

In this Issue

- Guidelines on Tax Exemption for Increase in Chargeable Income from Business
- Deduction for Payment of Educational Loan of PTPTN by Employers on Behalf of Employees
- Tax Exemption on Value of Benefit Received by an Employee for the PTPTN Educational Loan Paid on Behalf by the Employer
- Further Deduction for the Employment of Disabled Persons
- Sales Tax (Amendment) Act 2019
- Report to be Prepared for Sales Tax Exemption under Schedule A for Items 33A, 33B, 55, 63, 64 and 65
- Report to be Prepared for Sales Tax Exemption under Schedule A for Item 57
- Guide on Sales Tax Deduction Facility
- Service Tax (Amendment) Act 2019
- Service Tax Guides
- Guide on Digital Services

Guidelines on Tax Exemption for Increase in Chargeable Income from Business

The Inland Revenue Board has recently issued the Guidelines on Tax Exemption for Increase in Chargeable Income from Business which provides clarifications on application / non-application rules and examples on the computation of incremental chargeable income exempted from tax under the Income Tax (Exemption) (No. 2) Order 2017.

Note : For further information relating to the Income Tax (Exemption) (No. 2) Order 2017, kindly refer to our Tax Flash – May 2017 issue.

Hyperlinks

- [Moore Stephens Malaysia](#)
- [Moore Stephens International](#)
- [Inland Revenue Board](#)

- [Guidelines on Tax Exemption for Increase in Chargeable Income from Business \(in Bahasa Malaysia\)](#)
- [Tax Flash – May 2017](#)

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Deduction for Payment of Educational Loan of PTPTN by Employers on Behalf of Employees

Following the 2019 Budget announcement, the Income Tax (Deduction for Payment of Educational Loan of *Perbadanan Tabung Pendidikan Tinggi Nasional* ["PTPTN"] by Employers on Behalf of Employees) Rules 2019 has been gazetted to grant deduction to an employer for the amount of PTPTN educational loan paid on behalf of his employee during the period from 1st January 2019 to 31st December 2019.

The Rules apply to an employer who has sources of income of registered business only and an employee who is a Malaysian citizen and received the PTPTN educational loan.

To qualify for the deduction, the following conditions must be complied with:-

- i. employees shall not require to made any payment to the employer in return for the repayment of the PTPTN loans;
- ii. the employer and employee must not be the same person;
- iii. the employee is employed on a full-time basis; and
- iv. the employer is not a relative of the employee, that is:-
 - a spouse;
 - a parent, including a step parent or a parent in law;
 - a child, including a step child or a child adopted in accordance with any law;
 - a brother or a sister, including step brother or a step sister; or
 - a grandparent or a grandchild, including a step grandparent or a step grandchild.

The above Rules have effect for the year of assessment ["YA"] 2019 and YA 2020.

Tax Exemption on Value of Benefit Received by an Employee for the PTPTN Educational Loan Paid on Behalf by the Employer

Following the 2019 Budget announcement, the Income Tax (Exemption) (No. 8) Order 2019 has been gazetted to provide exemption to an employee from payment of income tax in relation to the value of benefit received by the employee for the amount of PTPTN educational loan paid on behalf by the employer during the period from 1st January 2019 to 31st December 2019.

Hyperlinks

➤ [Income Tax \(Deduction for Payment of Educational Loan of *Perbadanan Tabung Pendidikan Tinggi Nasional* by Employers on Behalf of Employees\) Rules 2019](#)

➤ [Income Tax \(Exemption\) \(No. 8\) Order 2019](#)

Hyperlinks

The exemption granted is subject to the following conditions:-

- i. The employee is employed on a full-time basis; and
- ii. The employee is not a relative of the employer, that is-
 - a spouse;
 - a parent, including a step parent or a parent in law;
 - a child, including a step child or a child adopted in accordance with any law;
 - a brother or a sister, including step brother or a step sister; or
 - a grandparent or a grandchild, including a step grandparent or a step grandchild.

The above Rules shall have effect for the YA 2019.

Further Deduction for the Employment of Disabled Persons

Pursuant to the Income Tax (Deductions for the Employment of Disabled Persons) Rules 1982, a person is allowed to claim further deduction on the remuneration payable to an employee who is physically or mentally disabled. To qualify for this, the person (i.e. employer) has to prove that the employee is physically or mentally disabled and is not able to perform the work of a normal person.

The Income Tax (Deductions for the Employment of Disabled Persons) (Amendment) Rules 2019 [“the amendment Rules”] has recently been gazetted to provide that besides the above, further deduction is also granted in the case of an employee who is physically or mentally disabled due to an accident or critical illness if the employer is able to provide a certification from the Social Security Organisation certifying that the employee is able to work within his capabilities.

