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Greetings from Deloitte Malaysia Tax Services

Gazette Orders

Income Tax (Deduction for Expenditure to Obtain the 1- InnoCERT Certification) Rules 2016 [P.U.(A) 168/2016]

In ascertaining the adjusted income of a qualified person for the basis period for a year of assessment, a single deduction shall be allowed for the expenditure incurred by the qualified person in obtaining his first 1-InnoCERT Certification.

The expenditure incurred shall be a certification fee of five thousand ringgit and payment for specified expenditure incurred by SIRIM Berhad's auditors.

A qualified person should be resident in Malaysia and is engaged in manufacturing, services, primary agriculture, construction, mining and quarrying industry and complies

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Upcoming events

GST for Property Developers
Date: 15 July 2016
Venue: Hunza Tower, Penang

Transfer Pricing: Return Filing Compliance and Audit
Date: 18 July 2016
Venue: Ipoh, Perak

Important deadlines:

Due date for 2017 tax estimates for

with the criteria on the number of employees or value of annual sales.

The Rules are effective from year of assessment 2015 and apply to a qualified person who makes an application to obtain a 1-InnoCERT Certification not later than 31 December 2017. This is an extension of the application period expired on 31 December 2014 under the Income Tax (Deduction for Expenditure to Obtain The 1-InnoCERT Certification) Rules 2012 [P.U.(A) 109/2012].

companies with August year-end (1 August 2016)

6th month revision of tax estimates for companies with January year-end (31 July 2016)

9th month revision of tax estimates for companies with October year-end (31 July 2016)

Statutory filing of 2015 tax returns for companies with December year-end (31 July 2016)

Gazette Orders for East Coast Economic Region (ECER)

The following ten (10) gazette orders have recently been gazetted, providing tax incentives to a qualifying person which engages in a qualifying activity in the ECER. A qualifying person and a qualifying activity are defined in each respective gazette order. All 10 gazette orders are deemed to have come into operation on 13 June 2008.

i) Income Tax (Exemption) (No. 4) Order 2016 [P.U.(A) 157/2016]

A qualifying person is exempted from payment of income tax in respect of its statutory income from a qualifying activity equivalent to 100% of the qualifying capital expenditure incurred. The exemption period is 5 consecutive years commencing from the date the first qualifying capital expenditure is incurred.

Examples of qualifying activities are cultivation of kenaf, vegetable, fruit, herbs, spices or cocoa in the agriculture sector, operation of hotel, eco-tourism, etc.

Application for exemption can be made to the Ministry of Finance (MOF) through ECER Development Council on or after 13 June 2008 but not later than 31 December 2020.

ii) Income Tax (Exemption) (No. 5) Order 2016 [P.U.(A) 158/2016]

A qualifying person is exempted from payment of income tax in respect of its statutory income from special qualifying activities equivalent to an allowance of between

60% and 100% of the qualifying capital expenditure incurred as specified by the Minister. The exemption shall be for a period as determined by the Minister commencing from the date the first qualifying capital expenditure is incurred.

Examples of special qualifying activities are agriculture, information, communication and technology, education and training, manufacturing, etc.

Application for exemption can be made to the MOF through ECER Development Council on or after 13 June 2008 but not later than 31 December 2020.

**iii) Income Tax (Exemption) (No. 6) Order 2016
[P.U.(A) 159/2016]**

A qualifying person is exempted from payment of income tax in respect of its statutory income from a qualifying activity for a period of 10 consecutive years of assessment commencing from the first year of assessment statutory income is derived from the qualifying activity.

Examples of qualifying activities are cultivation of kenaf, vegetable, fruit, herbs, spices or cocoa in the agriculture sector, operation of hotel, eco-tourism, etc.

Application for exemption can be made to the MOF through ECER Development Council on or after 13 June 2008 but not later than 31 December 2020.

**iv) Income Tax (Exemption) (No. 7) Order 2016
[P.U.(A) 160/2016]**

A qualifying person is exempted from payment of income tax in respect of its statutory income from special qualifying activities at a rate of 70% to 100% and for a period as determined by the Minister. The period of exemption shall commence from the first year of assessment statutory income is derived from the special qualifying activity.

Examples of special qualifying activities are agriculture, information, communication and technology, education and training, manufacturing, etc.

Application for exemption can be made to the MOF through ECER Development Council on or after 13 June 2008 but not later than 31 December 2020.

**v) Income Tax (Exemption) (No. 8) Order 2016
[P.U.(A) 161/2016]**

An approved developer is exempted from payment of income tax in respect of its statutory income from the disposal of land or buildings located in an industrial park or a free zone or the rental of a building in an industrial park or free zone in the ECER for a period of 10 consecutive years of assessment commencing from the

first year of assessment statutory income from the disposal or rental activities is derived.

