

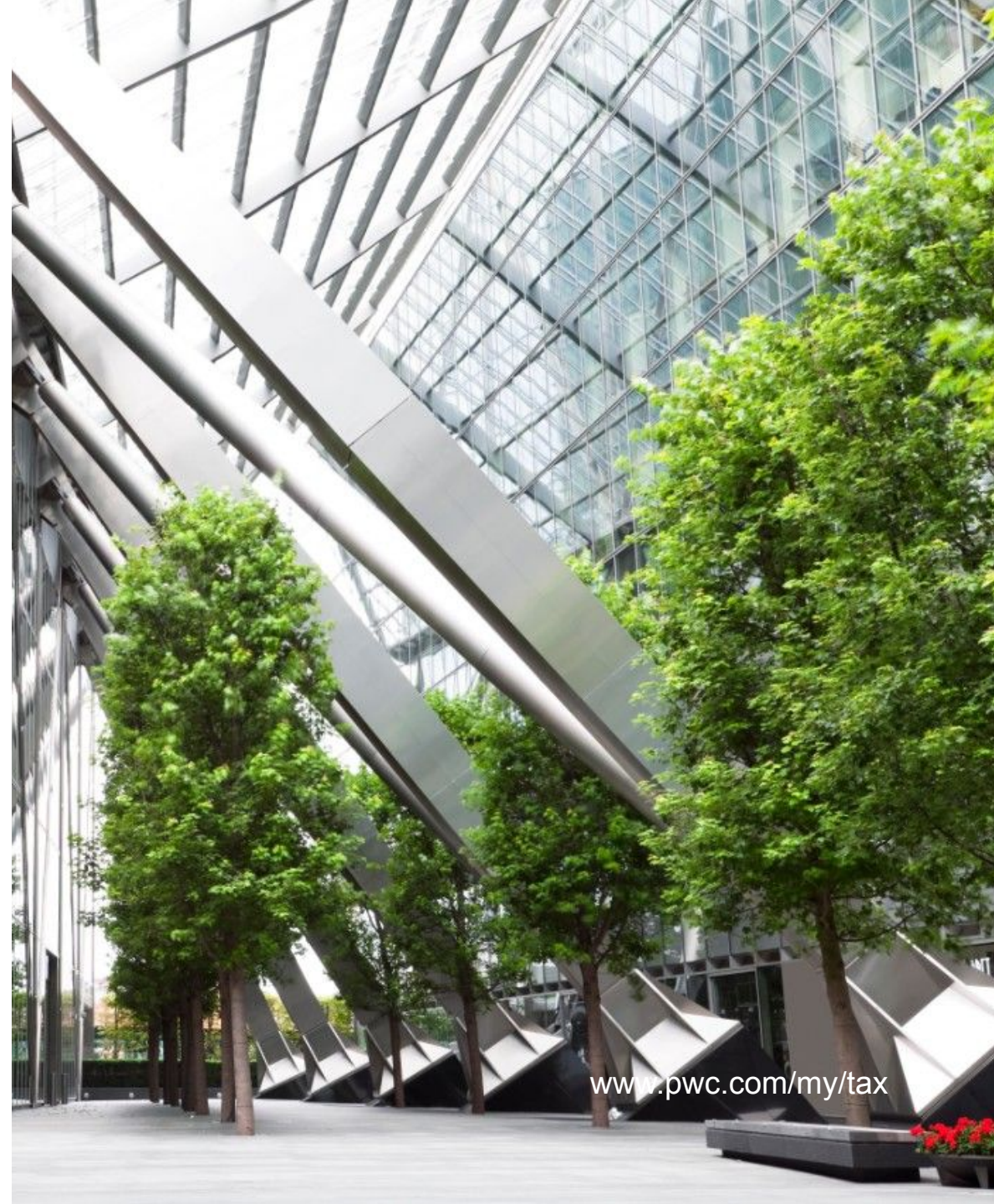


# TaXavvy

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# Advance Pricing Arrangement Guidelines 2024

Following the issuance of the Income Tax (Advance Pricing Arrangement) Rules 2023 (“APA Rules”) [refer to [TaXavvy 9/2023](#)], the Inland Revenue Board (IRB) has issued a revised Advance Pricing Arrangement Guidelines dated 2 April 2024 (“2024 APA Guidelines”) which replaces the 2012 edition (“2012 APA Guidelines”).



