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Malaysian developments

Guidelines on the imposition of penalties for failure to furnish tax returns

The Inland Revenue Board (IRB) has issued on its website an operational guidance document in Bahasa Malaysia, titled "Pengenaan Penalti Di Bawah Subseksyen 112(3) Akta Cukai Pendapatan 1967, Subseksyen 51(3) Akta Petroleum (Cukai Pendapatan) 1967 Dan Subseksyen 29(3) Akta Cukai Keuntungan Harta Tanah 1976", dated 13 August 2020. This new 6-page guidance document replaces GPHDN 5/2019, which was published on 16 October 2019 (see *Tax Alert No. 20/2019*).

The new guidelines are broadly similar to the earlier guidelines and explain the penalties that will be imposed under Section 112(3) of the Income Tax Act 1967 (ITA), Section 51(3) of the Petroleum (Income Tax) Act 1967 (PITA) and Section 29(3) of the Real Property Gains Tax Act 1976 (RPGTA) where a taxpayer fails to furnish a tax return within the stipulated deadlines.

The key update is that the new guidelines also explain the additional penalties that can be imposed under Section 112(4) of the ITA, Section 51(4) of the PITA and Section 29(5) of the RPGTA. The new guidelines stipulate that in cases where a taxpayer furnishes a tax return after the stipulated deadline, and the actual amount of income tax payable exceeds the estimated assessment raised by the Director General under the respective legislations, an additional penalty can be imposed on the difference, at the following rates:

Legislation	Penalty imposed pursuant to	Penalty rate (%)
ITA	Section 112(4)	45
PITA	Section 51(4)	45
RPGTA	Section 29(5)	25

Management and control requirements for pure equity holding Labuan entities

As highlighted in earlier tax alerts, the Labuan Investment Committee (LIC) Pronouncement 2-2019 stipulates that Labuan entities carrying on pure equity holding activities must comply with management and control requirements and must meet minimum operating expenditure requirements, in Labuan (see *Tax Alert No. 23/2019*). The IRB had recently provided feedback which suggests that for the year of assessment (YA) 2020 (i.e. financial year 2019), a pure equity holding Labuan entity is only required to adhere to the minimum operating expenditure requirement in Labuan (i.e. RM20,000 per annum) (see *Tax Alert No. 12/2020*).

The Labuan Financial Services Authority (LFSA) has issued a Directive on Management and Control Requirements for Labuan Entities that Undertake Pure Equity Holding Activities ("Directive"). The Directive is applicable to all Labuan entities which are incorporated, registered or established under the Labuan legislations and which undertake pure equity holding activities, and is effective from 10 August 2020.

The Directive stipulates that such Labuan entities will be required to adhere to the following in order to comply with the management and control requirements:

(a) Comply with Paragraph 5.5 of Public Ruling (PR) No. 5/2011 dated 16 May 2011[Note];
(b) Have its registered office in Labuan;
(c) Appoint a Labuan trust company as its resident secretary in Labuan; and
(d) Keeps its accounting and business records (including minutes of meeting) in Labuan

Note:
We note that:
i) PR No. 5/2011 has been superseded by PR No. 9/2019; and
ii) The PRs referred to in i) above discuss management and control in Malaysia generally, and not Labuan specifically.

As such, it is possible that further clarification or guidance will be forthcoming in due course.

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Frequently Asked Questions on International Tax Issues due to the COVID-19 Travel Restrictions

The IRB has recently published an updated version of the "Frequently Asked Questions on International Tax Issues due to the COVID-19 Travel Restrictions" (FAQs) document, dated 12 August 2020, which addresses questions pertaining to the following:

(a) Residency status for individuals and companies;
(b) Creation of permanent establishments (PEs) for companies; and
(c) Cross-border employment income for individuals

The updated FAQs are broadly similar to the earlier FAQs (see *Special Tax Alert No. 12/2020*). The key changes are as follows:

- The updated FAQs clarify that the travel restrictions refer to restrictions by both local and foreign authorities. Previously, reference was made to local (i.e. Malaysian) authorities only.
- The updated FAQs clarify that references to temporary presence in Malaysia due to COVID-19 travel restrictions refer to the Movement Control Order (MCO) period, which is from 18 March 2020 until 31 August 2020.

