



Taxavvy

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MSC Malaysia - withdrawal of withholding tax exemption

The withholding tax exemption on income received by non-residents from MSC Malaysia status companies has been withdrawn.



Withdrawal of withholding tax exemption on income received by non-residents from MSC Malaysia status companies

Following the announcement by the Malaysian Digital Economy Corporation (as reported in [TaXavvy 13-2019](#)), the Income Tax (Exemption) (No 13) 2005 (Revocation) Order 2019 has been gazetted and comes into operation on 1 January 2020.

This order revokes the tax exemption granted under the Income Tax (Exemption) (No 13) Order 2005 to a non-resident company from payment of income tax 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.

1 January 2020 onwards

Withholding tax will have to be withheld on payments made to non-resident companies by approved MSC Malaysia companies

Approved Internship Programme (AIP) incentive

Pursuant to the Budget 2020 proposals, the Income Tax (Deduction for Expenditure Incurred for Provision of Approved Internship Programme) Rules 2019 have been legislated to cover the AIP incentive until year of assessment (YA) 2021.

The AIP incentive was first introduced in YA 2012 to give deduction for expenditure incurred for running approved internship programmes for undergraduate students pursuing a degree programme or its equivalent. The Income Tax (Deduction for Expenditure incurred for the Provision of an Approved Internship Programme) Rules 2012 had effect from YA 2012 to YA 2016. Subsequent Budget announcements had extended the AIP incentive period and revised the scope as follows

Budget	Applicable for YA	Announcement
2015	2015 to 2016	Scope to be expanded to include diploma and vocational programmes (DKM levels 4 & 5)
2017	2017 to 2019	<ul style="list-style-type: none"> • Scope to be expanded to include vocational programmes (SKM level 3). • SIP incentive extended for 3 years to YA 2019
2019	2019 to 2021	<ul style="list-style-type: none"> • Scope to only cover engineering and technology academic fields (Bachelor's Degree, Diploma, vocational programme (minimum SKM level 3)). • AIP incentive to be extended to YA 2021
2020	2020 to 2021	Scope to be expanded to all academic fields

Based on the Income Tax (Deduction for Expenditure Incurred for Provision of Approved Internship Programme) Rules 2019, the deduction will be given to the following programmes:

Applicable for YA	Academic level
2015 to 2016	<ul style="list-style-type: none"> • Diploma programme in a higher educational institution • Qualified vocational programme (minimum Malaysian Skills Certificate Level 4)
2017 to 2021	<ul style="list-style-type: none"> • Diploma or degree programme in a higher educational institution • Qualified vocational programme (minimum Malaysian Skills Certificate Level 3)

It is noted that the deduction is given to all academic fields and not restricted to engineering and technology fields as announced in the 2019 Budget.

The incentive

A person who is a resident in Malaysia and approved by the Talent Corporation Malaysia Berhad to conduct an approved SIP is given a double deduction for the following expenditure incurred in conducting an approved SIP:

- a. Internship monthly allowance of not less than RM500.
- b. Expenditure on the provision of training for students.
- c. Expenditure incurred on meals, travelling and accommodation during the internship period.

The total expenses allowed to be claimed for items (b) and (c) above for each student shall not exceed RM5,000 per year of assessment (YA).



Stamp duty remission for transfer of property by way of love and affection

The scope for stamp duty remission for transfer of property by way of love and affection (i.e. voluntary disposition *inter vivos*) has been tightened

Stamp duty remission for transfer of property by way of love and affection (i.e. voluntary disposition *inter vivos*)

Pursuant to the Budget 2020 proposals, the Stamp Duty (Remission) (No 2) Order 2019 has been issued and has effect from 1 January 2020. This remission order revokes the Stamp Duty (Remission) (No 7) Order 2002 from same date.

The following is a comparison of the differences between the two orders:

Stamp Duty (Remission) (No 2) Order 2019	Stamp Duty (Remission) (No 7) Order 2002 (revoked)
Remission of 50% stamp duty chargeable on instrument of transfer of immovable property, <i>executed on or after 1 January 2020</i> .	Remission of 50% stamp duty chargeable on instrument of transfer of immovable property, <i>executed on or after 1 January 2003 until 31 December 2019</i>
Parties involved in the transfer: mother and/or father to child; or vice versa.	Parties involved in the transfer: mother and/or father to child, or vice versa; <i>and between husband and wife</i> .
Recipient: <i>Malaysian citizen</i> .	Recipient: <i>Malaysian and non-Malaysian citizens</i> .

Stamp Duty exemption on Rent-to-Own Scheme

Pursuant to the Budget 2020 proposals, the Stamp Duty (Exemption) (No 4) Order 2019 has been gazetted to provide stamp duty exemption under the Rent-to-Own scheme.

The stamp duty exemption is effective for instruments of transfer executed from 1 January 2020 to 31 December 2022.



