

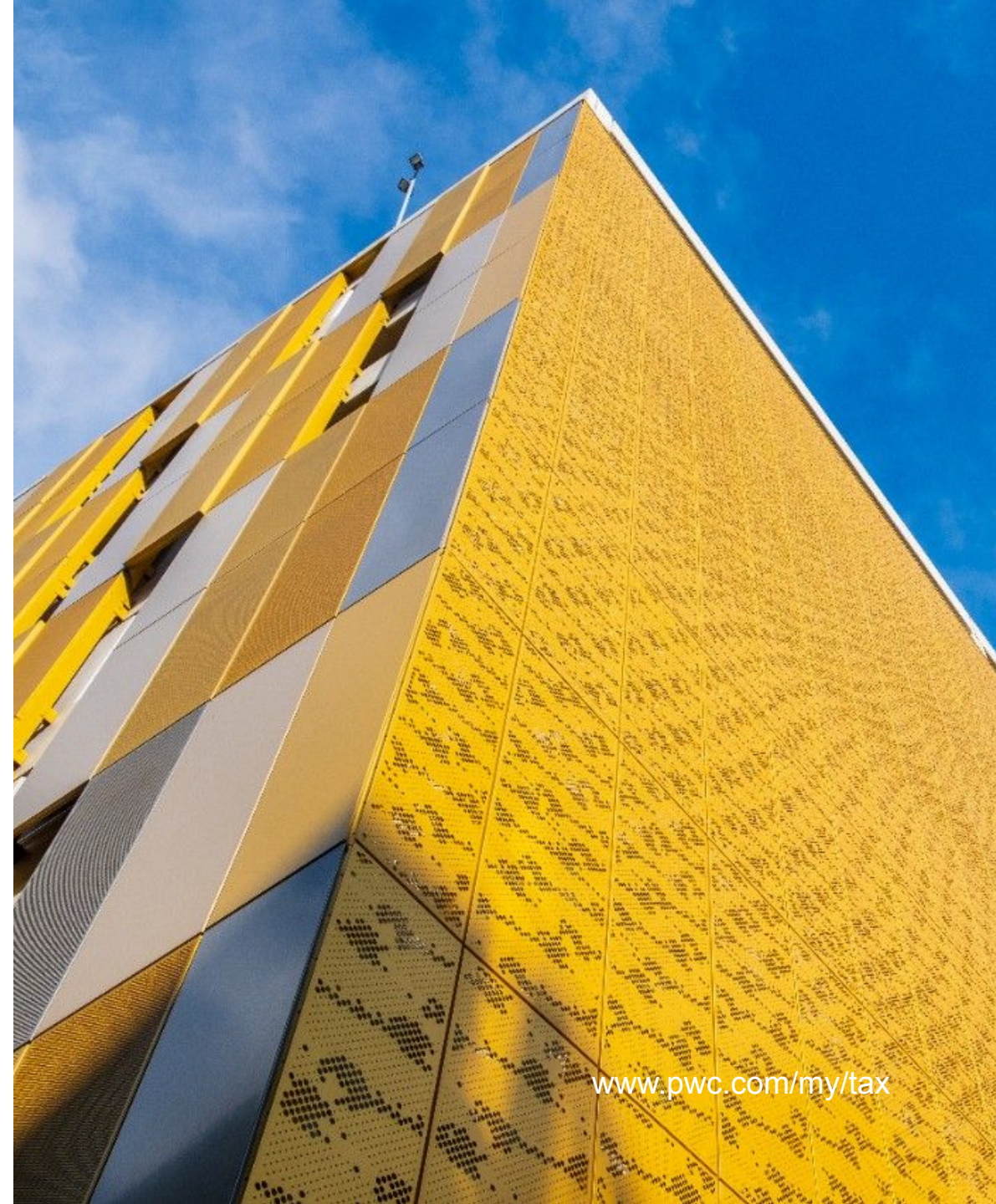


# TaXavvy

16 July 2020 | Issue 42-2020

## In this issue

- Public rulings on tax treatment of stock in trade
- Public Ruling 4/2020 - Tax treatment of any sum received and a debt owing that arises in respect of services to be rendered
- FAQ on Advance Pricing Arrangement treatment due to COVID-19 pandemic
- FAQ in relation to the special deduction for 30% rental reduction (Updated)
- FAQ on International Tax Issues (Updated)
- Audit Framework for Compliance under Subsections 44(6), 44(6B), 44(11D) and PU(A) 139/2020
- Guidelines for fund for purchase or construction of house of religious worship
- Stamp duty guidelines for transfer of unlisted shares



[www.pwc.com/my/tax](http://www.pwc.com/my/tax)



# Public rulings on tax treatment of stock in trade

The Inland Revenue Board (IRB) has issued the following public rulings on tax treatment of stock in trade:

- Public Ruling 2/2020: Tax Treatment of Stock In Trade Part I - Valuation of Stock (“PR 2/2020”)
- Public Ruling 3/2020: Tax Treatment of Stock In Trade Part II - Withdrawal of Stock (“PR 3/2020”)

The key highlights of the public rulings are set out in the following pages.



