MLI") under the OECD's BEPS project.

Instead of renegotiating Malaysia's tax treaties with over 70 countries (Malaysian tax treaties), the MLI will enable the treaty related measures arising from the BEPS project to be simultaneously incorporated into the existing Malaysian tax treaties.

However, pending enabling legislation, the MLI has yet to be ratified under Malaysian law. A new Section 132C of the Income Tax Act 1967 (Act) is proposed to be inserted into the Act to enable the MLI to be ratified.

Potential key changes under the MLI include:

- Rules to disregard artificial avoidance of permanent establishment.
- Provision for corresponding adjustment which requires a treaty country to make corresponding adjustment to the profits of an entity as a result of an adjustment made by tax authorities of the other treaty country.

[Effective upon coming into operation of the Income Tax (Amendment) Act and Labuan Business Activity Tax (Amendment) Act]

Sales and Services Taxes

Service Tax

Imported services

- The scope of service tax would be expanded to include imported taxable services. “Imported service” means any taxable service acquired by any person in Malaysia from any person who is outside Malaysia. The charging and payment of service tax on imported services are only applicable to persons who acquire imported services for their business.
- The value of an imported taxable service is to be prescribed by the Minister of Finance.
- The service tax for imported service shall be due at the earlier of the payment date or the date of receipt of invoice.
- For non-taxable persons, the service tax on imported services is to be accounted for in a prescribed declaration to the Director General of Customs & Excise (“DGC”).
- The furnishing of the declaration and the payment of service tax due must be made latest by the last day of the month following the month in which the payment on the service is made or the invoice for the service is received.

(Effective from 1 January 2019)

Sales Tax

Determination of sales value of taxable goods

- Where a contract manufacturer receives taxable goods to be manufactured and subsequently returns the goods so manufactured to the principal, special rule under subsection 9(3) of the Sales Tax Act 2018 provides that the sales value of the goods manufactured is, subject to DGC’s approval, deemed to be the amount that the manufacturer charges for work performed by him. However, this special rule is currently only applicable if the contract manufacturer is a registered for sales tax.

Proposed: This special rule would be expanded to include contract manufacturers who are not registered for sales tax

(Effective from 1 January 2019)

Deduction of sales tax

- The Minister of Finance would be empowered to prescribe the amount of sales tax deduction to be given to registered manufacturers on the purchase of taxable goods which are raw materials, components or packaging materials used solely in the manufacturing of taxable goods. In prescribing the amount of deduction, the Minister may also prescribe any condition to be imposed and the form and manner of claiming such deduction.
- Failure by the registered manufacturer to comply with any of the conditions imposed would result in any sales tax deductions previously claimed to become due and payable on the date on which any of the conditions were not complied with.
- Fine, imprisonment and penalties may be imposed on any person who improperly obtains a sales tax deduction. The fine, imprisonment and penalties for improperly obtaining a sales tax deduction are the same as those imposed on a person who improperly obtains a refund of sales tax.

(Effective from 1 January 2019)

Stamp Duty

Stamp duty rates on value of property in excess of RM1 million

Price / Market value of property	Stamp duty rates	
	Current	Proposed
First RM100,000	1%	1%
RM100,001 - RM 500,000	2%	2%
RM 500,001 - RM1,000,000	3%	3%
RM1,000,001 and above	3%	4%

PwC's comments

The proposed change to stamp duty rate is made to item 32(a) of the First Schedule of the Stamp Act 1949. However, item 32(a) covers the sale of **any** property (except stock, shares, marketable securities, and account receivables or book debts factored to financial institutions). Based on the Budget 2019 speech, the proposed rate was indicated to only apply to real properties. Clarification is required from the authorities whether the proposed amendment reflects the Government's intention as announced in the Budget 2019 speech.

(Effective from 1 January 2019)

Stamp duty relief in corporate restructuring schemes

Instruments made in relation to corporate restructuring schemes (i.e. reconstruction or amalgamation of companies) qualify for relief from stamp duty. Changes are proposed to some of the qualifying conditions as follows:

Current qualifying condition	Proposal
Retention period as beneficial owner of shares transferred	
a) In the case of transfer of business (for a consideration of not less than 90% in shares of the acquirer), the transferor ceases to beneficially own the shares within a period of 2 years	Both the period of 2 years are extended to a period of 3 years . In addition, both the transferor and acquirer will be required to notify the IRB in the event that the 3-year period or other qualifying conditions are breached. The notification must be made within 30 days from the date of occurrence of the breach.
b) In the case of transfer of shares (for a consideration of not less than 90% in shares of the acquirer), the acquirer ceases to beneficially own the shares within a period of 2 years	

Stamp Duty

Stamp duty relief for transfer of properties between associated companies

Property transfers between companies that are associated qualify for stamp duty relief where the “not less than 90% share capital holding requirement” as provided under Section 15A of the Stamp Act 1949 is met. Proposed amendments include:

Current requirements	Proposal
a) Moratorium period: i) The transferor and acquirer should remain associated but no minimum period is provided under the law ii) There is no minimum holding period of property acquired	a) Moratorium period: i) The transferor and acquirer should remain associated for a period of 3 years from the date of conveyance/transfer of property. ii) The acquirer must not dispose the property acquired for a period of 3 years from the date of conveyance/transfer of property. b) New qualifying conditions: Transfer of property is to achieve greater efficiency in operation and acquirer is incorporated in Malaysia c) New obligation to notify IRB: Both the transferor and acquirer will be required to notify the IRB in the event that the 3-year period or other qualifying conditions are breached. The notification must be made within 30 days from the date the breach has occurred. d) New application procedure: The IRB may require the application to be accompanied by a statutory declaration made by an advocate and solicitor. e) Charging of interest On revocation of stamp duty relief, interest at the rate of 6% shall be chargeable on the duty relieved, computed from the date of stamping.

(Effective from coming into operation of the Finance Act)

Stamp Duty

Amended definition of “small and medium enterprise (SME)”

Current	Proposal
SME means—	SME means—
<p>a) in relation to the manufacturing, manufacturing related services and agro-based industries sectors, an enterprise with full-time employees not exceeding 150 people or annual turnover not exceeding RM25 million;</p> <p>b) in relation to the services, primary agriculture, and information and communication technology sectors, an enterprise with full-time employees not exceeding 50 people or annual turnover not exceeding RM5 million;</p>	<p>a) in relation to the manufacturing activities, an enterprise with sales turnover not exceeding RM50 million or full-time employees not exceeding 200 people; or</p> <p>b) in relation to the services, and other sectors, an enterprise with sales turnover not exceeding RM20 million or full-time employees not exceeding 75 people;</p>
	(Effective upon coming into operation of Finance Act)

PwC's comments

Impact of the proposal includes increasing the number of persons who can qualify for the lower stamp duty rates for loans (including Syariah compliant financing) obtained by SMEs which are currently imposed at the following rates:

Loan amount (RM)	Stamp duty rate (%)
First 250,000	0.05
250,001 to 1,000,000	0.25
1,000,001 and beyond	0.5

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