



TaXavvy

6 September 2019 | Issue 13-2019

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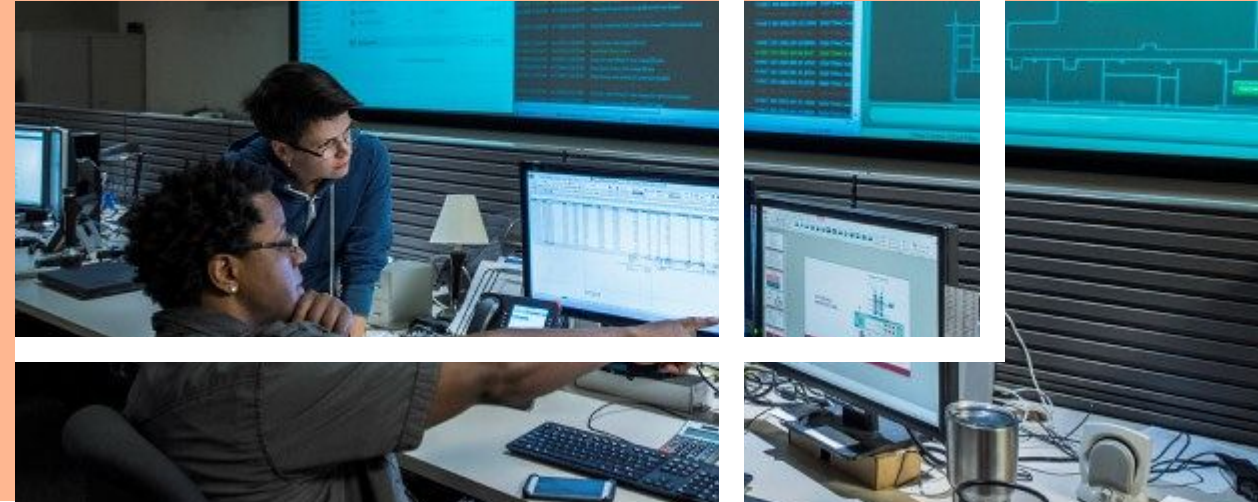
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Withholding tax exemption on income from MSC Malaysia status companies - withdrawal notice

The Malaysian Digital Economy Corporation Sdn Bhd (MDEC) has placed an announcement on their website that the current withholding tax exemption on income received by non-resident companies from approved MSC Malaysia status companies will continue only up to 31 December 2019.



Withholding tax exemption currently available

At present, a non-resident company is granted exemption from payment of income tax (“the withholding tax exemption”) on the following types of income received from an approved MSC Malaysia status company:

- fee for technical advice or technical services,
- licensing fee in relation to technology development, and
- interest on loans for technology development.

The above exemption is granted under the Income Tax (Exemption) (No. 13) Order 2005 (“the Order”).

Withdrawal of withholding tax exemption effective from 1 January 2020

MDEC has stated that necessary steps are being taken to revoke the Order to effect the withdrawal of the withholding tax exemption from 1 January 2020.

The MDEC announcement can be obtained from www.mdec.my (What we offer > MSC Malaysia > Withholding tax).

1 January 2020

Withholding tax applies on income received by non-resident companies from approved MSC Malaysia companies.

In view of the impending withdrawal of the withholding tax exemption, affected companies should review their business arrangements to determine the transactions that would become subject to withholding tax from 1 January 2020.

Public Ruling 3/2019 - business expenses in respect of disabled persons

The Inland Revenue Board (IRB) has issued a new Public Ruling 3/2019 - Business expenses in respect of Disabled Persons ("PR 3/2019"), which outlines the tax treatment of business expenses incurred for employees who are disabled persons as well as training expenses incurred for disabled persons who are not employees.

PR 3/2019 is available of IRB's website www.hasil.gov.my (Legislation > Public Rulings).



Categories of disabled persons

a) **Persons certified by the Department of Social Welfare**

Registered with the Department of Social Welfare as a disabled person and has the Disabled Persons Card ("Kad OKU"). Generally, this category of disabled persons are those with long term physical, mental or intellectual impairments.

b) **Persons certified by SOCSO**

Certified by the Social Security Organization (SOCSO) as a disabled person that is capable to work within his or her capabilities, based on the assessment of the Government doctors. Generally, this category of persons are those whose disability is a result of accident or critical illness.

