



TaXavvy

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IRB's Media Release on Implementation of e-Telegraphic Transfer (e-TT) System

The Inland Revenue Board (IRB) has issued a media release on 3 March 2022 on the introduction of a new e-TT system effective from 1 April 2022.



The following are the salient points of the media release:

- The new e-TT system enables income tax, petroleum income tax, real property gains tax (RPGT), compound, foreign artists tax and withholding tax (WHT) to be paid from within and outside Malaysia.
- The following payments which currently can only be paid manually at the IRB's payment counters can be paid online using the e-TT:
 - Compound
 - Foreign artists tax
 - WHT
 - RPGT retention sum
- A Virtual Account Number (VA) will be generated by the e-TT system on the MyTax Portal <https://mytax.hasil.gov.my/> (ezHasil Services > e-TT) as payment identification. Taxpayers are required to complete the payment information to generate the VA number.
- The VA number from the e-TT system will be used as the payment account number for tax payment made through internet banking portals and bank counters (via Interbank GIRO, Real-Time Electronic Transfer of Funds and Securities System (RENTAS), TT, etc), and Automated Teller Machines.

The media release is available on the IRB's website www.hasil.gov.my (Home > Media Release 3 March 2022).

Gazette Order for Global Trading Centre (GTC) Incentive Scheme

The Income Tax (Global Trading Centre Incentive Scheme) Rules 2022 (“the Rules”) has been gazetted and is effective from the year of assessment (YA) 2021.

The GTC incentive was announced in Budget 2021 to enhance and simplify the tax incentives for trading activities previously provided under the Principal Hub incentive. Companies that use Malaysia as their international trading base for undertaking strategic sourcing, procurement and distribution of raw materials, components and finished products within or outside Malaysia qualify for a concessionary corporate tax rate of 10% for a period of 5 years (extendable for another 5 years) under the GTC incentive scheme.

The Malaysian Investment Development Authority (MIDA) has subsequently issued the Guidelines for GTC Incentive (GTC Guidelines) setting out the qualifying conditions and procedure for the application of GTC incentive in September 2021 (previously covered in TaXavvy [25-2021](#)). Eligible applicants may submit their application to MIDA from 1 January 2021 until 31 December 2022.

The enabling law (i.e. the Rules) for the incentive has now been gazetted. The Rules sets out the qualifying conditions for the GTC incentive most of which are consistent with those already set forth in the GTC Guidelines issued by MIDA. Other key points of the Rules which are not covered under the GTC Guidelines are as follows:

Surrender of incentive

- Qualifying companies which fail to comply with any conditions imposed may surrender the incentive granted by a notice in writing to the Ministry of Finance (MOF) through MIDA.
- The surrender of the incentive shall have effect on the first day in the basis period of the YA in which the application for surrender is received by MOF through MIDA.

Mutual exclusion / non-application provision

- The GTC incentive under the Rules shall not apply to a qualifying company which in the specified YAs:
- has made a claim for reinvestment allowance under Schedule 7A of the Income Tax Act 1967 (ITA 1967) or investment allowance for service sector under Schedule 7B of the ITA 1967;
 - has been granted any incentive under the Promotion of Investments Act 1986 in respect of the similar qualifying project;
 - has been granted an exemption under section 127(3)(b) or section 127(3A) of the ITA 1967 in respect of the similar qualifying activity; or
 - has made a claim for deduction under any rules made under section 154 of the ITA 1967 except:
 - (i) the rules in relation to allowance under Schedule 3 of the ITA 1967 (i.e. rules in relation to capital allowance, etc.);
 - (ii) the Income Tax (Deduction for Audit Expenditure) Rules 2006 [P.U. (A) 129/2006]; or
 - (iii) the Income Tax (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) Rules 2020 [P.U. (A) 162/2020].



