Welcome to our TaXavvy Budget Edition (Part 2) which brings you the key tax proposals of Budget 2022.
This TaXavvy edition is prepared based on the Finance Bill 2021.

This edition is a continuation of our Budget 2022 Edition (Part 1) and highlights the key tax proposals based on the Finance Bill 2021 which were not covered in Budget 2022 Edition (Part 1).
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Scope of tax

Foreign-sourced income taxed upon remittance into Malaysia

Currently, income of any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) derived from sources outside Malaysia and received in Malaysia (“foreign-sourced income”), is exempted from income tax under Paragraph 28 of Schedule 6, Income Tax Act 1967 (ITA 1967).

It is proposed that with effect from 1 January 2022, the exemption of foreign-sourced income received in Malaysia is only applicable to a person who is a non-resident. This means that foreign-sourced income of Malaysian tax residents which is received in Malaysia will be subject to tax.

Additional information from the Finance Bill

- The taxation of foreign-sourced income is applicable to all tax residents. This will include both companies and individuals.
- The scope of income to be taxed covers all classes of income whether from business, salaries or passive income (e.g. dividends, interest, royalties, etc)
- There will be a transitional period from 1 January 2022 to 30 June 2022 where foreign-sourced income remitted to Malaysia will be taxed at the rate of 3% on gross income.
- From 1 July 2022, any foreign-sourced income remitted to Malaysia will be subject to tax at the chargeable income level at the prevailing tax rate, i.e. 24% for resident companies, 17% on the first RM600,000 chargeable income for micro, small and medium enterprises (as defined), and 0% to 30% for resident individuals.

(Effective from 1 January 2022)

Comment:

- The transitional tax rate at 3% appears to be a cooling-off measure to encourage taxpayers to remit their foreign income to Malaysia before the prevailing tax rates on chargeable income are imposed from 1 July 2022 onwards. Applying a 3% tax rate to the gross income level provides taxpayers with a simplified way of computing the tax and arguably, this lower rate effectively recognises related expenses.

- It is unclear whether the foreign income which is remitted during the transitional period (taxed at 3% gross) will form part of the chargeable income for the determination of the RM100 million threshold for Cukai Makmur. Further clarification is required from the authorities.

- The provisions of the Finance Bill cast a wide net on the taxation of foreign-sourced income as all classes of income earned by all tax residents are covered. Some questions remain on whether specific exemptions will be considered by the Government by way of subsidiary legislation (ministerial exemption orders).

- It should be noted that only remittance which is income in nature is subject to tax. Capital gains remitted are not subject to income tax.

- Other implementation issues which may arise include the identification of the income portion of remitted funds (e.g. interest, salary, dividends, etc) and the capital / principal portion. There are also foreign exchange differences to be accounted for. As these issues generally compound over time, it is hoped that these issues will be addressed by the authorities at an early date.
Corporate tax
Revised time limit to carry forward business losses

Effective from the year of assessment (YA) 2019, unutilised business losses in a YA can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source. Transitionally, accumulated unutilised business losses from YA 2018 may be carried forward for 7 consecutive YAs until YA 2025.

It is proposed that:
- The existing time limit to carry forward unutilised business losses to be extended to 10 consecutive YAs.
- The existing transitional provision for unutilised business losses from YA 2018 be allowed to be carried forward for 10 consecutive YAs, i.e. until YA 2028.

Additional information from the Finance Bill
- The revised time limit is specific only for business losses arising under the ITA 1967.

Comment:
The extension of the time limit only applies to business losses under ITA 1967 as it is noted that no amendment is to be made to the 7-year limitation for carry forward of unutilised pioneer loss under the Promotion of Investments Act 1986 (“PIA 1986”).

The extension of the carry forward time limit is not given to unutilised reinvestment allowance and unabsorbed investment allowance from Approved Services Projects under Schedule 7B of the ITA 1967.

Time limit on carry forward of unutilised reinvestment allowance (RA)

Currently, unutilised RA can be carried forward for a period of 7 consecutive YAs for:

1. Unutilised RA upon the expiry of the first 15-year qualifying period; or
2. Accumulated unabsorbed RA as at YA 2018 (where the special RA for up to 3 YAs from YA 2016 to 2018 is applicable).

