



Taxavvy

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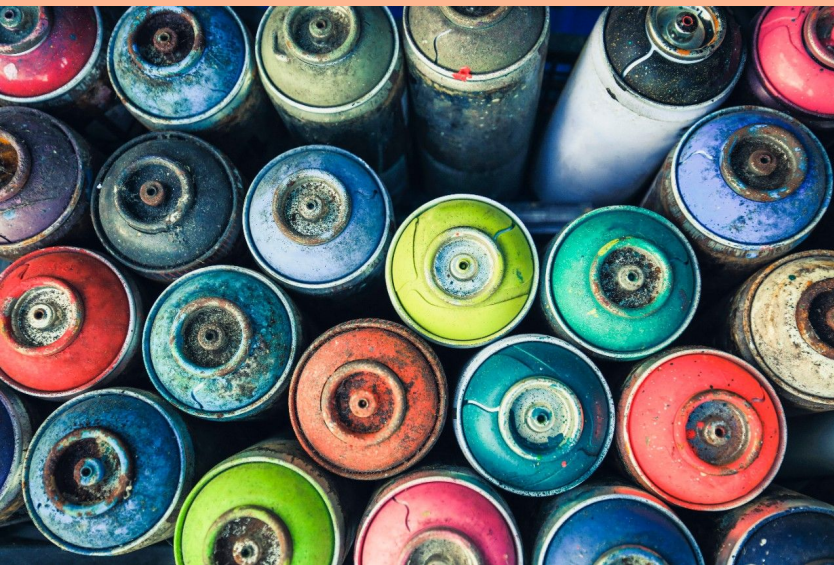
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A photograph of a modern building facade with a white, vertically-slatted exterior. The building is set against a clear blue sky. A glass-enclosed balcony or walkway is visible on the right side, with a person standing inside. The bottom right corner of the image is overlaid with a blue rectangle containing the website URL.

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FAQ on tax deduction of renovation and refurbishment cost

Following the issuance of the Income Tax (Costs of Renovation and Refurbishment of Business Premise) Rules 2020, the Inland Revenue Board (IRB) has issued a FAQ for the tax deduction under the Income Tax (Cost of Renovation and Refurbishment of Business Premise) Rules 2020.



Key features of the special deduction under the Income Tax (Costs of Renovation and Refurbishment of Business Premise) Rules 2020 were covered in [TaXavvy 2/2021](#). Salient points from the FAQ are as follows:

FAQ	Salient points
2	Business premises for purposes of this deduction is any business premises, whether owned or rented by the taxpayer.
4, 5 and 6	Certification by external auditors: <ul style="list-style-type: none">• External auditors means certified auditors.• The certification is to be made as a specific declaration in any suitable format.• The audit fees for the certification will not be allowed a tax deduction and is not included under the allowable cost of renovation and refurbishment.
8	Any cost of renovation and refurbishment claimed which cannot be fully utilised against the adjusted income will be allowed to be carried forward as part of the business losses and are subject to the 7-year carry forward rules.
10	The following are supporting documents to be kept: <ul style="list-style-type: none">• Certificate of business registration• Evidence of ownership of business premises, or tenancy agreement in the case of rented business premises• Invoices for cost of renovation and refurbishment• Certification by external auditors of the cost of renovation and refurbishment

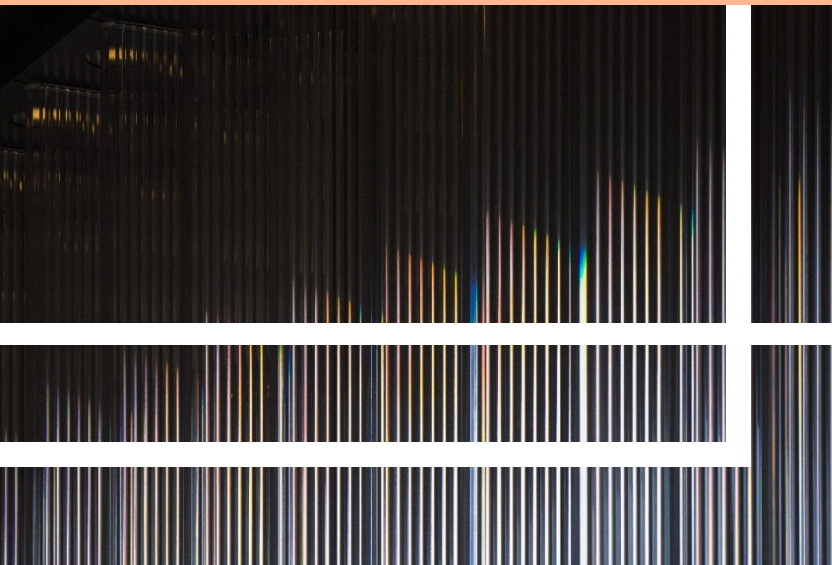
The FAQ is available on IRB's website www.hasil.gov.my (Quick Links > FAQ Movement Control Order & Economic Stimulus Package).