## Public Ruling 2/2020: Tax Treatment of Stock In Trade Part I - Valuation of Stock

### Transfer of ownership of property in goods

This public ruling sets out the timing of transfer of ownership of property in goods. The transfer of property in goods from seller to purchaser would generally be in accordance with an agreement or contract. The point of transfer of ownership pursuant to the the Sales and Goods Act 1957 is as follows:

Type of contract / arrangement	Point of transfer of ownership
Contract for sale of specific / ascertained goods	At such time as intended by the parties based on terms of the contract, conduct of the period and circumstances of each case.
Unconditional contract for sale of goods in a deliverable state	When the contract is made. The postponement of payment and / or delivery is immaterial.
Contract of sale specific goods and the seller is required to do something to the goods to put them into a deliverable state	At the point when such a thing as required to be done by the seller is completed.
Contract of sale of unascertained or future goods by description, where the goods are unconditionally appropriated by one party with the agreement of the other party, whether expressed or implied	Immediately upon appropriation.
Contract of sale of specific goods in a deliverable state and seller is required to weigh, measure, test or perform an act with reference to the good to ascertain its price	When such act or thing is done and the purchaser is notified.

Valuation of stock

Under the Income Tax Act 1967 (ITA), stock is valued either by using the market value or the cost of acquiring the stock. Where the stock consists of immovable properties, stocks, shares or marketable securities, the value of the stock is the lower of cost price or its market value.

PR 2/2020 explains that market value of stock for tax purposes is equal to the fair value or estimated selling price. The net realisable value is not accepted. The replacement cost method of determining the market value of stock is also not accepted for tax purposes because it may not be the value of stock if sold in an arm’s length transaction.

If stock is valued at cost, the accepted methods are first-in-first-out (FIFO) and the weighted average cost. The last-in-first-out (LIFO) method is not accepted for tax purposes.

Valuation of stock on cessation of business

PR 2/2020 has included a section on valuation of stock on cessation of business.

Situation on cessation of business	Value of stock on cessation
Stock sold or transferred	
Stock is sold or transferred for a valuable consideration to another person who intends to use the said stock in his business and the cost of the said stock is deductible as an expense in computing the other person’s adjusted income of his business.	The price paid on the sale, or value of the consideration, and not the market value.
Where the above situation does not apply	The market value at the time of cessation of business.
Unsold stock in trade	
When the stock remains unsold	The market value at the time the business ceased.
Sale of stock with other assets on cessation of business	
Stock and other business assets are sold or transferred for a consideration in cash or its equivalent.	Apportionment of total consideration to stock (Apportionment on a just and reasonable manner) .
Stock is transferred (with or without other assets) for a consideration other than cash or its equivalent.	Market value of the consideration at the date of the transfer, or If stock is transferred with other assets, an apportionment of the consideration to stock (Apportionment on a just and reasonable manner).

## Public Ruling 3/2020: Tax Treatment of Stock In Trade Part II - Withdrawal of Stock

PR 3/2020 explains the valuation and treatment of withdrawal of stock under the following situations:

Situation	Tax treatment
Stock withdrawn for own use	<p>Treated as follows:</p> <ul style="list-style-type: none"> <li>• Stock has been sold, and</li> <li>• Market value of the stock at the time of its withdrawal is treated as gross income of the business.</li> </ul> <p>Where the stock withdrawn is used as a capital asset in the business, capital allowance may be claimed on the market value of the stock withdrawn at the time of withdrawal.</p>
Stock withdrawn for use in a different business activity	Treated as a sale of stock at market value.
Stock reclassified from trading to capital or vice versa due to change of intention of business	The item reclassified is valued at market value.

Situation	Tax treatment
Stock withdrawn without consideration received	Market value of stock at the time of withdrawal is treated as gross income of the business.
Stock withdrawn for a consideration consisting of: <ul style="list-style-type: none"> <li>• any property that is not a debt to the taxpayer and is not cash or its equivalent ("a sum"), or</li> <li>• any property together with a debt to the taxpayer and / or a sum.</li> </ul>	<p>Market value of stock at the time of withdrawal is treated as gross income for that year of assessment.</p> <p>Where there is a debt and / or a sum received as consideration, the market value of stock is reduced by the debt and the sum received. The collective consideration consisting of the market value of stock, debt and sum will be treated as gross income of the business.</p>
Stock parted by compulsion, including requisition or compulsory acquisition	The compensation or amount received is treated as gross income of the business.

