



Taxavvy

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Implementation of Global Minimum Tax - timeline and FAQ

The Inland Revenue Board (IRB) has issued an implementation timeline and FAQ on implementation of Global Minimum Tax (GMT).

The timeline and FAQ are available on IRB's website www.hasil.gov.my (Top Pages > GloBE Rules)



The salient points are summarised as follows:

Implementation timeline

<i>Date</i>	<i>Remarks</i>
<i>1 January 2025</i>	Effective date of GMT for multinational enterprise (MNE) groups with financial year (FY) beginning on or after this date.
<i>31 December 2025</i>	First closing date of a complete 12-month FY of an MNE group's consolidated financial statement for year 2025.
<i>30 June 2027</i>	<ul style="list-style-type: none">• First submission of the Top-up Tax (TTx) return and the GloBE Information Return (GIR). This is the 18 months transitional period from the closing date of the consolidated financial statement for the first submission.• The GIR is to be filled by the Ultimate Parent Entity or designated entity with details on the TTx calculation.• The TTx return is to be submitted by each Constituent Entity in Malaysia and is intended to be a simplified return as compared to the GIR.
<i>January 2028</i>	Proposal for risk assessment and audit review

Penalties

IRB will implement a transitional penalty relief regime, in accordance with OECD's guidance during the initial years of the implementation of the GloBE rules. Hence, there will be some leeway during the transitional period where no penalties will be imposed in connection with filing a GIR during this period (i.e. for FY beginning on or before 31 December 2026 but not ending after 30 June 2028) provided the MNE has taken reasonable measures to ensure where the MNE can demonstrate that it has acted in good faith to understand and comply with the relevant domestic application of the GloBE Rules and the Qualifying Domestic Minimum Top-up Tax. Further details will be provided in the GMT guidelines to be issued.

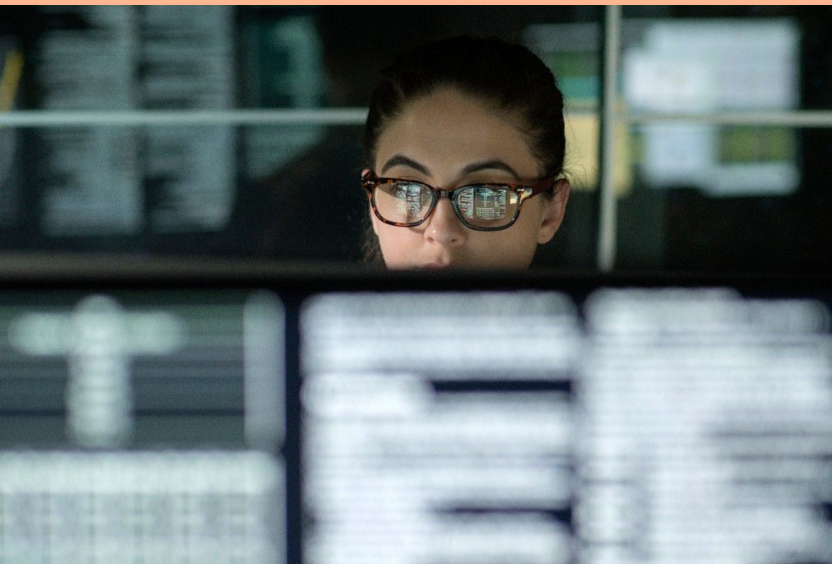
Access to production environment for e-invoice pilot companies

The IRB has issued a media release informing that the production environment of the MyInvois through API has been open as at 24 May 2024 for pilot companies to issue e-Invoices using live data.

Pilot companies can access the MyInvois through API production environment after having applied for Client ID and Client Secret from IRB via email at sdkmyinvois@hasil.gov.my.

To ensure a smooth transition process, the digital signature verification process is temporarily not activated until further notice.

The media release dated 24 May 2024 is available on IRB's website www.hasil.gov.my (Homepage > Media Release)



Labuan Business Activity Tax (Exemption) Order 2024

Following the proposal in Budget 2024, the Labuan Business Activity Tax (Exemption) Order 2024 was gazetted.

