FREQUENTLY ASKED QUESTIONS (FAQ)

EQUITY CROWDFUNDING (ECF) TAX EXEMPTION

(Issued: 30 August 2023)

Introduction

To encourage more individual investors to participate in ECF, the government had announced in Budget 2021 that a qualifying individual who invests in ECF would be entitled to an income tax exemption, subject to conditions as stipulated in the *Income Tax (Exemption) (No. 4) Order 2022 [P.U.(A) 142]* ("Tax Exemption Order").

For more information, please refer here.

Q1 What is the investment eligibility period for the ECF tax exemption?

A The investment made through ECF must be on or after 1 January 2021 but not later than 31 December 2023.

Q2 Can a corporate investor apply for the ECF tax exemption?

A No, only qualifying individual investors can apply for the ECF tax exemption.

Definition of "qualifying individual" can be found under paragraph 2 of the *Income Tax (Exemption) (No. 4) Order 2022 [P.U.(A) 142]* ("Tax Exemption Order").

For more information, please refer here.

Q3 When will the qualifying individual investor be eligible for the ECF tax exemption?

A The investment made through ECF is not disposed of, either in full or in part, within 2 years from the date the investment is made. Please refer to the following illustration:

Scenario	Year of Investment Is Made	Year of Assessment in respect of Exemption of Aggregate Income	Date to file BNCP *(Borang Nyata Cukai Pendapatan)* for qualified individuals
Example 1	2021	2023	2024*
Example 2	2023	2025	2026*

**Deadline is in accordance with national tax filing timeline*

Q4 What does the date of investment refer to?

A Date of investment refers to the closing date of the issuer's fundraising campaign on the ECF platform. However, if the investor exercised his cooling off rights, the investor will not be entitled to apply for the tax exemption.

Q5 **Are there any limitation on the amount of investments that I can make to qualify for the ECF tax exemption?**

A You may make multiple investments in different ECF platforms in a year. The exemption shall be:

a. an amount equal to 50% of the amount of total investment made by the qualifying individual and shall not exceed fifty thousand ringgit for each year of assessment; and
b. limited to 10% of the aggregate income of the qualifying individual in the basis period for a year of assessment in which the exemption is granted.

Q6 **How does a qualifying individual investor apply for the ECF tax exemption?**

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a. Engage ECF operator for details on ECF tax exemption. Investor may be required to provide ECF operator with additional information and declaration.

b. ECF operator would need to verify the information provided by investor. Once the information is verified, it will be submitted to the Securities Commission Malaysia (SC).

c. The SC will verify the information provided by the ECF operator.

d. ECF operator will provide investor with the annual certification of investment upon obtaining SC's verification. Investor can use this certification when applying for the ECF tax exemption.

Q7 **Am I eligible for the ECF tax exemption if my ECF investment is held in a nominee company?**

A Yes, you are eligible for the tax exemption (subject to conditions stipulated in the Tax Exemption Order), provided the nominee company is:

a. incorporated under the Companies Act 2016;

b. resident in Malaysia; and

c. established by an ECF operator in Malaysia to receive investments from a qualifying individual for investment purposes through an equity crowdfunding platform into an investee company

For more information, please refer to the Guidelines on Recognized Markets here.