



Tax Espresso A snappy delight

Greetings from Deloitte Malaysia's Tax services group

Mandatory Use of Right Business Code

The Inland Revenue Board (IRB) has recently issued a letter to remind all taxpayers carrying on a business to use the right business code when completing the Income Tax Return Forms (ITRF). ITRF will be deemed incomplete and rejected by the IRB if an incorrect business code is used and penalty under

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[Mandatory Use of Right Business Code](#)

Gazette Orders

[Stamp Duty \(Remission\) Order 2014](#)

[Stamp Duty \(Remission\) \(No. 2\) Order 2014](#)

Public Rulings

Section 112 of the Income Tax Act 1967 (ITA) may be imposed by the IRB. The latest **business code** is available on the IRB's website to facilitate online search.

Gazette Order

Remission of Stamp Duty

The Stamp Duty (Remission) Order 2014 and Stamp Duty (Remission) (No. 2) Order 2014 came into operation on 1 January 2015.

Fifty percent of stamp duty chargeable on:

- i) any loan agreement executed by a Malaysian purchaser and a bank or other specified financier; and
- ii) any instrument of transfer;

for the purchase of one unit of residential property is remitted.

The conditions for the remission of stamp duty are:

- i) The residential property does not cost more than RM500,000;
- ii) The sale and purchase agreement for the purchase of the residential property should be made between 1 January 2015 and 31 December 2016; and
- iii) The purchaser has never owned any residential property which must be confirmed in a statutory declaration.

Public Ruling (PR) No. 9/2014: Private Retirement Scheme

PR No. 10/2014: Special Allowances for Small Value Assets

PR No. 11/2014: Forest Allowances and Expenses Relating to Timber Extraction

PR No. 12/2014: Qualifying Plant and Machinery for Claiming Capital Allowances

PR No. 1/2015: Club, Association or Similar Institution

Important deadlines:

Due date for 2016 tax estimates for companies with March year-end (1 March 2015)

6th month revision of tax estimates for companies with August year-end (28 February 2015)

9th month revision of tax estimates for companies with May year-end (28 February 2015)

Statutory filing of 2014 tax returns for companies with July year-end (28 February 2015)

Public Rulings

Public Ruling (PR) No. 9/2014: Private Retirement Scheme (PRS)

PR 9/2014 was issued by the IRB on 24 December 2014 to explain the establishment and features of a PRS, the tax treatment of individuals' and employers' contributions to PRS and income of the PRS fund.

Salient Point	Remarks
Deduction for contributions made by an individual	Contributions paid to a PRS fund and premiums paid for a deferred annuity up to a maximum of RM3,000 in a year of assessment by an individual is allowed as a deduction against his total income. The tax deduction is effective for 10 years from year of assessment (YA) 2012 until YA 2021.
Deduction for contributions made by an employer	Contributions made by an employer on behalf of his employees are allowable as a deduction subject to a maximum of 19% (inclusive of employers' contribution to EPF) of the employees' remuneration.
Taxation on early withdrawal	Withholding tax (final tax) at the rate of 8% (prevailing rate) will be imposed for early withdrawal except for specified reasons (i.e. upon reaching the retirement age of 55 years old, permanent total disablement, serious disease, mental disability, death or permanently leaving Malaysia). The payer (PRS provider) is required to deduct withholding tax at 8% on the amount withdrawn and remit it to the Director General of Inland Revenue (DGIR) within one month after payments have been made to the investors.
Exemption from tax on income received by the PRS fund	Income received by a PRS fund is exempt from tax. The PRS provider is required to keep separate accounts for each PRS fund managed by him.

PR No. 10/2014: Special Allowances for Small Value Assets

PR No. 10/2014 was issued by the IRB on 31 December 2014 to replace PR No. 1/2008 which was issued by the IRB on 27 March 2008. This PR explains the special allowances accorded to small value assets (SVA). The salient points are as follows:

Salient Point	Remarks
Amendment of Proviso to Paragraph 19A(1), Schedule 3 of the ITA	Effective YA 2015, the value of qualifying plant expenditure of the asset has increased from RM1,000 to RM1,300 and the maximum claim for special allowances of SVA has increased from RM10,000 to RM13,000 per YA.
Special Allowances of SVA for SMC	There is no restriction on the total amount of special allowances claimed on SVA by SMC (companies resident in Malaysia and its paid-up capital in respect of ordinary shares does not exceed RM2.5 million at the beginning of the basis period) for a YA.
Restriction on the amount of special allowances for certain SMC	SMC that have connection with a related company are restricted in the claim for special allowances for SVA. Note: "related company" means a company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a YA.
Person not eligible to claim special allowances	A person is not eligible to claim special allowances if the person: <ul style="list-style-type: none"> i) is a business trust or a Special Purpose Vehicle which is established for an approved securitization transaction; or ii) has made an election to claim normal capital allowances.