The public rulings are available on IRB's website [www.hasil.gov.my](http://www.hasil.gov.my) (Legislation > Public Rulings).

## Public Ruling 4/2020 - Tax treatment of any sum received and a debt owing that arises in respect of services to be rendered

The IRB has issued a new Public Ruling 4/2020 - Tax treatment of any sum received and a debt owing that arises in respect of services to be rendered ("PR 4/2020") dated 16 June 2020.

Prior to year of assessment (YA) 2016, only debt owing in respect of services that have been rendered were brought to tax in the year of assessment in which the debt arises. With effect from YA 2016, following the amendment of section 24(1)(b) of the ITA, a debt arising from services that are to be rendered will also have to be brought to tax in the year when the debt arises.

A new section 24(1A) was also introduced in YA 2016 which brings to tax in the year of receipt, any payments received in advance even though the amount is not due to be paid.

PR 4/2020 explains the application of these provisions.

The following are the salient points of PR 4/2020:

### **When a debt arises**

For tax purposes of section 24(1), a debt arises where there is a contractual obligation or liability to pay.

### **Current tax treatment under of sections 24(1)(b) and 24(1A)**

- Under the amended section 24(1)(b), a debt arising from services that are to be rendered will be brought to tax in the year when the debt arises.
- Under the new section 24(1A), payments received in advance even though there is no contractual obligation to pay at the time payment, will be brought to tax in the year of receipt.
- Section 24(1)(b) is to be considered first before applying section 24(1A).
- Where such sum is refunded in respect of services that have yet to be rendered, a tax deduction can be claimed in the YA the refund is made.

### **Transitional tax treatment for advance payment received prior to YA 2016**

Where an advance payment was received prior to YA 2016 for services that is to be rendered subsequent to YA 2016, the advance payment will continue to be only taxable when the service is rendered.

### **Services which are not subjected the tax treatment under sections 24(1)(b) and 24(1A)**

The following are services not subjected to the new tax treatment:

- Services that are governed by separate income tax rules (e.g. Construction contract or property development).
- Services provided by a non-resident person.
- Refundable deposits which do not form part of the gross income of the service provider's business (e.g. security deposit), but does not include deposits which are forfeited.

The public ruling is available on IRB's website [www.hasil.gov.my](http://www.hasil.gov.my) (Legislation > Public Rulings).



## FAQ on Advance Pricing Arrangement treatment due to COVID-19 pandemic

The IRB has issued a FAQ on Advance Pricing Arrangement (APA) treatment due to COVID-19 pandemic ("APA FAQ"), dated 16 June 2020. The FAQ is summarised as follows.



Question	Answer
<b>New APA application</b>	
Can a taxpayer file a new APA application request during the period of COVID-19 pandemic?	<p><u>Businesses impacted by COVID-19</u> New APA applications are currently not accepted until further notice.</p> <p><u>Businesses not impacted by COVID-19</u> APA application can proceed as usual.</p>
<b>Treatment of on-going APA</b>	
How are such applications reviewed by IRB?	<ul style="list-style-type: none"> <li>• The review process is based on the information previously submitted to the IRB. The proposed arm's length range will be based on the benchmarking analysis of normal economic and market conditions i.e. pre-COVID-19 period.</li> <li>• Amendments or substantial updates on material changes to on-going applications are not allowed as the full impact of COVID-19 is still uncertain at this point of time.</li> <li>• Term test may be required, depending on the facts and circumstances of the case. The Annual Compliance Report will be required to be submitted annually.</li> <li>• Compensating adjustment is to be made at the end of the period covered by the APA.</li> </ul>
Available options	<ul style="list-style-type: none"> <li>• Continue with on-going APA based on information previously submitted, or</li> <li>• Withdraw the application if the impact of COVID-19 on the business is significant.</li> </ul>
Can taxpayer submit a revised range of margins/projections for on-going APA negotiation if its business is impacted by the COVID-19?	IRB will process the applications based on the proposed range of margins submitted pre-COVID-19. New margins are deemed unsuitable as they are based on highly uncertain projections / forecast.

