

CTIM No.26/2011

8 July 2011

TO ALL MEMBERS

TECHNICAL

1. Submission of Form CP204 for small and medium enterprises (SMEs)

The Inland Revenue Board (IRB) has issued the above notice on 9 June 2011. Pursuant to Section [107C\(4A\)](#) of the Income Tax Act 1967 (ITA), a Malaysian resident company need not submit the estimate of tax payable in a prescribed form for the first two years of assessment in which it first commences operations, provided it is an SME (i.e. the paid up ordinary share capital of the company is not more than RM2.5 million at the beginning of the two basis periods and that it does not control or is controlled by a related company which has a paid up ordinary share capital of more than RM2.5 million at the beginning of the basis period for a year of assessment).

However, the IRB is unable to identify an SME when:

- a. imposing a penalty on underestimate pursuant to Section [107C\(10\)](#) ITA 1967.
- b. issuing notification of legal proceedings for offences committed under Section [120\(1\)\(f\)](#) ITA 1967.

As such, the IRB has amended the [Form CP204](#) to allow a taxpayer to inform the IRB of its 'SME' status without furnishing the estimate of tax payable. A similar amendment is made in the e-Filing Form CP204.

The amendment is effective from 3 March 2011. However, the SME that does not submit a Form CP204 in the first year, is requested to submit a Form CP204 in the second year if it is still an SME. Where a penalty under Section [107C\(10\)](#) is imposed or notification of legal proceedings under Section [120\(1\)\(f\)](#) is issued to an SME, please refer to the IRB Branch where the Company income tax returns are maintained, for waiver of the penalty.

Members may view the letter at the following link [IRB Letter - Submission of Form CP204 for Small and Medium Enterprises \(SMEs\) \(090611\)](#)

2. [Translation for Inland Revenue Board's payment receipt](#)

The IRB has provided a translation of the payment receipt for reference.

3. Updated list of certification bodies under Section 34(6)(ma) of ITA

The IRB has issued an updated list of certification bodies under [section 34\(6\)\(ma\)](#) for the purpose of claiming double deduction of expenses incurred in obtaining certification for recognised systems of quality and standards and halal certification. The updated list increases the number and accreditation period of certification bodies. A new certification body has been introduced for the Information Security Management System Program.

Members may view the list at the website of the Institute at the following link [IRB - Updated List of Certification Bodies under Section 34\(6\)\(ma\) of ITA \(140611\)](#)

Guidelines for tax treatment on interest income for pawnbroking industry

The IRB has issued on 3 June 2011 the Guidelines for tax treatment on interest income for the pawnbroking industry. The guidelines explain the basis of recognition and the tax treatment of interest income for the pawnbroking industry.

Pursuant to Section [24](#) of the ITA, interest income arising from the pawnbroking business shall be recognised and accrued from the date the charge begins. The IRB has now given a concession to the conventional and Islamic (Ar-Rahnu) pawnbroking industry to recognise interest income from the date of redemption if the charge was made in the basis period for the year of assessment 2009 and subsequent years. Examples are provided in the Guidelines to illustrate the tax treatment.

During the transition period (Y/A 2009, 2010 and 2011), the following concessions are given to pawnbrokers to allow them to adapt to the change in practice:

- a. For the pawnbroker who closes the accounts on 30 September to 31 December for Y/A 2009, the IRB has agreed to accept the income reported for Y/A 2008 and before on the cash basis or accrued basis as already adopted previously without any adjustment and penalty imposed.
- b. For the pawnbroker who closes the accounts on 31 January to 31 August for Y/A 2009, the IRB has agreed to accept the income reported for Y/A 2009 and before on the cash basis or accrued basis as already adopted previously without any adjustment and penalty imposed.

The claim for deduction of expenses pursuant to Section [33\(1\)](#) and [39\(1\)](#) is based on the accrual principle.

For the purposes of tax audit, the IRB will accept the income recognition method adopted by the pawnbroker for the Years of Assessment 2008 or 2009 (where applicable) and prior years without adjustment. However, where there is under-declaration of income and over-claiming of expenditure based on the existing basis of revenue recognition, then penalties will be imposed under the Section [113\(2\)](#) of ITA 1967.

