Tax Chat

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Audit / Tax / Advisory

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Removal of proposed seven (7)-year limitation period to carry forward unutilised capital allowances and investment tax allowances

The Finance Act 2018 has removed the proposed clause to restrict the period to carry forward unutilised capital allowances and investment tax allowances. Therefore, the present treatment of indefinite carry forward of such allowances for utilisation in future years of assessment is retained.

Notwithstanding the above, the seven (7)-year limitation on the carry forward of unabsorbed business losses, pioneer losses, reinvestment allowances and investment allowances is effective from the year of assessment 2019.

Deferment of increase in stamp duty rates

Pursuant to the Finance Act 2018, with effect from 1 January 2019, the stamp duty rate that is applicable for the instrument of transfer of property which is valued in excess of RM1 million is increased by 1% (i.e. from 3% to 4%).

However, the Minister has issued the Stamp Duty (Remission) (No. 2) Order 2018 [P.U.(A) 376/2018] to provide a stamp duty remission as follows:

Price / Market value of property	Stamp duty rates for instruments of transfer stamped from 1 January 2019 to 30 June 2019	Stamp duty rates for instruments of transfer stamped from 1 July 2019 onwards
First RM100,000	1%	1%
RM100,001 to RM500,000	2%	2%
RM500,001 to RM1,000,000	3%	3%
RM1,000,001 to RM2,500,000	**3%**	**4%**

Please note that the above stamp duty remission is not applicable for properties valued above RM2.5 million.

Review of acquisition price of real properties acquired prior to 1 January 2000

Pursuant to the Finance Act 2018, the acquisition price of property acquired prior to 1 January 1970 would be deemed to be the market value of that property as at 1 January 2000 for the purpose of computing chargeable gains or losses on the disposal of such property. However, this provision is only applicable to citizens and/or permanent residents of Malaysia.

RPGT exemption on certain disposals after five (5) years

The Real Property Gains Tax (Exemption) (No. 3) Order 2018 [P.U.(A) 372/2018] was gazetted on 31 December 2018 and came into operation on 1 January 2019. The Exemption Order exempts any citizen or permanent resident of Malaysia who disposes of a real property pursuant to a conditional contract (i.e. requires Federal Government or State Government approval) from payment of RPGT, subject to the following conditions:

i) the disposal is made in the sixth (6^{th}) year or onwards after the acquisition date;

ii) the contract (i.e. sale and purchase agreement) is executed before 1 January 2019; and

iii) the approval by the Federal Government or a State Government is obtained in the year 2019 or onwards.

Review of RPGT treatment on asset disposed by way of gift

Presently, the disposal by way of a gift between husband and wife, parent and child or grandparent and grandchild are subject to the following conditions:

- the donor shall be deemed to have received no gain no loss on the disposal, hence, no RPGT is payable; and

- where the gift is made within five (5) years from the date of acquisition by the donor, the recipient shall be deemed to acquire the asset at an acquisition price equal to the acquisition price paid by the donor plus the permitted expenses incurred by the donor.

Pursuant to the Finance Act 2018, the time period of within five (5) years has been removed. As such, the recipient who receives a gift from a donor who is a citizen shall be deemed to acquire the asset at an acquisition price equal to the acquisition price paid by the donor plus the permitted expenses incurred by the donor, regardless of the holding period of the donor prior to the gift.

This may result in a higher gain on future disposal of the asset by the recipient.

Limitation of tax deductions for payments made to Labuan companies

The Income Tax (Deductions Not Allowed for Payment Made to Labuan Company by Resident) Rules 2018 [P.U.(A) 375], which was gazetted on 31 December 2018 and came into operation on 1 January 2019, prescribed the amount that is not tax deductible for the types of payment made by a resident to a Labuan company for the purpose of Paragraph 39(1)(r) of the Income Tax Act 1967 (ITA) as follows:

Type of payment	Amount not deductible
Interest payment	33% of payment amount
Lease rental	33% of payment amount
Other payments	97% of payment amount

Malaysian resident companies transacting with Labuan companies will need to consider the consequences of the above limitation of tax deductions. Companies which make payments other than interest and lease rental to Labuan companies will need to review their 2019 tax estimates as almost the whole of such expenses will be disallowed for tax deductions.

Implementation of Social Protection for Foreign Workers

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All Malaysian employers are required to register their foreign employees working in Malaysia with the Malaysian Social Security Organisation (SOCSO) and contribute to the Employment Injury Scheme starting from 1 January 2019. The scheme provides protection to employees against accidents or occupational diseases arising out of and in the course of their employment.

