

Monthly Tax Update

-February 2018-

Highlights:

Income Tax

- 1.0 Return of Employers
- 2.0 Malaysian Financial Reporting Standards 5
- 3.0 Common Reporting Standard Guidance Notes
- 4.0 Public Ruling No. 01/2018

Free Trade Zone

- 5.0 Digital Free Trade Zone

Regional Trade Area

- 6.0 ASEAN-Australia-New Zealand Free Trade Area

Goods and Services

Tax (GST)

- 7.0 Guide on Accounting Software Enhancement towards GST Compliance

INCOME TAX

1.0 Return of Employers

Employers which are companies (including Labuan companies) and non-companies are compulsorily required to furnish Form E via e-Filing (Form e-E) with effect from the Year of Remuneration 2016.

Form E for the Year of Remuneration 2017 must be furnished by every employer before or on 31 March 2018. Failure to furnish within the allowable period will result in the imposition of compound.

For more information, please refer to the link below:

http://lampiran1.hasil.gov.my/pdf/pdfam/04_2017_2.pdf

2.0 Malaysian Financial Reporting Standards 5

On 22 January 2018, Inland Revenue Board Malaysia (IRBM) amended Guidelines for Income Tax Treatment of Malaysian Financial Reporting Standards (MFRS) 5: Non-Current Assets Held for Sale and Discontinued Operations.

The amendments are made to the following paragraphs:

- scenario 3: disposal in subsequent basis period (sale completed in more than 1 year but not within the following year of assessment)
- asset reclassified back to Property, Plant and Equipment (PPE)

For more information, please refer to the link below:

http://lampiran1.hasil.gov.my/pdf/pdfam/MFRS_5_amended_06022018.pdf

3.0 Common Reporting Standard Guidance Notes

On 05 February 2018, IRBM has updated Common Reporting Standard Guidance Notes pursuant to the issuance of the Labuan Business Activity Tax (Automatic Exchange of Financial Account Information) Regulations 2018.

For more information, please refer to the link below:

[http://lampiran1.hasil.gov.my/pdf/pdfam/Malaysia CRS Guidance Notes Revised 05022018.pdf](http://lampiran1.hasil.gov.my/pdf/pdfam/Malaysia_CRS_Guidance_Notes_Revised_05022018.pdf)

4.0 Public Ruling No. 01/2018

On 26 February 2018, IRBM issued Public Ruling (PR) on Disposal of Plant and Machinery Part II - Controlled Sales.

For more information, please refer to the link below:

http://lampiran2.hasil.gov.my/pdf/pdfam/PR_1_2018.pdf

FREE TRADE ZONE

5.0 Digital Free Trade Zone

Digital Free Trade Zone (DFTZ) is an initiative by the Government of Malaysia to encourage transition of offline business to eCommerce and promote cross-border eCommerce activities. DFTZ is operated through a public-private partnership.

DFTZ consists of three components:

i. eFulfilment Hub

The eFulfilment Hub will be developed over two phases. The first phase will be at the KLIA Air Cargo Terminal 1 (KACT1). The first phase seeing POS Malaysia investing RM60 million to upgrade and renovate the KACT1 facility into a cargo terminal/warehouse.

The second phase will be a greenfield development over a 60-acre plot at KLIA Aeropolis to be jointly developed by Malaysia Airports and Cainiao Network which will be operational in 2020.

Improvements:

- border clearance and handling from 6 hours to 3 hours
- Cargo Terminal Operations (CTO) from 4 hours to 90 minutes with 90% Service Level Agreement (SLA)
- Automated Guided Vehicles (AGV) are deployed to handle parcel shelving and sorting using the most efficient routes

Facilities available:

- warehouses with latest technology including sorting, shelving and pick-pack facilities
- Light Industrial Units (LIU) to allow for minor repair, assembly prior to shipping goods
- customs inspection & quarantine area
- category specific facilities (i.e.: secure warehouse, temperature-controlled storage, etc)

ii. Satellite Services Hub

The first Satellite Services hub of DFTZ, Kuala Lumpur Internet City (KLIC) will be in Bandar Malaysia. KLIC is set to be a premier digital hub for global tech-based industries; aimed at both regional leaders and local start-ups.

Benefits of KLIC:

- end-to-end support, networking and knowledge-sharing within the internet ecosystem
- lifestyle focused city – eco-friendly buildings, bike paths, large open spaces for community, fitness and wellness facilities
- Offline to Online (O2O) showrooms
- Meetings, Incentives, Conferences and Exhibition (MICE facilities)
- training centres
- built by entrepreneurs for entrepreneurs

iii. eServices Platform

The eServices Platform is an integrated trade facilitation platform to accelerate online trade facilitation process and end-to-end business support for cross-border trade.

- government – customs clearance, quarantine, permits, industry compliance, cross border trade advisory, etc
- business services – warehousing & fulfilment, freight forwarding, last mile delivery, return handling, payment, insurance, web hosting, IT, etc

For more information, please refer to the link below:

<https://mydftz.com/dftz-goes-live/>

REGIONAL TRADE AREA

6.0 ASEAN-Australia-New Zealand Free Trade Area

ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) is ASEAN's first comprehensive FTA negotiation with Dialogue Partners.

Trade in goods, tariff reduction and elimination schedules are differentiated between ASEAN-6 (consist of Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) and ASEAN newer members (consist of Cambodia, Laos, Myanmar and Vietnam).

ASEAN newer members enjoy a more gradual phasing and longer gestation to eliminate tariffs.

For trade in services, negotiated commitments are concluded with ASEAN newer members relating to:

- strengthened domestic capacity;
- improved access to distribution channels and information networks; and
- commitment in sectors of export interest to the 4 countries

For more information, please refer to the link below:

<http://aanzfta.asean.org/>

GOODS AND SERVICES TAX (GST)

7.0 Guide on Accounting Software Enhancement towards GST Compliance

The Guide on Accounting Software Enhancement towards GST Compliance as at 02 March 2017 is withdrawn and replaced by the Guide on Accounting Software Enhancement towards GST Compliance revised as at 05 February 2018.

For more information, please refer to the link below:

http://gst.customs.gov.my/en/rg/SiteAssets/accounting_software/Guide%20on%20Accounting%20Software%20-%20%2005%20Feb%202018_2.pdf

Disclaimer: interested parties are advised to contact the Company for further details after reading the contents of this tax alert. Neither the company, partners nor member firms, their councils or any their committees shall be held responsible or liable for any claims, loss, damages, costs or expenses arising in any way out of or in connection with any person relying upon such views without referring to the company first.