



Tax Espresso

Latest Form CP204B, Gazette Orders,
FAQs and more

April 2021



Greetings from Deloitte Malaysia Tax Services

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Important deadlines:

Task	2021 Due Date	
	30 April	1 May
1. 2022 tax estimates for companies with May year-end		√
2. 6th month revision of tax estimates for companies with October year-end	√	
3. 9th month revision of tax estimates for companies with July year-end	√	
4. Statutory filing of 2020 tax returns for companies with September year-end	√	
5. Maintenance of transfer pricing documentation for companies with September year-end	√	
6. Deadline for 2021 CbCR notification for companies with April year-end	√	

1. IRBM issued FAQs on Income Tax (Costs of Renovation and Refurbishment of Business Premise) Rules 2020

The Inland Revenue Board of Malaysia (IRBM) has uploaded the Frequently Asked Questions ([FAQs](#)) on Income Tax (Costs of Renovation and Refurbishment of Business Premise) Rules 2020 [[P.U.\(A\) 381/2020](#)]. The FAQ is dated 11 March 2021 and is available in Bahasa Malaysia only.

Below are the key clarifications provided by the IRBM:

1. All business premises *whether owned or rented* by the taxpayer which are used for the purpose of the taxpayer's business are eligible for deduction under the P.U.(A) 381/2020, provided the conditions in the P.U.(A) 381/2020 are met. For example, renovation and refurbishment (R&R) costs incurred by a taxpayer during the period of 1 March 2020 to 31 December 2021 on his rented shophouse which is used to run his restaurant business are eligible for deduction in determining the taxpayer's adjusted income from his business subject to the conditions prescribed under P.U.(A) 381/2020.
2. All expenses incurred must be verified by a certified external auditor for the purpose of claiming the deduction under P.U.(A) 381/2020. The external auditor's verification needs to be made using a special declaration. The special declaration can be in any appropriate format or form. Payments made to the external auditor are not included as part of the R&R costs and are not deductible.
3. If a taxpayer incurs R&R costs in excess of RM300,000, the taxpayer is still eligible to claim a deduction but limited to RM300,000 provided the conditions under P.U.(A) 381/2020 are met.

Examples:

- (a) Mr. Vincent has incurred R&R costs of RM350,000 on a homestay on 1 June 2020. Mr. Vincent is eligible to claim a deduction limited to RM300,000 for the **year of assessment (YA) 2020** subject to the prescribed conditions under P.U.(A) 381/2020. The excess of RM50,000 cannot be carried forward.

In February 2021, Mr. Vincent again incurs R&R costs of RM130,000 on his homestay. Mr. Vincent is not eligible to claim a deduction under P.U.(A) 381/2020 for the **YA 2021** as he has claimed the maximum amount of RM300,000 for **YA 2020**.

- (b) Mr. Rahim has incurred R&R costs of RM120,000 on his restaurant business premises on 1 August 2020. Mr. Rahim is entitled to claim a deduction of RM120,000 for the **YA 2020** under P.U.(A) 381/2020.

In July 2021, Encik Rahim incurs R&R costs which amounted to RM300,000. Encik Rahim is only eligible to claim a deduction of RM180,000 for the **YA 2021** because the amount of R&R costs is limited to RM300,000 for the period of 1 March 2020 to 31 December 2021.

4. The required supporting documents for the deduction claimed under P.U.(A) 381/2020 must be kept in accordance with the period stipulated in the Income Tax Act 1967 (ITA) for audit purposes and must be submitted to the IRBM upon request. The relevant supporting documents include:
 - a) Business Registration Certificate;
 - b) Proof of ownership of the business premises. If it is a rented business premises, a valid rental agreement between the tenant and the landlord;
 - c) Invoices of the related R&R costs; and
 - d) Verification of the R&R costs by a certified external auditor.

Please refer to the [FAQs](#) for the full details.

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2. New Form CP204B Released

The IRBM has recently uploaded an amended form for Notification of Change of Accounting Period, i.e. [Form CP204B \[Pin. 2020\]](#) in accordance with the notification required under Section 21A(3A) of the ITA, which shall be used with effect from 1 March 2021.

