



Tax Espresso

A snappy delight

Greetings from Deloitte Malaysia's Tax services group

Public Rulings

Public Ruling No. 4/2014: Deferred Annuity

The Public Ruling No. 4/2014 was issued by the Inland Revenue Board (IRB) on 24 June 2014. Among the issues covered in the Public Ruling (PR) are:

- (a) A resident individual who has paid premium for a deferred annuity or made contributions to a private retirement scheme shall be allowed a deduction thereof up to RM3,000.00 in aggregate against his total income.
- (b) A withdrawal of the premium for a deferred annuity before the age of 55 years would be subject to a withholding tax of 8% except where the withdrawal is made because of permanent total disablement, serious disease, mental disability, death or permanently leaving Malaysia.

Exemption of annuity income of annuitants and exemption of income for life insurers and takaful operators are also illustrated in the PR.

Public Ruling No. 5/2014: Ownership and Use of Asset for the Purpose of Claiming Capital Allowances

Public Ruling No. 5/2014 was issued on 27 June 2014 by the IRB to replace Public Ruling No.1/2001 issued on 18 January 2001.

Among the issues covered in the PR are:

- (a) The legal owner (registered owner) or the beneficial owner (who incurs the expenditure) can claim capital allowance (CA) provided he incurs qualifying expenditure (QE) on the asset and the asset is in use in his business.

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Takeaways:

[IRB Public Rulings](#)

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Important deadlines:

Due date for 2015 tax estimates for companies with August year-end (1 August 2014)

6th month revision of tax estimates for companies with January year-end (31 July 2014)

9th month revision of tax estimates for companies with October year-end (31 July 2014)

Statutory filing of 2013 tax returns for companies with December year-end (31 July 2014)

- (b) The claiming of CA for assets of a partnership, Limited Liability Partnership and Business Trust have been explained.
- (c) Refinancing an existing asset through hire purchase is treated as borrowing with the asset used as a security. CA can continue to be claimed on residual expenditure of the asset provided the asset is being used in the business of the hirer.
- (d) In a lease transaction, the lessor is entitled to claim CA as he has incurred QE and he uses the asset in his business. However, if the lease transaction is deemed to be a sale transaction under the Income Tax Leasing Regulations 1986, it will constitute an outright sale and the lessee can claim CA on the leased asset.

Claiming CA for assets under Islamic financing and assets classified as Held for Sale are also illustrated in the PR.

Gazette Order

A further 5-year income tax exemption for qualifying activity in RAPID Complex

A qualifying person may apply to the Malaysian Investment Development Authority (MIDA) for further exemption in respect of its qualifying activity in Refinery and Petrochemical Integrated Development (RAPID) Complex. Application must be made within ninety days before the expiry of the exemption period given under the Income Tax (Exemption) (No. 7) Order 2013.

The qualifying person is exempted from the payment of income tax in respect of 50% of its statutory income derived from a qualifying activity in RAPID Complex for a period of 5 consecutive years of assessment commencing from the year of assessment in the basis period immediately after the exemption period as provided under the Income Tax (Exemption) (No. 7) Order 2013.

This Order is deemed to have come into operation from the year of assessment 2011 [*Income Tax (Exemption) (No.2) Order 2014 - PU(A) 166/2014*].

Income tax exemption for an angel investor

An angel investor who is a resident in Malaysia, is exempted from the payment of income tax in respect of his aggregate income in the second year of assessment following the year of assessment in which the angel investor has invested in an investee company. The amount of income tax exempted shall be an amount equal to the amount of investment made by the angel investor in that investee company.

This Order is deemed to have come into operation on 1 January 2013 [*Income Tax (Exemption) (No.3) Order 2014 - PU(A) 167/2014*].

Double Taxation Relief (The Government of the Republic of Poland) Order 2014

The Government of Malaysia and the Government of the Republic of Poland have signed a new Double Taxation Agreement (DTA) on 8 July 2013.

Articles in the DTA provide for income derived from Malaysia by a resident of Poland to be taxed as follows: interest at 10% (instead of 15%), royalty at 8% (instead of 10%) and fees for technical services at 8% (instead of 10%).

This Order was gazetted on 12 June 2014 and shall enter into force on a date to be notified [*Double Taxation Relief (The Government of the Republic of Poland) Order 2014 - PU(A) 168/2014*].

Income Tax (Deduction for Expenditure in Relation to Vendor Development Programme) Rules 2014

A double deduction is given on the amount of expenditure incurred by an anchor company to carry out qualifying activities in relation to product development, capability improvement and human capital under the Vendor Development Programme.

