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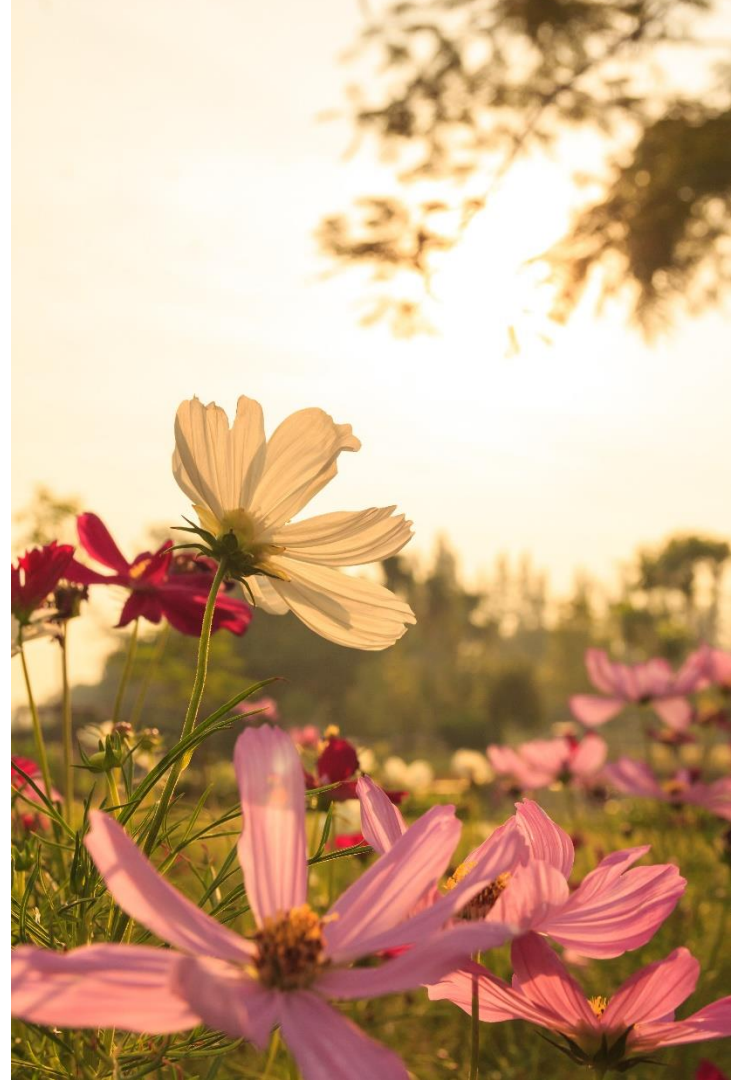
Crowe Chat

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Tax

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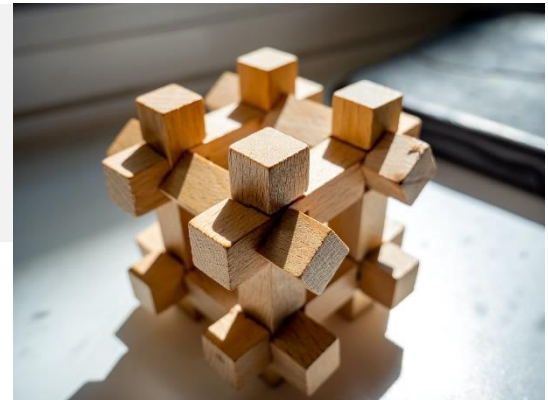
1. Gazette Order on Tax Exemption for Tour Operators

Introduction

Tourism is one of the hardest hit economic sectors due to the Covid-19 pandemic and the implementation of the various Movement Control Orders in Malaysia. The Government announced tax incentives for the tour operators under the Strategic Programme to Empower the People and Economy (PEMERKASA) which was unveiled on 17 March 2021.

New Exemption Order

To legislate the proposal, [Income Tax \(Exemption\) \(No. 9\) Order 2021](#) was gazetted on 23 August 2021.



1. Gazette Order on Tax Exemption for Tour Operators

Details of the Exemption Order



Effective from the year of assessment (YA) 2021 until the YA 2022.



A qualifying person is exempted from the payment of income tax in a basis period for a YA in respect of the statutory income derived from a qualifying activity.



The exemption only applies if the total number of local tourists for a qualifying activity is not less than two hundred (200) persons in a basis period for a YA.



The total number of local tourists and foreign tourists for a qualifying activity must be verified in writing by an authorised officer of the Ministry of Tourism, Arts and Culture Malaysia.



The qualifying person is required to maintain a separate account for the income exempted under the Order.



A qualifying person carrying on a qualifying activity and an activity other than a qualifying activity must treat each activity as a separate and distinct source of that qualifying person.