Note:

- The new Form CP204B [Pin. 2020] does not provide a field for 'revised estimate of tax payable due to change in accounting period'. Revision to the estimated amount of tax payable shall be made through the submission of Form e-CP204A in accordance with Sections 107C(7) and 107C(7A) of the ITA.
- The IRBM will still accept the old [Form CP204B \[Pin. 2015\]](#) submitted during the transition period from 3 February 2021 to 1 March 2021, but the 'revised estimate of tax payable due to change in accounting period' field will not be taken into account. Any revision to the estimated amount of tax payable (if any) has to be made via submission of Form e-CP204A, after submitting the Form CP204B [Pin. 2015].

Please refer to our [Tax Espresso – March 2021](#) issue for the operational guidelines on submission of estimate of tax payable under Section 107C of the ITA. The procedures for submission of Form CP204B and Form CP204A are clarified in paragraph 4 of the operational guidelines.

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3. Income Tax (Determination of Approved Individual and Specified Year of Assessment under the Returning Expert Programme) (Amendment) Rules 2021 [P.U.(A) 147/2021]

[P.U.\(A\) 147/2021](#) was gazetted on 30 March 2021 mainly to legislate the proposed extension of application period for the Returning Expert Programme (REP) incentive by another 3 years [See our *Tax Espresso (Special Edition) - Highlights of Budget 2021 – Part I on 'Extension of tax incentive for REP'*] by amending **paragraph 4(b)** of the Income Tax (Determination of Approved Individual and Specified Year of Assessment under the Returning Expert Programme) Rules 2012 [[P.U.\(A\) 151/2012](#)]. The amendment in paragraph 4(b) of [P.U.\(A\) 151/2012](#) extends the application period to **31 December 2023**.

Other terms and conditions of the REP incentive stipulated in [P.U.\(A\) 151/2012](#) remain unchanged. Please refer to the respective Rules for the full details.

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4. P.U.(A) 133/2021 and P.U.(A) 134/2021

The two gazette orders below were gazetted on 25 March 2021 to amend the exemption and deduction orders to be effective *from* instead of *for* the YA 2020, as per Appendix 3 of the PENJANA tax related measures (see our [Special Alert @ 19 June 2020](#) on PENJANA tax related measures).

- Income Tax (Deduction for Value of Benefit given to Employees) (Amendment) Rules 2021 [P.U.(A) 133/2021]**
[P.U.\(A\) 31/2021](#) is amended in respect of the commencement date for tax exemption to an employee on the value of benefit received from his employer which is now effective from YA 2020 instead of for YA 2020.
- Income Tax (Exemption) 2021 (Amendment) Order 2021 [P.U.(A) 134/2021]**
[P.U.\(A\) 30/2021](#) is amended in respect of the commencement date for deduction allowed to an employer on the value of benefit given to his employee which is now effective from YA 2020 instead of for YA 2020.

Please refer to the respective gazette orders for the full details.

[You may also see our [Tax Espresso – February 2021](#) issue on [P.U.\(A\) 31/2021](#) and [P.U.\(A\) 30/2021](#).]

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5. Income Tax (Deduction from Remuneration) Rules 1994 (Amendment) 2021 [P.U.(A) 123/2021]

[P.U.\(A\) 123/2021](#) was gazetted on 19 March 2021 mainly to amend the Schedule of Income Tax (Deduction from Remuneration) Rules 1994 [P.U.(A) 507/1994] to incorporate legislative changes on individual income tax rate and tax relief for contribution to approved provident fund and life insurance premiums.

1. Reduction in individual income tax rate with effect from YA 2021

Effective YA 2021, the income tax rate for resident individuals is reduced by 1 percentage point for the chargeable income band of RM50,001 to RM70,000 from 14% to 13%. The value of P, M, R and B in Table 1 under subparagraph 4(1) of P.U.(A) 507/1994 has been updated accordingly and shall come into operation on 1 January 2021.

2. Tax relief for contribution to approved provident fund and life insurance premiums

Effective YA 2019, the income tax relief for resident individuals on contributions to approved provident funds or takaful or payment for life insurance premiums is increased from RM6,000 to RM7,000. The relief is separated as follow:

- i) contributions to approved provident funds up to RM4,000; and
- ii) takaful contributions and payment for life insurance premiums up to RM3,000.