Income Tax (Exemption)(No. 2) Order 2021 (Sukuk Prihatin)

The Income Tax (Exemption)(No. 2) Order 2021 has been gazetted and is effective from year of assessment (YA) 2020. It provides income tax exemption on gains or profits (in lieu of interest) derived from Sukuk Prihatin issued in accordance with the principle of Murabahah by the Government on 22 September 2020.

The following are the qualifying persons eligible for the exemption:

- A Malaysian citizen aged 18 years and above.
- A body corporate incorporated under the laws of Malaysia (excluding a financial institution and a holder of a Capital Markets Services Licence carrying on the business of fund management under the Capital Markets and Services Act 2007).
- A body of persons, partnership or limited liability partnership incorporated or registered under the laws of Malaysia and which carries on its business in Malaysia (excluding a trustee registered as a member of the Association of Trust Companies Malaysia who acts on behalf of the person).



Labuan - Extension of time for submission of statutory declaration and return of profits YA 2021

The IRB Labuan branch has issued a letter dated 11 March 2021 to the Association of Labuan Trust Companies on extension of time for Labuan entities for submission of statutory declaration and return of profits under the Labuan Business Activity Tax Act 1990 (LBATA).

An automatic extension of time to 31 August 2021 is granted for submission of statutory declaration and return of profits under LBATA (Forms LE1, LE4 and LE5) for YA 2021 with the condition that it applies only to a Labuan entity which:

- has no outstanding taxes, including compounds and tax increments.
- tax returns are up to date until YA 2020.

The letter also highlights the following:

- A dormant Labuan entity is to file Form LE1 with a formal notification letter and audited financial statements or management accounts (where audited financial statements are not available).
- The definition of “dormant Labuan entity” is provided which is summarised as a Labuan entity that:
 - Has never commenced operations.
 - Has previously been in operations / business but has now ceased operations / business.
 - Does not have any significant accounting transactions (other than the minimum expenses for compliance) for 1 financial year prior to the change of more than 50% of equity shareholding.
 - A Labuan entity is not dormant if it owns shares, real properties, fixed deposits and other similar investments from which income such as rents, interest, etc. is received.
- Where the audited financial statements are denominated in a currency other than the Malaysian Ringgit, details on the net profit (column A12) in Form LE1 is to be completed using the exchange rate as published by the Accountant General Department of Malaysia.



Special Investment Tax Allowance for the Electrical & Electronics sector - MIDA Guideline

In Budget 2020, it was announced that a special Investment Tax Allowance (ITA) will be granted to companies in the Electrical & Electronics (E&E) sector which have exhausted their eligibility for reinvestment allowance (RA). MIDA has now issued the guidelines for Special Investment Tax Allowance (ITA) for the Electrical & Electronics sector.

The special ITA provides an ITA of 50% on qualifying capital expenditure to be set off against 50% of statutory income, for a period of 5 years. This incentive is to be provided by way of a gazette order which is to be issued. The following are the salient conditions from the Guideline:

Eligibility conditions	Conditions of the incentive
<ul style="list-style-type: none"> • Applicant must be engaged in manufacturing activities in the E&E sector • Intends to reinvest for expansion, automation, diversification and modernization • Has exhausted the 15-year RA period by 31 December 2019 and does not enjoy any other tax incentive approved by the Government • Incorporated under the Companies Act 1965 or 2016 • Possesses valid business licence and manufacturing licence (or confirmation of exemption from manufacturing licence requirements) 	<ul style="list-style-type: none"> • Minimum capital expenditure investment of RM1.5 million in the proposed project within 5 years • Minimum annual operating expenditure and full time Malaysian workers as proposed by the applicant • Undertakes either one of Vendor Development Programme or Human Capital Development Programme <p><u>Vendor Development Programme</u> Develops at least 2 new local vendor companies in one of the following subsectors:</p> <ul style="list-style-type: none"> • Electronics components • Electronics consumer • Electronics industrial • Electrical <p><u>Human Capital Development Programme</u> Undertakes internship programme with at least 5 Malaysian interns per year for a minimum period of 3 months, or collaborates with local universities on E&E curriculum enhancement, or upskilling / reskilling programmes with local educational institutions.</p>

Applications are to be made to MIDA by 31 December 2021. The guidelines are available at MIDA website www.mida.gov.my (Forms and Guidelines > Manufacturing Sector > Application for Incentive and / or Expatriate Posts)

Other developments

- Media Statement by SOCSO on PEMERKASA initiatives
- Employee benefits in relation to smartphone, tablet or computer
- Extension of tax incentive for Returning Expert Programme (REP)

Media Statement by SOCSO on PEMERKASA initiatives

SOCSO has issued a media statement dated 19 March 2021 on the PEMERKASA initiatives. The key points to note are:

Wage Subsidy Programme (WSP) 3.0

It was announced under PEMERKASA that WSP 3.0 is extended for another 3 months in a more targeted manner, especially for the tourism sector, wholesale and retail traders, and other business sectors which were closed during the MCO. SOCSO has stated that the closing date for application for WSP 3.0 remains at 30 June 2021.

PenanaKerjaya for apprenticeship

SOCSO has clarified in its media statement that the PenanaKerjaya for apprenticeship incentive is as follows:

- RM800 per month for apprentices who undertake an apprenticeship programme for 6 months, and
- RM1,000 per month for apprentices who undertake an apprenticeship programme for 3 months.

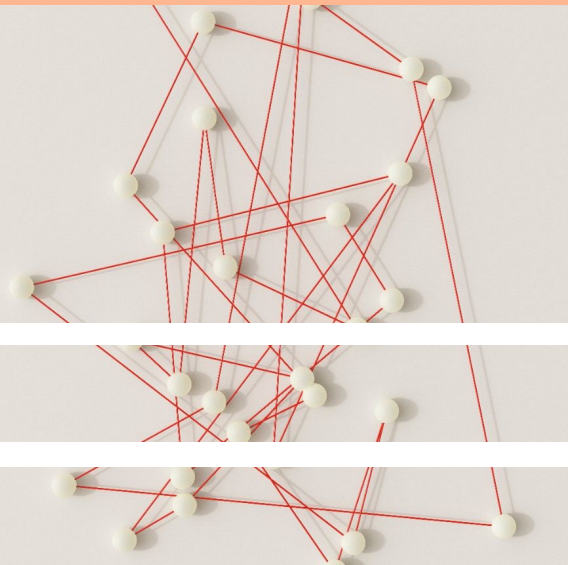
The closing date for application is on 30 June 2021.

Employee benefits in relation to smartphone, tablet or computer

Following the issuance of the gazette orders providing tax incentives for the purchase of smartphone, tablet or computer for employees ([TaXavvy 4/2021](#)), amendment orders have been issued to amend the effective date of the incentives to be **from** YA 2020 onwards and not **for** YA 2020 only, as initially stated.

The amendments orders are:

- Income Tax (Exemption) 2021 (Amendment) Order 2021
- Income Tax (Deduction for Value of Benefit given to Employees) (Amendment) Rules 2021



Extension of tax incentive for Returning Expert Programme (REP)

In Budget 2021, it was announced that the REP incentive is to be extended for applications received by Talent Corporation Behad until 31 December 2023 (previously 31 December 2020). This proposed extension has now been gazetted via the Income Tax (Determination of Approved Individual and Specified Year of Assessment under the Returning Expert Programme) (Amendment) Rules 2021.

Under the REP, an approved individual who is a citizen and resident in Malaysia can opt to apply a flat personal income tax rate of 15% for a continuous period of 5 YAs on his / her income derived from exercising employment with a Malaysian resident.



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