The time limit of 7 consecutive YAs is currently not specified under the ITA 1967 for the carry forward of unutilised Special RA from YA 2020 to 2022 under PENJANA which is to be extended for 2 additional YAs until YA 2024 under Budget 2022.

Additional measure under Finance Bill
It is proposed that the time limit on the carry forward of unutilised RA for 7 consecutive YAs is to also apply to the unabsorbed RAs from the Special RA under PENJANA. The time limit of 7 consecutive YAs will commence from YA 2025. Any amount which remains unabsorbed by YA 2031 shall be disregarded from YA 2032.

(Effective from YA 2022)

Comment:
This proposal will streamline the application of the 7-year limitation to carry forward of unutilised RA under the two pools of RA claim, i.e. RA from the 15-year qualifying period plus special RA from YA 2016 to YA 2018, and special RA under PENJANA from YA 2020 to YA 2024.

It is important that taxpayers keep separate records of the unutilised RA from the two pools of RA claim above in order to track the utilisation of the RA and expiry of the carry forward periods. Clarity from the authorities is required on the order of utilisation from these 2 pools of unabsorbed RA.
Withholding tax on payments made to resident agents, dealers or distributors

Currently, there is no withholding tax (WHT) on payments made to resident agents, dealers and distributors. It is proposed that WHT at the rate of 2% be imposed on certain payments made as follows:

- Gross payment in monetary form made to agents, dealers or distributors, arising from sales, transactions or schemes carried out.
- The WHT is only applicable where the payments above are made to resident agents, dealers or distributors who are individuals and who have received more than RM100,000 of such payments in monetary form and/or non-monetary form from the same company in the immediately preceding YA.
- The tax withheld is to be remitted to the Inland Revenue Board (IRB) within 30 days from date of payment or crediting the payment to the agent, dealer or distributor.
- Companies which fail to comply with the WHT requirements will be subject to an increase in tax equivalent to 10% of the outstanding WHT and the expense incurred would be denied a tax deduction.
- The WHT deducted can be used to offset against the tax payable by the agent, dealer or distributor.

(Effective from 1 January 2022)
Research and development (R&D) status companies

Currently, the status of the following R&D companies for the purpose of incentives under the PIA 1986, is not subject to specific approval from the Minister of International Trade and Industry (MITI):

- Contract R&D Company (a company which provides R&D services in Malaysia only to unrelated companies)
- R&D Company (a company which provides R&D services in Malaysia to its related or unrelated companies)

It is proposed that the status of the Contract R&D Company and R&D Company is subject to approval from MITI (pre-conditions may be imposed). The status will be given for a period of 5 years (extendable, subject to MITI’s approval).

Existing Contract R&D Companies and R&D Companies will continue to keep their status for a grace period of 6 months from 1 January 2022 to 30 June 2022. These companies which would like to retain their status post 30 June 2022 must give notification of their intention to MITI within the grace period. Otherwise, these companies will cease to be an approved R&D status company.

(Effective from 1 January 2022)

Comment: The proposed amendment would also have implications on the double deduction for payments made for the use of services of an R&D company or a Contract R&D company under Section 34B of the ITA 1967. The definitions of these companies in the PIA 1986 are adopted for the purposes of Section 34B.

Review of treatment of interest from sukuk/debenture issued pursuant to asset-backed securitisation

Currently, interest paid or credited to:

- a non-resident company in respect of sukuk or debenture issued in Ringgit Malaysia lodged with the Securities Commission (SC); and
- any person in respect of non-Ringgit Malaysia sukuk approved by the SC or the Labuan Financial Services Authority

shall be exempted from tax pursuant to paragraphs 33A and 33B of Schedule 6 of the ITA 1967.

However, the exemption shall not apply to interest paid or credited to a company in the same group.

It is proposed that the tax exemption shall also not apply to interest paid or credited by a special purpose vehicle (SPV) to a company pursuant to the issuance of asset-backed securities where the company and the person that established the SPV are in the same group.