Salient points from the 2024 APA Guidelines are:

**1. Criteria to apply**

The criteria to apply has been updated to include the following:

- The monetary threshold for cases to be eligible for APA has been updated as follows:

**2012 APA Guidelines**

1. Turnover value exceeding RM100 million
2. Value of proposed covered transaction is:
  - a. For sales, if it exceeds 50% of turnover;
  - b. For purchases, if it exceeds 50% of total purchases; or
  - c. For other transactions, if the total value exceeds RM25 million.

**2024 APA Guidelines**

1. Revenue in relation to business operations of covered transactions exceeding RM100 million of taxable business income
2. Value of proposed covered transaction is:
  - a. For sales, if it exceeds 50% of revenue;
  - b. For purchases, if it exceeds 50% of total purchases; or
  - c. For other transactions, if the total value exceeds RM25 million.

- The covered transaction, for which an application for APA is made, has to be carried out for at least 12 months and the taxpayer’s business must have been in operation for more than 36 months.



**1. Criteria to apply (con't)**

- For taxpayers whose functions, assets and risks (FAR) and business model remain the same, the proposed benchmarking analysis should not result in a reduction in operating margin that is more than 3% of the average weighted margin for up to the last 5 years [refer to paragraph 6.4(g) of the 2024 APA Guidelines].
- If there is a change in FAR, a reduction of equal to or more than 5% reduction in operating margin may not be acceptable if there is no transfer of intangible properties or major shift in FAR or transfer of significant people functions. Justification and supporting evidence for the change in FAR including transfer of significant people functions must be submitted during application.