Double Deduction for Sponsorship of Scholarship Rules

Following the Budget 2022 proposal, the Income Tax (Deduction for the Sponsorship of Scholarship to Malaysian Student Pursuing Studies at Technical and Vocational Certificate, Diploma, Bachelor’s Degree, Master’s Degree or Doctor of Philosophy Levels) Rules 2022 (“the 2022 Scholarship Rules”) has been gazetted.



The following are the salient points of the 2022 Scholarship Rules:

<i>Effective period</i>	The deduction is effective from year of assessment (YA) 2022 for scholarship agreements executed during the period 1 January 2022 to 31 December 2025.
<i>Eligibility criteria</i>	<div>The deduction is applicable to a company incorporated and resident in Malaysia which sponsors scholarship to a student pursuing a full-time course of study at:<ul style="list-style-type: none">• technical and vocational certificate levels in an institution; or• diploma, bachelor’s degree, master’s degree or doctor of philosophy levels in a higher educational institution.</div> <div>The student is a Malaysian citizen and resident who has no means of his/her own and whose parents or guardian have a total monthly income not exceeding RM10,000.</div>
<i>Deduction given</i>	<div>The deduction is a double deduction on the expenses incurred and paid in the basis period for sponsoring of the scholarship, which includes:<ul style="list-style-type: none">• payment required by the educational institution for the course; and• educational aid and reasonable cost of living expenses throughout the period of study.</div>
<i>Other conditions</i>	<div>If the amount claimed, in the opinion of the Director General of Inland Revenue, exceeds what would be reasonably expected to be incurred, the excess may be disallowed as a deduction under the 2022 Scholarship Rules.</div> <div>Any amount refunded by the student to the company will be treated as gross business income of the company when received.</div>

Guidelines on Tax Treatment on Income of Medical Practitioners in Private Hospitals

The IRB has issued the Guidelines for Tax Treatment on Income of Medical Practitioners (Specialist Doctors) in Private Hospitals (“the Guidelines”) dated 16 March 2022.



Introduction

The purpose of the Guidelines is to provide explanation on the IRB’s treatment on income received by medical practitioners (referred to as “Specialist Doctors” in the Guidelines) arising from provision of services in respect of medical consultation and treatment in private hospitals, whether the income is to be assessed as the personal income of the Specialist Doctors or as the income of a private limited company (“company”) set up by the Specialist Doctor.

Tax treatment on income received by Specialist Doctors

Generally, consultation fees and other payments received by a Specialist Doctor from a private hospital are treated as income arising from carrying on his/her profession as a doctor. Such income is to be taxed as a personal business income [Section 4(a) income] of the Specialist Doctor.

Based on the Guidelines, the above position has been explained in the IRB’s letter to the Malaysian Medical Association dated 28 June 2018 that with effect from YA 2017, such income is to be assessed as the Specialist Doctor’s personal income and not as income of his/her company.

The Guidelines provide that agreements entered into with the private hospital whether made directly in the name of the Specialist Doctor or through a company (“Specialist Clinic”) set up by the Specialist Doctor has no bearing on whether the income is to be treated as the personal business income of the Specialist Doctor.

Business income assessable under the individual

The following examples in the Guidelines illustrate situations where consultation fees and other payments received by a Specialist Doctor from a private hospital are treated as a personal business income of the Specialist Doctor:

- Patients who go to private hospitals for treatment are referred to the Specialist Doctor who owns a Specialist Clinic within that private hospital’s premises. The patient will then be given medication from the hospital pharmacy and make payment at the hospital payment counter after the treatment.

- Patients seek specialist treatment from a doctor at a Specialist Clinic within a private hospital's premises directly. The Specialist Doctor uses the hospital's facilities such as operation theatre, etc. to perform surgery and provide further treatment to the patient.
- Several Specialist Doctors establish a Company and enter into an agreement with a private hospital to provide specialist services to patients.
- Specialist Doctor owns a Specialist Clinic that is not within a private hospital's premises and services are rendered to a private hospital. For example, where a Specialist Radiologist enters into an agreement with a private hospital solely for x-ray diagnostic imaging services.