(Effective from 1 January 2022)
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Specialised industry
## 1 Takaful Business - Shareholders’ Fund (SHF)

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
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</table>
| Wakalah fees received by the SHF in relation to family takaful fund (FTF) are not taxable in the hands of the SHF and correspondingly, the expenses incurred are not tax deductible. SHF is taxed on wakalah fees or any other fee in connection with general takaful fund (GTF) and any other fee receivable in respect of an investment fund from FTF. Expenses incurred in connection with wakalah fees or any other fee in connection with GTF and any other fee receivable in relation to an investment fund from the FTF are tax deductible. | It is proposed that:  
- Wakalah fees or any other fee received by the SHF in relation to FTF are taxable similar to the GTF.  
- Expenses relating to wakalah fees or any other fees incurred in relation to the fees from both FTF and GTF are allowed as deduction under the SHF. This covers both management expenses and commission.  

(Effective from YA 2022) |

## 2 Takaful Business - Capital Allowances (CA)

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
</table>
| There is no provision under Schedule 3 of the ITA 1967 to allow SHF to claim CA in arriving at statutory income. | It is proposed that SHF is allowed to claim CA on capital expenditure incurred under Schedule 3 and the scope of CA is as follows:  
- New assets (on or after 1 January 2022) - CA is only allowed under SHF  
- For existing assets:  
  - Current year and carry forward CA are only allowed for deductions under FTF and GTF.  
  - CA of existing assets that has not been claimed in the previous YAs is allowed to be claimed under FTF and GTF only.  

(Effective from YA 2022) |
### 3 Unit Trust - Retail Money Market Fund (RMMF)

<table>
<thead>
<tr>
<th><strong>Current</strong></th>
<th><strong>Proposed</strong></th>
</tr>
</thead>
</table>
| Interest income of RMMF derived from Malaysia and paid or credited by a bank, Islamic bank and development financial institutions is exempted under Paragraph 35A of Schedule 6 of the ITA 1967. Income distributed to unit holders from interest income of the RMMF is also tax exempted. | While the interest income of the RMMF remains tax exempted under Paragraph 35A of Schedule 6, only income distributed from interest income of the RMMF to unit holders who are individuals is tax exempted. Resident and non-resident unit holders, other than individual unit holders, who receive income distributed from interest income of the RMMF will be subject to WHT as follows:  
- WHT at the rate of 24%  
- For resident unit holders, the WHT is not a final tax and Section 110 set off is applicable  
- For a non-resident unit holder, the WHT is a final tax  
- The WHT is to be remitted by RMMF to the tax authorities within 30 days upon distribution of the income to the unit holders  
- Failure to remit the WHT will be subject to a 10% penalty  
(Effective from 1 January 2022) |

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Labuan
Taxation of intellectual property (IP) income derived by a Labuan entity

Current

The chargeable profits (i.e. net profits as reflected in the audited accounts) of a Labuan entity which meets the prescribed substantial activity requirements, are subject to the following:

- In respect of Labuan trading activity - taxed at 3% under the Labuan Business Activity Tax Act 1990 (“LBATA 1990”)
- In respect of Labuan non-trading activity - not subject to tax under LBATA 1990.

However, the above treatment does not apply to IP income (i.e. income from royalty or IP right) as IP income is excluded from the above definition of chargeable profits. Such IP income is subject to tax under the ITA 1967.

A Labuan entity which does not meet the substantial activity requirements is subject to tax at 24% on its chargeable profits under LBATA 1990.

Proposed

It is proposed that the definition of chargeable profits in respect of Labuan entities which do not meet the prescribed substantial activities requirements to similarly exclude IP income and that such IP income is to be subject to tax under the ITA 1967.

(Effective from 1 January 2019)

Comment:
With the proposed changes, all IP income of Labuan entities regardless of whether substantial activity requirements are met, will be carved out from LBATA 1990 and taxed under the ITA 1967.