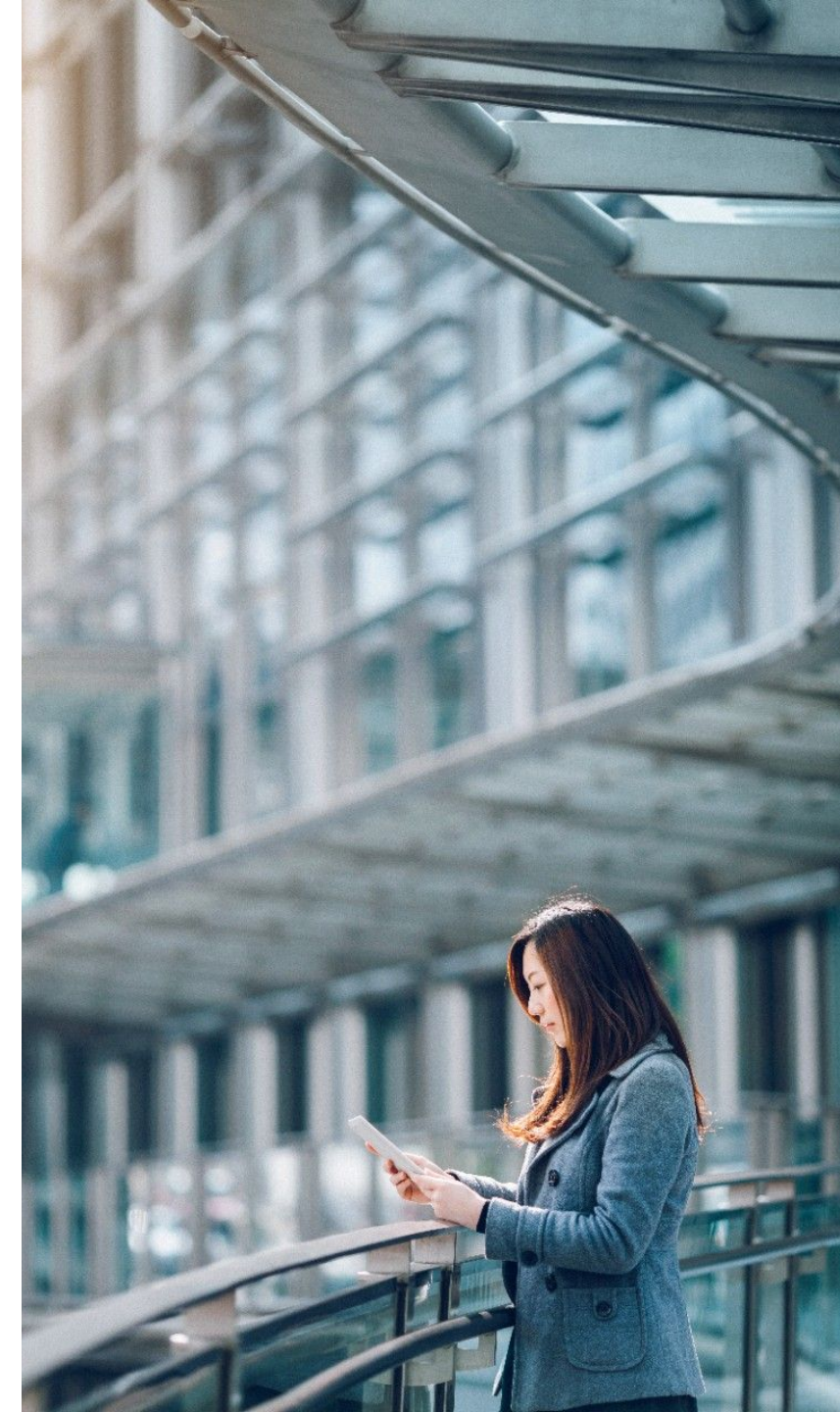
**2. Application process**

The permissible period for preliminary discussion is at least 3 months from the date of making a written request for a pre-filing meeting.

**3. Failure of negotiation for Bilateral APA / Multilateral APA**

- In the case of a Bilateral APA, the taxpayer cannot then convert its application into a unilateral APA.
- In the case of a Multilateral APA, where negotiations with one Competent Authority fails, the taxpayer may choose to continue with a Bilateral APA or Multilateral APA with the remaining jurisdiction(s).

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



# Extension of tax exemption for management funds

Budget 2024 announced the extension of tax exemption on management fee income in relation to:

- Sustainable and Responsible Investment (SRI) Funds
- Shariah-compliant funds

The proposal is now gazetted.



## Tax exemption on management fee income for SRI Funds

The Income Tax (Exemption) (No. 5) Order 2021 (Amendment) Order 2024 has been gazetted to extend the income tax exemption for fund management services for SRI Fund to year of assessment (YA) 2027 (previously YA 2023).

## Tax exemption for management fee in relation to Shariah-compliant funds

Amendment orders have been issued to provide for the extension to YA 2027 (previously YA 2023) of the tax exemption on statutory income derived from the business of providing fund management services in Malaysia to the following service recipients:

Service recipient	Amendment order
Business Trusts or Real Estate Investment Trusts	Income Tax (Exemption) (No. 6) Order 2021 (Amendment) Order 2024
Local investors	Income Tax (Exemption) (No. 7) Order 2021 (Amendment) Order 2024
Foreign investors	Income Tax (Exemption) (No. 8) Order 2021 (Amendment) Order 2024

The exemption for the extended period is now restricted to 60% of the statutory income.



## Extension of the grace period for filing of Form e-E

The grace period for e-filing of Return Form of Employer (Form E) for the year 2023 is extended for another month (until 31 May 2024).

The IRB has recently issued a media release and updated the Return Form Filing Programme for the Year 2024 to extend the grace period for the e-Filing of Form E and C.P.8D to 2 months, i.e. by 31 May 2024 (previously 1 month grace period).

The media release and updated Return Form Filing Programme for the Year 2024 are available on the IRB's website at [www.hasil.gov.my](http://www.hasil.gov.my) (Home > Media Release 26 April 2024) and (Forms > Return Form Filing Programme> Return Form Filing Programme for the Year 2024) respectively.



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