Business income assessable under the company

The Guidelines also provide examples of situations where income is treated as business income of the company set up by the Specialist Doctor:

- The Specialist Doctor owns a Specialist Clinic within a private hospital's premises, and his/her patients receive treatment from the Specialist Clinic directly without being referred by the private hospital and the Specialist Doctor does not use the facilities of the private hospital.
- The Specialist Doctor owns a Specialist Clinic that is not within a private hospital's premises and the services provided to patients do not involve any private hospitals.

Separate business income

Where a Specialist Doctor is also involved in carrying on a medical related business such as selling medical goods, pharmacy, etc, the income arising from such business shall be treated as a separate business income.

In an example under Paragraph 3.1.3 of the Guidelines, an orthopaedic doctor/specialist who practises at a private hospital also owns a company which sells medical equipment. The income in relation to consultation fees from his practice at the private hospital is treated as his personal business income whereas the income from the sale of medical equipment is assessed separately as a business income of the company.

Income to be taxed as employment income under Section 4(b) of ITA 1967

In certain circumstances, income received by a Specialist Doctor is to be taxed as employment income of the Specialist Doctor:

- Director's fee paid to the Specialist Doctors for serving on the Board of a private hospital and/or Specialist Clinic.
- A Specialist Doctor who is hired as an employee under a contract of service.

Tax treatment of expenses incurred by Specialist Doctors

The Guidelines also provide examples of expenses which are eligible for deduction against income from consultation fees and other related income:

- Professional indemnity insurance premiums.
- Fees for Continuing Professional Development (CPD) activities approved by the CPD Review Committees.
- Employer's EPF contribution to a specialist doctor who is a director of the company. However, in the case of a sole proprietorship business (*perniagaan pemilikan tunggal*), employer's contribution to the individual Specialist Doctor (*pemilik tunggal*) is disallowed under Section 39 of the ITA 1967.
- Rental of doctor's room/equipment/operating room in a private hospital.
- Other allowable expenses such as medical practice licence fees, administrative charges imposed by private hospitals, employees' salaries, stationery, telephone, internet and facsimile charges.

Responsibilities of taxpayers

Taxpayers must retain records and supporting documents relating to the income and expenses for audit purposes.

Supporting documents and records must be kept for 7 years from the end of the year in which the tax return is furnished to the IRB.

Comment: The retention period stated in the Guidelines refer to the requirement under Section 82(1A) of the ITA 1967 in situations where the taxpayer has not furnished the relevant tax returns. In situations where the relevant tax returns have been duly furnished to the IRB, the retention period which is provided under Sections 82(1) is for a period of 7 years from the end of the year to which the business income relates to.

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



Amended Guidelines on Application for Stamp Duty Relief

The IRB has issued the following on 24 March 2022:

- Guidelines on stamp duty relief under Section 15 of the Stamp Act 1949 dated 1 March 2022
- Guidelines on stamp duty relief under Section 15A of the Stamp Act 1949 dated 1 March 2022

The guidelines set out the qualifying conditions and the application procedures for the stamp duty relief.



The 2 guidelines replace the previous version of the guidelines, both dated 26 February 2019. Key changes as compared to the previous guidelines are as follows:

Section 15 relief (in cases of reconstruction or amalgamation of companies)

Application procedures

- The guideline is updated to include the following documents which need to be submitted by the existing company:
 - (a) Latest Form Section 51 of the Companies Act 2016 (Register of Member) and Form Section 68 of the Companies Act 2016 (Annual Return of a Company Having a Share Capital) downloaded from the official portal of the Companies Commission of Malaysia (CCM) prior to the transfer transaction.
 - (b) Copy of share certificate as proof of transfer of shares to the transferee company certified by the company secretary.
 - (c) Other related documents.