Public Rulings and Technical Guidelines on the tax treatment of research and development (R&D) expenditure

The IRB has published on its website the following Public Rulings (PRs) and Technical Guidelines, dated 13 August 2020, to provide guidance and clarification on the definition of R&D, the determination of whether or not a particular activity constitutes a qualifying R&D activity, the types of expenditure in respect of a qualifying R&D activity that would be eligible for special deductions, and the application process for the special deductions:

- PR No. 5/2020 – Tax Treatment of R&D Expenditure Part I – Qualifying R&D Activity
- PR No. 6/2020 – Tax Treatment of R&D Expenditure Part II – Special Deductions
- Guidelines on the Application Procedure for a Special Deduction in respect of a Qualifying R&D Activity (Technical Guidelines)

The IRB has stated in both PRs that the earlier 36-page PR No. 5/2004 (see *Tax Alert No. 2/2005*) and seven (7)-page Addendum to PR No. 5/2004 (see *Tax Alert No. 17/2008*) that were issued on 30 December 2004 and 3 April 2008 respectively have been amended, rewritten and updated. The IRB has also advised that PR No. 5/2020, PR No. 6/2020 and the Technical Guidelines ("new documents") should be read together. Hence, PR No. 4/2004 and its addendum should no longer be referred to.

Broadly, the new documents incorporate and clarify the legislative changes to the definition of R&D in the ITA and Promotion of Investments Act 1986 (PIA), which were enacted via the Finance Act 2018. The new documents also explain the tax incentives available for R&D expenditure under Section 34(7) and Section 34B of the ITA (the earlier PR No. 5/2004 focused on Section 34A of the ITA only). Briefly, the tax incentives are as follows:

(a) Section 34(7) – Single deduction for R&D expenditure;
(b) Section 34A - Double deduction for in-house R&D expenditure, which has to be approved by the Director General of Inland Revenue (DGIR);
(c) Section 34B – Double deduction for the following, which has to be approved by the DGIR:
    (i) Contribution in cash to an approved research institute;

(ii) Payment for the use of the services of an approved research institute or an approved research company; or
(iii) Payment for the use of the services of a R&D company or contract R&D company

The tax incentives are only applicable to expenditures which are non-capital in nature.

Further details on the two PRs and Technical Guidelines are set out below.

Public Ruling No. 5/2020 – Tax Treatment of R&D Expenditure Part I – Qualifying R&D Activity

The new 46-page PR comprises the following sections and sets out nine examples:

1.0 Objective
2.0 Relevant provisions of the law
3.0 Interpretation
4.0 Introduction
5.0 Eligibility criteria to claim an incentive
6.0 R&D activity and project
7.0 Determination of a qualifying R&D activity
8.0 Activities excluded from being R&D activities
9.0 Non-research activities and development
10.0 Commencement and completion of a R&D activity
11.0 Updates and amendments
12.0 Disclaimer

Similar to the earlier PR, the new PR explains the criteria for a person to be eligible to claim the tax incentive, the types of activities which are (or are not) recognized as qualifying R&D activities, as well as the determination of the period of the R&D activity (i.e. date of commencement and completion). The new PR has, however, been updated to provide a more detailed explanation of what constitutes qualifying R&D activities.

In the earlier PR, the types of qualifying and non-qualifying R&D activities differ depending on whether the activities were undertaken in an information technology (IT) and software sector, or sectors other than the IT and software sector. The new PR no longer makes such a distinction.

To ascertain whether an activity constitutes an R&D activity for tax purposes, the new PR outlines the definition of the following:

(a) R&D activity
(b) Qualifying R&D activity
(c) R&D project
(d) Qualifying R&D level
(e) R&D concepts (i.e. basic research, applied research and experimental development)

The PR clarifies that as an R&D project typically consists of multiple R&D activities (some of which may be qualifying, whilst others are non-qualifying), it is important to note that the tax incentive is to be ascertained at the R&D activity level (and not the project level).

In line with the definition of R&D in Section 2 of the ITA, the new PR stipulates that a qualifying R&D activity is required to fulfil the following criteria:

(a) The objective is to
  (i) Acquire new knowledge;
  (ii) Create new products or processes; or
  (iii) Improve existing products or processes

(b) Involves something new (novelty) or technical risks; and

(c) Is a systematic, investigative and experimental (SIE) study in a field of science or technology

The PR clarifies the definition, characteristics and/or requirements for each of the above-mentioned criteria. In addition, the PR explains and provides examples to demonstrate whether each criterion is considered fulfilled and whether an activity undertaken would be considered a qualifying R&D activity.

Notwithstanding the above and similar to the earlier PR, the new PR outlines specific activities which are excluded as qualifying R&D activities. The list has been updated to stipulate that research in social sciences or humanities (e.g. activities concerning the study of individuals, society and/or human social functions or relationships, design, production or performance of human artistic expressions etc.) is also excluded as a qualifying R&D activity.

The new PR also provides a flowchart to demonstrate the eligibility of a person to claim an incentive for an R&D activity, as set out in Appendix I to this Alert.