Question	Answer
<b>Treatment of on-going APA (con't)</b>	
When can a taxpayer that had withdrawn the APA application due to circumstances of COVID-19 apply for a new APA?	The taxpayer may file a fresh APA application but will be subjected to the same conditions as a new APA application for businesses under COVID-19 pandemic.
<b>Treatment of concluded APA</b>	
Is taxpayer allowed any relief from complying with critical assumptions if any of the critical assumptions are breached due to the impact of COVID-19?	The taxpayer is required to comply with all the critical assumptions stated in the APA agreement with no exception. However, taxpayer can notify the IRB of the need for a revision to the APA in the event it cannot fulfil the critical assumptions due to COVID-19 as explained in the next question.
What should taxpayer do if it cannot fulfil the critical assumptions in the APA agreement in force due to COVID-19 impact?	<ul style="list-style-type: none"> <li>• The taxpayer may either revise or apply for the cancellation of the APA.</li> <li>• For revisions, IRB must be notified within 30 days of becoming aware of the need for a revision to the APA due to the impacts from COVID-19 that causes a failure to meet the critical assumptions stipulated in the APA.</li> <li>• In the case of Bilateral APA / Multilateral APA, any application for a revision or cancellation will be subject to further negotiation with treaty partner(s) taking into account all relevant tax jurisdictions' APA regulations and procedures.</li> </ul>
What happens if there is a failure to conclude a revised APA requested by taxpayer due to failure to comply with critical assumptions?	If Competent Authorities (in cases of Bilateral APA / Multilateral APA) or IRB and taxpayer (in the case of Unilateral APA) fail to conclude a revised APA, then the Competent Authorities or IRB may cancel the APA.
<b>Renewal of APA</b>	
Can taxpayer apply for renewal of an expiring APA and how is the renewal being treated if the business is impacted by COVID-19?	An APA can be renewed under the terms and conditions similar to an expiring APA. The taxpayer does not qualify for a renewal if the critical assumptions in the expiring APA are no longer valid or relevant due to material changes to taxpayer's business as a result of COVID-19 pandemic. Under such circumstances, the taxpayer may file a new APA application or choose not to submit a new APA application.

The FAQ is available on IRB's website [www.hasil.org.my](http://www.hasil.org.my) (International > Advance Pricing Arrangement)

## FAQ in relation to the special deduction for 30% rental reduction (Updated)

The IRB has issued an updated FAQ for the Special Deduction for Corporate Taxpayers and Other Taxpayers on Rental Reduction Offered to Small and Medium Enterprises (SMEs) Tenants dated 15 June 2020 ("Rental FAQ").

The Rental FAQ is updated to address the following:

### **Extension of rental period eligible for the special deduction**

- The rental period will now cover an additional 3 months from July to September 2020.

### **Determination of SME status of tenant will now be based on SME Corp. Malaysia's certification**

- The FAQ no longer provide a brief definition of SME but still maintains that SMEs are defined according to the definition as provided and available on SME Corp. Malaysia's website (i.e. based on annual sales turnover and number of full-time employees).
- To be eligible for the special tax deduction, the SME tenant has to be a registered SME and has obtained the SME Status Certification from SME Corp Malaysia.
- Following the new requirement to be certified by SME Corp. Malaysia, question 6 in the superseded FAQ (setting out the cut-off dates for annual sales turnover and number of full-time employees for the determination of SME Status) has been removed as it is no longer relevant.

### **Tenancy agreements are to be stamped**

The IRB has now indicated that the tenancy agreements are to be duly stamped.

The FAQ is available on IRB's website [www.hasil.org.my](http://www.hasil.org.my) (Quick Links > FAQs Movement Control Order & Economic Stimulus Package)





## FAQ on International Tax Issues (Updated)

The IRB has issued an updated FAQ on International Tax Issues ("International Tax FAQ"). The key changes are summarised in the following pages.



Question	Feedback (key changes)
<b>Residence</b>	
1. I am currently outside of Malaysia because of COVID-19 travel restrictions. How would my absence from Malaysia affect my residence status in Malaysia?	<p>The IRB has added the following comment in relation to documents to be kept:</p> <ul style="list-style-type: none"> <li>It includes those that may prove the temporary absence from Malaysia is due to COVID-19 travel restrictions.</li> </ul>
2. I am not a resident in Malaysia. Currently, I am in Malaysia because of COVID-19 travel restrictions. Would my temporary presence in Malaysia affect my residence in Malaysia?	<p>The IRB has added the following comments / clarification:</p> <ul style="list-style-type: none"> <li>Documents to be kept include those that may prove the temporary absence from Malaysia is due to COVID-19 travel restrictions.</li> <li>"Temporary presence in Malaysia because of COVID-19 travel restrictions" refers to the movement control order period in Malaysia</li> </ul>
3. My company is unable to convene a meeting of the Board of Directors in Malaysia because of COVID-19 travel restrictions. Will this have an effect on the company's residence status in Malaysia?	<ul style="list-style-type: none"> <li>The previous condition of 'no changes to the economic circumstance of the company' (to presume that the company is a Malaysian resident) has been removed.</li> <li>In addition to documents to be kept which were previously stated (i.e. board minutes stating why the directors were attending board meetings from their respective locations) the IRB have now inserted the following additional documents: travel documents, local authority travel restrictions and similar documents.</li> </ul>