Reporting obligations

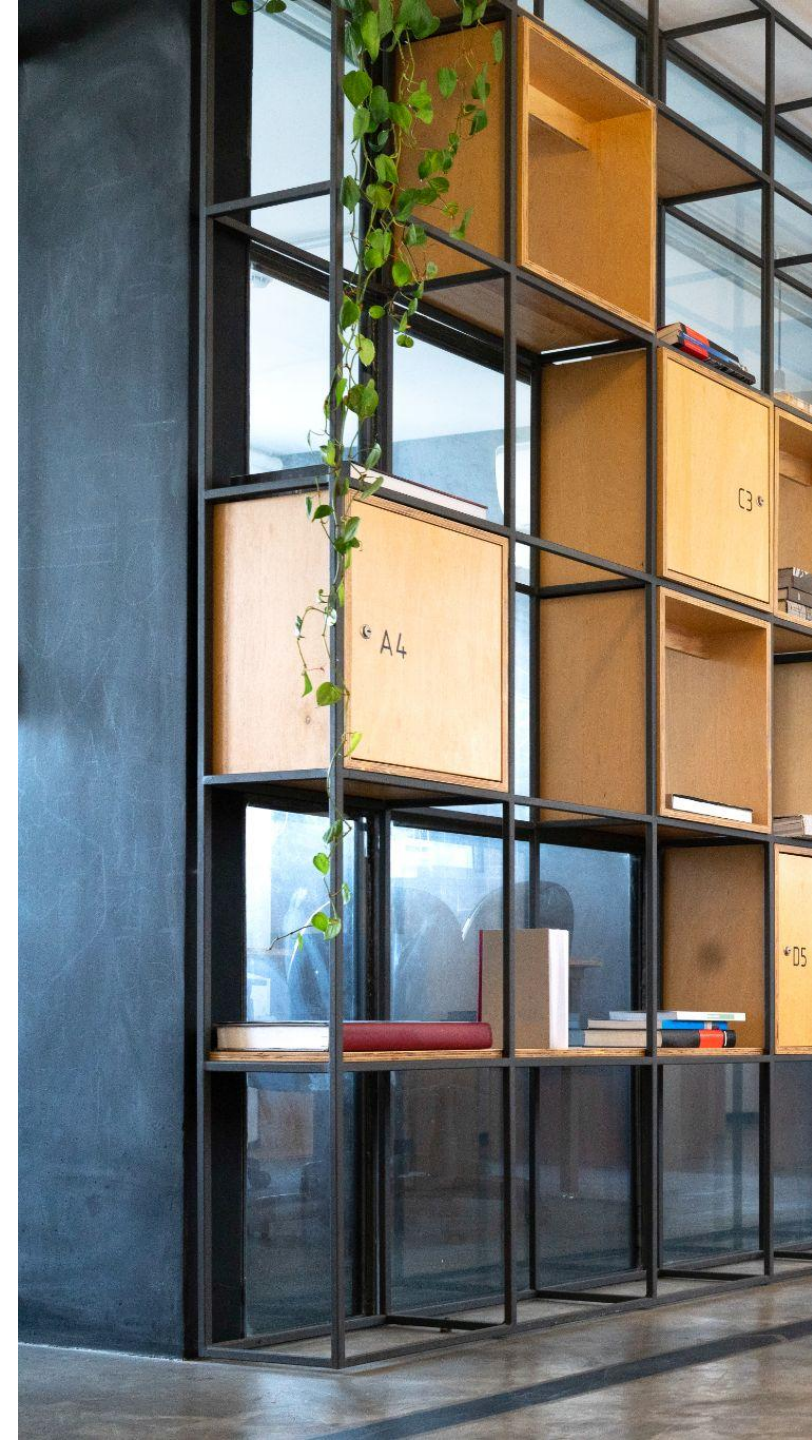
- Both the transferee company and the existing company are responsible to notify the IRB's *Pejabat Pengarah Negeri* ("PPN") within 30 days from the date of the occurrence of any circumstances where stamp duty exemption is to be withdrawn such as:
 - (a) Supporting documents furnished at the time of the application is found to be untrue in any way;
 - (b) The existing company (including shareholder) disposes or ceases to be the beneficial owner of the shares of the transferee company within a period of 3 years.
 - (c) The transferee company disposes or ceases to be the beneficial owner of the shares of the existing company within a period of 3 years.
 - (d) The transaction does not meet the qualifying conditions of the relief such as:
 - (i) The transferee company has increased its capital with a view to the acquisition either of the undertaking of, or not less than 90% of the issued share capital of the existing company.
 - (ii) The consideration for the acquisition consists not less than 90% in the issue of shares in the transferee company.

