

Tax Alert

Welcome to Tax Alert, Grant Thornton's newsletter on the latest tax updates and information.

January 2019



A. Income Tax

The Finance Act 2018 and various Orders were gazetted recently. Selected changes are highlighted below for your attention.

1. Time limit on carry forward of unabsorbed losses and allowances

Effective from year of assessment (YA) 2019, the carrying forward of unabsorbed losses and unutilised allowances are limited as follows:

Unabsorbed losses or allowances	Time limit to carry forward
Business losses	7 consecutive YAs from that YA (Note: Unabsorbed business losses accumulated up to YA 2018 can be carried forward until YA 2025)
Reinvestment Allowances	7 consecutive YAs upon expiry of the qualifying period
Investment Allowance for Service Sector	7 consecutive YAs upon expiry of the qualifying period
Pioneer losses	7 consecutive YAs upon expiry of Pioneer period
Capital Allowances	Remain unchanged and may be carried forward indefinitely
Investment Tax Allowances	Remain unchanged and may be carried forward indefinitely

Although Capital Allowances and Investment Tax Allowances were proposed to be limited in the 2019 Budget, the amendments were not made and they remain to be allowed to be carried forward indefinitely.



B. Real Property Gains Tax (RPGT)

1. Deemed acquisition price of property acquired prior to 1 January 2000

The deemed acquisition price of a property acquired prior to 1 January 2000 would be the market value as at 1 January 2000 with effect from 1 January 2019.

This provision is only applicable to the disposal of a property other than shares by a Malaysian citizen or permanent resident.

2. Real Property Gains Tax (Exemption) Order 2018 – P.U.(A) 360

With effective from 1 January 2019, an RPGT exemption is given to Malaysian citizen who dispose of a chargeable asset (excluding shares) on the condition that:

- (i) the disposal of the chargeable asset is made after 5 years from the date of acquisition of the chargeable asset; and
- (ii) the consideration for the disposal of the chargeable asset is not more than RM200,000.

3. Real Property Gains Tax (Exemption)(No. 3) Order 2018 – P.U.(A) 372

With effective from 1 January 2019, an RPGT exemption is given to a Malaysian citizen or permanent resident who disposes of a chargeable asset (excluding shares) on the condition that:

- (i) the disposal of the chargeable asset is made after five years from the date of acquisition of the chargeable asset;
- (ii) the contract for disposal is conditional whereby it requires the approval of the Government or a State Government and the contract is executed before 1 January 2019; and
- (iii) the approval by the Government or a State Government for the disposal of the chargeable asset is obtained after the year 2018.



C. Service Tax

1. Service tax exemption for certain transactions between businesses providing the same service:

It was proposed in the 2019 Budget Speech that specific business-to-business service tax will be exempted to prevent increases in the cost of doing business as a result of compounded taxation. An Order has been gazetted to exempt certain persons who are registered for service tax from the need to pay that tax on invoices which they received from a registered person. We wish to point out the following:

- (i) The taxable services exempted are restricted to advertising services, and all professional services except employment services and security guards.
- (ii) The exemption is for a service tax registered business to a service tax registered business only. Non-registered persons are not entitled to the exemption.
- (iii) The recipient of the service must be a provider of the same service exempted.

The restriction appears to limit the scope of the exemption and it will not likely be widely applicable in many instances.

2. Management services defined

Management services were previously undefined leading a wide interpretation that covers many services. The term has been defined as nine specific types of management services. Any management service not included in the list is therefore not subject to service tax. However, any management services other than one of the listed taxable services made on behalf of another person [i.e. provided on behalf of another person], is now taxable.

3. Four new taxable services

Four new taxable services have been introduced, with effect from 1 January 2019:

- a) Amusement park services;
- b) Brokerage and underwriting services;
- c) Cleaning services in relation to goods, land or commercial or industrial buildings;
- d) Training or coaching services. Such services are now included in the listed taxable service previously described only as consultancy services.

Any person who was providing one of the newly-taxable services before 1 January 2019, and who expects annual turnover to breach the RM500,000 threshold, should apply for registration by the end of February. Transitional provisions have been introduced to take account of invoicing for the provision of the services listed above, spanning the date that they became taxable services.

C. Service Tax

4. Amendment of the SST-02 return form:

Amendments have been made to the SST-02 return form. The amendments include the following:

- (i) the inclusion of the value of debit notes issued into Field 10
- (ii) new fields for:
 - a. sales tax deduction [Field 13b]
 - b. service tax deduction [Field 13c]
 - c. the total value of exempted taxable services [Field 18c]

5. Imported services:

Any taxable service acquired from a person who is outside Malaysia is now defined as an “imported taxable service” and is subject to service tax on a reverse-charge basis. Imported taxable service is taxable with effect from 1 January 2019. Service tax is chargeable at the earlier of the time the invoice is received or the payment is made.

Non-registered persons are also required to pay service tax on imported services acquired for the carrying on of a business. A new form SST-02A has been introduced for service tax declaration by a person other than a registered person. The due date for the submission of a SST-02A declaration is the end of the month following the earlier of the time of payment or receipt of the invoice.

6. Exemption of imported taxable services acquired from a company within the same group of companies outside Malaysia

It has been announced that imported taxable services acquired by a company from a group company outside Malaysia are exempt from being chargeable to service tax. We note that the gazetted amendments provide otherwise and we are waiting for clarifications.

7. Information technology services

The description of these services has been substituted with a new description that excludes services in relation to goods, land and other matters outside Malaysia as taxable services.

8. Employment services

Taxable employment services previously excluded the secondment of employees, and “supplying employees to work for another person for a period of time”. The second of these exclusions has been repealed with effect from 1 January 2019. Consequently, such services are now taxable employment services.

9. Service tax credit system

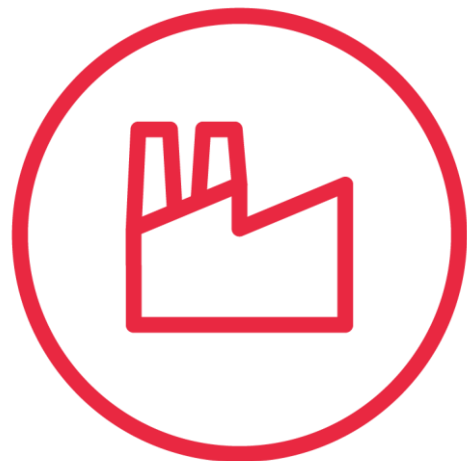
A credit system for service tax was proposed in the 2019 Budget to overcome the problem of cascading of the charging of service tax. This is now known as a service tax deduction. At this stage the details of the system have yet to be released.

D. Sales tax

1. Sales tax deduction

A registered manufacturer is now able to apply to be allowed a deduction for sales tax paid in respect of certain goods purchased solely for use in manufacturing of his taxable goods. The goods for which a deduction may be allowed are raw materials, components and packaging.

A deduction of 2% is available for manufactured goods charged at the rate of 5% and for manufactured goods charged at the rate of 10%, the deduction available will be 4%.



Contact us

Should you have questions about this Tax Alert, please do not hesitate to contact our Tax Team in our respective offices.

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