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## EY Tax Alert (Special Edition)

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# Important updates on foreign-sourced income exemption and stamp duty, and the gazettment of Finance Act 2021

### Coverage of this Alert

- ▶ Updates on foreign-sourced income (FSI) exemption and stamp duty on contract notes
- ▶ Finance Act 2021 gazetted

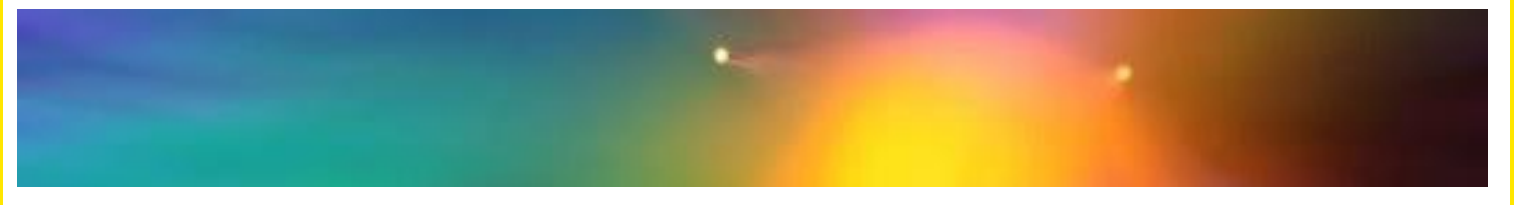
### Updates on foreign-sourced income (FSI) exemption and stamp duty on contract notes

On 30 December 2021, the Ministry of Finance (MoF) issued a press release on the following:

#### A. Conditional FSI exemption for individuals and on dividend income

In Budget 2022, it was proposed that the long-standing income tax exemption on FSI received by any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) be removed for all Malaysian-resident taxpayers from 1 January 2022. As highlighted further below, this proposal has now been enacted via the Finance Act 2021.

Following an extensive consultation process, on 30 December 2021 MoF announced that certain types of FSI of resident taxpayers will continue to be exempt from tax, subject to conditions. This exemption will apply to the foreign-sourced dividend income of companies and limited liability partnerships, and all FSI of individuals (except individuals carrying out business in Malaysia through a partnership). The tax exemption is effective for five years from 1 January 2022 to 31 December 2026 and will be subject to conditions which will be outlined in guidelines issued by the Inland Revenue Board.



The MoF also stated that FSI received in the year of assessment (YA) 2022 will be excluded from the tax calculation for the purpose of the one-off *Cukai Makmur* of 33% on chargeable income above RM100 million.

## **B. Remission of stamp duty on contract notes for trading of listed shares or stocks**

Pursuant to the Finance Act 2021, the stamp duty on contract notes for the trading of listed shares or stocks was increased from 0.1% to 0.15%, from 1 January 2022. The existing RM200 cap for each contract note was also removed.

In response to feedback from various parties and to ensure that the local stock market remains dynamic, the MoF announced that the stamp duty cap for each contract note will be reinstated, albeit at a higher amount of RM1,000. Any amount of stamp duty above RM1,000 will be remitted for the trading of shares or stocks listed on Bursa Malaysia, from 1 January 2022 to 31 December 2026.

Note:

In Budget 2022, it was also proposed that brokerage activities for listed shares be exempted from service tax from 1 January 2022. To provide further guidance on this proposal, the Royal Malaysian Customs Department has published the Service Tax Policy No. 3/2021 dated 31 December 2021, in Bahasa Malaysia, titled "Dasar Cukai Perkhidmatan Bil. 3/2021 - Pengecualian Cukai Perkhidmatan Ke Atas Perkhidmatan Pembrokeran Berkaitan Dagangan Saham". The policy is available at the following link: [Dasar CP 2021-3 20211231.pdf \(customs.gov.my\)](#)

The above announcements are indeed welcome and demonstrate the Government's responsiveness to industry feedback and commitment to an equitable and competitive tax system which complies with international tax best practices, as well as sustainable economic growth.

It is hoped that the relevant legislations and guidelines will be issued soon, to provide certainty to taxpayers.

## **Finance Act 2021 gazetted**

On 29 October 2021, the Honorable Finance Minister Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz delivered the Budget 2022 Speech. On 9 November 2021, the Finance Bill 2021 was tabled at the *Dewan Rakyat*.

Following the above, the Finance Act 2021 was gazetted on 31 December 2021. The Finance Act 2021 adopts all the changes proposed in the Finance Bill 2021, including some of the key corporate tax proposals outlined below:

- ▶ Introduction of a one-off *Cukai Makmur* of 33% on chargeable income above RM100 million, for YA 2022 only
- ▶ Removal of tax exemption on FSI remitted into Malaysia by Malaysian residents (please see above for updates on this point)

- ▶ Introduction of withholding tax on payments made to Malaysian resident individuals who are agents, dealers or distributors
- ▶ Extension of the period to carry forward losses, to 10 YAs
- ▶ Extension of reinvestment allowances for a further two years, i.e., YAs 2023 and 2024

Please contact your EY engagement teams if you would like to discuss any of the matters covered in this alert.

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