



Taxavvy

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Tax exemption guidelines for a religious institution /organisation registered as a company limited by guarantee

The Inland Revenue Board (IRB) has issued Guidelines in relation to the Application of Income Tax Exemption for a Religious Institution or Organisation under the Income Tax (Exemption) Order 2020 (“the guidelines”). The Income Tax (Exemption) Order 2020 provides tax exemption to a religious institution or organisation which is registered as a company limited by guarantee (CLBG) and has obtained approval from the IRB (refer to [TaXavvy 37/2020](#)).

The following are the salient points from the guidelines:

- The approval given is for a period of 5 years and application for extension must be made within 6 months from the expiry of the approved period.
- If during the application review, it is determined that the applicant is not taxable for 3 years by reason that its income is solely from donations, the application for exemption will not be applicable as there is no other income source that will be subjected to tax.
- The place of worship is to be managed by a committee comprising not more than 70% of the CLBG’s Board of Directors, and the remaining by external parties not related to the CLBG.
- Land and building, whether purchased or rented, for the place of worship must have the necessary approvals from local authorities. The approvals are to be submitted with the application.
- All income, profits and properties obtained are to be reinvested into the place of worship for purposes of religious worship and advancement of religion.
- Operating expenditure incurred must be reasonable and not exorbitant.
- IRB is to be notified and IRB approval is to be obtained for any purchase or disposal of real property.
- Audited financial statements of the place or worship are to be submitted to IRB annually by 30 April of the following year.
- IRB will conduct audits and where the conditions of approval are not met, the exemption given may be revoked.

The guidelines is available on the IRB’s website www.hasil.gov.my (Legislation > Technical Guidelines).

Tax exemption for promoting and organising conferences

The Income Tax (Exemption) (No. 4) Order 2021 (“2021 Order”) in relation to the Budget 2020 proposal on promoting and organising conferences has been gazetted.

Existing incentive

Companies, associations or organisations which carry on activities of promoting and organising conferences are eligible for tax exemption.

The tax exemption is on 100% of statutory income derived from organising conferences held in Malaysia subject to conditions which include at least 500 foreign participants in a year of assessment (YA).

Expansion of the incentive

The recently gazetted 2021 Order provides a similar tax incentive to companies, associations or organisations which carry on other business or activity and also derive income from organising conferences held in Malaysia.

Similarly, the 2021 Order provides tax exemption on 100% of statutory income derived from organising conferences held in Malaysia subject to conditions which include at least 500 foreign participants in a YA. This exemption is effective from YA 2020 to YA 2025.



Tax exemption in relation to Malaysia's sovereign sustainability sukuk

The Income Tax (Exemption) (No. 3) Order 2021 ("Exemption Order") in relation to Sukuk has been gazetted.

The tax exemption

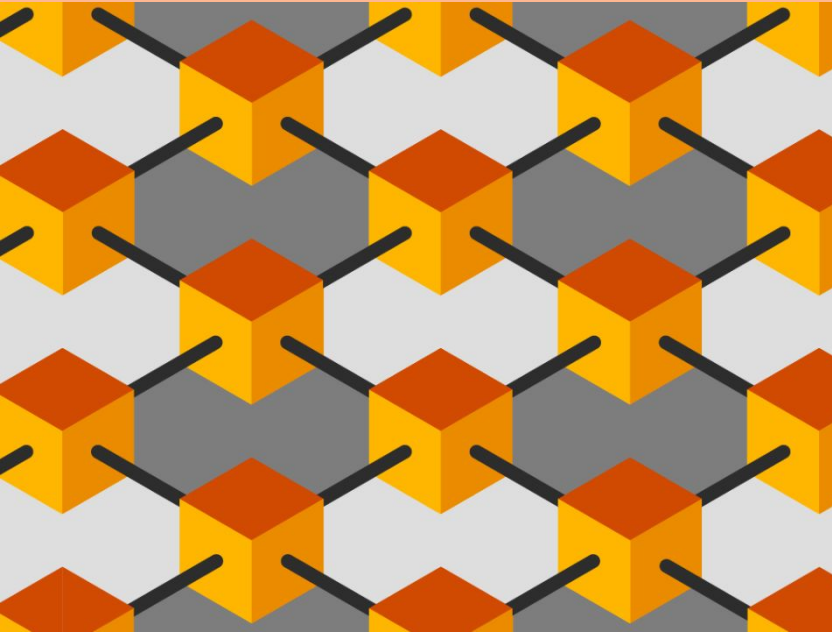
Effective from YA 2021, the Exemption Order provides income tax exemption on gains or profits derived in lieu of interest from sukuk wakala (nominal value up to USD1.3 billion) other than convertible loan stock, issued in accordance with the principal of *Wakala* by Malaysia Wakala Sukuk Berhad.