Application for exemption can be made to the MOF through ECER Development Council on or after 13 June 2008 but not later than 31 December 2020.

vi) Income Tax (Exemption) (No. 9) Order 2016 [P.U.(A) 162/2016]

An approved development manager providing management, supervisory or marketing services relating to the development of an industrial park or free zone or an approved park manager providing park management services in an industrial park or free zone is exempted from payment of income tax in respect of its statutory income from the above qualifying activities carried on in the ECER for a period of 10 consecutive years of assessment commencing from the first year of assessment statutory income is derived.

Application for exemption can be made to the MOF through ECER Development Council on or after 13 June 2008 but not later than 31 December 2020.

vii) Income Tax (Exemption) (No. 10) Order 2016 [P.U.(A) 163/2016]

A non-resident person is exempted from payment of income tax in respect of fees for technical advice, assistance or services under subparagraph 4A(ii) or royalty under paragraph 4(d) of the Income Tax Act 1967 which are received from a qualifying person for the purpose of a qualifying activity that is listed in the Schedule and that activity has been granted exemption under the Income Tax (Exemption) (No. 4) Order 2016 [P.U. (A) 157/2016] or Income Tax (Exemption) (No. 5) Order 2016 [P.U. (A) 158/2016] or Income Tax (Exemption) (No. 6) Order 2016 [P.U. (A) 159/2016] or Income Tax (Exemption) (No. 7) Order 2016 [P.U. (A) 160/2016].

The exemption applies to payments made on or after 13 June 2008 but not later than 31 December 2020.

viii) Stamp Duty (Exemption) (No. 2) Order 2016 [P.U.(A) 164/2016]

Any instrument chargeable with *ad valorem* duty for the transfer of real property or lease of land or building used for the purpose of an approved qualifying activity in the ECER is exempted from stamp duty.

The exemption shall apply to instruments executed on or after 13 June 2008 but not later than 31 December 2020.

Examples of qualifying activities are cultivation of kenaf, vegetable, fruit, herbs, spices or cocoa in the agriculture sector, operation of hotel, eco-tourism, etc.

ix) Income Tax (Deduction for the Sponsorship of Hallmark Event) Rules 2016 [P.U.(A) 165/2016]

In ascertaining the adjusted income of a qualifying person (i.e. a Malaysian-incorporated resident company or a resident individual) from his business in the basis period for a year of assessment, a single deduction shall be allowed for an amount equal to any cash contribution or contribution in kind made by the qualifying person to sponsor an approved hallmark event.

A hallmark event is an event of national, regional or international significance which is carried on in the ECER on or after 13 June 2008 but not later than 31 December 2020.

The total amount of the deduction allowed for sponsoring one or more hallmark events shall not exceed one million ringgit for each year of assessment.

x) Income Tax (Deduction for Investment in Qualifying Activity) Rules 2016 [P.U.(A) 166/2016]

In ascertaining the adjusted income of a Malaysian-incorporated resident company from its business in the basis period for a year of assessment, a single deduction shall be allowed for the value of the investment made by the company in a related company in that basis period which is equivalent to an amount incurred by the related company in that basis period in relation to the qualifying activity in respect of which the investment is made.

A related company is a Malaysian-incorporated resident company where at least seventy per cent of its paid-up capital in respect of its ordinary shares are directly owned by the company.

Investment made can be in the form of a cash contribution where the related company has no obligation to repay or paid-up capital in respect of ordinary shares in a related company and the investment is for the sole purpose of financing a qualifying activity.

The qualifying activities are cultivation of kenaf, vegetable, fruit, herbs, spices or cocoa, plantation of crops for energy generation, planting of *hevea brasiliensis*, floriculture including ornamental flowers, aquaculture, inland fishing or deep-sea fishing and rearing of cattle, buffalo, goat, sheep, turkey, ostrich or quail and that activity has been granted exemption under Income Tax (Exemption) (No. 4) Order 2016 [P.U. (A) 157/2016] or Income Tax (Exemption) (No. 5) Order 2016 [P.U. (A) 158/2016] or Income Tax (Exemption) (No. 6) Order 2016 [P.U. (A) 159/2016] or Income Tax (Exemption) (No. 7) Order 2016 [P.U. (A) 160/2016].

The application for deduction shall be made to the MOF through ECER Development Council on or after 13 June 2008 but not later than 31 December 2020 and shall be presented concurrently with the application for ECER

incentive for the qualifying activity by the related company.

We invite you to explore other tax related information at:
<http://www2.deloitte.com/my/en/services/tax.html>

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