No penalties will be imposed under Section [107B\(4\)](#) and [107\(C\)](#) ITA 1967 for the difference in the amount of tax payable and estimated tax payable for the Years of Assessment 2009 and 2010. Where a penalty has been imposed, the pawnbroker should submit an appeal to prove that the difference had arisen from adjustments due to changes in the tax treatment as provided for by the guidelines.

Islamic pawn-broking (Ar-Rahnu)

With effect from 2007, the Islamic pawnbroking (Ar-Rahnu) is also subject to the provisions of Pawnbrokers Act 1972 [Act 81] and come under the purview of the Ministry of Housing and Local Government (MHLG). Since the concepts of conventional pawnbroking and that of the Islamic pawnbroking have certain differences, the MHLG has exempt Islamic Pawnbrokers from certain provisions of the Pawnbrokers Act 1972 [Act 81] and Pawnbrokers (Control & Licensing) Regulations 2004 [P.U. (A) 317/2004].

Guidelines for the Implementation of Islamic Pawnbroking business (Ar-Rahnu) approved under the Pawnbrokers Act 1972 [Act 81] and Pawnbrokers (Control and Licensing) Regulations 2004, issued by the MHLG, are attached to the principal Guidelines.

Members are requested to read the [Guideline for Tax Treatment on Interest Income for Pawnbroking Industry](#) carefully and thoroughly for the detailed changes. You may also view the Guidelines at <http://www.hasil.gov.my/pdf/pdfam/GarisPanduanIndustriPajakGadai.pdf>.

4. Petroleum (Income Tax) (Amendment) Bill 2011

The Bill seeks to introduce the following amendments to the Petroleum (Income Tax) Act 1967:-

- a) New Chapter 6 of Part III
The Director General is empowered to direct special treatment in the computation of income from petroleum operations in certain cases.
- b) New section 65C
The Minister may, by statutory order, exempt any chargeable person from all or any of the provisions of this Act, either generally or in respect of any income of a particular kind.
- c) Amendment of First Schedule – New Paragraph 3A
The new Paragraph 3A allows the qualifying exploration expenditure incurred by a chargeable person under a petroleum agreement to be deducted against the gross income of another chargeable person in another petroleum agreement, provided that the original parties of the petroleum agreements where the areas under the agreement are not contiguous, are the same. Paragraph 3A is not applicable to the Joint Development Area.

Members may view the [Petroleum \(Income Tax\) \(Amendment\) Bill 2011](#) from the parliament website.

5. Request for Issues for Discussion with Inland Revenue Board (IRB) Malaysia

The TPPC will be having a Joint Meeting with the MIA's Taxation Committee and the MICPA's Tax Practice Committee to discuss issues relating to the recent Public Rulings.

Members are requested to submit their views and proposals on the public rulings issued in the Year 2011 as listed below together with the rationale for the proposals and / or suggestions as soon as possible. Please submit all proposals to kslim@ctim.org.my or fax to the Institute at 03-2162 8990.

- 1) [Taxation of Malaysian Employees Seconded Overseas](#) (PR 1/2011)
- 2) [Interest Expense and Interest Restriction](#) (PR 2/2011)
- 3) [Investment Holding Company](#) (PR 3/2011)
- 4) [Income From Letting Of Real Property](#) (PR 4/2011)
- 5) [Residence Status Of Companies And Bodies Of Persons](#) (PR 5/2011)
- 6) [Residence Status Of Individuals](#) (PR 6/2011)

6. Income Tax (Exchange of Information) Rules 2011 [P.U.(A) 219/2011]

The above replaces the Income Tax (Request for Information) Rules [P.U.(A) 311/2009]. It provides for more detailed procedures for the competent authority of another country who

has signed a double taxation agreement with Malaysia to request for information of a particular taxpayer.

Indirect Taxation

7. GST Guides (Draft)

The Royal Malaysian Customs (RMC) has released the following GST Guides (draft) on the GST Portal (<http://www.gst.customs.gov.my/portal/page/portal/MYGSET>). The RMC invites the members of the public to email their comments on these Guides to Tuan Mohd Hisham bin Mohd Nor at m_hisham.nor@customs.gov.my. Draft Guides (i) – (iv) may be viewed at http://www.gst.customs.gov.my/portal/page/portal/MYGSET/SubTopicDetailPage?piref255_1040729_255_1040710_1040710.ora_navig=nodeld=131 and draft Guide (v) at http://www.gst.customs.gov.my/portal/page/portal/MYGSET/SubTopicDetailPage?piref255_1040729_255_1040710_1040710.ora_navig=nodeld=130 :

- i) [Approved Jeweller Scheme](#)
- ii) [Approved Toll Manufacturer Scheme](#)
- iii) [Approved Trader Scheme](#)
- iv) [Manufacturing Sector](#)
- v) [GST General Guide](#)

Members are requested to submit their comments to the Institute at kSlim@ctim.org.my or secretariat@ctim.org.my so that the Institute may provide comprehensive feedback to the Royal Malaysian Customs for consideration.