The withholding tax on interest does not apply to the income exempted.

Brief information on the Sukuk

The Ministry of Finance has in its press release dated 22 April 2021 announced the issuance of the world's first sovereign US Dollar sustainability sukuk with a nominal value up to USD1.3 billion. The Sukuk will be issued via an SPV, i.e. Malaysia Wakala Sukuk Berhad. Proceeds from the Sukuk will be used for eligible social and green projects aligned to the United Nations' Sustainable Development Goals (SDG) Agenda. These goals, which has been adopted into the Government of Malaysia SDG Sukuk Framework, are:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-Being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals



Tax exemption on management fee income for Sustainable and Responsible Investment Funds

Budget 2020 announced the extension of tax exemption on management fee income for Sustainable and Responsible Investment (SRI) Funds for another 3 YAs. The proposal is now gazetted under the Income Tax (Exemption) (No.5) Order 2021.

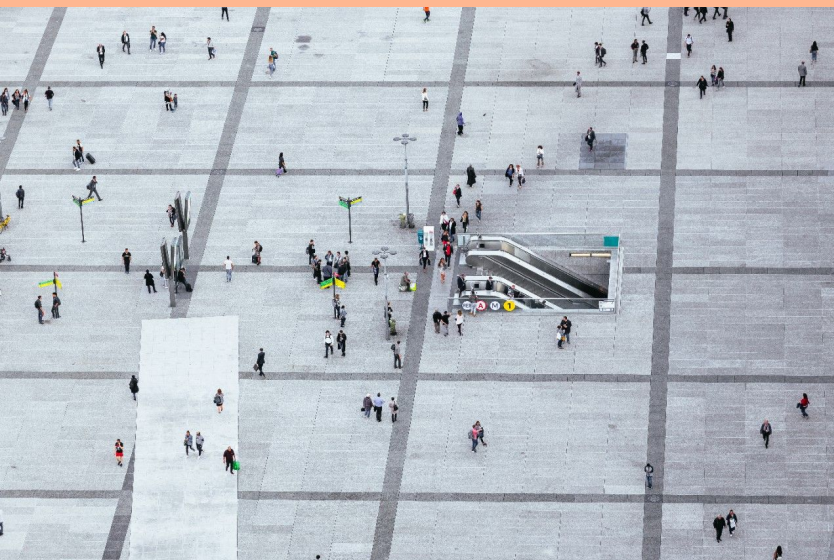
The salient points of the gazette are:

- Statutory income from a business of providing fund management services for SRI Funds in Malaysia is exempted from income tax for YAs 2021 to 2023.
- The fund management company exempted must be:
 - Resident in Malaysia and incorporated under the Companies Act 2016
 - Licensed and registered as a venture capital management corporation or private equity management corporation
 - Annually certified by the Securities Commission Malaysia to have fulfilled conditions including incurring annual operating expenditure of RM250,000 and has at least 2 full-time employees (where 1 of them must hold a capital markets services representative license)
- The exempted income shall be treated as a separate and distinct source of business income.
- The exemption does not apply to a company granted incentive under section 60G (as a foreign fund management company) or any exemption under section 127(3)(b) [exemption by statutory order] or section 127(3A) [Ministerial exemption] of the Income Tax Act 1967.



Practice Note 1/2021 in relation to deduction of monthly tax as final tax for employees

The IRB has issued Practice Note 1/2021 - Tax Treatment on Final Tax dated 3 May 2021 ("PN 1/2021"). PN 1/2021 explains the tax treatment in relation to monthly tax deduction (MTD) as final tax for employees. Effective from YA 2014, taxpayers with only employment income and who have been subject to MTD are eligible to opt not to file an income tax return. Under this option, the MTD is deemed as final tax.