The following are some details of the Employment Injury Scheme:

Employer	*All private sector employers having one or more foreign employees must register and contribute to this new scheme.*
Eligibility of foreign employees	*1) All legal foreign employees including expatriates in Malaysia who have valid working permit issued by the Malaysian Immigration Department (MID)* ***except for domestic servants****.* *2) Must possess the following:* *a) Valid passport and Special Pass (SP) for new foreign workers; or* *b) Valid passport and Temporary Employment Visit Pass (TEVP) or a valid Employment Pass (EP) for existing foreign workers, whichever applicable.*
Registration	*Employers can register their foreign workers online via the Automated SOCSO Integrated System (ASSIST) portal or by completing the Foreign Worker Registration Form and submit it to the nearest SOCSO office with effect from 1 January 2019.* *Employers must submit the following supporting documents to SOCSO for registration purposes:* *a) Copy of front page of passport containing the employee's personal details; and* *b) Valid work permit (i.e. TEVP, EP).*
Contribution rate	*The contribution rate is based on the Second Category for the Employment Injury Scheme:* *a) Employer – 1.25% or from RM0.30 up to RM49.40 based on the range of monthly remuneration of the respective employees.* *b) Employee – no contribution/ RM0.00.* ** The contribution to the fund is capped at RM49.40 for salary exceeding RM4,000 a month.*
SOCSO submission and payment	*1. Submissions and payments of SOCSO are due on or before the 15th of the following month.* *2. Fines and imprisonment will be imposed on the employer for any non-compliance of SOCSO contributions.*

You may refer to the following SOCSO website for further information:
https://www.perkeso.gov.my/index.php/en/perlindungan-perkeso-untuk-pekerja-asing

2019 Tax Filing Programme

2019 Tax Filing Programme

The Inland Revenue Board of Malaysia (IRBM) has recently uploaded the 2019 Tax Filing Programme on its website. Click the button below to read:

The salient points to note are as follows: -

Submission of the return forms e-C, C1/e-C1, PT/e-PT, TA/e-TA, TC/e-TC, TR and TN for the year of assessment 2019 are listed in the 2019 Filing Programme.

The Form E will only be considered complete if the Form C.P. 8D is furnished before or on the due date for submission of the Form E. However, employers who have submitted information via e-Data Praisi need not complete and furnish the Form C.P. 8D.

Taxes / Balance of taxes must be paid within 30 days from the date of assessments raised under sections 91, 92, 96A and subsections 90(2A), 90(3), 101(2). Nevertheless, a **grace period of seven (7) days** is given.

Crowe KL Tax Events

Crowe KL Tax Events

2018 Form E Preparatory Course

With tax season fast approaching, it is time for employers to start preparing the employer's return (Form E).

Pursuant to subsection 83 (1B) of the ITA, it is mandatory for all employers (including dormant and/or have not commenced business) to submit the Form E for the year ending 31 December 2018 to the IRBM electronically by 31 March 2019.

Our preparatory course is comprehensively tailored to help you better understand the Form E reporting requirements. Wait no more, join us today!

Topics to be covered:

- New updates on the 2018 Form E
- How to complete the 2018 Form E and CP.8D
- Key facts to remember for the submission of the 2018 Form E and CP.8D
- Requirements of the Form TP1
- Latest announcement on the 2018 Form E submission
- Highlight on the issues relating to the Form E via e-Filing

Date: **13 February 2019, Wednesday**
Time: 9:00 a.m. - 1:00 p.m.
Venue: Crowe Malaysia Training Centre,
Level 17, Tower C, Megan Avenue 2,
12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur

Click below to download the event brochure:

Start the Conversation

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About Crowe Malaysia PLT

Crowe Malaysia PLT s the 5th largest accounting firm in Malaysia and an independent member of Crowe Global. The firm in Malaysia has 13 offices, employs over 1,000 staff, serves mid-to-large companies that are privately-owned, publicly-listed and multinational entities, and is registered with the Audit Oversight Board in Malaysia and the Public Company Accounting Oversight Board in the US

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Ranked the 8th largest accounting network in the world, Crowe Global has over 250 independent accounting and advisory firms in 130 countries. For almost 100 years, Crowe has made smart decisions for multinational clients working across borders. Our leaders work with governments, regulatory bodies and industry groups to shape the future of the profession worldwide. Their exceptional knowledge of business, local laws and customs provide lasting value to clients undertaking international projects

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