The salient points are as follows:

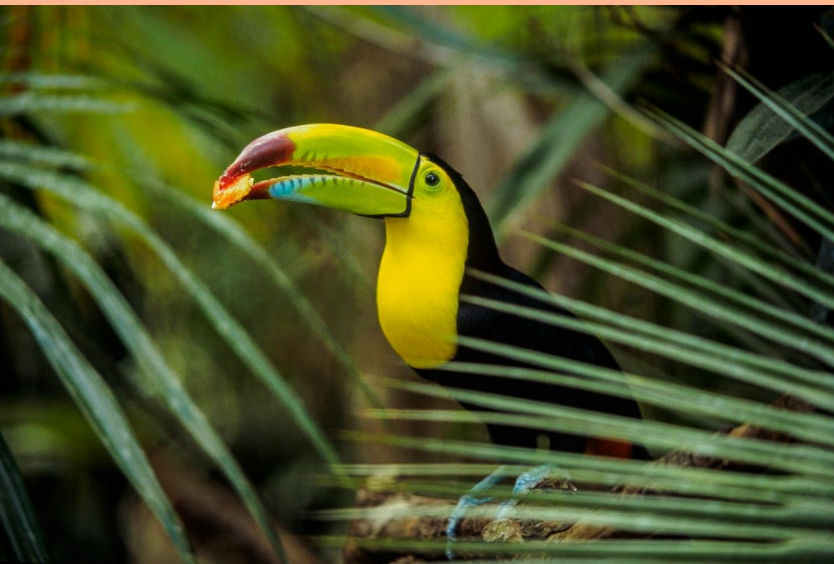
1. Income tax exemption is provided to the following Labuan entities on the income derived from the qualifying activities in relation to Islamic Finance as prescribed in the exemption order (relating to utilisation / leveraging of digital solutions, etc - see following page):
 - a. Labuan bank, Labuan investment bank, Labuan Islamic bank or Labuan Islamic investment bank
 - b. Labuan credit token company or Labuan Islamic credit token company
 - c. Labuan fund manager
 - d. Labuan International Financial Exchange
2. The Labuan entity shall maintain a separate account for the income derived from each activity or business.
3. The exemption is from year of assessment (YA) 2024 to YA 2028.



Labuan entity	Qualifying activity
Labuan bank, Labuan investment bank, Labuan Islamic bank or Labuan Islamic investment	<p>Islamic banking business that leverages digital solutions and adheres to Syariah principles for:</p> <ol style="list-style-type: none"> a. raising funds; b. managing risks including credit, currency and interest risks; c. taking hedging positions; d. providing financing or other financial services to customers; e. managing regulatory capital; f. preparing regulatory reports and returns; g. deposit taking for Labuan Islamic bank and Labuan bank approved to carry on Labuan Islamic banking; h. providing consultancy and advisory services relating to investment matters including dealing in securities or making and managing Islamic investment
Labuan credit token company or Labuan Islamic credit token company	<p>Islamic Digital Token Issuer which:</p> <ol style="list-style-type: none"> a. issues Islamic credit token or Islamic securities token via built-in technology or outsourced technology; b. provides in-house wallet (hot and cold wallet) for storing of Islamic digital token and approved as a payment system operator
Labuan fund manager	<p>Providing fund management services based on Syariah principles and utilisation of digital solutions in respect of Islamic securities including Islamic securities token for:</p> <ol style="list-style-type: none"> a. management services; b. investment advice; c. administrative services; d. dealing in securities
Labuan International Financial Exchange	<p>Undertaking the business of Islamic Exchange which is:</p> <ol style="list-style-type: none"> a. based on Syariah principles and utilisation of digital solutions in— <ol style="list-style-type: none"> i. listing; ii. licensing; or iii. trading; or b. based on the rules and by-laws of the Exchange, other matters related to the securities market and financial instruments

Deduction for cash contributions or financing of conservation or preservation of environment projects

The Ministry of Finance (MOF) has issued the Guidelines for deduction under section 34(6)(h) of the Income Tax Act 1967 for cash contributions or financing of projects in relation to the conservation or preservation of the environment, dated 15 April 2024 (“the Guidelines”).