It is noted that the proposed amendment is to take effect retrospectively from 1 January 2019. Taxpayers will have to review their position to determine whether tax returns under the ITA 1967 in relation to period from 1 January 2019 will need to be filed.
### Tax administration

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direction of basis period for a Labuan entity</strong></td>
<td>Where a Labuan entity carrying on a Labuan trading activity does not have a basis period for a YA, the IRB may direct the basis period for that YA to include a period or periods as specified in the direction</td>
</tr>
<tr>
<td><strong>Filing of tax returns</strong></td>
<td>A Labuan entity carrying on Labuan trading activity is required to submit a statutory declaration and a tax return whereas a Labuan entity carrying on Labuan non-trading activity is only required to file a statutory declaration.</td>
</tr>
<tr>
<td><strong>Failure to file statutory declaration and tax returns</strong></td>
<td>These failures constitute offences and shall, on conviction, be subject to a fine not exceeding RM1 million or imprisonment not exceeding 2 years, or both (“existing penalties”).</td>
</tr>
<tr>
<td><strong>Payment of tax for a Labuan entity carrying on Labuan non-trading activity that does not comply with the substantial activity requirements</strong></td>
<td>There are currently no specific provisions to specify the payment of tax at 24% of chargeable profits.</td>
</tr>
</tbody>
</table>

(Effective from YA 2020)  
(Effective from YA 2022)  
(Effective from 1 January 2022)  
(Effective from YA 2022)
Labuan

Tax administration (cont’d)

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Director’s liability</strong></td>
<td>Resident directors of a Labuan entity will be jointly and severally liable for the Labuan entity’s tax that is due and payable under LBATA 1990.</td>
</tr>
<tr>
<td>Under the ITA 1967, directors of a company are jointly and severally</td>
<td>“Director” means any person who:</td>
</tr>
<tr>
<td>liable for the tax due from the company.</td>
<td>• is occupying the position of director, by whatever name called, including any person who is concerned in the management of the company’s business; and</td>
</tr>
<tr>
<td></td>
<td>• is, either on his own or with one or more associates (as defined), the owner of, or able directly or through the medium of other companies or by any other indirect means to control, not less than 20% of the ordinary share capital of the company.</td>
</tr>
<tr>
<td>There is currently no provision to impose liability of the taxes of a</td>
<td>(Effective from 1 January 2022)</td>
</tr>
<tr>
<td>Labuan entity under LBATA 1990 on its directors.</td>
<td></td>
</tr>
</tbody>
</table>
5

Tax administration
**Tax Identification Number (TIN)**

It is proposed that the TIN is to be implemented in 2022. It is expected that the TIN implementation will broaden the tax base by enhancing compliance with existing tax laws.

**Additional information from the Finance Bill**

1. The Director General of Inland Revenue (DGIR) is empowered to issue a TIN under the ITA 1967 which will be used for the purposes of income tax, real property gains tax and stamp duty.

2. The following persons will be required to have a TIN:
   - Any person who is assessable and chargeable to tax;
   - Any person who is required to furnish an income tax return; or
   - Any person who is a citizen and aged 18 years old and above.

3. Persons who have been assigned a tax reference number on or before 1 January 2022 are deemed to have been assigned a TIN.

(Effective from 1 January 2022)

**Power to call for bank account information**

It is proposed that a provision be inserted into the ITA 1967 to empower the IRB to request for taxpayer’s bank account information from financial institutions after having secured a judgement against the taxpayer from the Courts for the purpose of making an application to court for a garnishee order.

Penalty of RM200 to RM20,000 or imprisonment for a term not exceeding 6 months, or both will be imposed for failure to comply with the IRB’s request. The financial institution shall not disclose to any person on the IRB request for the bank account information.

(Effective from 1 January 2022)

**Submission of tax returns based on financial statements**

Currently under the ITA 1967, companies are required to submit tax returns based on the financial statements (i.e. audited financial statements) made in accordance with the requirements of the Companies Act 2016.

It is proposed that this requirement will be expanded to cover limited liability partnerships, trust bodies and co-operative societies, which are required to prepare financial statements in accordance with any written law.

(Effective from YA 2022)
Increase in tax for failure to furnish estimate of tax payable

Currently, companies, trust bodies and co-operative societies which failed to submit an estimate of tax payable for a YA are subject to an increase in tax equivalent to 10% of the tax payable for that YA.

It is proposed that, the 10% increase in tax be similarly imposed on a limited liability partnership which did not submit an estimate of tax payable.

