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Special deduction for taxpayers on rental reduction offered to Small and Medium Enterprises tenants - updated FAQs

Following the Ministry of Finance's (MOF) Frequently Asked Questions (FAQs) on special deduction for taxpayers on rental reduction offered to Small and Medium Enterprises (SMEs) tenants (previously covered in [TaXavvy 23/2020](#)), the Inland Revenue Board (IRB) has on 25 April 2020, issued an updated FAQ on this.

Key additional points added by the IRB to the FAQ are as follows:

1. Are companies which are excluded from the SME definition under the SME Guideline (by SMECorp), considered as SME tenant for the purpose of this measure?

The IRB confirms that the following companies which are excluded in the SME Guideline are not considered to be SME tenants for the purpose of this measure even though they meet the sales or number of employee threshold requirements:

- Entities that are public-listed on the main board; and
- Subsidiaries of:
 - a) Publicly-listed companies on the main board;
 - b) Multinational corporations (MNCs);
 - c) Government-linked companies (GLCs);
 - d) Syarikat Menteri Kewangan Diperbadankan (MKDs); and
 - e) State-owned enterprises.

2. If my company rents out a premise to a related company, would my company qualify for this special deduction? (FAQ 4)

If the tenant qualifies as an SME as defined in the FAQ, the company would be eligible to claim the special deduction.

3. What is the meaning of business premises for this purpose? (FAQ 5)

Business premises for this purpose means all premises used for carrying out a business such as office, workshop, warehouse, childcare and rented lot/bazaar/booth/stall. However, rental of a residential house used for both residential and business purposes is excluded.

4. Is this special deduction applicable to rental of other than premises such as machines, parking spaces, telecommunication towers etc.? (FAQ 7)

This special deduction is for rental of business premises only. The rented business premises must be used for the purpose of carrying out a business.

5. If my company reduces the rental amount at a different rate every month, can my company claim this special deduction? (FAQ 12)

Yes, the company must ensure that the reduction amount should not be less than 30% for each eligible month. If in any of these eligible months, the rental reduction is less than 30%, then the company is not eligible to claim the special deduction for that particular month/months.

6. I have received rental payments for the months of April until June 2020 earlier this year. Can I still offer rental reduction and claim the special deduction? (FAQ 13)

Yes, for a landlord that has received the rental payment for April, May and June 2020 in advance, the landlord can still offer rental reduction subject to the fulfilment of the conditions.

7. What are the supporting documents required? (FAQ 14)

Apart from the valid tenancy agreement and rental income statement, the IRB's FAQ also specify the following information will have to be provided in the Working Sheet (HK) of the company's income tax return form:

- Details of the tenant as SME such as number of business registration, tax file number etc.,
- Details of the rental reduction.

As announced by the Government on 23 April 2020, the Movement Control Order (MCO) is now extended to 12 May 2020. Our offices across Malaysia will remain closed throughout the MCO period. During this time, we will continue to operate fully on a work-from-home basis to deliver our work to the best of our abilities. Please write to us at pwcmsia.info@my.pwc.com if you have any questions or concerns.

Have questions? [Write to us.](#)

