

Tax Flash



September 2013

Double Deduction for Training Costs under *Skim Latihan 1Malaysia* for Unemployed Graduates

Following the Budget 2013 announcement, the Income Tax (Deduction for Training Costs under *Skim Latihan 1Malaysia* for Unemployed Graduates) Rules 2013 have been gazetted to allow a double deduction on the following outgoings and expenses incurred by a locally incorporated company approved by the Economic Planning Unit under the Prime Minister's Department of Malaysia ["EPU"] for conducting the *Skim Latihan 1Malaysia* programme of 8 to 12 continuous months for unemployed graduates of Malaysian citizen:-

- i. monthly training allowance of not less than RM1,000 paid to the trainees for a maximum period of 12 months;
- ii. expenditure incurred for the training provided to the trainees;
- iii. expenditure incurred for food, travelling and accommodation allowances of the trainees during the training scheme; and
- iv. fees paid to a person appointed to conduct soft-skills training under the training scheme.

The total amount of deductible expenditure under (ii), (iii) and (iv) above for each trainee is restricted to RM5,000 for each training scheme.

To be eligible for the above deduction, the company is required to produce a letter from the EPU specifying that:-

- the training scheme has been approved by EPU during the period from 1st June 2012 to 31st December 2016; and
- the implementation of the training scheme will commence within 12 months from the date of approval by the EPU.

The above Rules are deemed to have come into operation on 1st June 2012.

Hyperlinks

Advent Consulting Group
Inland Revenue Board

References

Income Tax (Deduction for Training Costs under *Skim Latihan 1Malaysia* for Unemployed Graduates) Rules 2013



Exemptions Relating to *Sukuk Kijang* Issued by BNM Kijang Berhad

The following exemption orders have recently been gazetted to provide exemptions in relation to *Sukuk Kijang* i.e. Islamic securities of nominal value of up to USD250 million issued in accordance with the *Shariah* principle of *Ijarah* by BNM Kijang Berhad :-

- i. Income Tax (Exemption) (No. 10) Order 2013
 - Exemption is given to BNM Kijang Berhad or any holder of *Sukuk Kijang* from payment of income tax in relation to any income derived from *Sukuk Kijang*.
 - The withholding tax provisions under Sections 109 and 109B of the Income Tax Act 1967 ["the Act"] shall not apply to the income exempted under this Order.
 - The above Order comes into operation on 12th August 2013.
- ii. Real Property Gains Tax (Exemption) (No. 2) Order 2013
 - Exemption is given to any person from payment of real property gains tax in respect of chargeable gains accruing on the disposal of any chargeable assets in relation to *Sukuk Kijang*.
 - The above Order comes into operation on 25th July 2013.
- iii. Stamp Duty (Exemption) (No. 10) Order 2013
 - Exemption from payment of stamp duty is given on all instruments executed by
 - BNM Kijang Berhad in relation to *Sukuk Kijang*; and
 - any person in relation to the issuance and transfer of *Sukuk Kijang*.
 - The above exemption applies to instruments executed from 25th July 2013 onwards.

Remission of Tax and Stamp Duty Relating to *Sukuk Ijarah* Issued by Syarikat Prasarana Negara Berhad

Pursuant to the Loans Guarantee (Bodies Corporate) (Remission of Tax and Stamp Duty) (No. 4) Order 2013, any tax payable under the Act and stamp duty payable under the Stamp Act 1949 in respect of any agreement, note, instrument and document relating to the *Sukuk Ijarah* i.e. the Islamic Medium Term Notes of RM2 billion in nominal value issued by Syarikat Prasarana Negara Berhad, including any such documentation in relation to the guarantee provided by the Government of Malaysia shall be remitted in full.

The above Order comes into operation on 21st August 2013.

Income Tax (Exemption)
(No. 10) Order 2013

Real Property Gains Tax
(Exemption) (No. 2) Order
2013

Stamp Duty (Exemption)
(No. 10) Order 2013

Loans Guarantee (Bodies
Corporate) (Remission of
Tax and Stamp Duty) (No.
4) Order 2013



Guideline and Procedures on Application for Confirmation Letter by a Company which Manufactures Promoted Products under the PIA to Claim for ACA under the Act

The Malaysian Investment Development Authority ["MIDA"] has recently issued the Guideline and Procedures on Application for Confirmation Letter by a Company which Manufactures Promoted Product/Activity under the Promotion of Investments Act 1986 ["PIA"] or an Agricultural Project under Schedule 7A of the Act to claim for Accelerated Capital Allowance ["ACA"] under the Act.

Companies which reinvest in the manufacture of promoted product/activity or an agricultural project are eligible to claim for ACA after expiry of the 15-year period of eligibility for reinvestment allowance. The ACA is granted based on initial allowance of 40% and annual allowance of 20% on qualifying plant expenditure incurred.

The claimant companies must submit the application form to MIDA together with the following supporting documents:-

- Memorandum and Articles of Association;
- Certificate of Incorporation (Form 9); and
- Registered Address (Form 44).

Guidelines on the Establishment and Operations of Labuan Leasing Business

The Labuan Financial Services Authority ["LFSA"] has recently issued the new Guidelines on the Establishment and Operations of Labuan Leasing Business to provide clarification and guidance on eligibility, application procedure, operational and reporting requirements, as well as licence fee applicable for Labuan companies carrying on leasing business (conventional/Islamic) in Labuan International Business and Financial Centre.

The above Guidelines which come into effect on 1st August 2013 replaced the Guidelines for Carrying on Offshore Leasing Business in Labuan issued in March 2003. All approvals granted by LFSA under the previous guidelines shall remain valid unless revoked until the expiry of the lease transaction.

Guideline and Procedures on Application for Confirmation Letter by a Company which Manufactures Promoted Products under the PIA to Claim for ACA under the Act

Guidelines on the Establishment and Operations of Labuan Leasing Business



DTA Between Malaysia and India Enters into Force

The new Double Tax Agreement ["DTA"] between Malaysia and India which was signed on 9th May 2012 has entered into force on 26th December 2012. The DTA shall have effect as follows:-

- In Malaysia
 - for any year of assessment beginning on or after 1st January 2013 in respect of income tax and petroleum income tax.
- In India
 - income derived in any fiscal year beginning on or after 1st April 2013.

Note : *Kindly refer to our November 2012 issue of Tax Flash for further details of the DTA*

DTA Between Malaysia and Hong Kong Enters into Force

The DTA between Malaysia and Hong Kong which was signed on 25th April 2012 has entered into force on 28th December 2012. The DTA shall have effect as follows:-

- In Malaysia
 - for any year of assessment beginning on or after 1st January 2013 in respect of income tax and petroleum income tax.
- In Hong Kong
 - for any year of assessment beginning on or after 1st April 2013 in respect of Hong Kong Special Administrative Region tax.

Note : *Kindly refer to our December 2012 issue of Tax Flash for further details of the DTA.*

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GST – Draft Guides

The Royal Malaysian Customs has recently issued the following draft industry guides on Goods and Services Tax [“GST”] matters:-

- i. GST Guide on Fund Management to provide an understanding of GST treatment on fund management.
- ii. GST Guide on Petroleum Downstream to provide an understanding of GST treatment on petroleum downstream activities including retailing.

GST Guide on Fund Management

GST Guide on Petroleum Downstream

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