PR No. 11/2014: Forest Allowances and Expenses Relating to Timber Extraction

PR 11/2014 was issued by the IRB on 31 December 2014. The salient points are as follows:

Salient Point	Remarks
Qualifying forest expenditure	A person who has been granted a concession or licence and carries on a business of timber extraction is entitled to claim forest allowances on expenditure incurred in the forest on the construction of: <ul style="list-style-type: none"> i) roads or buildings (including bridges and jetties) and the rate of allowance is one-tenth (10%) of the expenditure incurred; or ii) buildings provided for the purposes of welfare or living accommodation of employees engaged in the extraction of timber and the rate of allowance is one-fifth (20%) of the expenditure incurred.

Permanent cessation of timber extraction business	An allowance equivalent to the balance of the unclaimed qualifying forest expenditure will be given in the year of cessation of the timber extraction business.
Disposal of Forest and Computation of Forest Charges	A forest charge which is equivalent to the amount of forest allowances claimed for each year of assessment and on permanent cessation of the business of extracting timber shall be made in the year of disposal.
Logging contractor who is not a licence holder	A logging contractor who is not the holder of a concession or licence is not entitled to claim forest allowances even if he has incurred qualifying forest expenditure and may have made payments to the holder of the concession or licence for the right to extract timber from the forest.

PR No. 12/2014: Qualifying Plant and Machinery for Claiming Capital Allowances

PR No. 12/2014 was issued by the IRB on 31 December 2014 to explain whether an asset is a qualifying plant and machinery for the purpose of claiming capital allowances in determining the statutory income from a business. This PR replaces PR No. 2/2001: Computation of Initial & Annual Allowances in respect of Plant & Machinery which was issued by the IRB on 18 January 2001.

As plant and machinery is not defined in the ITA, principles established in case laws can be used as guidance in determining whether an asset is a qualifying plant and machinery. Two tests which could be conducted to determine whether an asset is a plant or merely providing a setting for carrying out a business are as follows:

i) Functional test or business use test

If an asset meets the function as a tool which is used in carrying on a business then the asset is a plant and is eligible for capital allowances.

ii) Premises test

An asset that is used or functions as a premises or a setting within which a business is carried on is **NOT** a plant and is **NOT** eligible for capital allowances.

PR No. 1/2015: Club, Association or Similar Institution

PR 1/2015 was issued by the IRB on 12 January 2015 to explain the taxation of a club, association or similar institution which is established and controlled by its members. This PR replaces PR 5/2012

which was issued by the IRB on 25 June 2012. The contents of PR 1/2015 are essentially the same as the previous PR and the key changes are as follows:

Salient Point	Remarks						
Basis of assessment	The basis year for a year of assessment is the calendar year. Necessary adjustments have to be made to the tax computation if the financial accounting period ends on a date other than 31 December.						
Residence status	A club, association or similar institution is resident in Malaysia for the basis year for a year of assessment if at any time during the basis year the management and control of its business (for those carrying on a trade or business) or management and control of its affairs (for those not carrying on a trade or business) is exercised in Malaysia.						
Non-approved charitable institutions	A club, association or similar institution which is not an approved charitable institution will not be granted tax exemption on its income.						
Approved charitable institutions	A club, association or similar institution which is approved by the DGIR would automatically be granted a tax exemption on its income (including gifts of money).						
Due dates for the filing of ITRF	<table border="1" data-bbox="548 1104 1385 1314"> <thead> <tr> <th data-bbox="548 1104 964 1173">Source of Income</th> <th data-bbox="964 1104 1385 1173">Submission Date of ITRF</th> </tr> </thead> <tbody> <tr> <td data-bbox="548 1173 964 1243">Non-business income</td> <td data-bbox="964 1173 1385 1243">30 April</td> </tr> <tr> <td data-bbox="548 1243 964 1314">Business income</td> <td data-bbox="964 1243 1385 1314">30 June</td> </tr> </tbody> </table>	Source of Income	Submission Date of ITRF	Non-business income	30 April	Business income	30 June
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Non-business income	30 April						
Business income	30 June						

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