



INLAND REVENUE BOARD OF MALAYSIA

**TAX INCENTIVE FOR
ORGANIZING ARTS, CULTURAL,
SPORTS AND RECREATIONAL
ACTIVITIES**

PUBLIC RULING NO. 6/2024

Translation from the original Bahasa Malaysia text

DATE OF PUBLICATION: 27 DECEMBER 2024



**TAX INCENTIVE FOR ORGANIZING
ARTS, CULTURAL, SPORTS AND
RECREATIONAL ACTIVITIES**

INLAND REVENUE BOARD OF MALAYSIA

**Public Ruling No. 6/2024
Date of Publication: 27 December 2024**

Published by

Inland Revenue Board of Malaysia

First edition

© 2024 by Inland Revenue Board of Malaysia

All rights reserved on this Public Ruling are owned by Inland Revenue Board of Malaysia. One print or electronic copy may be made for personal use. Professional firms and associations are permitted to use the Public Ruling for training purposes only. Systemic or multiple reproduction, distribution to multiple location via electronic or other means, duplication of any material in this Public Ruling for a fee or commercial purposes, or modification of the content of the Public Ruling is prohibited.



CONTENTS	Page
1. Objective	1
2. Relevant Provisions of the Law	1
3. Interpretation	1
4. Introduction	2
5. Application of Authorization Letter and Approval Letter for Tax Exemption	2
6. Tax Incentive	3
7. Separate Accounts	7
8. Disclaimer	7

DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**

1. Objective

The objective of this Public Ruling (PR) is to provide an explanation of the tax incentive available to a promoter that organizes an approved art or cultural activities as well as sports or recreational competitions in Malaysia.

2. Relevant Provisions of the Law

- 2.1 This PR takes into account laws which are in force as at the date this PR is published.
- 2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 2, 21 and 21A.
- 2.3 The relevant subsidiary legislation is the Income Tax (Exemption) (No 12) 2021 [P.U.(A) 478/2021].

3. Interpretation

The terms used in this PR have the following meanings:

- 3.1 “Statutory income”, in relation to a person, a source and a year of assessment, means statutory income ascertained in accordance with the ITA.
- 3.2 “Basis period” in relation to a person, a source of his and a year of assessment, means such basis period, if any, as is ascertained in accordance with section 21 or section 21A of the ITA.
- 3.3 “Year of Assessment” means calendar year.
- 3.4 “Promoter” means a company incorporated under the Companies Act 2016 or a society or an organization registered under the Societies Act 1966.
- 3.5 “Arts or cultural activities” means a stage performance approved by the Ministry of Tourism, Arts and Culture (MOTAC) and organized with the participation of foreign nationals who have performed at least three performances in any countries other than their own.

3.6 “Sports or recreational competition of international standard” means any sporting event or recreational activity approved by the Ministry of Youth and Sports (KBS) and organized in any form with the participation of foreign nationals from a number of countries.

3.7 “Foreign national” means an individual who is not a Malaysian citizen.

4. Introduction

Malaysian arts and cultural activities have long been showcased through festivals and a variety of events organized by various promoters in Malaysia. Malaysia has comprehensive sports facilities and infrastructure that are suitable for various international sports events. In an effort to promote Malaysia as a centre of exhibitions, festivals or conferences, as well as sports or recreational competitions of international standard, the Government has reintroduced tax incentives for promoters to organize approved activities.

5. Application for Authorization Letter and Approval Letter for Tax Exemption

5.1 MOTAC has issued guidelines to provide an explanation of the general criteria and procedure related to the application for a tax exemption for organizing arts and cultural activities of an international standard in Malaysia.

5.2 The promoter who intends to organize arts and cultural activities of the international standard shall complete the application form and submit the relevant documents to MOTAC. The application has to be submitted 30 days before the activity is carried out. After reviewing the application for the proposed activity, MOTAC may issue an authorization letter for organizing the activities.

5.3 The promoter would have to submit an application to MOTAC not later than 90 days after the activity has been carried out to obtain an approval letter for tax exemption. For more information in respect of the application, please refer to the guideline titled ‘Guideline on Tax Exemption Incentive’, which is accessible on the official website of MOTAC at www.motac.gov.my.

- 5.4 For sports and recreational competitions of an international standard, the promoter would have to submit an application to KBS via online at <https://erosa.kbs.gov.my> not later than 90 days before the activity is carried out and the application will be reviewed and processed by the Sports Commissioner's Office, KBS. After reviewing the application for the proposed activity, KBS may issue an authorization letter for the organization of the activity.
- 5.5 The promoter would have to submit an application to KBS not later than 90 days after the activity has been carried out to obtain an approval letter for tax exemption. For more information in respect of the application, please refer to the official website of KBS at www.kbs.gov.my.