PN 1/2021 sets out the eligibility criteria for taxpayers for this option and the implications under various scenarios. Below are some of the salient points:

1. Where a taxpayer satisfies the eligibility criteria and does not file a tax return, the taxpayer is taken to have opted for MTD as final tax.
2. Under this option, if the MTD is in excess of the actual tax liability, no tax refunds or reduced assessments will be made. Should the taxpayer wish to claim for refund subsequently, the income tax return must be submitted. Penalties for failure to furnish the tax return may then be imposed.
3. Where the taxpayer opts for MTD as final tax and:
 - IRB subsequently obtains additional / new information on the taxpayer's income, IRB may raise an assessment / additional assessment and the MTD deducted will not be deemed as final tax.
 - The taxpayer is found to have rental income, or the taxpayer wishes to claim additional relief / rebate, the taxpayer is required to submit the tax return. Penalties for failure to furnish the tax return may then be imposed.
4. If a tax audit is carried out on the employer and a shortfall in MTD is discovered:
 - A compound will be imposed on the employer and shortfall in the MTD is to be made good by the employer.
 - The employee will be required to submit a tax return to IRB. Penalties for failure to furnish the tax return may then be imposed if the tax return is not submitted by the due date required by the IRB.

PN 1/2021 is available on IRB website www.hasil.gov.my (Legislation > Practice Note).

Relaxation of incentive conditions for manufacturing and services projects

As part of Malaysia's economic revitalisation efforts, MIDA has issued a press statement dated 6 April 2021, on the relaxation of certain conditions for manufacturing and services companies which have been approved with incentives under MIDA's purview.



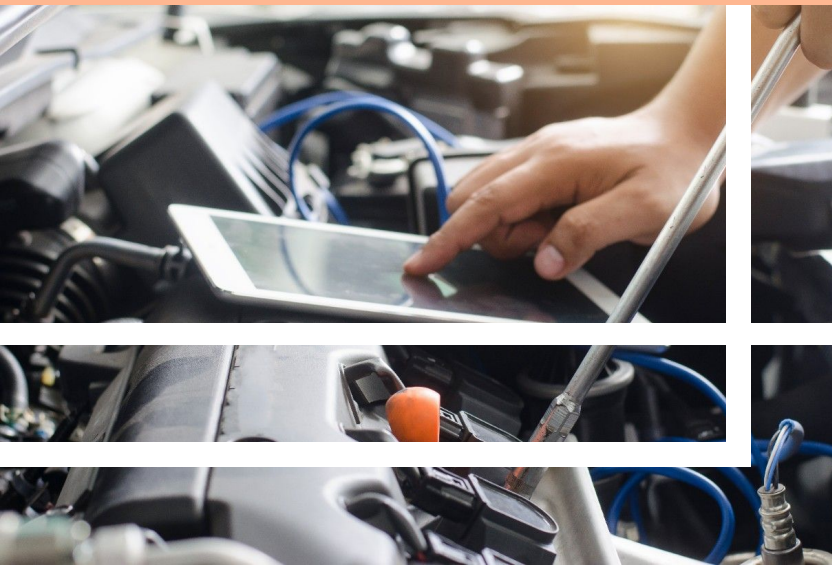
The key points are:

- Companies approved with incentives under MIDA's purview may be considered for certain relaxation of the conditions specified in the approval letter or the implementation timeline of the approved project, subject to the compliance of identified criteria set by the Government.
- The relaxation is for the period 2020 and 2021.
- Companies are encouraged to submit their appeal applications on relaxation / amendment of incentive conditions to the relevant industries and services division in MIDA, with relevant supporting documentation based on the prevailing policy decisions set by the Ministry of International Trade and Industry and Ministry of Finance.

The press statement is available on MIDA's website www.mida.gov.my (Media & Events > Announcement / Media Release).

Promoted products and activities for the automotive sector

MIDA has issued a list of promoted products and activities for the automotive sector which are eligible for incentives for new manufacturing projects, and expansion and / or diversification projects.