Deductions on expenses incurred for disabled employees

1. Further deduction (which is in addition to the general tax deduction) is allowed on the remuneration (i.e. receipts from employment but excludes benefits in kind) of employees who are:
 - Disabled persons with Kad OKU.
 - Persons certified as disabled by SOCSO (effective from year of assessment 2019).
2. Single deduction is allowed for capital expenditure incurred for the purchase of equipment for a disabled employee, or for alteration or renovation of business premises for the convenience and comfort of disabled employees. The disabled employee must have a Kad OKU.

Deduction on expenses incurred for disabled persons who are not employees

Double deduction is given on expenses for training of disabled persons with Kad OKU. The expenses allowed are the amounts paid to approved training institutions for approved training programmes.

Tax exemption for women returning to work after career break

The Budget 2018 proposal to encourage women on career breaks to return to the workforce and to supplement total household income has been gazetted under the Income Tax (Exemption) (No.9) Order (“the Order”). The Order is effective for years of assessment (YA) 2018 to 2020 for applications made to Talent Corporation Malaysia Berhad from 1 January 2018 to 31 December 2019.

Exemption

Approved individuals are exempt from payment of income tax in respect of the gross employment income for a period up to 12 consecutive months. The approved individual can opt for the exemption period to commence either:

- in the YA; or
- the following YA

in which she commenced her employment.

Qualifying employer

Any person but excludes:

- a controlled company (either directly / indirectly) owned by the approved individual,
- a sole proprietorship, or
- a relative of the approved individual (i.e. a parent / parent in law, child, step child / adopted child, brother / sister, grandparent / grandchild or spouse).

Approved individual

A woman who is a citizen, residing in Malaysia and has:

- ceased employment and is not deriving any employment income for a continuous period of at least 24 months prior to or as at 27 October 2017;
- at least 3 years full time employment experience prior to cessation of employment;
- not exceeded 58 years of age on application date;
- signed a full time employment contract with a qualifying employer for a period of at least 24 months;
- worked for at least 12 consecutive months from the employment contract period with the same qualifying employer and the period of employment is between 27 October 2017 until 31 December 2020;
- gross employment income of at least RM5,000 a month; and
- received approval from Talent Corporation Malaysia Berhad for this exemption.

For the purposes of the Order, “ceased employment” does not include any no pay leave, half pay leave or full pay leave.



Other updates

1. Operational guideline 4/2019 - Procedure for submission of amended tax return form
2. Guidelines for approval of Director General of Inland Revenue under Subsection 44(6) of the Income Tax Act 1967 - revised

Operational guideline 4/2019 - Procedure for submission of amended tax return form

The operational guideline GPHDN 3/2019 on submission of amended tax return form, previously covered in [TaXavvy 7/2019](#), has been replaced by operational guideline GPHDN 4/2019 - Procedure for submission of amended tax return form ("GPHDN 4/2019").

GPHDN 4/2019 has been expanded to cover submission of amended returns made under the Petroleum Income Tax Act 1967, in addition to the amended returns made under the Income Tax Act 1967.

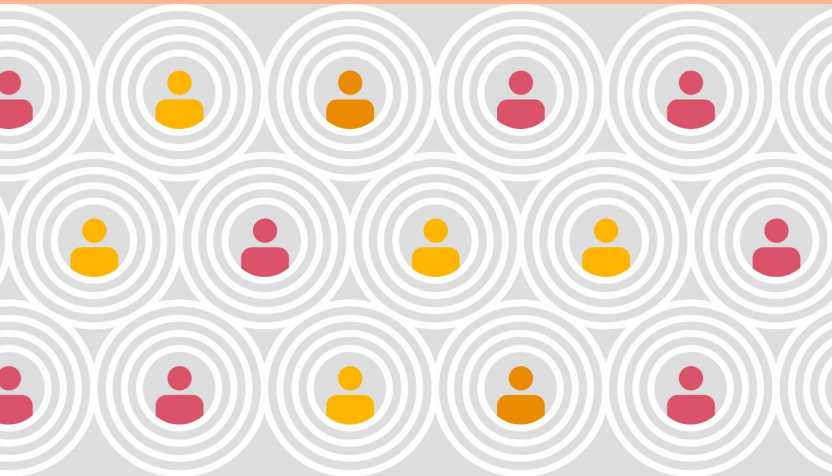
The guideline is available on IRB's website www.hasil.gov.my (Legislation > Operational Guidelines).

Guidelines for approval of Director General of Inland Revenue under Subsection 44(6) of the Income Tax Act 1967 - revised

The IRB has issued a revised guideline dated 5 September 2019. The main change compared to the previous guideline dated 15 May 2019 is to increase the donation threshold from RM1,000 to RM10,000 for donors to be included in the list to be provided to the IRB.