- Both the transferee company and the existing company must submit the Form Section 68 of the Companies Act 2016 (Annual Return of a Company Having a Share Capital) to PPN annually for a period of 3 years from the date of registration / incorporation of the transferee company or the date of increase in the share capital of the transferee company for the purpose of acquiring the undertaking or shares of the existing company.

Section 15A relief (In cases of transfer of properties between associated companies)

- Both the transferee company and the existing company are responsible to notify PPN within 30 days from the date of the occurrence of any of the following circumstances where the stamp duty exemption is to be withdrawn:
 - (a) The consideration or any part of the consideration for the transfer was to be provided or received, directly or indirectly by a person other than a company which was not associated.
 - (b) The beneficial interest in the property has been transferred (directly or indirectly) before the property is transferred to the transferee company.
 - (c) The transferor company and the transferee company has ceased to be associated within a period of 3 years from the date of the transfer.
 - (d) The transferee company disposes of the property that it has acquired within 3 years from the date of the transfer.
- The transferee company, transferor company and associated companies involved in the transfer of the property must submit audited accounts to the IRB for 3 financial years after the transfer is made.

Please refer to the guidelines for details. The guidelines are available on the IRB's website www.hasil.gov.my (Legislation > Guidelines > Technical Guidelines).



Extension of Sabah Development Corridor (SDC) Incentives

The following amendment orders in relation to the SDC incentives have been gazetted:

- Income Tax (Exemption) (No. 11) 2018 (Amendment) Order 2022
- Income Tax (Exemption) (No. 12) 2018 (Amendment) Order 2022
- Stamp Duty (Exemption) (No. 8) 2018 (Amendment) Order 2022

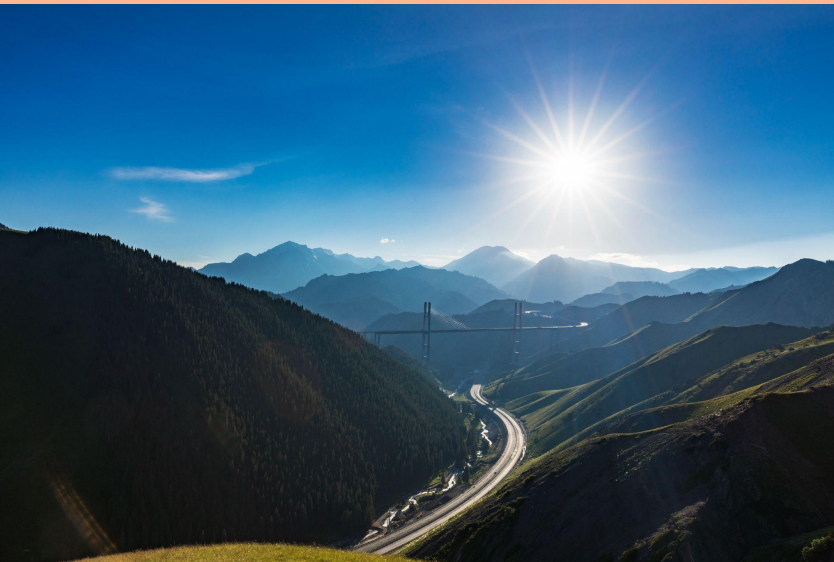
The following SDC incentives were introduced under the following gazette orders in 2018:

Type of incentive	Gazette order
Income tax exemption on statutory income equivalent to 100% of qualifying capital expenditure incurred for 5 or 10 years	Income Tax (Exemption) (No. 11) 2018
Income tax exemption on statutory income derived from a qualifying activity for 5 or 10 years	Income Tax (Exemption) (No. 12) 2018
Stamp duty exemption on instrument of transfer of real property used for a qualifying tourism project in the SDC	Stamp Duty (Exemption) (No. 8) 2018

Please refer to [TaXavvy 2-2019](#) for further details of the above SDC incentives.