The categories eligible are:

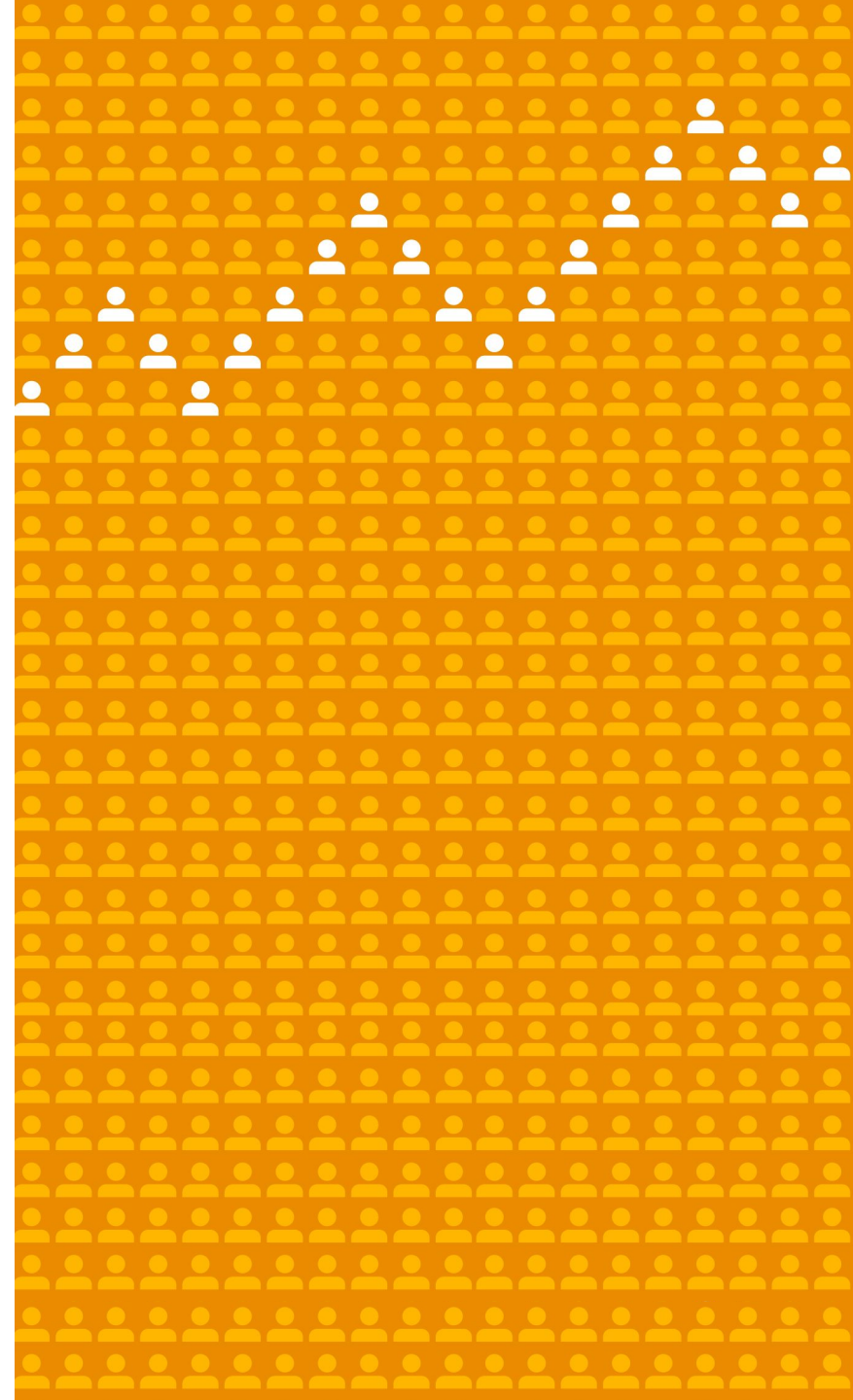
Category	Promoted products / activities
Assembly of Energy Efficient Vehicles (EEV)	Internal Combustion Engine (ICE) vehicles, hybrid, electric vehicles and alternative fuelled vehicles such as CNG, LPG, Biodiesel, Ethanol, Hydrogen and Fuel Cells
Assembly of Next Generation Vehicle (NxGV)	Autonomous, Automated and Connected Vehicle (AACV)
Critical components / systems for EEV and non-EEV	<ul style="list-style-type: none">• Transmission and/or part thereof (except clutch pedal)• Engine and/or part thereof (except spark plug, alternator, timing belt and timing chain, electronic control unit)• Airbags and/or part thereof• Handling and control mechanism (suspension, brakes, steering system, corner module)• Brake mechanism and/or part thereof (except brake pads, drum brake, brake shoes and hand brake)• Body in white and/or components & parts with new lightweight material contribute to EEV manufacturing (Advanced High Strength Steel, Ultra High Strength Steel, Boron/Martensite, High Strength Aluminium, Magnesium, Carbon Fiber Reinforced Plastic, Composites etc)• Turbocharger and/or part thereof