8. Notification of Implementation of Digital Franking System for Payment of Stamp Duty

The Inland Revenue Board has issued a notice on 21 June 2011 relating to the implementation of a Digital Franking System. This is an alternative stamping method available at the stamping counter to replace the manual franking machine.

Members may view the notice at the Institute's website at [IRB Letter - Notification of implementation of Digital Franking System for payment of stamps duty \(210611\)](#)

CONTINUING PROFESSIONAL DEVELOPMENT

1. [NATIONAL TAX CONFERENCE 2011](#)

Date : 19 & 20 July 2011
Time : 9.00 am – 5.00 pm
Venue : Kuala Lumpur Convention Centre

The National Tax Conference 2011 is just around the corner. Today is the closing date for the registration.

For those who have registered, please contact the following CPD Secretariat to check on your confirmation of registration.

Tel : 03-2162 8989
Fax : 03-2162 8990 / 03-2161 3207
Website: www.ctim.org.my

Mr Ridzuan	(ext 108)	ridzuan@ctim.org.my
Ms Fadeah	(ext 113)	fadeah@ctim.org.my
Ms Yus	(ext 121)	cpd@ctim.org.my
Ms Nur	(ext 106)	nur@ctim.org.my

We look forward to meeting you at the National Tax Conference 2011!

Please visit our website www.ctim.org.my for the latest updates on our events or contact the CPD Secretariat, Ms Fadeah/Ms Yus/Mr Ridzuan/Ms Nur at 03-2162 8989 ext 108/113/121/106 for further information. Alternatively, you can email your enquiries to cpd@ctim.org.my

25 CPD Points

2. [Workshop: Maximising On Tax Incentives – Outstation](#)

<u>Date</u>	<u>Venue</u>
6 July 2011	Hyatt Regency, Kota Kinabalu
7 July 2011	Four Points Sheraton, Kuching
3 August 2011	Traders Hotel, Penang
11 August 2011	Impiana Casuarina, Ipoh
15 August 2011	Renaissance Hotel, Malacca
23 August 2011	Mutiara Hotel, Johor Bahru

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr Sivaram Nagappan

Course Content

- Pioneer Status
- Investment Tax Allowances

- Infrastructure Allowance
- Reinvestment Allowances (RA)
- Incentives for Approved Services Projects
- Pre-package incentive on Approved Business
- Double Deductions
- Special Deductions
- Green Technology Financing Scheme (GTFS)
- Promotion of Exports
- Group Relief for Losses
- Accelerated Capital Allowances
- Research and Development
- Operational Headquarters (OHQ)
- Malaysian International Trading Company (MITC)
- Export related incentives
- International Procurement Centre (IPC)
- Regional Distribution Centre (RDC)
- Multimedia Super Corridor (MSC)
- Iskandar Malaysia (IM) and other designated regions
- Latest updates, including updates in the Budget 2011

8 CPD Points

3. Workshop: Principles of Deferred Taxation (Kuala Lumpur)

<u>Date</u>	<u>Venue</u>
9 August 2011	Hotel Istana, Kuala Lumpur

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr Ramesh Ruben Louis

Course Outline

1. Introduction of deferred tax
 - Purpose of deferred taxation
 - Balance Sheet liability and Income Statement liability method
 - Temporary & Permanent difference
2. Key Requirements of MASB 25/ FRS 112
3. Understanding and determining tax base of assets and liabilities
 - Non-current assets and liabilities
 - Current assets - receivables, inventory, monetary assets
 - Current liabilities – payables, accruals, deferred income
4. Recognition of deferred tax assets and liabilities
 - Deductible temporary differences and taxable temporary difference
 - Treatment of deferred tax assets
5. Measurement and computation of deferred tax assets and liabilities
6. Presentation and disclosure

