



# Tax Flash



January 2010

## Finance Act 2010

The Finance Act 2010 has been gazetted on 14<sup>th</sup> January 2010 to take effect the announcement made in the 2010 Budget. Compared to the Finance (No. 2) Bill 2009, a new paragraph has been included to provide a tax rebate of RM400 to the knowledge worker undertaking qualifying activities in Iskandar Malaysia with chargeable income not exceeding RM35,000 for a year of assessment.

## Real Property Gains Tax

The Real Property Gains Tax (Exemption) (No. 2) Order 2009 has been gazetted to provide tax exemption on Real Property Gains Tax ["RPGT"] on disposal of real properties and shares in real property companies after five years from the date of acquisition for all categories of property owners and shareholders.

In addition, chargeable gains arising from disposal of real properties and shares in real property companies within five years will be subject to RPGT at an effective rate of 5% based on a formula provided in the order for all categories of property owners and shareholders.

This order takes effect from 1<sup>st</sup> January 2010. The Real Property Gains Tax (Exemption) (No. 2) Order 2007 and Real Property Gains Tax (Exemption) Order 2009 have been revoked by this order.

## Schedular Tax Deductions

Following the 2010 Budget announcement which proposed a reduction in the personal tax rate and increase in some tax reliefs, Income Tax (Deduction from Remuneration) (Amendment) Rules 2009 has been gazetted to replace the existing Schedular Tax Deductions ["STD"] schedule and to provide guidance for employers to determine the rightful amount of STD to be deducted from employees' salaries.

### Hyperlinks

[Advent Consulting Group](#)  
[Inland Revenue Board](#)

### References

[Real Property Gains Tax \(Exemption\) \(No. 2\) Order 2009](#)

[Income Tax \(Deduction from Remuneration\) \(Amendment\) Rules 2009](#)

[Schedule of Monthly Tax Deductions 2010](#)



## **Tax Deduction for Investment in an Approved Forest Plantation Project**

Following the 2010 Budget announcement, the Income Tax (Deduction for Investment in an Approved Forest Plantation Project) Rules 2009 has been gazetted to provide a company a tax deduction equivalent to the amount of investment made in a related company that undertakes its first forest plantation project. The types of forest plantation project undertaken by the related company must be the species as specified in the schedule of the rules and approved by the Ministry of Finance ["MoF"].

The application of this incentive must be made to the MoF not later than 31<sup>st</sup> December 2011.

## **Tax Exemption for New Forest Plantation Project or Expansion Forest Plantation Project**

Following the 2010 Budget announcement, the Income Tax (Exemption) (No.10) Order 2009 has been gazetted to provide tax exemption on statutory income of a company from a new forest plantation project for ten consecutive years of assessment or an expansion forest plantation project for five consecutive years of assessment. The types of forest plantation project undertaken by the company must be the species as specified in the schedule of the order and approved by the MoF.

The application of this incentive must be made to the MoF not later than 31<sup>st</sup> December 2011.

## **Surrendering Adjusted Loss of A Company that Undertakes Forest Plantation Project**

Following the 2010 Budget announcement, the Income Tax (Exemption) (No.11) Order 2009 has been gazetted to allow a company that undertakes new forest plantation project approved by the MoF to surrender its adjusted loss from any year of assessment prior to the exempt years of assessment to one or more related company.

This order is deemed to have come into operation from 21<sup>st</sup> May 2003.

## **Service Tax on Credit Cards and Charge Cards**

Following the 2010 Budget announcement, the Service Tax (Rate of Tax) Order 2009 has been gazetted to effect the imposition of service tax on credit cards and charge cards based on the following :-

- i. RM50 per year on the principal card; and
- ii. RM25 per year on the supplementary card.

Income Tax (Deduction for Investment in an Approved Forest Plantation Project) Rules 2009

Income Tax (Exemption) (No. 10) Order 2009

Income Tax (Exemption) (No. 11) Order 2009

Service Tax (Rate of Tax) Order 2009



Service tax will be charged on the date of issuance and renewal of the card, and every twelve months thereafter or part thereof.