Question	Feedback (key changes)
<b>Residence (con't)</b>	
<p>4. My company convenes a meeting of the Board of Directors in Malaysia because of COVID-19 travel restrictions. The company is not a resident in Malaysia and does not intend to seek residence status in Malaysia.</p>	<p>The following conditions (to assume that the company is a not a Malaysian resident) specified earlier have been removed:</p> <ul style="list-style-type: none"> <li>• Company has to hold its board of directors meeting in Malaysia due to COVID-19 travel restrictions, and</li> <li>• There are no changes to the economic circumstances of the company.</li> </ul> <p>In addition to documents to be kept which were previously stated (i.e. board minutes stating why the directors were attending board meetings from their respective locations) the IRB have now inserted the following additional documents: travel documents, local authority travel restrictions and similar documents.</p>
<b>Permanent establishment</b>	
<p>5. My company is not resident in Malaysia. Does the temporary presence of my employees or personnel in Malaysia due to COVID-19 travel restrictions lead to the creation of a permanent establishment in Malaysia?</p>	<p>The following additional notes have been included:</p> <ul style="list-style-type: none"> <li>• Clarification that this scenario also applies to all enterprises, including partnership and limited liability partnership.</li> <li>• Company must keep records and relevant documents. Examples: employee passport information, travel schedule, work order/ instructions and any information proving compliance with criteria specified and providing relevant information to IRB upon request.</li> <li>• “The temporary presence of the employees in Malaysia is solely due to the travel restrictions relating to COVID-19” refers to the movement control order period in Malaysia.</li> </ul>

Question	Feedback (key changes)
<b>Cross border employment income</b>	
<p>6. Before the MCO, I commute daily to Singapore from my home in Johor Bahru for work. Due to the MCO, I am temporarily working from home in Johor Bahru. Is my income taxable in Malaysia?</p>	<p>An additional note is inserted to specify that this scenario applies to all cross border employment situations.</p>
<p>8. I am a non-resident individual. <i>I arrived in Malaysia for a company assignment before the travel restriction because of COVID-19 was implemented. I am</i> currently working from Malaysia <i>due to</i> COVID-19 travel restrictions. <i>Am I considered to be exercising an employment in Malaysia?</i></p> <p>This question has been rephrased. Changes are indicated in italics.</p>	<p>The previous condition (to be considered as not exercising employment in Malaysia) of temporary presence of not more than 60 days has been removed.</p> <p>The revised conditions for a non-resident individual to be considered as not exercising employment in Malaysia are:</p> <ol style="list-style-type: none"> <li>His/her temporary presence is due to COVID-19 travel restrictions;</li> <li>Work performed during the individual's temporary presence is not related to his / her assignment in Malaysia and would not have been performed in Malaysia if not for the COVID-19 travel restrictions;</li> <li>The individual is under the employment of the same overseas employer, prior to the COVID-19 travel restriction; and</li> <li>The individual leaves Malaysia immediately after the travel restriction on COVID-19 ends in Malaysia.</li> </ol> <p>The following additional notes have been inserted:</p> <ul style="list-style-type: none"> <li>The individual should keep records and relevant documents. Examples: passport information, travel schedule, work order/instructions from the employer and any information proving compliance with criteria (a) to (d), and providing relevant information to IRB upon request.</li> <li>"Temporary presence due to COVID-19 travel restriction" refers to the movement control order period in Malaysia.</li> </ul>

