

Newsletter

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Tax Newsletter 2019: Volume 1

This circulation provides you with updates on tax developments in Malaysia. In this edition, we highlight key direct tax developments in relation to transfer pricing, stamp duties, and changes to the Labuan tax regime, which took place during the period from January 2019 to the present time.

We also discuss the recent revamp of the Customs Act 1967, as well as developments relating to proposals to introduce service tax on imported digital services.

You may click on the links below to read a more detailed version. Please contact us if you have any queries or require any assistance.

Direct Tax

Restriction on the Deductibility of Interest

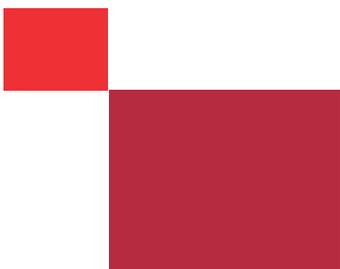
The Income Tax (Restriction on Deductibility of Interest) Rules 2019 ("**Rules**") came into operation on 1 July 2019. Multinational enterprises should review their current financial arrangements to determine whether they are affected by the Rules.

Click on the following links to read more: [English](#) | [Korean](#)

Taxpayer Succeeds in Landmark Transfer Pricing Appeal

Wong & Partners represented the taxpayer in a landmark case on transfer pricing against the Malaysian Inland Revenue Board ("**IRB**"). This is an important decision as it successfully challenged several practices by the IRB which have long troubled taxpayers, namely the inordinate focus on functions in transfer pricing analysis, the insistence on adjusting to the median, and the frequent failure by the IRB to undertake proper transfer pricing analysis on taxpayers before raising transfer pricing adjustments.

Click on the following links to read more: [English](#) | [Korean](#) | [Asia Business Law Journal](#)





Malaysian Stamp Act: Changes to Relief Provisions, Instruments which Secure Indebtedness and Rates Increase

Following recent amendments to the Stamp Act 1949, which came into force on 28 December 2018, the IRB has published new guidelines, which aims to provide guidance and clarification relating to the amended provisions.

Click on the following link to read more: [English](#)

The New Labuan – Understanding the Changes

As part of Budget 2019, the Malaysian government introduced amendments to the Labuan Business Activity Tax Act 1990, which came into effect on 1 January 2019. This resulted in significant changes to the Labuan tax regime.

Click on the following link to read more: [English](#)

Customs

Revamp of the Malaysian Customs Act 1967 Affecting Businesses

The Customs (Amendment) Act 2019 ("**Amendment Act**") was passed by the Lower House of Parliament on 8 April 2019 and the Upper House on 7 May 2019, and gazetted as an Act of Parliament on 9 July 2019. The date of coming into force of the Amendment Act is expected to be announced by way of gazette. The Amendment Act spans 132 pages of amendments and, to date, represents the most significant round of changes to the Customs Act 1967 introduced under the new Malaysian government.

Click on the following links to read more: [English](#) | [Korean](#)

Service Tax

Service Tax on Imported Digital Services

On 2 November 2018, the Ministry of Finance announced that the Malaysian government will be widening the service tax net to capture digital services imported by consumers in Malaysia under a business-to-consumer service tax regime, effective from 1 January 2020. On 28 June 2019, the Service Tax (Amendment) Bill 2019 received royal assent.

Click on the following links to read more: [English](#) | [Bloomberg Tax](#)

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