Public Ruling No. 6/2020 – Tax Treatment of R&D Expenditure Part II – Special Deductions

The new 26-page PR comprises the following sections and sets out five examples:

1.0 Objective
2.0 Relevant provisions of the law
3.0 Interpretation
4.0 Eligibility to claim an incentive for a qualifying R&D activity
5.0 Double deduction or single deduction
6.0 Qualifying R&D expenditure
7.0 Claim for a double deduction under Section 34A of the ITA
8.0 Pioneer company undertaking R&D activity and making an election under Section 34A(4A) of the ITA
9.0 Claim for a double deduction under Section 34B of the ITA
10.0 Claim for a single deduction under Subsection 34(7) of the ITA
11.0 Industrial building allowance and capital allowances
12.0 Penalty for incorrect information
13.0 Application for approval for R&D activities
14.0 Updates and amendments
15.0 Disclaimer

The new PR is broadly similar to the earlier PR and explains the expenditures that qualify for special deductions in respect of qualifying R&D activities. The PR has, however, been updated to incorporate and explain the deductions available under Sections 34(7) and 34B of the ITA as well. Some of the key changes are as outlined below.

- The new PR explains the tax incentives available for R&D expenditures on qualifying R&D activities under Sections 34A, 34B and 34(7) of the ITA, including the conditions and mechanisms for claiming the deductions under each Section respectively.

- The new PR provides additional examples to explain the expenditures that would qualify for a single or double deduction.

- The new PR stipulates that effective 28 December 2018, if the R&D expenditure for technical services undertaken outside Malaysia is more than 30% (previously 70%) of the total allowable R&D expenditure, the payment will not qualify for a double deduction. The balance may, however, qualify for double deduction, subject to conditions.

  The above restriction, however, does not apply to the deduction under Section 34(7) of the ITA. As such, 100% of the total allowable expenditure for technical services undertaken outside Malaysia may be allowed as a single deduction under Section 34(7) of the ITA, subject to conditions.

- The new PR includes a new section which explains the applicability of:
  - Industrial building allowance (IBA) on qualifying building expenditure for buildings used for the purpose of R&D activities; and
  - Capital allowance on capital expenditure incurred on the provision of plant and machinery used for the purpose of R&D approved by the Minister within the meaning of Section 34A of the ITA

The new PR stipulates that the new definition of R&D under Section 2 of the ITA would apply to expenditure incurred on new buildings which are constructed or purchased commencing 28 December 2018. However, a person who has been claiming IBA before the new definition of R&D came into force can continue to do so.

- The new PR stipulates that the application by a person to obtain approval for an R&D activity under Section 34A of the ITA must be made for each YA by submitting the application form (Borang 1) along with the relevant supporting documents to the Tax Policy Department (previously Technical Division) of the IRB.

  In addition, the due date for the submission of the Borang 1 has been updated in the new PR. Further details on this are outlined in Appendix II to this Alert.

Guidelines on the application procedure for a special deduction in respect of a qualifying R&D activity

The new 15-page Technical Guidelines document comprises the following sections and sets out eight examples to explain the application procedure for an approved qualifying R&D activity that qualifies for a special deduction under Section 34A of the ITA, and the requirement to submit the relevant forms when a claim is made for deductions under Sections 34(7), 34A or 34B of the ITA:

1.0 Introduction
2.0 R&D
3.0 Qualifying R&D expenditure
4.0 Application for a special deduction
Appendix

Similar to the above-mentioned PRs, the Technical Guidelines reiterate the salient points pertaining to the definition of R&D and its qualifying criteria, the criteria for an activity to qualify as a qualifying R&D activity, and the tax incentives available under Sections 34(7), 34A or 34B of the ITA. The Technical Guidelines explain the application procedure which has to be complied with, including the completion and submission of the relevant forms, before a person is allowed to make a claim for the relevant deduction (refer to Appendix II to this Alert). In addition, the Technical Guidelines also provide a flowchart to explain the procedure to claim a deduction under Sections 34A, 34B or 34(7) of the ITA for a qualifying R&D activity, as set out in Appendix III to this Alert.

The Technical Guidelines stipulate that in the event the IRB requires any further explanation, the company may be required to make a presentation to the IRB in respect of the R&D project or activity that has been undertaken.

In addition, similar to the earlier PR, the Technical Guidelines reiterate the following:

- An applicant is only allowed to claim R&D expenditure incurred between the period of commencement and completion of the approved R&D project.
- If the qualifying R&D activity or project that has been granted approval is postponed, abandoned or terminated within the approval period, the company is required to officially inform the DGIR. The approval granted would be deemed withdrawn effective from the date of termination or abandonment of the R&D activity or project.
- Written appeals in respect of rejected applications for an approved R&D activity or project must be submitted to the DGIR within 30 days from the date of the rejection letter.