The Guidelines outline the application procedures and requirements for tax deduction in relation to contributions / financing of Corporate Social Responsibility (CSR) for tree planting or programmes for environmental awareness, preservation and conservation. The CSR activities are to be validated by the Malaysian Forestry Research Institute (FRIM).

The following are the salient points:

1. The contributions eligible for deduction is either in the form of:
 - a. Cash contributions, or
 - b. Financing of activities / projects / campaigns / workshops / seminars / conferences.
2. The CSR activities must be implemented in collaboration with FRIM:
 - a. in relation to planting of trees by the public at FRIM locations, or
 - b. for short-term projects (maximum 12 months) aimed at increasing public awareness on preservation and conservation of the environment, forests and biodiversity.
3. Only companies registered under the Companies Act 2016 are eligible to apply to MOF for approval for the deduction.
4. The contributions must be channelled to FRIM only and validated with an official receipt or certification from FRIM.

The Guidelines is available on MOF’s website www.mof.gov.my (Tax > Exemption Guidelines)

Public Ruling 2/2024 - Investment Holding Company

The IRB has issued Public Ruling 2/2024 - Investment Holding Company (“PR 2/2024”), which replaces Public Ruling 10/2015 of the same title.

The salient updates of in PR 2/2024 are as follows:

Expenses and deduction related to single-tier dividend

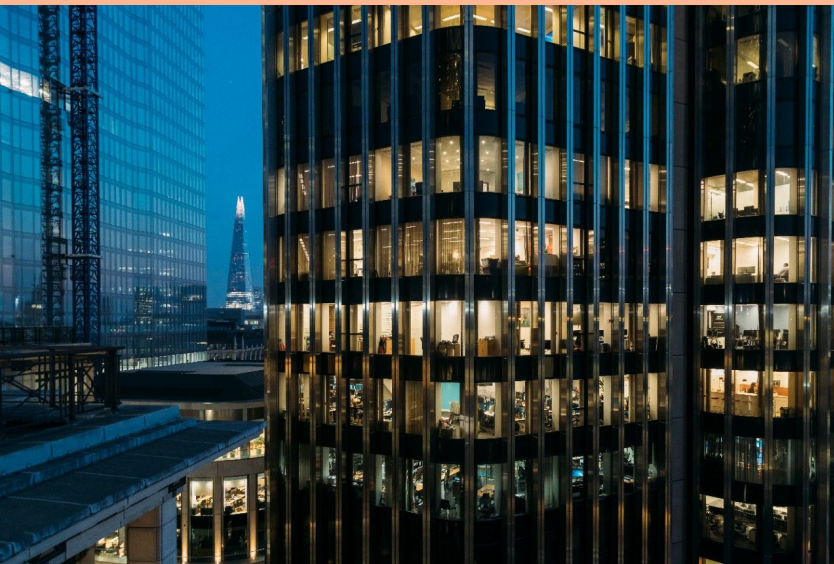
New paragraph 9.4 and new example 13 have been inserted to illustrate the capital allowances and deductions relating to single-tier dividends that are to be disregarded in computing chargeable income, following the amendment to paragraph 12B of Schedule 6 of the Income Tax Act 1967, which took effect from YA 2017, where deductions incurred in relation to single-tier dividend shall be disregarded in ascertaining the chargeable income (previously, adjusted income) of the taxpayer.

In Example 13, capital allowance and donations are used as illustration. Apart from capital allowance and donation, another example of other deductions related to single-tier dividend that is to be disregarded that is stated by the IRB is zakat.

Time limit for unabsorbed business loss carried forward

A new paragraph 9.6 has been inserted to explain the restriction to carry forward for unabsorbed business losses for a period of 10 YAs, which took effect from YA 2019.

PR 2/2024 is available on IRB’s website www.hasil.gov.my (Legislation > Public Ruling)



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