6. Tax Incentive

A company, society or organization organizing an approved art or cultural, or sports or recreational competition of an international standard is eligible to claim an income tax exemption subject to specified conditions.

(a) Approved activities

To be eligible for a tax exemption, the promoter must organize all events in Malaysia as follows:

- (i) arts or cultural activities approved by the MOTAC and held at the Istana Budaya, National Visual Arts Gallery or Petronas Philharmonic Hall; or
- (ii) sports or recreational competitions of an international standard held at an approved organizing location by the KBS.

(b) Tax exemption

A promoter that organizes an approved of art or cultural activities, or sports or recreational competition of international standard would be granted a tax exemption of 50% on the statutory income which is derived from the organization of such activities. This exemption is effective from the Year of Assessment 2020 to 2025.

Example 1

E-Strike Club an organization in Malaysia has organized an international e-sport competition held in Kuala Lumpur. A total of 150 local participants and 50 foreign participants from four different countries participated in the competition. E-Strike Club closes its financial accounts on 31st December annually. The statutory income of E-Strike Club for the year ended 31.12.2023 for organizing the electronic sports competition was RM200,000.

The organization of this recreational competition of international standard has been approved by KBS. Therefore, the promoter would be eligible for a tax exemption of 50% (RM100,000) on the statutory income derived from the competition.

Example 2

MNO Sdn Bhd carries on a business of selling sports equipment and attire. MNO Sdn Bhd had organized an international golf tournament held at the Bukit Jalil Golf & Country Club, Kuala Lumpur from 2.6.2023 to 4.6.2023. International golfers were invited to participate in the tournament. The company closed its financial accounts on 31st December annually. The statutory income from business and the sale of the golf tournament tickets for the year ended 31.12.2023 are as follow:

Details	RM
Statutory income from business	1,500,000
Gross income from the sale of tickets for golf tournament	400,000
Expenses incurred in relation to the tournament	250,000

The organiser of the golf tournament has obtained an approval for a tax exemption from KBS because it has fulfilled the requirements of organizing an international sports competition. Therefore, the promoter would be eligible for a tax exemption of 50% of the statutory income derived from the golf tournament activity. The company has provided a separate account for determining the income which is exempted.

**Computation of Tax Payable
Year Assessment 2023**

	RM	RM	RM
Statutory business income from selling sports equipment and attire			1,500,000
Gross income from the sale of golf tournament tickets	-	400,000	
Less: Allowable expenses	250,000	250,000	
Statutory income from the tournament		150,000	
Less: Allowable income exemption amount – 50%	-	(75,000)	
Statutory income from international golf tournament subject to tax	-	75,000	75,000
Aggregate income/ Total income			1,575,000
Tax rate			24%
Tax payable for YA2023			378,000

Example 3

Same facts as in Example 2 and details of the company's income in the year of assessment 2023 are as follows

Details	RM
Current year adjusted losses from business	100,000

**Computation of Chargeable Income
Year Assessment 2023**

	RM	RM	RM
Adjusted income for business (Adjusted losses from business – RM100,000)			Nil
Gross income from the sale of golf tournament tickets	-	400,000	
Less: Allowable expenses	250,000	250,000	
Statutory income from the tournament		150,000	
Less: Allowable income exemption amount – 50%	-	(75,000)	
Statutory income from international golf tournament subject to tax	-	75,000	75,000
Aggregate income			75,000
Less:			
Current year adjusted losses from business		100,000	
Current year adjusted losses from business utilised		<u>(75,000)</u>	
Unabsorbed adjusted business losses c/f from YA2023		25,000	(75,000)
Total income/ Chargeable income			Nil

Example 4

Lisa Boutique Sdn Bhd carries on a business of modern clothing boutique in Malacca. The company had organized an international Cultural Festival and had submitted the application form with the relevant documents to the MOTAC. The performance also featured a line-up of well-known international artists. The

performance was held at the Genting Arena of Stars, Genting Highlands on 1.6.2023. The company closes its financial accounts on 31st December annually. The income of Lisa Boutique for the year ended 31.12.2023 is as follows:

Details	RM
Income from the sale of tickets for the cultural performance	300,000

Lisa Boutique Sdn Bhd had organized an international cultural festival that was held at an unapproved location. Therefore, Lisa Boutique Sdn Bhd is not eligible for the 50% tax exemption on the statutory income derived from the sale of cultural performance tickets.

7. Separate Accounts

A promoter who applies for tax exemption under P.U.(A) 478/2021 is required to maintain a separate account for the income derived from organizing an approved arts or cultural activities or sports or recreational competitions of international standard held in Malaysia. The account is a separate account from the records and accounts of its regular business activities.

8. Disclaimer

The examples in this PR are for illustration purposes only and are not exhaustive.

**Director General of the Inland Revenue,
Inland Revenue Board Malaysia.**