1. Gazette Order on Tax Exemption for Tour Operators

Details of the Exemption Order (cont'd)

Who is a qualifying person?

A company resident in Malaysia which is licensed under the Tourism Industry Act 1992 to carry out a tour operating business and which carries on a qualifying activity.

What is a qualifying activity?

A tour operating business (same meaning assigned to it in the Tourism Industry Act 1992) which provides a domestic tour package for travel within Malaysia utilised by local tourists and foreign tourists, including transportation by air, land or sea, and accommodation.



2. Income Tax Rules on Special Deduction for Reduction of Rental

Introduction

Under the various economic stimulus packages, the Government has announced a special tax deduction for owners of buildings or business spaces that provide a reduction or waiver of rent to their tenants.

New Income Tax Rules

To legislate the proposal, the following Rules were gazetted on 8 September 2021:

- ❖ [Income Tax \(Special Deduction for Reduction of Rental to a Small and Medium Enterprise\) Rules 2021](#)
- ❖ [Income Tax \(Special Deduction for Reduction of Rental to a Tenant other than a Small and Medium Enterprise\) Rules 2021](#)

2. Income Tax Rules on Special Deduction for Reduction of Rental

Details of the New Income Tax Rules

Income Tax (Special Deduction for Reduction of Rental to a Small and Medium Enterprise) Rules 2021

- Effective from the YA 2020.
- A deduction is allowed for an amount equivalent to the total amount of reduction of rental of not less than thirty per cent (30%) of the rate of a monthly rental under the existing tenancy agreement for a business premise for each of the qualifying month (April 2020 until December 2021).
- The landlord is also eligible for the deduction when the rents are paid in advance.



2. Income Tax Rules on Special Deduction for Reduction of Rental

Details of the New Income Tax Rules (cont'd)

Income Tax (Special Deduction for Reduction of Rental to a Small and Medium Enterprise) Rules 2021

The landlord should keep the following documents in order to qualify for the deduction:

- a tenancy agreement which is stamped under the Stamp Act 1949.
- a separate statement of income for rental income for the qualifying months in the basis period for a YA.
- a confirmation made by the landlord stating the amount of reduction of rental given.
- a confirmation made by the small and medium enterprise stating the receipt of reduction of rental.
- certificate by the SME Corporation Malaysia confirming the status of the small and medium enterprise.

2. Income Tax Rules on Special Deduction for Reduction of Rental

Details of the New Income Tax Rules (cont'd)

Income Tax (Special Deduction for Reduction of Rental to a Tenant other than a Small and Medium Enterprise) Rules 2021

- Effective from the YA 2021.
- A deduction shall be allowed for an amount equivalent to the total amount of reduction of rental of not less than thirty per cent (30%) of the rate of a monthly rental under the existing tenancy agreement for a business premise for each of the qualifying months (January 2021 until December 2021).
- The landlord is also eligible for the deduction when the rents are paid in advance.



2. Income Tax Rules on Special Deduction for Reduction of Rental

Details of the New Income Tax Rules (cont'd)

Income Tax (Special Deduction for Reduction of Rental to a Tenant other than a Small and Medium Enterprise) Rules 2021

The landlord should keep the following documents in order to qualify for the deduction:

- a tenancy agreement which is stamped under the Stamp Act 1949.
- a separate statement of income for rental income for the qualifying months in the basis period for a YA.
- a confirmation made by the landlord stating the amount of reduction of rental given.
- a confirmation made by the tenant stating the receipt of reduction of rental.

3. Revised Service Tax Guide on Management Services

Introduction

Effective 1 September 2018, under Group G, First Schedule of the Service Tax Regulations 2018, the provision of management services under prescribed circumstances is subject to service tax.

Previous Service Tax Guide on Management Services

The previous Service Tax Guide on Management Services was published on 15 January 2021.

Revised Service Tax Guide on Management Services

The Royal Malaysian Customs Department (RMCD) published a revised Service Tax Guide on Management Services on 4 August 2021 to clarify the Service Tax treatment with regards to the provision of maintenance services.

3. Revised Service Tax Guide on Management Services



Details of the Revised Service Tax Guide on Management Services

In the previous guide, an example was given whereby if rental services and maintenance management services were separately charged by the service providers, Service Tax should be charged on the maintenance management services.

In this revised guide, it is clarified that the provision of maintenance services for the common area should not be subject to Service Tax.

The revised guide also mentioned that only the provision of maintenance services for the rented area (i.e. other than the common area) would be treated as taxable management services and subject to Service Tax.