(Effective from YA 2022)

Application for relief to Special Commissioners of Income Tax (SCIT)

Currently, a taxpayer who has submitted an application for relief in respect of the following to the IRB in relation to assessments under the ITA 1967 and Petroleum (Income Tax) Act 1967 (“PITA”):

- Relief in respect of error or mistake
- Relief in respect of other than error or mistake
- Relief in respect of non-chargeability cases

and is aggrieved by the IRB’s decision, may make a request in writing to the IRB to forward the relief application to the SCIT.

It is proposed that the request to forward the application of relief to the SCIT is to be made via a prescribed form.

(Effective from 1 January 2022)

Notification for change of address in prescribed form

Currently, the law does not prescribe any specific form for taxpayers to use when notifying the IRB in writing of the change in their addresses for income tax and petroleum income tax purposes.

It is proposed that the notification to the IRB is to be made via a prescribed form.

(Effective from 1 January 2022)
Real property gains tax
Real property gains tax (RPGT)

Review of RPGT rates

Currently, disposal of real property (including shares in real property companies) by a company incorporated in Malaysia or a trustee of a trust or a society registered under the Societies Act 1966 is taxed at the following rates:

<table>
<thead>
<tr>
<th>Disposal</th>
<th>RPGT rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 3 years after acquisition</td>
<td>30</td>
</tr>
<tr>
<td>In the 4th year after acquisition</td>
<td>20</td>
</tr>
<tr>
<td>In the 5th year after acquisition</td>
<td>15</td>
</tr>
<tr>
<td>In the 6th and subsequent years after acquisition</td>
<td>10</td>
</tr>
</tbody>
</table>

It is proposed that the chargeable persons which are subject to the above RPGT rates be reviewed as follows:

<table>
<thead>
<tr>
<th>Current chargeable persons</th>
<th>Proposed chargeable persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company incorporated in Malaysia</td>
<td>Company incorporated in Malaysia</td>
</tr>
<tr>
<td>Trustee of a trust</td>
<td>Trustee of a trust</td>
</tr>
<tr>
<td>Society registered under the Societies Act 1966</td>
<td>Body of persons registered under any written law in Malaysia</td>
</tr>
</tbody>
</table>

(Effective from 1 January 2022)
Review of rate of retention sum by acquirer

Currently, where the purchase consideration consists wholly or partly of money, the acquirer is required to retain either the whole of the money or 3% of the purchase consideration, whichever is lesser, and pay the amount retained to the IRB.

Where the disposer is an individual who is not a citizen and not a permanent resident, or an executor of estate of a deceased person who is not a citizen and not a permanent resident, or not a company incorporated in Malaysia, the amount to be retained is the lesser of the whole of the money or 7% of the purchase consideration.

It is proposed that in cases involving:

- a disposer which is a company incorporated in Malaysia or a trustee of a trust or a body of persons registered under any written law in Malaysia; and
- the disposal is within a period of three years after the acquisition date of the chargeable asset

the acquirer is required to retain either the whole of the money or 5% of the purchase consideration, whichever is lesser, and pay the amounts retained to the IRB within a period of 60 days after the acquisition date.

(Effective from 1 January 2022)

Review of scope of transactions in which disposal price is deemed equal to acquisition price

Currently, the transfer of assets owned:

- by an individual;
- by his wife;
- by an individual jointly with his wife; or
- with a connected person (collectively, “owners”) to a company (whether or not resident in Malaysia) controlled by the individual, by his wife or by the individual jointly with his wife or with a connected person for a consideration consisting of shares in the company, or for a consideration consisting substantially of shares in the company, the disposal price shall be deemed to be equal to the disposal price (i.e. there will be no gain no loss). The disposal of the share consideration (“exchange shares”) is subject to RPGT upon disposal.

It is proposed that the scope of this treatment be expanded to cover transfer of assets made by a nominee or a trustee of the owners, and transfer of assets to a company controlled by the nominee or trustee of the owners.

(Effective from 1 January 2022)
Disregarding of allowable losses

Currently, losses arising from the disposal of shares in a real property company are not allowed to be utilised to reduce the total chargeable gain of a person for a YA.

It is proposed that any losses arising from the disposal of the exchange shares (mentioned in the previous section) shall also similarly not be allowed to be utilised to reduce the total chargeable gain of a person for a YA. The losses shall be disregarded.