Rent-to-Own scheme

The scheme is an alternative financing scheme under the Malaysian government to assist home ownership where a residential property is initially purchased and rented out by a financial institution and subsequently the tenant is given an option to purchase that residential property.

The instrument of transfer will be subjected to stamp duty at two levels:

1. transfer of residential home from housing developer to financial institution; and
2. transfer of residential home from financial institution to buyer.

Stamp Duty (Exemption) (No 4) Order 2019

As part of the government's initiative to assist first time home buyers, the Stamp Duty (Exemption) (No 4) Order 2019 provides stamp duty exemption on the following instruments of transfer:

- Sale & Purchase Agreement between developer and financial institution, and
- Rent-to-own agreement between the financial institution and individual.

Eligibility criteria

The following are the main criteria to be fulfilled to qualify for the exemption:

- Value of the residential property must not be more than RM500,000 .
- Value of the property is based on the purchase price in the sale and purchase agreement between the developer and the financial institution.
- Individual is a Malaysian citizen and has never owned any residential property before.
- Rent-to-own period must not exceed 5 years.

Other gazette orders issued in relation to various Budget 2020 proposals

Gazette orders have been issued to legislate several of the Budget 2020 proposals covering:

- Tax incentive for Angel Investors,
- Income tax exemption for employee, and tax deduction for employer in respect of the repayment of PTPTN loan by the employer,
- Monthly tax deductions for individuals to cater for new income tax rate for chargeable income in excess of RM2 million.



Budget 2020 proposals legislated

	Original	Extension granted
Tax incentive for Angel Investors Income Tax (Exemption) (No 3) 2014 (Amendment) Order 2019	Angel investors who invest in investee companies in the form of ordinary shares are eligible for tax exemption equivalent to the amount of investment made. Application is to be made to the Ministry of Finance by 31 December 2020.	Application period for the incentive is extended from 31 December 2020 to 31 December 2023.
Income tax exemption for employees on Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) loan repaid by employer Income Tax (Exemption) (No 8) (Amendment) Order 2019	Employees are given income tax exemption for the benefit of PTPTN educational loan paid by an employer from 1 January 2019 to 31 December 2019 (i.e. YA 2019 only).	Exemption period extended from YA 2019 to YA 2021.
Income tax deduction for employer repaying PTPTN loan for employees Income Tax (Deduction for payment of educational loan of PTPTN by employers on behalf of employees) (Amendment) Rules 2019	Employers are given income tax deduction for repayment of PTPTN loan made on behalf of their employees from 1 January 2019 until 31 December 2019.	Tax deduction period extended from YA 2020 to YA 2022 for repayments made up to 31 December 2021.

Income Tax (Deduction from Remuneration) (Amendment) Rules 2019

Table 1 of the Schedule for monthly tax deductions under the Income Tax (Deduction from Remuneration) Rules 1994 have been amended to reflect the new band for chargeable income in excess of RM2 million which is at the rate of 30%. This is effective from 1 January 2020.

Double Taxation Agreement between Malaysia and Cambodia

The Double Taxation Relief (The Government of the Kingdom of Cambodia) Order 2019 has been gazetted on 30 December 2019 and will provide relief from double taxation in relation to Malaysian and Cambodian taxes when the agreement comes into force.

The following are the salient points from the agreement.

Withholding tax rates

Withholding tax will apply at 10% for the following payments:

- Interest
- Royalty
- Technical fees

Permanent establishment (PE)

PE includes:

- A building site, a construction, installation or assembly project or supervisory activities which lasts more than 9 months
- Furnishing of services for a period or periods aggregating more than 183 days within any 12 month period
- Activities (including operation of substantial equipment) for exploitation of natural resources for a period or periods aggregating more than 183 days within any 12 month period.
- Operation of substantial equipment (excluding those used for exploitation of natural resources) for a period or periods aggregating more than 183 days within any 12 month period.

Tax sparing relief

In respect of both Malaysian and Cambodian taxes

Entry into force

Malaysia:

Malaysian taxes - tax chargeable for any YA beginning on or after the first day of January in the calendar year following the year in which this Agreement enters into force.

Cambodia:

- Withholding taxes - taxable amount as derived on or after the first day of January following the calendar year in which the Agreement enters into force and subsequent calendar years; and
 - Other taxes - income arising on or after the first day of January following the calendar year in which the Agreement enters into force and in subsequent calendar years.
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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

Specialist services

Corporate Services

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

Dispute Resolution

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

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

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

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

International Tax Services / Mergers and Acquisition

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

Financial Services

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

Services & Infrastructure

Lim Phaik Hoon
phaik.hoon.lim@pwc.com
+60(3) 2173 1535

Tax Technology

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

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

Transfer Pricing

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

Technology, Media, and Telecommunications

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

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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