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PR No. 6/2014 – Taxation of Foreign Fund Management Company

The Inland Revenue Board has recently issued the Public Ruling [“PR”] No. 6/2014 – Taxation of Foreign Fund Management Company to provide guidance on tax treatment of income received by a foreign fund management company that provides fund management services to foreign and local investors.

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 for the licensing of a foreign fund management company, more than 50% of its paid up share capital must be owned by foreign equity.

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

- [PR No. 6/2014](#)

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ii. Tax Treatment

- A foreign fund management company that provides fund management services to foreign investors is accorded special tax treatment under Section 60G of the Income Tax Act 1967 [“the Act”].
- The income derived from providing fund management services to both foreign and local investors shall be treated as arising from separate and distinct business sources [Section 60G(1) of the Act].
- The statutory income derived from the provision of fund management services to foreign investors shall be reduced by unabsorbed losses brought forward from the same source in arriving at the chargeable income for a year of assessment [Section 60G(2) of the Act].
- The statutory income derived from the provision of fund management services to local investors and other sources shall be reduced by unabsorbed losses brought forward from the same source (i.e. other than losses from the provision of fund management services to foreign investors) in arriving at the chargeable income from a year of assessment [Section 60G(3) of the Act].
- In other words, the brought forward losses and current year business loss from the provision of fund management services to foreign investors are not deductible against the income from the provision of fund management services to local investors and other business sources and vice-versa.
- Statutory income derived from the provision of fund management services of *Syariah* compliant funds to foreign investors is exempted from payment of tax. This exemption is applicable from the year of assessment [“YA”] 2007 to YA 2016 [Income Tax (Exemption) (No. 15) Order 2007].
- Statutory income derived from the provision of fund management services of *Syariah* compliant to local investors is exempted from payment of tax. This exemption is applicable from the YA 2008 to YA 2016 [Income Tax (Exemption) (No. 6) Order 2008].

- The tax rates applicable for a foreign fund management company are as follows:-

Shareholding of a Foreign Fund Management Company	Type of Investors	Tax Rate (%)
100% foreign equity	Foreign	10
At least 30% local equity	Foreign	10
At least 30% local equity	Local	Prevailing domestic tax rates applicable to residents

GST – Draft Guides

The Royal Malaysian Customs Department [“RMCD”] has recently issued the following draft/revised guides on Goods and Services Tax [“GST”] to provide an understanding of GST and its implications on various businesses/matters:-

- Industry Guides
 - Agriculture, Fisheries and Livestock Industry (draft as at 20.09.2014)
 - Forest Industry (revised as at 26.08.2014)
 - Healthcare Services (revised as at 06.11.2014)
 - Insurance and Takaful (revised as at 22.10.2014)
 - Legal Practitioners (revised as at 03.09.2014)
 - Pawnbroking (revised as at 11.09.2014)
 - Webhosting (revised as at 23.08.2014)

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GST Orders

The following Orders on GST matters have recently been gazetted:-

- i. GST (Exempt Supply) Order 2014
 - The above Order provides the list of supply of goods and services which are determined as exempt supplies
 - This Order comes into operation on 13th October 2014
- ii. GST (Zero-Rated Supply) Order 2014
 - The above Order provides the list of supply of goods and services which are determined as zero-rated supply
 - This Order comes into operation on 13th October 2014
- iii. GST (Relief) Order 2014
 - The above Order provides the list of persons who are relieved from:-
 - payment of tax on acquisition of specified goods;
 - charging tax on supply of specified goods; and
 - payment of tax on specified imported goods
 - This Order comes into operation on 13th October 2014
- iv. GST (Imposition of Tax for Supplies in respect of Designated Areas) (Amendment) Order 2014
 - The amendment Order provides that the supply of petrol, diesel and liquefied petroleum gas to designated areas shall also be subject to GST, in addition to those specified in the GST (Imposition of Tax for Supplies in respect of Designated Areas) Order 2014
 - This Order comes into operation on 17th September 2014

Note : For further information relating to the above GST (Imposition of Tax for Supplies in respect of Designated Areas) Order 2014, kindly refer to our Tax Flash – July 2014 issue.

➤ [Tax Flash – July 2014](#)

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