For public servants under the pension scheme, the income tax relief on takaful contributions or payment for life insurance premiums is up to RM7,000.

In addition, please note that effective 1 March 2019, “Table of Monthly Tax Deduction” is defined as “Table of Monthly Tax Deduction issued in an electronic medium by the Inland Revenue Board of Malaysia for employers who do not use computerised calculation”. A new subparagraph 5(4) is inserted with effect from 1 January 2021 to emphasise that the minimum amount of Monthly Tax Deduction based on Computerised Calculation under this paragraph is RM10.

Please refer to [P.U.\(A\) 123/2021](#) for the full details.

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6. Income Tax (Exemption) (No. 2) Order 2021 [P.U.(A) 95/2021]

[P.U.\(A\) 95/2021](#) was gazetted on 4 March 2021 and is deemed to have effect from the YA 2020.

The Order exempts a qualifying person who is a resident in Malaysia from the payment of income tax in the basis period for each YA in relation to gains or profits derived, in lieu of interest, from Sukuk Prihatin.

“Sukuk Prihatin” means the Islamic securities of nominal value of up to RM666,417,500 issued in accordance with the principle of Murabahah on 22 September 2020 by the Government.

“qualifying person” means—

- (a) an individual who is a citizen of Malaysia aged eighteen years and above;
- (b) a body corporate incorporated under the laws of Malaysia but 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 [Act 671]; or
- (c) a body of persons, partnership or limited liability partnership registered under any written law in Malaysia and carries on its business in Malaysia but excluding a trustee registered as a member of the Association of Trust Companies Malaysia who acts on behalf of the person.

“financial institution” means—

- (a) a bank, investment bank or insurer licensed or deemed licensed under the Financial Services Act 2013 [Act 758];
- (b) an Islamic bank, takaful operator or international takaful operator licensed or deemed licensed under the Islamic Financial Services Act 2013 [Act 759];
- (c) a development financial institution prescribed under the Development Financial Institutions Act 2002 [Act 618]; or
- (d) an entity listed under Part 1, Schedule 4 to the Capital Markets and Services Act 2007.

Please refer to the [Order](#) for the full details.

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7. EOT Granted by Labuan IRB for Filing of Tax Return for Labuan Entity

The Lembaga Hasil Dalam Negeri Cawangan W.P. Labuan (“Labuan IRB”) has issued a [letter dated 11 March 2021](#) to grant an extension of time (“EOT”) until **30 June 2021** for a Labuan Entity carrying on “Other Trading Activities” to file the Income Tax Return Form under the Income Tax Act 1967 (the affected Labuan Entities) for the **YA 2019 and YA 2020 (up to financial year ended 31 October 2020)** subject to the following conditions:

- A list of the affected Labuan Entities is furnished to the Labuan IRB before 30 June 2021; and
- Application for EOT after 30 June 2021 will not be considered.

Those who wish to avail of the above EOT are required to submit a list of the affected Labuan Entities to En. Mohamad Usul Basiunee of the Labuan IRB by e-mail at mohamadusul@hasil.gov.my before 30 June 2021.

On a separate note, the Labuan IRB has informed the Association of Labuan Trust Companies (“ALTC”) in its letter dated 11 March 2021 that it has granted an EOT until **31 August 2021** for **submission of tax returns (LE1, LE4 and LE5)** under the Labuan Business Activity Tax Act 1990 for YA 2021 subject to the following conditions:

Extension of time	Conditions
31/8/2021 (automatic extension)	<ul style="list-style-type: none">• Only applicable for Labuan Entity that has no tax outstanding including compound and tax increment.• Tax returns have been submitted up to date until YA 2020.

In addition, a dormant Labuan Entity as defined in Appendix 1 of the letter has to file the Form LE1 together with a formal notification letter and audited account / financial statement (management account is acceptable if audited account / financial statement is not prepared).

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<http://www2.deloitte.com/my/en/services/tax.html>

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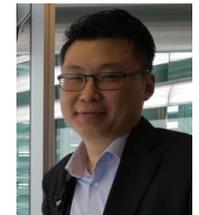
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