Please refer to [TaXavvy 8/2019](#) and [TaXavvy 10/2019](#) for more information on the previous guideline dated 15 May 2019.

The revised guideline is available on IRB's website www.hasil.gov.my (Legislation > Technical Guidelines).



PwC Budget 2020 Seminar

Kuala Lumpur

21 October 2019

Mandarin Oriental
Kuala Lumpur

8.30am - 5.00pm

Enquiries:
Fazlina Jaafar
(03) 2173 3830

Fiona Ren
(03) 2173 1313

events.info@my.pwc.com

Johor Bahru

23 October 2019

DoubleTree by Hilton
Johor Bahru

8.30am - 5.00pm

Enquiries:
Jasmine Law
jasmine.yx.law@pwc.com
(07) 218 6186

Hanisah Azman
hanisah.azman@pwc.com
(07) 218 6199

Penang

30 October 2019

Eastern & Oriental Hotel
Penang

8.30am - 5.00pm

Enquiries:
Ann Yew
siew.lay.yew@pwc.com
(04) 238 9291

Ong Bee Ling
bee.ling.ong@pwc.com
(04) 238 9170

Melaka

31 October 2019

Ramada Plaza
Melaka

8.30am - 5.00pm

Enquiries:
Lydia Chue
lydia.s.chue@pwc.com
(06) 283 6169

Roslina Yaakup
roslena.yaakup@pwc.com
(06) 283 6169

Connect with us

Kuala Lumpur

Jagdev Singh
jagdev.singh@pwc.com
+60(3) 2173 1469

Penang & Ipoh

Tony Chua
tony.chua@pwc.com
+60(4) 238 9118

Johor Bahru

Benedict Francis
benedict.francis@pwc.com
+60(7) 218 6000

Melaka

Benedict Francis
benedict.francis@pwc.com
+60(7) 218 6000

Tan Hwa Yin

hwa.yin.tan@pwc.com
+60(6) 283 6169

Kuching

Bryan Chen
bryan.chen@pwc.com
+60(82) 527 218

Labuan

Jennifer Chang
jennifer.chang@pwc.com
+60(3) 2173 1828

Corporate Tax Compliance & Advisory

Consumer & Industrial Product Services

Margaret Lee
margaret.lee.seet.cheng@pwc.com
+60(3) 2173 1501

Steve Chia

steve.chia.siang.hai@pwc.com
+60(3) 2173 1572

Emerging Markets

Fung Mei Lin
mei.lin.fung@pwc.com
+60(3) 2173 1505

Energy, Utilities & Mining

Lavindran Sandragasu
lavindran.sandragasu@pwc.com
+60(3) 2173 1494

Financial Services

Jennifer Chang
jennifer.chang@pwc.com
+60(3) 2173 1828

Technology, Media, and

Telecommunications

Heather Khoo
heather.khoo@pwc.com
+60(3) 2173 1636

Specialist services

Corporate Services

Lee Shuk Yee
shuk.yee.x.lee@pwc.com
+60(3) 2173 1626

Global Mobility Services

Sakaya Johns Rani
sakaya.johns.rani@pwc.com
+60(3) 2173 1553

Hilda Liow

hilda.liow.wun.chee@pwc.com
+60(3) 2173 1638

International Tax Services / Mergers and Acquisition

Gan Pei Tze
pei.tze.gan@pwc.com
+60(3) 2173 3297

Tax Reporting & Strategy

Pauline Lum
pauline.ml.lum@pwc.com
+60(3) 2173 1059

Dispute Resolution

Tai Weng Hoe
weng.hoe.tai@pwc.com
+60(3) 2173 1600

Indirect Tax

Raja Kumaran
raja.kumaran@pwc.com
+60(3) 2173 1701

Yap Lai Han

lai.han.yap@pwc.com
+60(3) 2173 1491

Chan Wai Choong

wai.choong.chan@pwc.com
+60(3) 2173 3100

Tax Technology

Yap Sau Shiung
sau.shiung.yap@pwc.com
+60(3) 2173 1555

Transfer Pricing

Jagdev Singh
jagdev.singh@pwc.com
+60(3) 2173 1469

China Desk

Lorraine Yeoh
lorraine.yeoh@pwc.com
+60(3) 2173 1499

Japanese Business Consulting

Yuichi Sugiyama
yuichi.sugiyama@pwc.com
+60(3) 2173 1191

Clifford Yap

clifford.eng.hong.yap@pwc.com
+60(3) 2173 1446



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