(Effective from 1 January 2022)

Review of determination of exemption of chargeable gains for part disposals of a chargeable asset

Currently, where a chargeable asset is partly disposed of, the amount of gains exempted is the greater of 10% of the chargeable gains or an amount computed based on a formula which takes into account the part disposal by reference to total area of chargeable asset as follows:

\[
\frac{A}{B} \times C
\]

where

- \( A \) - is part of the area of the chargeable asset disposed
- \( B \) - is the total area of the chargeable asset
- \( C \) - is RM10,000

It is proposed that a separate formula is to apply for part disposal of shares as follows:

\[
\frac{A}{B} \times C
\]

where

- \( A \) - is the number of shares deemed to be a chargeable asset under paragraph 34 or 34A of Schedule 2 disposed
- \( B \) - is the total number of issued shares deemed to be a chargeable asset in relation to shares deemed to be chargeable asset under paragraph 34 or 34A of Schedule 2
- \( C \) - is RM10,000

(Effective from 1 January 2022)
Offence for leaving Malaysia without payment of RPGT

Currently, where a taxpayer who has been issued with a stoppage order by the IRB (to prevent the taxpayer from leaving Malaysia) leaves or attempts to leave Malaysia without settling the RPGT payable, he/she shall be guilty of an offence and on conviction, shall be liable to imprisonment or to a fine or to both. It is proposed that the offence be reviewed as follows:

<table>
<thead>
<tr>
<th>Scope of offence</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to settle:</td>
<td>● RPGT payable</td>
<td>● RPGT payable</td>
</tr>
<tr>
<td>● Increase in tax arising from RPGT payable that is overdue (equivalent to 10% of RPGT)</td>
<td></td>
<td>● Increase in tax arising from failure to remit amount to be withheld by acquirer from purchase consideration (equivalent to 10% of amount to be remitted to the IRB)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liability upon conviction</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Imprisonment not exceeding 2 years; or</td>
<td>● Imprisonment not exceeding 2 years; or</td>
<td></td>
</tr>
<tr>
<td>● Fine not exceeding RM5,000; or</td>
<td>● Fine between RM200 to RM20,000; or</td>
<td></td>
</tr>
<tr>
<td>● Both the above.</td>
<td>● Both the above.</td>
<td></td>
</tr>
</tbody>
</table>

(Effective from 1 January 2022)
Stamp duty
Allowance for spoiled stamps

Allowance is available for cases where the stamps are spoiled by reasons such as:

- The stamp on any paper is inadvertently and undesignedly spoiled, obliterated or by any means rendered unfit for the purpose intended, before the paper bears the signature of any person or any instrument written thereon is executed by any party.
- The stamp used in the case of an instrument executed by any party implementing a sale under a duly stamped agreement for sale and purchase but afterwards became cancelled, annulled, rescinded or is otherwise not performed.

Currently, the application for the allowance is to be made within 12 months after the stamp has become spoiled.

It is proposed that the period of application be extended to 24 months after the stamp has become spoiled.

(Effective from 1 January 2022)

Allowance for misused stamps

Allowance is available for cases where the stamps have been inadvertently used:

- Stamp of a greater value than is necessary on an instrument
- Instrument which is not liable to any duty

Currently, the IRB may upon application made within 12 months from:

- the date of the instrument; or
- in cases of undated instruments, the date of the execution by whom it was first (or alone) executed cancel or give allowance to the spoiled stamp.

It is proposed that the current 12-month period be extended to 24 months.

(Effective from 1 January 2022)

Processing fee for indorsement of exempt instruments

Currently, no processing fee is imposed for exempt instruments which are brought for certification by the IRB (by indorsement) that the duty is exempted on such instrument.

It is proposed that exempt instruments with duty chargeable exceeding RM10 (before exemption) which is brought to the IRB for indorsement shall be charged with a processing fee of RM10.

(Effective from 1 January 2022)
Refund of excess duty paid

Currently, the Stamp Act 1949 (“Stamp Act”) does not specify a deadline for the IRB to refund excess duty after the assessment is determined by the Courts.

It is proposed that specific provisions be inserted in the Stamp Act to specify that the IRB shall not be compelled to refund the excess duty unless the assessment has become final and conclusive.

