



## Tax Espresso

A snappy delight

### Greetings from Deloitte Malaysia Tax Services

#### Download the Budget 2017 Wish List [\\*here\\*](#).

The Malaysian Budget 2017 will be announced and tabled in Parliament on the 21 October 2016 by the Prime Minister/Minister of Finance, YAB Dato' Sri Najib bin Tun Abdul Razak. The theme for Budget 2017 is "Accelerating Growth, Ensuring Fiscal Prudence, Enhancing Well-being of the People". This theme is in line with the Government's focus on invigorating the economy and improving the well-being of the people.

Against this backdrop, we expect Budget 2017 to announce some incentives or reliefs to spur the economic growth such as reduction of corporate tax rate relief or rebate for lower income earners and support for small and medium enterprises.

#### Quick links:

[Deloitte Malaysia](#)

[Inland Revenue Board](#)

#### Takeaways:

[Budget 2017 Wish List](#)

[Yung Lung Holdings Sdn Bhd v KPHDN \(High Court\) 2016](#)

#### Upcoming events

[Deloitte TaxMax – The 42<sup>nd</sup> Series One World Hotel 8 November 2016](#)

[GST Workshop: Is your business ready for GST audit? Menara LGB 20 October 2016](#)

#### Important deadlines:

[Due date for 2017 tax estimates for](#)

### **Reduction of Corporate Tax Rates and Increase in Tax Audit Cases**

The Government could lower the corporate tax rate, which would help to promote compliance with the income tax filing. There are many examples around the world that show that low tax rates do not translate to low tax collection.

The Inland Revenue Board (IRB) is said to have intensified its tax audits and investigations into individuals and companies to optimise revenue collection.

### **Simplification of Goods and Services Tax (GST) Exemption List and Zero-rated List**

The list of goods and services that are tax exempt or zero-rated for GST needs to be simplified.

companies with November year-end (31 October 2016)

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

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

Statutory filing of 2016 tax returns for companies with March year-end (31 October 2016)

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## **Yung Lung Holdings Sdn Bhd v KPHDN (High Court) 2016**

Issues:

1. Whether the tax assessment made by the Director under Section 90(3) of the Income Tax Act 1967 (ITA) was correct in fact and in law; and
2. Whether the imposition of 20% penalty on the tax assessed under Section 112(3) of the ITA was correct and justified in law.

Decision:

Taxpayer's appeal was dismissed.

Issue 1:

Under Section 77A(1) of the ITA, every company shall furnish its income tax return to the Director General within seven months after the close of the accounting period. The taxpayer, who had a December year end, was to furnish its income tax return for the year of assessment 2010 by 31 July 2011. However, the taxpayer only did so on 7 January 2012. Since the taxpayer has failed to furnish its return in accordance with Section 77A(1) of the ITA, the Director General may according to the best of his judgement determine the amount of the chargeable income of the taxpayer for that year and make an assessment by virtue of Section 90(3) of the ITA.

Issue 2:

Pursuant to Section 112(3) of the ITA, the Director General is empowered to impose penalty equal to treble the amount of tax for the taxpayer's failure to comply with the timeline of seven months prescribed by Section 77A(1) of the ITA. The Director General, in exercising his power under Section 112(3) of the ITA, has been very lenient towards the default of the taxpayer by imposing only 20% penalty on the tax assessed despite the taxpayer being a repeat offender. The 20% penalty should not be based on the difference between the tax payable and the tax already paid in advance because that was not what Section 112(3) of the ITA, whether expressly or even impliedly provides.

We invite you to explore other tax related information at:

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

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