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Tax Espresso

The latest gazette orders and others
(Inclusive of Budget 2019 related matters)

8 January 2019

Greetings from Deloitte Malaysia Tax Services

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[Inland Revenue Board of Malaysia](#)

Takeaways:

- [Finance Act 2018, Income Tax \(Amendment\) Act 2018 and Labuan Business Activity Tax \(Amendment\) Act 2018](#)
- [Gazette Orders](#)
 - [Income Tax \(Deductions Not Allowed For Payment Made To Labuan Company by Resident\) Rules 2018 \[P.U.\(A\) 375/2018\];](#)
 - [Income Tax \(Requirements for Insurer Carrying On Re-Insurance Business\) Rules 2018 \[P.U.\(A\) 383/2018\];](#)
 - [Income Tax \(Requirements for Takaful Operator Carrying On Re-Takaful Business\) Rules 2018 \[P.U.\(A\) 384/2018\];](#)
 - [Labuan Business Activity Tax \(Requirements for Labuan Business Activity\) Regulations 2018 \[P.U.\(A\) 392/2018\];](#)
 - [Stamp Duty \(Remission\) \(No. 2\) Order 2018 \[P.U.\(A\) 376/2018\]](#)
 - [Real Property Gains Tax \(Exemption\) Order 2018 \[P.U.\(A\) 360/2018\];](#)
 - [Real Property Gains Tax \(Exemption\) \(No. 3\) Order 2018 \[P.U.\(A\) 372/2018\];](#)
- [Public Ruling \(PR\) No. 12/2018 'Income from Letting of Real Property'](#)

Upcoming events:

- [Malaysia Economic Forum 2019 \(17 January 2019\)](#)
- [Chinese Seminar on Malaysia National Budget 2019 \(17 January 2019\)](#)
- [2018 Employer's Income Tax Reporting Seminar \(24 January 2019 / 14 February 2019\)](#)

Important deadlines:

Task	2019 Due Date	
	29 Jan	31 Jan
1. 2020 tax estimates for companies with February year-end	√	
2. 6 th month revision of tax estimates for companies with July year-end		√
3. 9 th month revision of tax estimates for companies with April year-end		√
4. Statutory filing of 2018 tax returns for companies with June year-end		√
5. Due date for 2019 CbCR notification for companies with January year-end		√

Finance Act 2018, Income Tax (Amendment) Act 2018 and Labuan Business Activity Tax (Amendment) Act 2018

The three (3) bills, i.e., Finance Bill 2018 (Amendment in Committee), Income Tax (Amendment) Bill 2018 and Labuan Business Activity Tax (Amendment) Bill 2018 have been gazetted on 27 December 2018 as the Finance Act 2018, Income Tax (Amendment) Act 2018 and Labuan Business Activity Tax (Amendment) Act 2018 and came into operation on 28 December 2018.

Please click to view our tax publications which summarised the highlights and points in Budget 2019, as shown below:

- [Special Alert | Finance Bill 2018 \(Amendment in Committee\);](#)
- [Tax Espresso \(Special Edition\) – Budget 2019: Finance Bill 2018, the Income Tax \(Amendment\) Bill 2018 and the Labuan Business Activity Tax \(Amendment\) Bill 2018;](#) and
- [Tax Espresso \(Special Edition\) – Highlights in Budget 2019.](#)

Please stay tuned for our special alert to be issued soon for an updates on tax incentives [i.e., MSC status, principal hub, and etc] development.

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Gazette Orders:

Kindly refer to our Indirect Tax Alert emailer sent out on 2 January 2019 [subject : Indirect Tax Alert | Release of the Regulations and Orders for Sales Tax and Service Tax] for the list of sales tax and service tax updated regulations and orders. The analysis of the updated legislation will be made available at a later date via a separate Indirect Tax Alert.

(a) Income Tax (Deductions Not Allowed For Payment Made To Labuan Company by Resident) Rules 2018 [P.U.(A) 375/2018]

The above Rules were gazetted on 31 December 2018 and came into operation on 1 January 2019. The Rules prescribed the amount not deductible for the types of payment made by a resident to a Labuan company for the purpose of Paragraph 39(1)(r) of the Income Tax Act 1967 ("ITA"). Basically, for interest payment or lease payment, the respective non-deductible amount is 33% of the amount of payment. For other types of payments, the non-deductible amount is 97% of the amount of payment.