Updates on Employers' Tax Obligations in Malaysia

By **Monaliza Mohd Ali**,
Director, Global Mobility Services

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Start the Conversation with Us

Corporate Tax Compliance

Foo Meng Huei
Executive Director
menghuei.foo@crowe.my
+603 2788 9898 Ext 2501

Voon Yuen Hoong
Executive Director
yuenhoong.voon@crowe.my
+603 2788 9898 Ext 2522

Wong Man Yee
Executive Director
manyee.wong@crowe.my
+603 2788 9898 Ext 2519

Liza Ooi Yap Lin
Director
liza.ooi@crowe.my
+603 2788 9898 Ext 2557

Tax Advisory

Chong Mun Yew
Executive Director
munyew.chong@crowe.my
+603 2788 9898 Ext 2523

Mervyn Ong Hean Chong
Executive Director
mervyn.ong@crowe.my
+603 2788 9898 Ext 2587

Indirect Tax

Fam Fui Chien
Manager
fuichien.fam@crowe.my
+603 2788 9898 Ext 2504

Business Outsourcing

Esther Chan
Senior Manager
esther.chan@crowe.my
+603 2788 9898 Ext 2546

Transfer Pricing

Song Sylvia
Executive Director
sylvia.song@crowe.my
+603 2788 9898 Ext 2514

Global Mobility Services

Shalina Binti Jaafar
Executive Director
shalina.jaafar@crowe.my
+603 2788 9898 Ext 2505



Our offices (West Malaysia)

Kuala Lumpur

Level 16, Tower C,
Megan Avenue 2,
12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur,
Malaysia

+603 2788 9898 Main
+603 2788 9899 Fax

Klang

Suite 50-3, Setia Avenue,
No. 2, Jalan Setia Prima
SU13/S,
Setia Alam, Seksyen U13,
40170 Shah Alam,
Selangor, Malaysia

+603 3343 0730 Main
+603 3344 3036 Fax

Ipoh

A-2-16, 2nd Floor, Wisma MFCB
1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh, Perak Darul Ridzuan
Malaysia

+605 238 0411 Main

Penang

Level 6, Wisma Penang Garden,
42 Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia

+604 227 7061 Main
+604 227 8011 Fax

Melaka

52 Jalan Kota Laksamana 2/15,
Taman Kota Laksamana, Seksyen
2,
75200 Melaka, Malaysia

+606 282 5995 Main
+606 283 6449 Fax

Johor Bahru

E-2-3 Pusat Komersial Bayu Tasek,
Persiaran Southkey 1,
Kota Southkey,
80150 Johor Bahru,
Johor, Malaysia

+607 288 6627 Main
+607 338 4627 Fax

Muar

8, Jalan Pesta 1/1,
Taman Tun Dr. Ismail 1,
Jalan Bakri, 84000 Muar,
Johor, Malaysia

+606 952 4328 Main
+606 952 7328 Fax



Our offices (East Malaysia)

Kuching - iCom Square

2nd Floor, C378, Block C,
iCom Square,
Jalan Pending,
93450 Kuching,
Sarawak, Malaysia

+6082 552 688 Main
+6082 266 987 Fax

Kuching - Brighton Square

2nd Floor,
Lots 11994 - 11996,
Brighton Square,
Jalan Song,
93350 Kuching,
Sarawak, Malaysia

+6082 285 566 Main
+6082 285 533 Fax

Miri

Lot 2395, Block 4,
Bulatan Business Park,
Jalan Bulatan Park, 98000 Miri,
Sarawak, Malaysia

+6085 658 835 Main
+6085 655 001 Fax

Bintulu

1st floor, Lot 4542-4543,
Jalan Abang Galau Shophouse,
Kampung Masjid, 97000 Bintulu,
Sarawak, Malaysia

+6086 333 328 Main
+6086 334 802 Fax

Sibu

1st & 2nd Floor, No. 1 Lorong
Pahlawan 7A2, Jalan Pahlawan,
96000 Sibu, Sarawak, Malaysia

+6084 211 777 Main
+6084 216 622 Fax

Labuan

Lot 36, Block D, Lazenda Centre,
Jalan OKK Abdullah, P.O. Box
81599, 87025, Labuan, Malaysia

+6087 417 128 Main
+6087 417 129 Fax

Kota Kinabalu

Damai Plaza 3, 3rd Floor, C11, Jalan
Damai 88300, P.O. Box 11003,
88811 Kota Kinabalu, Sabah, Malaysia

+6088 233 733 Main
+6088 238 955 Fax

Tawau

No.194, 2nd Floor, Block B,
Wisma DS, Jalan Bakau
91000 Tawau
Sabah, Malaysia

+6089 771 040 Main



Contact us

Crowe Malaysia PLT
Level 16, Tower C
Megan Avenue 2
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

Tel. +603 2788 9999

www.crowe.my

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