In this connection, a guideline for service tax on credit cards and charge cards has been issued by the Royal Malaysian Customs Department ["RMCD"] and can be viewed in the RMCD's website.

The Service Tax (Rate of Tax) Order 2000 has now been revoked by this order which takes effect from 1<sup>st</sup> January 2010.

### **Labuan Holding Company to carry on business in Kuala Lumpur**

A Labuan holding company ["LHC"] incorporated under the Offshore Companies Act 1990 is now allowed to set up operational and management office in Kuala Lumpur to carry on permitted business activities as specified in the Guideline on Co-location of LHC.

This permission was gazetted under Offshore Companies (Exemption) Order 2009 on 22<sup>nd</sup> December 2009.

### **Annual Fee for Management and Operation Office of Labuan Holding Company in Kuala Lumpur**

A LHC approved by Labuan Offshore Financial Services Authority ["LOFSA"] to set-up an operational and management office in Kuala Lumpur will be required to pay RM7,000 to LOFSA on or before 15<sup>th</sup> January of each year in respect of each of its approved management and operation office in Kuala Lumpur.

The above requirement was gazetted under Labuan Offshore Financial Services Authority (Annual Fee for Management and Operation Office of Labuan Holding Company in Kuala Lumpur) Order 2009 on 23<sup>rd</sup> December 2009.

### **Second Addendum to Public Ruling No. 4/2005 – Withholding Tax on Special Classes of Income**

The Inland Revenue Board ["IRB"] has issued the Second Addendum to Public Ruling ["PR"] No. 4/2005 – Withholding Tax on Special Classes of Income. This Addendum provides clarification on the following classes of income and fees which are exempted from withholding tax:-

- i. With effect from 1<sup>st</sup> January 2009, reimbursement or disbursement on hotel accommodation is no longer subject to withholding tax. Hotel accommodation means accommodation in hotel, apartment hotel, service apartment, motel or hostel.

Guideline for Service Tax on Credit Cards and Charge Cards

Offshore Companies (Exemption) Order 2009

Labuan Offshore Financial Services Authority (Annual Fee for Management and Operation Office of Labuan Holding Company in Kuala Lumpur) Order 2009

Second Addendum to PR No. 4/2005 – Withholding Tax on Special Classes of Income



ii. Further to the First Addendum to PR No. 4/2005 dated 30<sup>th</sup> November 2007, this Addendum further clarifies the withholding tax exemption to include the following:-

- Rental income received by a non-resident person from the rental of International Standard Organisation containers by a Malaysian shipping company. This exemption has been gazetted under the Income Tax (Exemption) (No. 24) Order 2002 and takes effect from 20<sup>th</sup> October 2001.
- Income from provision of technical advice or services to Multimedia Super Corridor status company engaged in specific regional activities. This exemption has been gazetted under Income Tax (Exemption) (No. 13) Order 2005 and takes effect from 1<sup>st</sup> October 2002.
- Income derived from providing training to Malaysians in specific expert areas, crafts and performing arts. The exemption is effective for applications received and verified by the Ministry of Culture, Arts and Heritage from 1<sup>st</sup> October 2005 until 30<sup>th</sup> September 2010. This exemption has been gazetted under Income Tax (Exemption) (No. 21) Order 2006.
- Income derived by a non-resident individual who is an expert in Islamic finance as verified by the Malaysia Islamic Financial Centre Secretariat. This exemption has been gazetted under Income Tax (Exemption) (No. 3) Order 2008 and takes effect from 8<sup>th</sup> September 2007 until 31<sup>st</sup> December 2016.
- Income of a non-resident person for providing technical training in areas of information technology and communication, electronics, life sciences, nursing, allied healthcare or aircraft maintenance which has been approved by the MoF. This exemption has been gazetted under Income Tax (Exemption) (No. 3) Order 2009 and takes effect from 30<sup>th</sup> August 2008 until 31<sup>st</sup> December 2012.

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