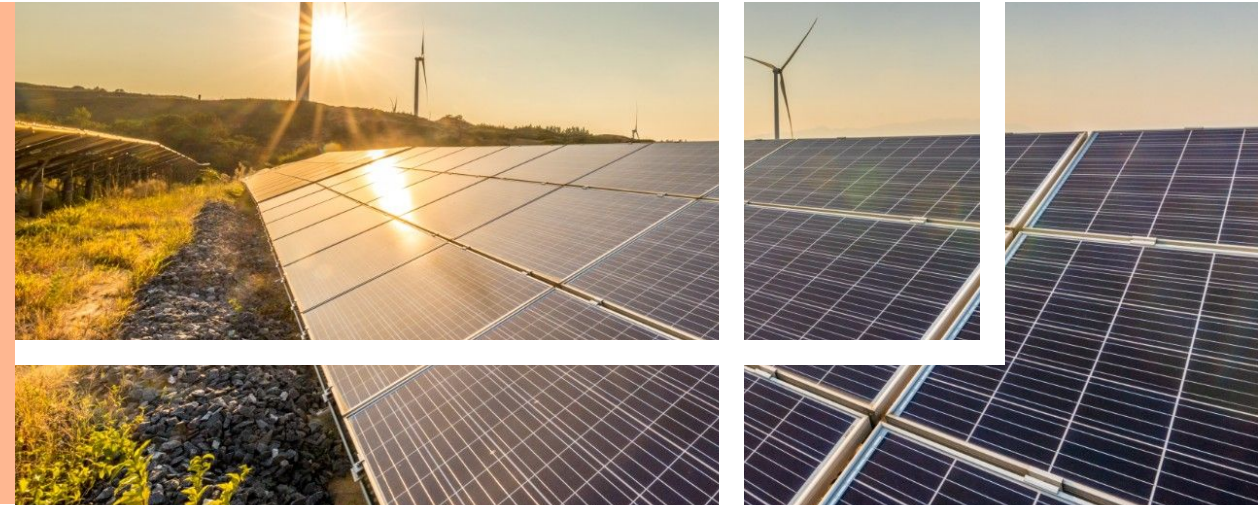


Question	Feedback (key changes)
<b>Cross border employment income (con't)</b>	
<p><b>9. New question</b></p> <p>I am a non-resident individual. I arrived in Malaysia on vacation before travel restrictions because of COVID-19 was implemented. I am currently working from Malaysia due to COVID-19 travel restrictions. Am I considered to be exercising an employment in Malaysia?</p>	<p>If the following conditions are met:</p> <ol style="list-style-type: none"> <li>The individual's temporary presence is due to COVID-19 travel restrictions;</li> <li>The work performed during his / her temporary presence is not related to his / her assignment in Malaysia and would not have been performed in Malaysia if not for the COVID-19 travel restrictions;</li> <li>The individual is under employment with the same overseas employer, prior to the COVID-19 travel restriction; and</li> <li>The individual leaves Malaysia immediately after the travel restriction on COVID-19 ends in Malaysia.</li> </ol> <p>IRB is prepared to consider the individual as not exercising an employment in Malaysia for the period of his / her temporary presence due to COVID-19 travel restrictions.</p> <p>Note:</p> <ul style="list-style-type: none"> <li>The individual should keep records and relevant documents. Examples: passport information, travel schedule, work order/instructions from the employer and any information proving compliance with criteria (a) to (d), and providing relevant information to IRB upon request.</li> <li>"Temporary presence due to COVID-19 travel restriction" refers to the movement control order period in Malaysia.</li> </ul>

The FAQ is available on IRB's website [www.hasil.org.my](http://www.hasil.org.my) (Quick Links > FAQs Movement Control Order & Economic Stimulus Package)

## Audit Framework for Compliance under Subsections 44(6), 44(6B), 44(11D) and PU(A) 139/2020

The IRB has issued a new audit framework dated 15 June 2020 in respect of compliance for approved institution, organization, appropriate religious authority, body or public university [approved under sections 44(6), 44(6B), 44(11D) of the ITA] or a company limited by guarantee granted exemption under the Income Tax (Exemption) Order 2020 (collectively referred to as “approved bodies”).



### The relevant provisions in brief

#### Section 44(6)

This section provides a deduction for donations made to the Government, a State Government, a local authority or an approved institution / organisation / fund.

#### Section 44(6B)

This section allows for an appeal to be made by an institution, organization, appropriate religious authority, body or public university which is aggrieved by the unfavourable decision of IRB in respect of its application made under section 44(6) or 44(11D).

#### Section 44(11D)

This section provides a deduction for a gift of money in the form of:

- wakaf to an approved appropriate religious authority, body or public university allowed to receive wakaf by the appropriate religious authority, or
- endowment to an approved public university.

#### Income Tax (Exemption) Order 2020 [PU(A) 139/2020]

This gazette order provides income tax exemption to religious institutions / organisations registered as companies limited by guarantee (CLBGs) under the Companies Act 2016 (refer to [TaXavvy 37/2020](#)).

## The Audit Framework for Compliance

The contents of this audit framework is consistent with that of the general Tax Audit Framework (“general audit framework”) dated 15 December 2019, except for the following:

### Objectives of audit framework

The objectives of the Audit Framework for Compliance are to ensure:

- compliance with the conditions for approval as stated in the IRB’s guidelines.
- no misappropriation of public funds received in the form of cash donations, and
- adherence by approved bodies to their main objective as not-for-profit establishments.