- Balance Sheet and Income Statement
- Accounting policies and notes to the financial statements
- Illustrative disclosures

4. [Workshop: New Public Rulings in 2011 \(Outstation\)](#)

<u>Date</u>	<u>Venue</u>
7 September 2011	Hyatt Regency, Kota Kinabalu
8 September 2011	Four Points Sheraton, Kuching
12 September 2011	Mutiara Hotel, Johor Bahru
14 September 2011	Renaissance Hotel, Malacca
29 September 2011	Traders Hotel, Penang

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr Chow Chee Yen

Course Content

1. Public Ruling 3/2011: Investment Holding Company
 - ▶ Definition of an Investment Holding Company (IHC)
 - ▶ Determination of an IHC
 - ▶ Tax treatment for unlisted IHC
 - ▶ Tax treatment for listed IHC
 - ▶ Capital allowance and industrial building allowance
2. Public Ruling 4/2011: Income from Letting of Real Property
 - ▶ Letting of real property as a business source
 - ▶ Letting of real property as a non-business source
 - ▶ Commencement date of letting of property
 - ▶ Expense relating to income of letting of real property
 - ▶ Rental income received in advance
 - ▶ Capital allowance and industrial building allowance
 - ▶ Replacement cost of furnishings
3. Public Ruling 5/2011: Residence Status of Companies and Bodies of Persons
 - ▶ Significance of Residence Status
 - ▶ Determination of Residence Status
 - ▶ Dual Residence
 - ▶ Documentation required
4. Public Ruling 6/2011: Residence Status of Individuals
 - ▶ Significance of Residence Status
 - ▶ Determination of Residence Status
 - ▶ Circumstances Determining Residence Status
 - ▶ Dual Residence

5. [Workshop: New Public Rulings in 2011 \(Kuala Lumpur\)](#)

<u>Date</u>	<u>Venue</u>
22 September 2011	Hotel Istana Kuala Lumpur

Time : 9.00 a.m – 5.00 p.m
Speaker : Mr Chow Chee Yen

Course Content

1. Public Ruling 3/2011: Investment Holding Company
 - ▶ Definition of an Investment Holding Company (IHC)
 - ▶ Determination of an IHC
 - ▶ Tax treatment for unlisted IHC
 - ▶ Tax treatment for listed IHC
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 - ▶ Significance of Residence Status
 - ▶ Determination of Residence Status
 - ▶ Circumstances Determining Residence Status
 - ▶ Dual Residence

Please visit our website www.ctim.org.my for the latest updates on our events or contact the CPD Secretariat, Ms Fadeah/Ms Yus/Mr Ridzuan at 03-2162 8989 ext 108/113/121/106 for further information. Alternatively, you can email your enquiries to cpd@ctim.org.my

MEMBERSHIP SERVICES

MEMBERSHIP RENEWAL FOR YEAR 2011

We wish to thank members who have renewed their 2011 membership subscription. For those who have yet to renew, we urge you to settle your dues as soon as possible together with the payment advice to enjoy uninterrupted membership services. If your payment is on the way, we thank you for your support and would appreciate if you could inform the Secretariat duly.

If you need assistance on your renewal, please contact Iza (ext 114) or e-mail us at membership@ctim.org.my

CTIM takes this opportunity to thank all our valued members for their continued support.

PUBLICATION

2012 Budget Commentary and Tax Information

In supporting CTIM's continuing mission to be the consultative authority on taxation as well as to provide leadership and direction to enable members to contribute effectively to the development of the nation, we would like to offer for sale to your organization, the *2012 Budget Commentary & Tax Information* booklet which is a comprehensive easy to read guide on the 2012 budget and tax information. This booklet is certainly a useful tool that no financial or taxation professional should do without.

Please click <http://www.ctim.org.my> to download the Order Form. You may call Ms Khalijah at 03-21628989 if you require assistance in placing your orders.

CHARTERED TAX INSTITUTE OF MALAYSIA IS RECRUITING AN ASSISTANT MANAGER / TECHNICAL MANAGER

The Chartered Tax Institute of Malaysia is inviting suitably qualified candidates to apply for the position in the premier body for tax professionals.

Interested applicants, please click on http://www.ctim.org.my/ectim/Advert_techmgr_Jul10.pdf for details.

For queries or feedback on the CTIM e-circular, please email secretariat@ctim.org.my.

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