Finality of assessment

It is proposed that for the purposes of Stamp Act, an assessment will be treated as final and conclusive where:

- No valid notice of appeal has been given under Section 39 of the Stamp Act.
- The assessment has been determined on appeal and there is no right of further appeal.
- A valid notice of appeal against the assessment has been given but the appellant dies before the hearing of the appeal by the High Court and no personal representative of the estate of the deceased appellant applies to the High Court within 2 years after the appellant’s death to proceed with or complete the hearing.

(Effective from 1 January 2022)

Application for appeal and refund by electronic medium

It is proposed that enabling provision be inserted into the Stamp Act to specify that the following applications can be made via electronic medium:

- Appeal against stamp duty assessments
- Application for stamp duty refund arising from spoiled stamps, misused stamps, rescinded/annulled contracts, excess duty determined by High Court
- Remission of stamp duty on grounds of poverty
- Exemption of stamp duty

(Effective from 1 January 2022)
Petroleum income tax
Conditions for appeal against assessment

Currently, taxpayers which are aggrieved by an assessment made under the PITA may appeal against the assessment to the Special Commissioners of Income Tax (SCIT) within thirty days after the service of the notice of assessment (or within such extended period as may be allowed).

It is proposed in cases involving deemed assessments based on tax returns (including amended return under Section 39A of PITA) submitted by taxpayers, taxpayers shall only be eligible to lodge an appeal to the SCIT where the taxpayer is aggrieved by public ruling or any practice of the IRB generally prevailing at the time when the assessment is made.

(Effective from 1 January 2022)

Comment: The proposed amendment to the provision on appeal against an assessment is to align the treatment with the provision under the ITA 1967.

Exemption for particular cases by the Minister of Finance (MoF)

Under Section 127(3A) of the ITA 1967, the MoF may, in any particular case, exempt any person from all or any of the provision of the Act, either generally or in respect of any income of a particular kind or any class of income of a particular kind.

It is proposed that a similar provision be introduced into PITA to enable the MoF to grant exemption for particular cases under PITA.

(Effective from 1 January 2022)
Personal tax
# Personal Tax Reliefs

## 1 Medical expenses for self, spouse or child

### Current

The tax relief for medical expenses for self, spouse or child undergoing treatment for a serious disease or expenses incurred on fertility treatment, or vaccination up to RM1,000 (including expenses up to RM1,000 incurred by self, spouse or child for complete medical examination) is RM8,000 (maximum).

### Proposed

It has been proposed that the scope of relief (in respect of medical examination) is expanded to include cost incurred for examination or consultation relating to mental health by:

1. Psychiatrist registered with the Malaysian Medical Council under Mental Health Act 2001;
2. Clinical psychologist registered with the Ministry of Health under the Allied Health Professions Act 2016; or
3. Counsellors registered with the Malaysian Board of Counsellors under the Counsellors Act 1998.

(Effective from YA 2022)

### Additional information from the Finance Bill

The scope of relief includes COVID-19 detection test (as announced in PERMAI), as evidenced by receipts issued by a hospital or a medical practitioner registered with Malaysian Medical Council or receipts of the purchase of COVID-19 self-detection test kit.

## 2 Domestic travel expenses

### Current

Tax relief for domestic travel expenses (payment for accommodation at premises registered with the Commissioner of Tourism under the Tourism Industry Act 1992 and entrance fee to tourist attractions) is RM1,000 (maximum).

Provided the payment is made on or after 1 March 2020 but not later than 31 December 2021.

### Proposed

It has been proposed that the period of relief be extended for another 1 year for payments made from 1 January 2022 to 31 December 2022.

(Effective for YA 2022)

### Additional information from the Finance Bill

The scope of relief includes the purchase of domestic tour package through a licensed travel agent registered with the Commissioner of Tourism under the Tourism Industry Act 1992, for payments made from 1 January 2021 to 31 December 2022.

(Effective for YAs 2021 and 2022)
PwC Malaysia’s Budget 2022 Webinar

Building blocks for sustained recovery

Monday, 15 November 2021 | 9:00am - 12:30pm
A webinar by PwC’s Academy
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