

## In this Issue

- PR No. 2/2014 – Taxation of Investors on Income from Foreign Fund Management Company
- Venture Capital Tax Incentive Guidelines
- GST Bill 2014

### **PR No. 2/2014 – Taxation of Investors on Income from Foreign Fund Management Company**

The Inland Revenue Board has recently issued the Public Ruling ["PR"] No. 2/2014 – Taxation of Investors on Income from Foreign Fund Management Company to provide guidance on tax treatment of income received by foreign and local investors that engage the services of a foreign fund management company.

Salient points of the abovementioned PR include:-

#### i. Foreign Fund Management Company

- A company incorporated in Malaysia and licensed for the regulated activity of fund management under the Capital Markets and Services Act 2007.
- Among the conditions stipulated by the Securities Commission ["SC"] for the licensing of a foreign fund management company, more than 50% of its paid up share capital must be owned by foreign equity.

## Hyperlinks

- [Moore Stephens Malaysia](#)
- [Moore Stephens International](#)
- [Inland Revenue Board](#)
  
- [PR No. 2/2014](#)

## Contact details

Advent MS Tax Consultants Sdn Bhd (703669-U)  
*(formerly known as Advent Tax Consultants Sdn Bhd)*

Unit 3.3A, 3rd Floor, Surian Tower  
No. 1 Jalan PJU 7/3, Mutiara Damansara  
47810 Petaling Jaya, Selangor, Malaysia

T +603 7728 1800  
F +603 7728 9800  
E [tax@moorestephens.com.my](mailto:tax@moorestephens.com.my)

[www.moorestephens.com.my](http://www.moorestephens.com.my)



## Hyperlinks

### ii. Tax Treatment of Income Received by Foreign and Local Investors from a Foreign Fund Management Company in Malaysia

- Dividends and interest derived from investments outside Malaysia and received in Malaysia by foreign and local investors (other than a resident company carrying on the business of banking, insurance or sea or air transport) are exempted from tax.
- Dividends received from investments in Malaysia under the single-tier system by both foreign and local investors are exempted from tax.
- Interest income derived by the following investors from investments in Malaysia is exempted from tax in the following circumstances:-

#### Foreign Investors

- Non-residents deriving interest income from Malaysia which are paid or credited by:-
  - any person carrying on the business of banking and finance licensed under the Financial Services Act 2013 [Act 758] and the Islamic Financial Services Act [Act 759]; or by any institutions approved by the Minister (except interest paid or credited on funds required for purposes of maintaining networking fund as prescribed by the Central Bank of Malaysia); or
  - Bank Kerjasama Rakyat Malaysia Berhad.
- Non-resident companies deriving interest income from Malaysia (other than interest accruing to a place of business of such company in Malaysia):-
  - in respect of securities issued by the Government; or
  - in respect of Islamic securities or debenture issued in Ringgit Malaysia (other than convertible loan stock approved by SC).

#### Local Investors

- Resident local investors deriving interest from:-
  - negotiable certificate of deposit; or
  - rediscounting of banker's acceptance on repurchase agreement or any similar instrument of trade financing which is traded in money market fund

## Hyperlinks

- A resident individual deriving gains or profit, interest or bonus from money deposited with:-
  - a bank or finance company licensed or deemed to be licensed under Act 758 and Act 759; and
  - other specified institutions [listed under items 6(c)(ii)(C) to (G) of the PR] incorporated or registered under the relevant acts.

### Both Foreign and Local Investors

- Interest derived from Islamic securities originating from Malaysia (other than convertible loan stock):-
  - issued in any currency other than Ringgit Malaysia;
  - approved by SC or Labuan Financial Services Authority.
- Individuals, unit trusts and listed closed-end funds deriving interest or discount in respect of:-
  - securities or bonds issued or guaranteed by the Government;
  - debentures or Islamic Securities (other than convertible loan stock) approved by SC; or
  - Bon Simpanan Malaysia issued by the Central Bank of Malaysia.
- Interest derived by foreign investors from investments in Malaysia other than those mentioned above is subject to withholding tax of 15% or at the rate determined under the relevant Double Taxation Agreements.
- Interest derived by local investors from investments in Malaysia other than those mentioned above is subject to income tax at the rate specified under the Income Tax Act 1967.
- Gains derived by both foreign and local investors from realisation of investments within Malaysia (other than real property which may be subject to real property gains tax) and outside Malaysia are not subject to tax in Malaysia.

## Venture Capital Tax Incentives Guidelines

SC has recently issued the amended venture capital tax incentives guidelines which sets out the types of incentives available for the venture capital industry, the qualifying criteria or requirements, and the procedures for application.

It is noteworthy of the following changes made in the amended guidelines:-

- the statutory income on all sources except for the interest income arising from saving or fixed deposits and profits from *Syariah*-based deposits (previously, there was no such exception in the original guidelines) of a venture company are exempted from payment of income tax;
- the exempt period of 5 years of assessment or the years of assessment equivalent to the life of the fund established for the purpose of investing in a venture company, whichever is the lesser, available to a venture capital company (previously available in the original guidelines) which has invested at least 30% of its invested funds in venture companies in the form of seed capital, start-up and/or early stage financing at the point of first investment has been removed as the condition required to be met i.e. application for the exemption to SC that must be made between 30<sup>th</sup> August 2008 to 31<sup>st</sup> December 2013, has already expired.

## GST Bill 2014

The Goods and Services Tax ["GST"] Bill 2014 was tabled in the Parliament on 31<sup>st</sup> March 2014. The Bill was passed at the Dewan Rakyat (Lower House of the Parliament) on 7<sup>th</sup> April 2014 and the Dewan Negara (Upper House of the Parliament) on 5<sup>th</sup> May 2014 to be gazetted in due course and implemented on 1<sup>st</sup> April 2015.

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.

## Hyperlinks

➤ [Venture Capital Tax Incentives Guidelines](#)

➤ [GST Bill 2014](#)