The amendment Rules shall have effect from YA 2019.

Sales Tax (Amendment) Act 2019

The Sales Tax (Amendment) Act 2019 has been gazetted on 9th July 2019. However, this Act will only be enforced on a date to be appointed by the Minister of Finance on a later date.

Note: For further information, kindly refer to our Tax Flash – April 2019 issue.

➤ [Income Tax \(Deductions for the Employment of Disabled Persons\) \(Amendment\) Rules 2019](#)

➤ [Sales Tax \(Amendment\) Act 2019](#)

➤ [Tax Flash – April 2019](#)

Hyperlinks

Report to be Prepared for Sales Tax Exemption under Schedule A for Items 33A, 33B, 55, 63, 64 and 65

- i. An approved person is required to prepare a report, i.e. Laporan CJ(P) Jadual A-MIDA and that report must be signed by an authorised officer of the company. If the report is voluminous, signature is only needed on the last page of the report which contains grand total information.
- ii. The report shall be sent to the Sales and Service Tax ["SST"] Division of the controlling station at any time when goods are purchased or imported with sales tax exemption.

➤ [Laporan CJ\(P\) Jadual A-MIDA](#)

Report to be Prepared for Sales Tax Exemption under Schedule A for Item 57

- i. An approved person is required to prepare a report, i.e. Laporan CJ(P) Jadual A-57A and submit it to the SST Division of the controlling station together with purchase invoices (from a registered manufacturer / licensed manufacturing warehouse / free industrial zone) and Customs Form No. 2 (Form K2) for the purpose of balancing the purchase and export information.
- ii. The report, purchase invoice and Form K2 must be submitted every three (3) months from the date of exemption certificate until all the quantity of the goods purchased are exported.
- iii. The report needs to be submitted by the end of the following month after the end of each quarter. For instance, if the date of exemption certificate is 1st August 2019:-

➤ [Laporan CJ\(P\) Jadual A-57A](#)

Period	Reporting Period	Deadline for Submission of Report
First period	1 st August 2019 to 31 st October 2019	30 th November 2019
Second period	1 st November 2019 to 31 st January 2020	29 th February 2020

Guide on Sales Tax Deduction Facility

The Guide on Sales Tax Deduction Facility as at 9th August 2019 was published by Royal Malaysian Customs Department ["RMCD"] on 21st August 2019.

➤ [Guide on Sales Tax Deduction Facility](#)

Service Tax (Amendment) Act 2019

The Service Tax (Amendment) Act 2019 has been gazetted on 9th July 2019. However, this Act will only be enforced on a date to be appointed by the Minister of Finance on a later date.

Note: For further information, kindly refer to our Tax Flash – April 2019 issue.

Service Tax Guides

- i. The Guide on Employment Services as at 5th August 2019 was published by RMCD on 6th August 2019.
- ii. The Guide on Information Technology Services as at 9th August 2019 was published by RMCD on the even date.

Guide on Digital Services

RMCD had on 21st August 2019 issued the Guide on Digital Services as at 20th August 2019. The salient points pertaining to this Guide are summarised below:-

- i. Examples of Services to be Considered as Digital Services
 - Software, application and video games
 - Music, e-book and film
 - Advertisement and online platform
 - Search engines and social networks
 - Database and hosting
 - Internet Based Telecommunication
 - Online training
 - Subscription to online newspapers and journals
- ii. Persons to be Considered as Foreign Service Providers
 - A person (including an individual) who carries out his business outside Malaysia and provides digital services directly or indirectly (through intermediaries such as online platform) to consumers in Malaysia; or
 - Online platform which makes transactions on behalf of overseas service providers and issues invoices or any other documents under their name.
- iii. Exemption on Imported Taxable Services
 - Businesses which have been charged service tax on digital services by foreign service provider are exempted from payment of service tax on imported taxable services, i.e. no self-accounting of service tax on imported taxable services is required.
- iv. Registration
 - The registration can be done by completing the DST-01 form via online through <http://dst.customs.gov.my>.

Hyperlinks

- [Service Tax \(Amendment\) Act 2019](#)
- [Tax Flash – April 2019](#)
- [Guide on Employment Services](#)
- [Guide on Information Technology Services](#)
- [Guide on Digital Services](#)

v. Manner of Furnishing Return

- The foreign service provider has to furnish a return ["DST-02 Form"] and account for service tax on digital services on quarterly basis according to his taxable period as required under Section 56H of the Service Tax Act 2018.

Note: For further information, kindly refer to our Tax Flash – April 2019 issue.

Hyperlinks

➤ [Tax Flash – April 2019](#)

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