### Years of assessment covered in an audit

An audit may cover 1 to 3 years of assessment depending on the conditions stipulated upon approval. However, the IRB has the power to extend the audit to the earlier approved years (if necessary).

### Basis of selection for audit

Cases selected for audit under this framework is based on the following criteria:

- failure to submit audited accounts,
- information received from third party, and
- selection based on specific objectives.

### Records and documentation

A similar list of records and documents are to be maintained as per the general audit framework. However, there is an additional item to be maintained, that is the records of IRB approved official income tax exemption receipts issued for the donations.

### Timeline for audit completion

The audit has to be completed and resolved within 90 days from the commencement of the audit visit. The approved bodies will be notified in writing 14 days before the date of audit visit.

The approved body is given 18 days to lodge its formal objection against the audit findings and submit additional information / documents to support its objection. An additional 7 days will be given if the approved body is still required to furnish further information / evidence to support its case. If no objection is received within the 18 days, the approved body is deemed to agree to the audit findings.

### Revocation / withdrawal of approved status

If an approved body violates any of the conditions of approval (including responsibilities of the approved body), the IRB may revoke the approval granted and raise assessments in accordance with the general audit framework

In such cases, donors are not allowed to claim any tax relief from the date of the notification of the revocation / withdrawal is published on the IRB’s website.

The framework is available on IRB’s website [www.hasil.gov.my](http://www.hasil.gov.my) (Legislation > IRB Tax Audit Framework).



## Guidelines for fund for purchase or construction of house of religious worship

The IRB has issued two guidelines on the application for approval under section 44(6) of the ITA for the following funds.

- Fund for Purchase of House of Religious Worship
- Fund for Construction of House of Religious Worship



The guidelines sets out the following:

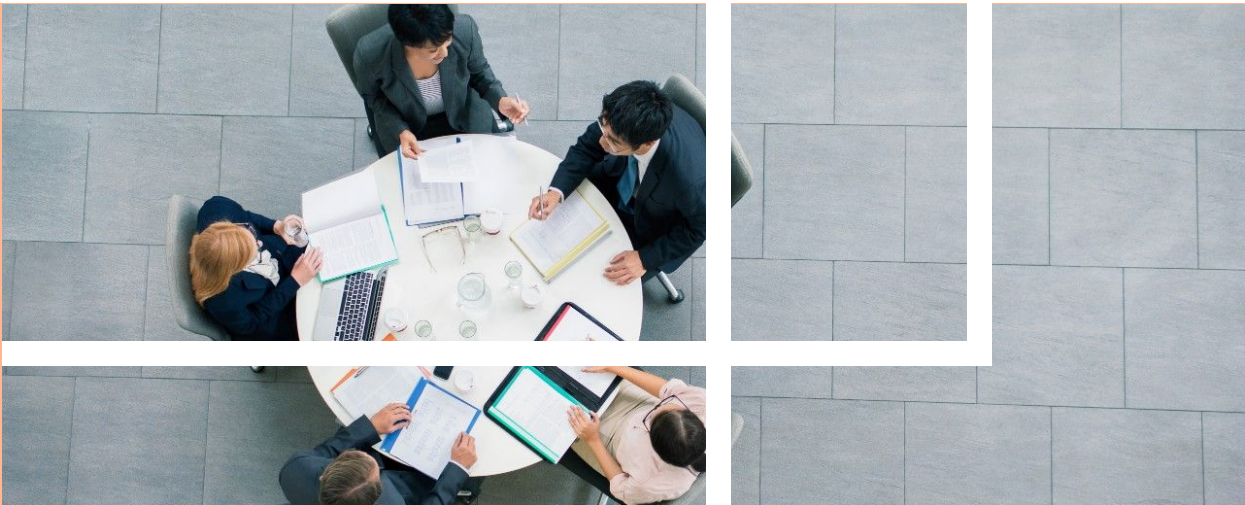
- Objectives and establishment of the fund for advancement of religion, and the prior approval from the relevant religious associations.
- Composition of committee members and their responsibilities in managing the fund.
- Contribution / donation eligible for approval under section 44(6).
- The application procedures and period for approval, as well as procedure to apply for extension.
- Tax relief available for donors.

The guidelines are available on IRB's website [www.hasil.gov.my](http://www.hasil.gov.my) (Legislation > Technical Guidelines).