Under the Budget 2021 measures, it was announced that the above SDC incentives which were to expire in 2020 are to be extended until 2022. Pursuant to the announcement, the amendment orders have been gazetted. The key points from the amendment orders are as follows:

- The applications for the following incentives are to be submitted to the Sabah Economic Development and Investment Authority by 31 December 2022:
 - Income tax exemption on statutory income equivalent to 100% of qualifying capital expenditure incurred for 5 or 10 years.
 - Income tax exemption on statutory income derived from a qualifying activity for 5 or 10 years.
- Stamp duty exemption on instrument of transfer of real property used for a qualifying tourism project in the SDC is applicable for instruments executed not later than 31 December 2022.



Other Developments

1. Extension of time for filing of Labuan income tax returns
2. FAQ on Special Deduction for Reduction of Rent (updated)
3. Criteria on Incomplete Income Tax Return Form
4. Submission of CP600B - change of address
5. IRB's Media Release on DuitNow as a Medium for Tax Refund

Extension of time for filing of Labuan income tax returns

IRB has issued a letter to the Association of Labuan Trust Companies dated 7 March 2022 granting extension of time to 30 August 2022 for submission of tax return forms under Sections 5 and 10 of LBATA 1990 for YA 2022.

FAQ on Special Deduction for Reduction of Rent (updated)

IRB has issued a revised FAQ on Special Deduction for Reduction of Rental to SME and Non-SME dated 22 March 2022, to bring the FAQ up to date with the related gazette orders, extending the period of the special deduction to June 2022 (previously December 2021).

Criteria on Incomplete Income Tax Return Form

IRB has updated the Criteria on Incomplete Income Tax Return Form to include a new section on Incomplete Notification of Change in Accounting Period (Form CP204B) which specifies that:

1. Only a competent office holder as specified in the declaration section of the form may sign the Form CP204B.
2. A copy of the following documents must be submitted:
 - Director's resolution
 - Certificate of Incorporation of Company
 - Certificate of Incorporation on Change of Name of Company

Submission of CP600B - change of address

Following the measure under Finance Act 2021 (Budget 2022) requiring taxpayers to notify any change in address in a prescribed form (CP 600B), the IRB has issued an announcement on 23 March 2022 that:

- With effect from 1 January 2022, submission of the above prescribed form is to be made manually or electronically.
- As a concession, from 1 January 2022 to 30 June 2022, the form may be submitted by hand, post, email, fax, via customer feedback portal or through the e-Kemaskini application.
- From 1 July 2022, the form may only be submitted by hand, post or through the e-Kemaskini application.



