Malaysia | Tax | April 2016

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Greetings from Deloitte Malaysia Tax Services

A Reminder: Key Changes under the Finance Act 2015 that Impact Your Tax Position (including Estimate of Tax Payable)

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Takeaways:

A Reminder: Key Changes under the Finance Act 2015 that Impact Your Tax Position (including Estimate of Tax Payable)

The Finance Act 2015 had made several amendments to the Income Tax Act 1967 (ITA) which may have an impact on your tax position (including the estimate or revised estimate of tax payable). Some of the major amendments are as follows:

Debt arising from services to be rendered or use of property to be dealt with

Section 24(1) of the ITA is amended whereby effective from year of assessment (YA) 2016, a debt that arises in respect of any services rendered or to be rendered or the use/enjoyment of any property dealt with or to be dealt with at any time in the course of carrying on a business will be treated as gross income for the basis period the debt arises although the services are to be rendered or the use of property is to be dealt with in the future basis period. The calculation of estimate of tax payable for YA 2016 onwards should include such debts, if any.

Deferred income/advance receipts taxed in the year of receipt

The new Section 24(1A) of the ITA provides that effective from YA 2016, when a person receives advance payment for any service to be rendered or the use or enjoyment of any property to be dealt with in the course of carrying out its business, the amount that is received shall be treated as gross income of that person in the basis period the amount is received notwithstanding that the service or use of the property has yet to be rendered or dealt with. Such advance receipts have to be imputed in the estimate of tax payable by the company, if any.

Where the deferred income/advance receipts that have been brought to tax is refunded in a future basis period for a

Event:

GST: A year in review
(Workshop)
Date: 20 April 2016
Venue: Menara LGB
Kuala Lumpur

Important deadlines:

Due date for 2017 tax estimates for companies with May year-end
(1 May 2016)

6th month revision of tax estimates for companies with October year-end
(30 April 2016)

9th month revision of tax estimates for companies with July year-end
(30 April 2016)

Statutory filing of 2015 tax returns for companies with September year-end
(30 April 2016)

YA, the said amount shall be deducted from the relevant gross income of the relevant person in the year of refund.

Notification to claim tax deduction when interest is due to be paid

With effect from YA 2014, interest payable for a basis period is deductible only if the interest is due to be paid and the deduction would be given in the year the interest is payable. Interest that is accrued in the accounts but not payable as yet has to be added back in calculating the estimate of tax payable.

The new Section 33(5) of the ITA is introduced to take effect from YA 2016 where a person shall notify the Inland Revenue Board (IRB) in writing for a tax deduction on the interest payable not later than 12 months from the end of the basis period for the YA when the said interest is due to be paid.

Effect of GST on income tax computation

The following treatment of Goods and Services Tax (GST) for income tax purposes will affect the tax estimate and tax payable for YA 2015 onwards and the effect is critical for a company whose financial year ends after 1 April 2015:

i) Tax implication arising from GST input tax on revenue expense

Effective from YA 2015, a new Section 39(1)(o) is introduced in the ITA to disallow a deduction for any amount paid or to be paid as goods and services input tax (GST input tax) by a person if he is:

- ✓ Liable to be registered under the Goods and Services Tax Act 2014 (GST Act 2014) and has failed to do so, or
- ✓ Entitled under GST Act 2014 to credit that amount as GST input tax.

ii) Implications arising from GST input tax treatment on qualifying expenditure (QE) for the purpose of capital allowance (CA) under Schedule 3, reinvestment allowance (RA) under Schedule 7A, investment allowance (IA) under Schedule 7B and investment tax allowance under Promotion of Investments Act 1986 (PIA)

A. Exclusion of GST input tax from QE

Effective from YA 2015, GST input tax paid or to be paid by a person is to be excluded from the amount of QE if the person is:

- ✓ Liable to be registered under the GST Act 2014 and has failed to do so; or
- ✓ Entitled under the GST Act 2014 to credit that amount as input tax.

B. Effect of adjustment to input tax on QE

Effective from YA 2015, QE of an asset shall only be adjusted (as a result of any adjustment to input tax under the GST Act 2014) in the basis period for a YA in which the period of adjustment related to the asset as provided under the GST Act 2014 ends.

In the case of an asset that has been disposed, the QE of the asset shall be adjusted in the YA the disposal is made.

If the above adjustment results in:

- ✓ An additional amount – the amount shall be deemed to be part of the QE and included in residual expenditure.
- ✓ A reduced amount – the amount shall be treated as follows:

For CA purpose	For RA, IA and investment tax allowance purposes
The relevant amount shall be reduced from the QE and residual expenditure. If the reduced amount exceeds the residual expenditure, the excess shall be treated as part of the statutory business income. The excess amount shall not exceed the total amount of allowances given under Schedule 3.	The allowances given on the reduced amount shall be deemed as part of the statutory business income.

C. Computation or recomputation of investment tax allowance under PIA

In addition to the implications mentioned in (ii) A and B above, the Director General is empowered to make a computation or recomputation of investment tax allowance under PIA or the amount of statutory business income for a YA with regard to adjustment made on input tax under the GST Act 2014, in the basis period for the YA the adjustment is made or at any time as may be necessary to give effect to such adjustment.

iii) Tax treatment for GST output tax

Effective YA 2015, a new Section 39(1)(p) is introduced in the ITA to disallow a deduction for any amount of output tax paid or to be paid under the GST Act 2014 which is borne by a person who is registered or liable to be registered under the GST Act 2014.

We invite you to explore other tax related information at:
http://www2.deloitte.com/my/en/services/tax.html

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