



TAX FLASH

May 2023

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Guidelines on Tax Deduction for Contribution/Sponsorship for AI-Driven Reverse Vending Machine

Malaysia's Plastics Sustainability Roadmap 2021 – 2030 outlines strategies and action plans to achieve greater levels of plastic recycling ecosystem in Malaysia. The Government aims to increase the rate of plastic collection for recycling by 40% in 2025. To encourage behavioural change towards recycling through education and to prevent plastic and aluminium containers pollutions, artificial intelligence ["AI"] technology has been adapted for plastic waste collection in local communities.

As announced in the Budget 2023 (retabled), to support the recycling of plastic waste ecosystem and to ensure the collected-for-recycling rate be increased through effective and organised plastic waste collection programme, tax deduction under Section 34(6)(h) of the Income Tax Act 1967 ["ITA 1967"] will be given to any persons who make contribution/sponsorship of AI-driven reverse vending machine.

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

Following the above, the Ministry of Finance ["MOF"] has issued the [Guidelines on Tax Deduction under Section 34\(6\)\(h\) of the ITA 1967 for Contribution/Sponsorship of Smart AI-Driven Reverse Vending Machine](#) (in *Bahasa Malaysia*) to provide guidance on the criteria and procedure for application of deduction for income tax purpose.

Salient points of the abovementioned Guidelines are as follows:-

- i. Eligible Contributions
 - Cash or financing of smart vending machine with utilisation of smart AI technology.
- ii. Eligible Applicants
 - Any persons with business income as follows:-
 - companies;
 - individual;
 - partnership;
 - body corporate; and
 - cooperative societies.
- iii. Application for Approval from MOF
 - Approval for tax deduction must be made to MOF in writing by providing the relevant information (per *Lampiran III* of the Guidelines).
 - Contributions/sponsorships and applications must be received by MOF from 1st April 2023 to 31st December 2024.
- iv. Supporting Documents
 - The following documents are required in support of the claim for tax deduction:-
 - official receipt;
 - letter acknowledging the receipt of contribution / financing agreement (stating the duration, location and serial number of the equipment) (per *Lampiran I* of the Guidelines);
 - verification of the value of cash/equipment/services from the Ministry of Natural Resources, Environment and Climate Change (per *Lampiran II* of the Guidelines).

Extension of Stamp Duty Exemption on Instrument of Loan or Financing Agreement Relating to Restructuring or Rescheduling of a Loan Between a Borrower or Customer and a Financial Institution

The Stamp Duty (Exemption) (No. 11) Order 2021 provides for stamp duty exemption on instrument of loan or financing agreement relating to restructuring or rescheduling of a loan between a borrower or customer and a financial institution which is executed between 1st March 2020 to 31st December 2022.

Following the Budget 2023 (retabled) announcement, the [Stamp Duty \(Exemption\) \(No. 11\) 2021 \(Amendment\) Order 2023](#) has been gazetted to extend the exemption period for instrument of loan or financing agreement relating to restructuring or rescheduling of a loan between a borrower or customer and a financial institution executed until 31st December 2024.

The amendment Order has effect from 1st January 2023.

Note: For further details relating to the stamp duty exemption on instrument of loan or financing agreement relating to restructuring or rescheduling of a loan between a borrower or customer and a financial institution, kindly refer to our [Tax Flash – October 2021](#) issue.

Service Tax (Compounding of Offences) (Amendment) Regulations 2023

The *Service Tax (Compounding of Offences) (Amendment) Regulations 2023* [“the Regulation”] has been gazetted on 12th April 2023 but no effective date was specified in the Regulation. The Royal Malaysian Customs Department [“RMCD”] has earlier confirmed that based on the Interpretation Acts 1948 and 1967, if the Regulation is silent on the effective date, it will take effect on 13th April 2023, i.e. the date immediately following the date of publication of the Regulation. The amendment relates to the introduction of provision for offences in the service tax legislations for improperly obtaining deduction for service tax in excess of the amount so deductible.

Sales Tax (Exemption from Registration) Order 2023

The *Sales Tax (Exemption from Registration) Order 2023* [“the Order”] has been gazetted on 2nd May 2023 but no effective date was specified in the Order. As mentioned in the preceding paragraph, if the Order is silent on the effective date, it will take effect on 3rd May 2023, i.e. the date immediately following the date of publication of the Order.

Based on the Order, any person who carries on the activity of manufacturing finished goods of the Royal Pahang Weave is exempted from registration under subsection 13(1) of the Sales Tax Act 2018 irrespective of the total sale value of the taxable goods for the period of two years.

Penalties Reduction and Surcharges Remission Incentive Programme

The RMCD has made an announcement on penalty reduction and surcharge remission incentive programme [“the Incentive Programme”] under the Goods and Services Tax [“GST”] Act 2014, Sales Tax Act 2018, Service Tax Act 2018, Tourism Tax Act 2017 and Departure Levy Act 2019. The salient points extracted from the Incentive Programme are as follows:-

- The period for the Incentive Programme is from 1st February 2023 to 30th September 2023 (i.e. 8 months).
- The details of the Incentive Programme are as follows:-

Category of Arrears	Payment		Reduction of Penalty / Surcharge
	Tax	Surcharge / Penalty	
a. Tax, penalty and surcharge	100%	0%	100%
b. Tax and penalty			
c. Tax and surcharge			
d. Penalty / surcharge	N/A	10%	90%

- The conditions to qualify for the Incentive Programme are as follows:-
 - The payment is made within the period of the Incentive Programme;
 - The bill of demand relates to the taxable period ended on or before 31st December 2022;
 - For cases that have been registered at the courts, the companies/individuals are required to inform the civil officer in-charge of the cases in writing in order to participate in the Incentive Programme, subject always to fulfilling the prescribed conditions;
 - The Incentive Programme is also applicable to companies/individuals that have obtained approval for making payments via instalments;
 - For cases where court decisions have been made, the relevant taxpayers are not eligible to participate in the Incentive Programme for the same taxable period.

On 28th April 2023, *Utusan Malaysia* had reported that a total of 26,000 companies and business entities have yet to settle their GST arrears amounting to RM2.1 billion. The Director General of Customs and Excise, Datuk Mazuli Johan informed that even though the GST was abolished in 2018, the RMCD will continue their efforts to recover the GST arrears.

In view of the above, taxpayers should take this opportunity to participate in the Incentive Programme and approach us if any assistance is required.

Temporary Relief for Overseas Travel Restrictions for the Year 2023

The RMCD has made an announcement on the temporary relief for overseas travel restrictions for the year 2023. The salient points are as follows:-

- The period for this programme is from 14th February 2023 to 30th September 2023.
- The details for the conditions and the period of the temporary relief are as summarised below:-

Conditions	Period of Temporary Relief for Overseas Travel Restrictions
a. Payment of 10% of the total arrears	2 weeks
b. Payment of 30% of the total arrears	1 month
c. Payment of 60% of the total arrears	6 months
d. Companies participating in the Penalty Reduction and Surcharge Remission Incentive Programme covering the total arrears	6 months

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