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PR No. 1/2019 – Professional Indemnity Insurance

The Inland Revenue Board has recently issued the Public Ruling [“PR”] No. 1/2019 – Professional Indemnity Insurance to provide guidance on the tax treatment in respect of the premium contributed and compensation received from professional indemnity insurance. This PR replaces the PR No. 8/2017 issued on 19th December 2017 with some clarifications and renumbering of paragraphs / examples.

The clarifications provided in the abovementioned PR are as follows:-

- In a case where a professional is registered with a professional body outside Malaysia, the professional body must be recognised by written law or statute in Malaysia. [Paragraph 5.1 of the PR]
- Any proceeds received from the insurance company will be taxed in full and is not restricted to any compensation paid to the claimant. [Paragraph 8.4 of the PR]

Hyperlinks

- [Moore Stephens Malaysia](#)
- [Moore Stephens International](#)
- [Inland Revenue Board](#)

- [PR No. 1/2019](#)

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- iii. Where a professional chooses not to claim a deduction for the professional indemnity insurance premium expense against gross income from his business source, any proceeds received in connection with the professional indemnity insurance shall be taxed as a gross income of the chargeable professional under Section 22(2)(a)(ii) of the Income Tax Act 1967 [“the Act”]. [Paragraph 8.5 of the PR]

Note: For further information relating to the previous PR No. 8/2017, kindly refer to our Tax Flash – January 2018 issue.

Tax Exemption on Malaysia Japanese Yen Bonds

The Income Tax (Exemption) Order 2019 has been gazetted to provide exemption to a non-resident person from payment of tax in respect of income derived from Malaysia for interest and technical services referred to under Section 4(c) and Section 4A(ii) of the Act respectively in relation to the issuance of the Malaysia Japanese Yen Bonds – Series A (2019) Guaranteed by Japan Bank for International Cooperation with the nominal value up to ¥200,000,000,000.00, other than convertible loan stock, issued by the Government of Malaysia.

The withholding tax provisions under Section 109 and Section 109B of the Act shall also not apply to the above income.

The above exemption is given for a period of 10 years commencing from the year of assessment [“YA”] 2019.

Principal Hub Incentive – Condition to Provide Qualifying Services to Network Companies

Subsequent to the issuance of the statutory orders for Principal Hub [“PH”] gazetted on 31st December 2018 (*Note*), the following amendment Orders have recently been gazetted:-

- Income Tax (Exemption) (No. 6) 2018 (Amendment) Order 2019
- Income Tax (Exemption) (No. 7) 2018 (Amendment) Order 2019
- Income Tax (Exemption) (No. 8) 2018 (Amendment) Order 2019

It is noteworthy that included in the above three (3) amendment Orders, among others, the requirement for a PH to provide at least three (3) qualifying services to its network companies that must be located in three (3) countries outside Malaysia has been removed. This means that the PH can provide the three (3) qualifying services to any network companies located both in or outside Malaysia.

The above amendment Orders shall have effect from the YA 2018.

Note: For further information on the principal orders relating to PH, kindly refer to our Tax Flash – February 2019 issue.

Hyperlinks

- [Tax Flash – January 2018](#)
- [Income Tax \(Exemption\) Order 2019](#)
- [Income Tax \(Exemption\) \(No. 6\) 2018 \(Amendment\) Order 2019](#)
- [Income Tax \(Exemption\) \(No. 7\) 2018 \(Amendment\) Order 2019](#)
- [Income Tax \(Exemption\) \(No. 8\) 2018 \(Amendment\) Order 2019](#)
- [Tax Flash – February 2019](#)

Hyperlinks

Guideline on Incentive Application for Manufacturing Project

Malaysian Investment Development Authority ["MIDA"] has recently issued the Guideline on Incentive Application for Manufacturing Project, i.e. Pioneer Status and Investment Tax Allowance incentives. The eligibility criteria and procedure for the incentive application (with effect from 28th January 2019) are available in the i-Incentives portal of MIDA website.

- [Guideline on Incentive Application for Manufacturing Project](#)

Stamp Duty Exemption on Issuance, Guarantee and Services in Relation to the Issuance of Malaysia Japanese Yen Bonds

The Stamp Duty (Exemption) Order 2019 has been gazetted to provide exemption from stamp duty on any instrument in respect of the issuance, guarantee and services in relation to the issuance of Malaysia Japanese Yen Bonds – Series A (2019) Guaranteed by Japan Bank for International Cooperation (*Tekikaku Kikan Toshika Gentei*) by the Government of Malaysia.

- [Stamp Duty \(Exemption\) Order 2019](#)

The above exemption applies to instruments executed on or after 26th February 2019 but not later than 31st December 2019.

Stamp Duty Remission on Instrument of Transfer for Purchase of Residential Property

Following the 2019 Budget announcement, the Stamp Duty (Remission) Order 2019 has been gazetted to provide that an amount of RM5,000 shall be remitted from the stamp duty chargeable on any instrument of transfer for the purchase of only one unit of residential property (i.e. a house, condominium unit, flat or an apartment purchased or obtained solely to be used as a dwelling house) with value exceeding RM300,000 but not more than RM500,000 by an individual (i.e. a purchaser or co-purchaser who is a Malaysia citizen).

- [Stamp Duty \(Remission\) Order 2019](#)

The remission is given on the conditions that:-

- the sale and purchase agreement for the purchase of the residential property is executed on or after 1st July 2019 but not later than 31st December 2020; and
- the individual has never owned any residential property including a residential property which is obtained by way of inheritance or gift, which is held either individually or jointly.

The above Order is deemed to have come into operation on 1st July 2019.

Service Tax

Royal Malaysian Customs Department has published the Guide on Broking and Underwriting Services dated 27th February 2019 for the purpose of providing guidance on the service tax treatment pertaining to the provision of broking and underwriting services.

Hyperlinks

- [Guide on Broking and Underwriting Services](#)

This publication is provided gratuitously and without liability. It is intended as a general guide only and the application of its contents to specific situations will depend on the particular circumstances involved. Readers should seek appropriate professional advice regarding any particular problems that they encounter, and this tax update should not be relied on as a substitute for advice. Accordingly, Advent MS Tax Consultants Sdn Bhd assumes no responsibility for any errors or omissions it may contain, whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies on it. Should further information, clarification or advice be required on any of the contents stated herein, please feel free to contact our tax team.