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(b) Income Tax (Requirements for Insurer Carrying On Re-Insurance Business) Rules 2018 [P.U.(A) 383/2018];

The above Rules were gazetted on 31 December 2018 and have effect from the year of assessment 2019. The Rules state the requirements that are to be fulfilled by an insurer

carrying on the re-insurance business for the purposes of Subsection 60A(3) of the ITA. Such insurer must have at least ten full time employees in Malaysia and must incur an annual operating expenditure of at least RM4 million in Malaysia.

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(c) Income Tax (Requirements for Takaful Operator Carrying On Re-Takaful Business) Rules 2018 [P.U.(A) 384/2018];

The above Rules were gazetted on 31 December 2018 and have effect from the year of assessment 2019. The Rules state the requirements that are to be fulfilled by a takaful operator carrying on a re-takaful business for the purposes of Paragraph 60AA(1)(b) of the ITA. Such takaful operator must have at least five full time employees in Malaysia and must incur an annual operating expenditure of at least RM4 million in Malaysia.

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(d) Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulations 2018 [P.U.(A) 392/2018];

The above Regulations were gazetted on 31 December 2018 and came into operation on 1 January 2019. The Regulations specify the substantive requirements for a Labuan entity carrying on a Labuan business activity. Such requirements (i.e. the minimum number of full time employees in Labuan and the minimum amount of annual operating expenditure in Labuan) for each Labuan business activity are specified in the Schedule of the Regulations.

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(e) Stamp Duty (Remission) (No. 2) Order 2018 [P.U.(A) 376/2018]; and

Pursuant to the Finance Act 2018, the stamp duty chargeable on an instrument of transfer of property which value is in excess of RM1 million is increased by 1% (i.e. from 3% to 4%) with effect from 1 January 2019.

However, the Minister has issued the above Remission Order to provide a stamp duty remission on an instrument of transfer of property for a sum of 1% of the amount of the money value of the consideration or the market value of the property, whichever is the greater, provided:

- i) the instrument of transfer of property is stamped on or after 1 January 2019 but not later than 30 June 2019; and
- ii) the value of property is between RM1,000,001 and RM2,500,000.

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(f) Real Property Gains Tax (Exemption) Order 2018 [P.U.(A) 360/2018]

The above Exemption Order was gazetted on 28 December 2018 and came into operation on 1 January 2019. The Exemption Order exempts any individual who is a citizen from the payment of Real Property Gains Tax ("RPGT") on the chargeable gain accruing on the disposal of a chargeable asset, other than shares, on or after 1 January 2019. The disposal must be made in the sixth year or onwards after the acquisition date of the chargeable asset and the chargeable asset's disposal consideration must not exceed RM200,000.00.

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(g) Real Property Gains Tax (Exemption) (No. 3) Order 2018 [P.U.(A) 372/2018]

The above Exemption Order was gazetted on 31 December 2018 and came into operation on 1 January 2019. The Exemption Order exempts any individual who is a citizen or a permanent resident from the payment of RPGT on the chargeable gain accruing on the disposal of a chargeable asset, other than shares, on or after 1 January 2019, on the conditions that:

- i) the chargeable asset's disposal must be made in the sixth year or onwards after the acquisition date of such chargeable asset;
- ii) the contract for the chargeable asset's disposal is conditional as it requires the Government's or a State Government's approval as provided under Paragraph 16(a) or (b) of Schedule 2 of the Real Property Gains Tax Act 1967 and is executed before 1 January 2019; and
- iii) the approval by the Government or a State Government for the chargeable asset's disposal is obtained in the year 2019 or onwards.

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Public Ruling (PR) No. 12/2018 'Income from Letting of Real Property'

The Inland Revenue Board of Malaysia (IRBM) has on 19 December 2018 issued PR No. 12/2018 to replace PR. No. 4/2011 on 'Income from Letting of Real Property'. A summary of the updates and amendments can be found in Paragraph 14 of PR No. 12/2018.

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We invite you to explore other tax-related information at:

<http://www2.deloitte.com/my/en/services/tax.html>

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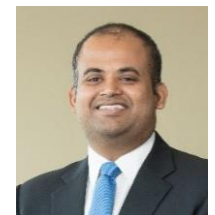
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