The amount of expenditure shall not exceed RM300,000 for each year of assessment for a period of 3 consecutive years of assessment commencing from the year of assessment in the basis period of which the first expenditure is incurred.

These Rules are effective from the year of assessment 2014 [*Income Tax (Deduction for Expenditure in relation to Vendor Development Programme) Rules 2014 - PU(A) 169/2014*].

Income Tax (Asset-Backed Securitization) Regulations 2014

The Income Tax (Asset-Backed Securitization) Regulations 2014 [*PU(A) 170/2014*] are deemed to have come into operation from the year of assessment 2013. Among the Regulations are:

- (a) Proceeds from disposal of trade receivables or stock in trade of the originator in a securitization transaction or gains from such disposal of receivables or stock in trade are deemed to have accrued throughout the period of the securitization transaction.
- (b) Loss from disposal of trade receivables or stock in trade arising from a securitization transaction is deemed to have been incurred throughout the period of the securitization transaction.
- (c) Balancing charge or allowance arising from the disposal of fixed asset pursuant to a securitization transaction is deemed to have been made to the originator over the period of the securitization transaction.
- (d) Deductible expenses incurred by the special purpose vehicle for the acquisitions of trade receivables or stock in trade are deemed to have been incurred over the period of the securitization transaction.

Income Tax Leasing (Amendment) Regulations 2014

The Income Tax Leasing Regulations 1986 [P.U.(A) 131/1986] are amended to exclude from the Regulations a lease transaction in relation to an asset-backed securitization transaction authorized by the Securities Commission on or after 1 January 2013.

These Regulations are deemed to have come into operation from the year of assessment 2013 [*Income Tax Leasing (Amendment) Regulations 2014 - PU(A) 171/2014*].

Goods and Services Tax (GST)

The Goods and Services Tax Act 2014 has been gazetted on 19 June 2014. The imposition of GST will be effective from 1 April 2015 [*Appointment of Effective Date for Imposition of Good and Services Tax – PU(B) 320/2014*].

The following Regulations and Orders in relation to the GST have also been issued recently:

P.U. (A) No.	Title	Descriptions	Effective Date
183	Goods and Services Tax (Amount of Taxable Supply) Order 2014	The amount of taxable supply for the purpose of registration under Subsection 20(1) of the GST Act shall be RM500,000.	1 July 2014
184	Goods and Services Tax (Rate of Tax) Order 2014	The rate of tax shall be fixed at 6% on the supply of goods or services or on the importation of goods.	1 July 2014
185	Goods and Services Tax (Application to Government) Order 2014	The supplies of goods or services by the Government as specified in the Schedule of this Order are subject to the provisions of the GST Act.	1 July 2014
186	Goods and Services Tax (Tax Agent Application Fee) Order 2014	The application fee for an approval or renewal of an approval to be a tax agent under Subsection 170(2) or (4) of the GST Act shall be RM200.	1 July 2014
187	Goods and Services Tax (Imposition of Tax for Supplies in respect of Designated Areas) Order 2014	Tax shall be imposed at the rate fixed under Subsection 10(1) of the GST Act:- a) on the supply of petrol, diesel and liquefied petroleum gas within or	1 July 2014

		<p>between the designated areas (DA) or the importation of such goods into the DA;</p> <p>b) on freight services supplied between DA;</p> <p>c) on telecommunication services supplied within or between DA;</p> <p>d) on the importation of cement, marble or rubber into Langkawi; and</p> <p>e) on the supply of motor vehicle to or within, or the importation of motor vehicles into Tioman.</p>	
188	Goods and Services Tax (Advance Ruling) Regulations 2014	The procedures on the application of advance ruling under Section 77 of the GST Act are explained.	1 July 2014
189	Goods and Services Tax (Review and Appeal) Regulations 2014	The procedures and forms to be used for the application for a review and appeal made under Section 124 and 126 of the GST Act are explained.	1 July 2014
190	Goods and Services Tax Regulations 2014	<p>A detailed framework on the procedures and forms to be used in the GST regime which has come into operation on 1 July 2014, except for the Regulations or Parts as stated below which will be effective from 1 April 2015:</p> <ul style="list-style-type: none"> • Regulation 11: Supplies in relation to construction industry; • Regulation 12: Machines or devices operated by coins, token, etc.; • Part VI: Input Tax and Partial Exemption; • Part VII: Fixed Input Tax Recovery; • Part VIII: Adjustments to the Deduction of Input Tax on Capital Assets; • Part IX: Returns and Payments, and • Part X: Bad Debts Relief. 	1 July 2014 or 1 April 2015

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