Category	Promoted products / activities
Components for hybrid and electric vehicles	<ul style="list-style-type: none"> • Electric motors • Electric batteries • Battery management systems • EV chassis • On board charger module • Thermal management systems • Battery pack
Components for NxGV	<ul style="list-style-type: none"> • Advanced Driver-Assistance System (ADAS) • Light Detection and Ranging (LIDAR) and/or part thereof • Complex Network of Radio Detection and Ranging (RADAR) • Telematic devices and/or part thereof • Master controller and critical components of AACV (e.g. sensors, V2X module,etc)

Comment

Details of the incentives that will be offered are not specified by MIDA. Promoted activities and products are generally offered with either a Pioneer Status (70% or 100% exemption on statutory income for 5 or 10 years) or an Investment Tax Allowance (60% or 100% allowance on qualifying capital expenditure for 5 years).

The list is available on MIDA's website www.mida.gov.my (Forms and Guidelines > Manufacturing Sector > Application for Incentive and / or Expatriate Posts > Application of Incentive for Automotive Industry).



Updated guidelines for promotion of healthcare travel

MIDA has updated the Guidelines for Application for Tax Incentive for the Promotion of Healthcare Travel (“the Guidelines”) which supersedes the guidelines dated 15 May 2020.

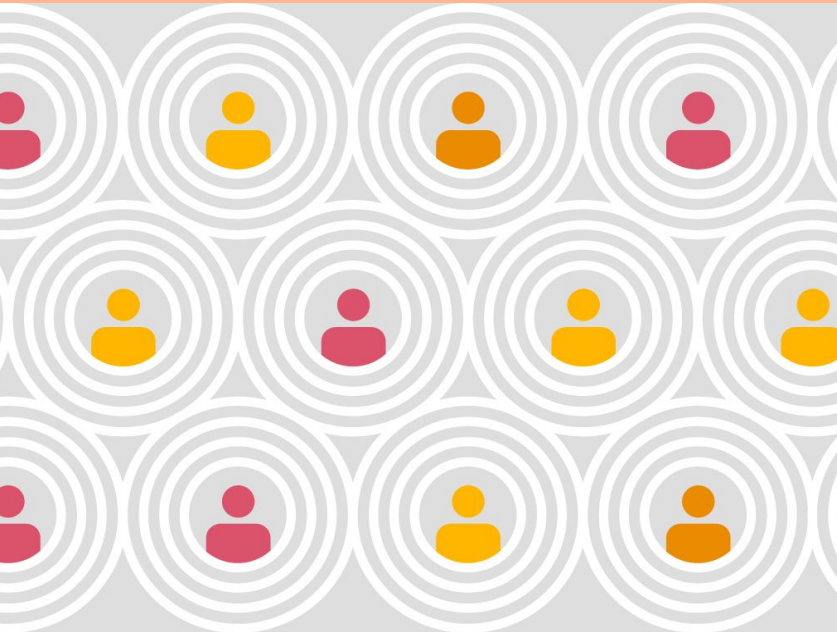
New private healthcare facilities or existing private healthcare facilities undertaking expansion / modernisation / refurbishment are eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred within 5 years pursuant to the Income Tax (Exemption) (No. 2) Order 2020 (refer to [TaXavvy 37/2020](#) for more details).

The key amendments to the Guidelines are as follows:

- The application period has been extended to application received by MIDA no later than 31 December 2022 (previously 31 December 2020).
- The following conditions shall be complied no later than the third YA commencing from the date the company starts its operations:
 - Qualified healthcare traveller shall comprise at least 10% of the total patients for each YA.
 - At least 10% of gross income of each YA is generated from healthcare travellers.

It is stated in the Guidelines that the existing exemption orders, the latest being the Income Tax (Exemption) (No. 2) Order 2020 will be adopted until a new gazette order is issued.

The Guidelines is available on MIDA’s website www.mida.gov.my (Forms and Guidelines > Services Sector > Private Health Care Facilities).



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