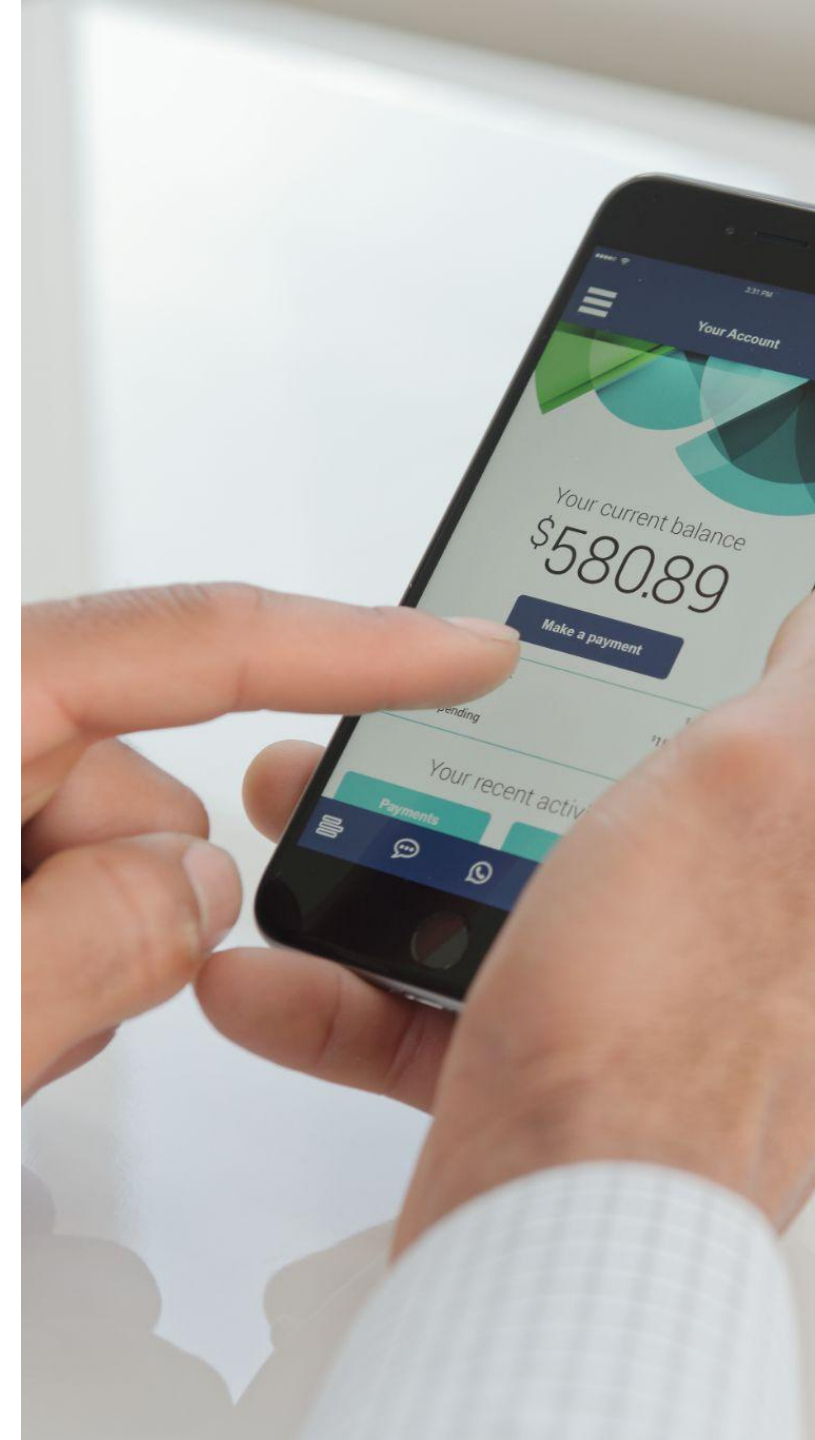
IRB's Media Release on DuitNow as a Medium for Tax Refund

The IRB has announced via media release dated 28 March 2022 that DuitNow will be an additional channel for tax refunds for individual taxpayers commencing from 1 March 2022.

The following are the salient points of the media release:

- Taxpayers who wish to receive tax refunds via DuitNow would need to indicate this method of payment during submission of their income tax return.
- Taxpayers are required to register DuitNow with their respective banks by using MyKad/Passport number as the account identifier. DuitNow registration using mobile phone number will not be accepted by the IRB for tax refund purposes.
- In the event where tax refund via DuitNow fails, the refund will be made via Electronic Fund Transfer by using the taxpayer's bank account number and name based on existing record and data with the IRB.
- Payment of tax refund via DuitNow is currently made available for individual taxpayers and will be gradually extended to corporate taxpayers by using the respective Registration of Company (ROC) number as the account identifier.

The media release is available on the IRB's website www.hasil.gov.my (Home > Media Release 28 March 2022).



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