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Guidelines on Procedures in Applying for Tax Clearance Letter for Individuals

The Inland Revenue Board ["IRB"] has recently issued the Guidelines on Procedures in Applying for Tax Clearance Letter ["SPC"] for Individuals. The Guidelines provide guidance on the procedures and requirements for application of SPC for individuals.

SPC is issued by the IRB to the employer in respect of an employee who is ceasing its employment, retiring or leaving Malaysia for more than 3 months. The employer is required to submit to the IRB an application for SPC at least 1 month prior to the expected date of cessation of employment, retirement or departure from Malaysia of the employee concerned together with the following documents:-

- Form CP21 / CP22A / CP22B duly completed;
- Income tax return form up to the latest year of assessment;
- Copy of Form EA / EC;
- Copy of passport (in the case of Form CP21);
- Schedule of travelling in / out of Malaysia (in the case of Form CP21).

Hyperlinks

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

- [Guidelines on Procedures in Applying for Tax Clearance Letter for Individual](#)

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Hyperlinks

- i. Employer's Responsibilities
 - To notify the IRB of the cessation of employment / retirement of its employees.
 - To notify the IRB at least 1 month prior to the employee's expected date of departure from Malaysia (for more than 3 months).
 - An employer who has in his possession any amount of monies payable to the employee who has ceased / is about to cease to be employed by him / who is about to leave Malaysia for more than 3 months, shall not, without the permission of the IRB, pay any part of those monies to the employee until 90 days after the receipt of the Form CP21 / CP22A / CP22B by the IRB. The employer is required to remit the full amount or a portion of these monies to the IRB if so directed at any time during the said period.

- ii. Employee's Responsibilities
 - To ensure that the assessments for prior years are complete and in order.
 - For employees who are ceasing employment / retiring:-
 - Where Monthly Tax Deductions ["MTD"] as final tax applies:-
 - to submit the tax return for the year of assessment in which the employment ceases in the following year;
 - the tax return for current year of assessment needs not be submitted.
 - Where MTD as final tax is not applicable:-
 - to submit the tax returns for the current year of assessment and the year of assessment in which the employment ceases in the following year.
 - For employees who are leaving Malaysia for more than 3 months:-
 - Where MTD as final tax applies:-
 - to submit the tax return for the year of assessment in which the employment is ceased in the following year;
 - the tax return for current year of assessment needs not be submitted.
 - Where MTD as final tax is not applicable:-
 - to submit the tax returns for the current year of assessment and the year of assessment in which the employment ceases in the following year.
 - In the event that the tax return form for the year of assessment in which the employment ceases has yet to be made available by the IRB, to use the tax return form for the immediate prior year of assessment and amend the year of assessment printed on the tax form.

iii. IRB's Responsibilities

- To process the application for SPC received by the IRB via Client Charter.
- To forward the SPC to the employer and extend a copy of the same to the employee.
- May impose travel restriction under Section 104 of the Act on the employee who fails to settle their outstanding tax liabilities.
- May commence civil proceedings against the employer who fails to remit the amount as directed via the SPC issued.

Guidelines on Application for Incentive for Green Technology

The Malaysian Investment Development Authority ["MIDA"] has recently issued guidelines on application for tax incentives to encourage companies undertaking qualifying green technology project / services or acquiring green technology assets as follows:-

i. Green Technology Project

- Investment tax allowance ["ITA"] is granted to companies which undertake green technology project involving renewable energy, energy efficiency, green building, green data centre and waste management.
- ITA of 100% is given on qualifying capital expenditure incurred on green technology project from the year of assessment ["YA"] 2013 (the first qualifying capital expenditure incurred shall not be earlier than 25th October 2013) until YA 2020. It can be offset against 70% of statutory income for a year of assessment and any unutilised allowance can be carried forward to subsequent years of assessment until it is fully utilised.
- Application must be received by MIDA latest by 31st December 2020.

ii. Green Technology Services

- Income tax exemption is granted to companies which undertake green technology services in renewable energy, energy efficiency, electric vehicle, green building, green data centre, green certification and verification and green townships.
- Income tax exemption of 100% of the statutory income is given from the YA 2013 until YA 2020.
- Application must be received by MIDA latest by 31st December 2020.

Hyperlinks

- [Guidelines on Application for Incentive for Green Technology](#)

Hyperlinks

iii. Green Technology Assets

- ITA is given to companies which acquire green technology assets verified by the Malaysian Green Technology Corporation ["MGTC"] as listed in the MyHijau Directory.
- ITA of 100% is given on qualifying capital expenditure incurred on green technology asset from the YA 2013 (the first qualifying capital expenditure incurred shall not be earlier than 25th October 2013) until YA 2020. It can be offset against 70% of statutory income for the year of assessment and any unutilised allowance can be carried forward to subsequent years of assessment until it is fully utilised.
- Application must be received by MGTC latest by 31st December 2020.

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