

Monthly Tax Update

-April 2018-

Highlights:

Income Tax

1.0 Tax Audit Framework

Free Zone

2.0 P.U. (B) 162
3.0 P.U. (B) 169

Regional Trade Area

4.0 ASEAN-Japan Free Trade Area

INCOME TAX

1.0 Tax Audit Framework

Inland Revenue Board Malaysia (IRBM) has issued Tax Audit Framework 2018 (TAF 2018) which is effective from 1 April 2018. The new Framework replaced Tax Audit Framework 2017 (TAF 2017) dated 1 May 2017.

Salient changes to the new Framework are as follow:

➤ Shorter timeframe

	TAF 2018	TAF 2017
Submission of documents and information from the date of receipt of <i>Document and Information Requisition Letter</i> from IRBM	14 days	21 days
Submission of written objection to IRBM's proposed tax adjustment	18 days	21 days
Audit settlement period	3 months (90 days)	4 months (120 days)

- In certain desk audit cases, *Document and Information Requisition Letter* will not be issued. Instead, taxpayer will receive notice of assessment together with the details of tax adjustments.
- The sentence "The checking will not involve records for the year of assessment which statutory time limit has lapsed" (in 7.4.1 of the Tax Audit Framework 2017) has been removed.

For more information, please refer to the link below:

http://lampiran1.hasil.gov.my/pdf/pdfam/RANGKA_KERJA_AUDIT_CUKAI_2018.pdf

FREE ZONE

2.0 P.U. (B) 162

On 05 April 2018, Attorney-General's Chamber published Free Zones (Declared Area) Notification 2018 in e-Federal Gazette.

The Minister declares Free Commercial Zone Area Terminal 2, Johor Port, Pasir Gudang, Johor as a free commercial zone.

For more information, please refer to the link below:

[http://www.federalgazette.agc.gov.my/output/pub_20180405_P.U.%20\(B\)%20162.pdf](http://www.federalgazette.agc.gov.my/output/pub_20180405_P.U.%20(B)%20162.pdf)

3.0 P.U. (B) 169

On 09 April 2018, Attorney-General's Chamber published Free Zones (Declared Area) Notification 2018 in e-Federal Gazette.

The Minister declares Free Commercial Zone, Tanjung Langsat, Johor as a free commercial zone.

For more information, please refer to the link below:

[http://www.federalgazette.agc.gov.my/output/pub_20180409_P.U.%20\(B\)%20169.pdf](http://www.federalgazette.agc.gov.my/output/pub_20180409_P.U.%20(B)%20169.pdf)

REGIONAL TRADE AREA

4.0 ASEAN-Japan Free Trade Area

ASEAN and Japan signed ASEAN-Japan Comprehensive Economic Partnership (AJCEP) to establish ASEAN-Japan Free Trade Area (AJFTA). AJFTA enables ASEAN and Japan to share enormous resources available through joint collaboration to further promote the growth of both manufacturing and services industries.

Presently, Malaysia has eliminated 93.57% duties of products in the normal track of trade in goods. For goods under the Highly Sensitive List, Sensitive List and Exclusion List, the modality varies and the tariff cuts were negotiated bilaterally between ASEAN member states and Japan. For Malaysia, elimination of duties for some products are offered under AJCEP but not in Malaysia-Japan Economic Partnership Agreement.

Trade facilitating ROO have been established under the AJCEP that would help encourage regional cumulation of inputs benefitting both ASEAN member states and Japan. Thus, traders can enjoy a larger sourcing base as raw/intermediate materials can be used from any of the AJCEP parties.

In determining Rules of Origin, exporters and manufacturers have the flexibility to either opt for either general rule of 40% Regional Value Content (RVC) or Change in Tariff Classification (CTC) of Harmonized System (*Refer Annex II of AJCEP Agreement*).

For more information, please refer to the link below:

<http://fta.miti.gov.my/index.php/pages/view/asean-japan?mid=36>

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