

TECHNICAL - DIRECT TAXATION

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LHDNM: Responses to the Joint Memorandum on Issues Arising from 2021 Budget Speech & Finance Bill 2020

The Inland Revenue Board of Malaysia ("LHDNM") held an online dialogue with the Ministry of Finance, the Institute and other professional bodies on 8 February 2021 to discuss on the Joint Memorandum on Issues Arising from 2021 Budget Speech & Finance Bill 2020 submitted to the Tax Authorities on 7 December 2020.

The issues arising are in respect of amendments to the tax legislations and proposals in the 2021 Budget Speech and Appendices as listed in the table below.

1. Amendments to the Income Tax Act 1967	
1.1	Tax rebate for start-up company / limited liability partnership - new S.6D (w.e.f. YA 2021)
1.2	Special deduction for research and development expenditure – amended S.34A (w.e.f. coming into operation of Finance Act 2020)
1.3	Amendment to S.39(1)(r) [w.e.f. 1 January 2021]
1.4	Education fees (Self) – amended S.46(1)(f) [w.e.f. YA 2021]
1.5	Medical expense for serious diseases – amended S.46(1)(g) & S.46(1)(h) [w.e.f. YA 2021]
1.6	Lifestyle relief – new S.46(1)(t) [YA 2020] & S.46(1)(u) [w.e.f. YA 2021]
1.7	Incentive Scheme – new S.65B (w.e.f. YA 2021)
1.8	Tax Payable Notwithstanding Institution of Proceedings Under Any Other Written Law – new S.103B of ITA 1967, S.21C of RPGTA 1976, S.48A of PITA 1967 and S.13B of LBATA 1990 ("proposed legislations") [w.e.f. 1 January 2021]
1.9	Failure to furnish contemporaneous transfer pricing documentation - new S.113B (w.e.f. 1 January 2021)
1.10	New S.140A(3A), S.140A(3B), S.140A(3C) and S.140A(3D) [w.e.f. 1 January 2021]
1.11	Definition of "Plant" – new Schedule 3, paragraph 70A (w.e.f. YA 2021)
1.12	Compensation for loss of employment – amended proviso to Schedule 6, paragraph 15(1)(b) [YA 2020 and 2021]
1.13	Period for Reinvestment Allowance ("RA") claim extended – amended Schedule 7A, paragraph 2B (YA 2020, 2021 and 2022)
2. Amendments to the Real Property Gains Tax Act 1976	
2.1	Company rates for society registered under Societies Act 1966 – amended Part II, Schedule 5 (w.e.f. 1 January 2021)
3. Amendments to the Labuan Business Activity Tax Act 1990	
3.1	Irrevocable election on chargeability to Income Tax Act 1967 – amended Section 3A(2) (w.e.f. coming into operation of Finance Act 2020)
3.2	Labuan entity – amended S.2B (w.e.f. 1 January 2021)

4. 2021 Budget Speech and Appendices	
4.1	Appendix 11 – Extension of period of stamp duty exemption to revive abandoned housing projects
4.2	Appendix 15 (A). – Review of tax incentives for companies relocating their operations to Malaysia and undertaking new investments
4.3	Appendix 15 (C). – Review and expansion of the scope of tax incentive for commercialisation of research and development findings
4.4	Appendix 15 (D). - Tax incentive for Global Trading Company (GTC)
4.5	Appendix 15 (F). - Special income tax rate for non-resident citizen individuals holding key positions in companies investing in new strategic investments
4.6	Appendix 16 – Review of tax incentive for Principal Hub (“PH”)
4.7	Appendix 20 – Review of tax incentive for manufacturers of industrialised building system components
4.8	Appendix 21 – Extension of period of tax deduction for employment of senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants
4.12*	Paragraphs 151 and 209 of the 2021 Budget Speech

*Please note that item 4.12 on page 78 of the Joint Memorandum should be read as item 4.9.

Members may read the [LHDNM's minutes of the dialogue and responses to the issues raised in the Joint Memorandum](#) in the [Members Only](#) section of the Institute's website.

You may write to the Institute at technical@ctim.org.my in respect of any suggestions, concern or comments you may have on the LHDNM's minutes and responses.

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