# Stamp duty guidelines for transfer of unlisted shares

The IRB has published the following two stamp duty guidelines for instrument of transfer of shares which are not listed on Bursa Malaysia, on 23 June 2020:

- 2020 Guidelines
- 2019 Guidelines



The key differences of the stamp duty guidelines are outlined as follows.

	2001 Guidelines	2019 Guidelines	2020 Guidelines
Status	<ul style="list-style-type: none"><li>• Superseded by 2019 Guidelines</li><li>• Effective from 2001 to 31 May 2019</li></ul>	<ul style="list-style-type: none"><li>• Superseded by 2020 Guidelines</li><li>• Effective from 1 June 2019 to 29 February 2020</li></ul>	Effective from 1 March 2020
Valuation of shares			
Sale of shares requiring Securities Commission's (SC) approval	Price or value per share as approved by SC	Price or value per share as approved by SC	Price or value per share as approved by SC

	2001 Guidelines	2019 Guidelines	2020 Guidelines
<b>Valuation of shares (con't)</b>			
<b>Companies incurring losses</b>	<p>The higher of:</p> <ul style="list-style-type: none"> <li>• Par value</li> <li>• Net tangible asset</li> <li>• Sale consideration</li> </ul>	<p>The higher of:</p> <ul style="list-style-type: none"> <li>• Net tangible asset</li> <li>• Sale consideration</li> </ul> <p>Par value is no longer used based the Court of Appeal decision of Pemungut Duti Setem, Pulau Pinang v Malaysia Smelting Corp Bhd [2012] 3 MLJ 449.</p>	
<b>Profit making companies</b>	<p>The higher of:</p> <ul style="list-style-type: none"> <li>• Net tangible asset</li> <li>• Price earning ratio (PER)</li> <li>• Sale consideration</li> </ul>	<p>The higher of:</p> <ul style="list-style-type: none"> <li>• Net tangible asset</li> <li>• Sale consideration</li> </ul> <p>PER has been removed as a method of valuation. PER was a ratio set by the Capital Issues Committee which has now been replaced by SC. SC no longer issues any PER reference.</p>	
<b>Newly incorporated companies</b>	Not separately stated	Sale consideration	Sale consideration
<b>Dormant / inactive companies</b>	Not separately stated	<p>The higher of:</p> <ul style="list-style-type: none"> <li>• Net tangible asset</li> <li>• Sale consideration</li> </ul>	<p>Sale consideration</p> <p>Zero-revenue companies and threshold-qualified companies have been added to this category.</p>



2001 Guidelines		2019 Guidelines	2020 Guidelines
<b>Methods of valuation of shares (con't)</b>			
Net tangible assets formula	$\frac{(\text{Total Assets} - \text{Total Liabilities})}{\text{Issue share capital}}$		$\frac{(\text{Total Assets} - \text{Intangible Assets} - \text{Total Liabilities})}{\text{Issue share capital}}$
	Intangible assets are not deducted from the equation in the numerator.		Intangible assets are <b>to be deducted</b> from the equation in the numerator.
<b>Audited financial statements</b>			
Submission of audited financial statements	Not stated	<p>Audited financial statements are to be submitted with the Form of Transfer of Securities per section 105 of the Companies Act 2016, during the application for adjudication except for 3 categories of private entities which are exempted from audit requirements as provided under SSM's Practice Directive 3/2017:</p> <ul style="list-style-type: none"> <li>• Dormant companies</li> <li>• Zero-revenue companies</li> <li>• Threshold-qualified companies</li> </ul>	

The guidelines are available on IRB's website [www.hasil.gov.my](http://www.hasil.gov.my) (Legislation > Technical Guidelines).

## 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) 270 7300

### 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

### Services & Infrastructure

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

### 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

### 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

### 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

### Tax Technology

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

### Tax Reporting & Strategy

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

### 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



[www.pwc.com/my/tax](http://www.pwc.com/my/tax)

**TaXavvy** is a newsletter issued by PricewaterhouseCoopers Taxation Services Sdn Bhd. Whilst every care has been taken in compiling this newsletter, we make no representations or warranty (expressed or implied) about the accuracy, suitability, reliability or completeness of the information for any purpose. PricewaterhouseCoopers Taxation Services Sdn Bhd, its employees and agents accept no liability, and disclaim all responsibility, for the consequences of anyone acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Recipients should not act upon it without seeking specific professional advice tailored to your circumstances, requirements or needs.

© 2020 PricewaterhouseCoopers Taxation Services Sdn Bhd. All rights reserved. "PricewaterhouseCoopers" and/or "PwC" refers to the individual members of the PricewaterhouseCoopers organisation in Malaysia, each of which is a separate and independent legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.