Overseas developments

Korea announces 2020 tax reform proposals

Korea's Ministry of Strategy and Finance announced 2020 tax reform proposals ("2020 Proposals") on 22 July 2020. Unless otherwise specified, the 2020 Proposals will generally become effective for fiscal years beginning on or after 1 January 2021.

The key proposals are summarized below.

Detailed discussion

Extension of the relief period for net operating losses (NOLs)

The carryforward period for NOLs will be extended from 10 years to 15 years. This rule applies to tax losses reported on or after 1 January 2021.

Reduction of securities transaction tax (STT)

Lower STT rates will apply to securities transactions occurring on or after 1 January 2021. The current and proposed rates are as follows:

Stock exchange	Current rate	Proposed rate (2021-2022)	Proposed rate (2023)
KOSPI Market	0.1%	0.08%	0%
KOSDAQ Market	0.25%	0.23%	0.15%
KONEX Market	0.1%	0.1%	0.1%
Other	0.45%	0.43%	0.35%

Repeal of the foreign tax deduction method

The Corporation Income Tax Law (CITL) provides for relief from double taxation by allowing taxpayers to choose either a foreign tax credit or a deduction for foreign tax. The 2020 Proposals repeal the foreign tax deduction method. This will be effective for fiscal years beginning on or after 1 January 2021.

Introduction of taxation of virtual assets

The 2020 Proposals introduce a capital gains tax regime for the disposal of virtual assets. Gains derived by a foreign individual or foreign corporation from the disposal of virtual assets are categorized as "other income", subject to withholding tax at the lesser of 11% of the transfer price or 22% of the net capital gains. This rule applies to transactions occurring after 1 October 2021.

Extension of the rollback period for Advance Pricing Agreements (APAs)

The rollback period for APAs will be extended. For bilateral APAs, the rollback period will be extended from five to seven years, while for unilateral APAs, the rollback period will be extended from three to five years. This treatment applies to APA applications filed on or after 1 January 2021.

Amendment to transfer pricing (TP) forms and documentation

The current Law for the Coordination of International Tax Affairs (LCITA) provides taxpayers that are required to file the master file and local file, a waiver from the submission of the Summary of International Transactions and Declaration of Transfer Pricing Methods (TP disclosure forms), if the TP waiver form is filed at the same time as the corporate income tax return.

To improve compliance by taxpayers and to ease the administrative burden on tax authorities, the 2020 Proposals remove the requirement for taxpayers to file the TP waiver form.

In addition, the filing period for the TP documentation will be extended. The following table summarizes the changes.

TP documentation	LCITA	2020 Proposals
• Summary of international transactions • Summary of income statements	By the statutory due date of the corporate income tax return	Within six (6) months from the fiscal year- end
• Master file and local file	Within 12 months from the fiscal year-end	Within 12 months from the next day of the fiscal year- end
• APA annual report	Within six (6) months from the next day of the statutory due date of the corporate income tax return	

These changes apply to submissions of TP documentation on or after 1 January 2021.

Penalties for non-filing of payment statements introduced for foreign entities

The current CITL requires the payer of Korean-sourced income that is subject to withholding and paid to a foreign individual or corporation, to submit a payment statement on or before the end of February following the year in which such withholding is made. Currently, only domestic payers of Korean-sourced income are subject to penalties for non-filing.

The 2020 Proposals will now subject foreign payers (including permanent establishments of foreign entities) of Korean-sourced income that is subject to withholding, to penalties for non-compliance with this filing requirement.

This rule applies to filing obligations on or after 1 January 2021.

Changes to the calculation of interest for refunds of national taxes

The current CITL provides that when the tax authority pays a national tax refund, it is required to pay interest from the date that the refund claim was requested until the day of the appropriation or decision on the payment.

The 2020 Proposals change the commencement date of the interest accrual from the date on which the refund claim is made to the date on which the national tax is paid. This rule applies to payments or appropriations of tax refunds after the enactment of the Enforcement Decree of the CITL.

Japanese tax authorities reorganize tax audit teams into single unit to cover domestic, international and transfer pricing issues

The Japanese tax authorities have reorganized the international tax audit teams, effective July 2020. This reorganization allows a single audit team to examine both domestic and international tax issues (including transfer pricing and permanent establishments) simultaneously.

Taxpayers should be aware of this change and adapt their responses to tax audits accordingly. In particular, taxpayers should ensure that their personnel managing tax audits are aware of the possibility of transfer pricing or international tax questions being raised at the start of a tax audit and be prepared to obtain the necessary support to respond.

Transfer pricing has been a prominent focus for the tax authorities, and there has been a rising number of transfer pricing assessments in recent years.

Specifically, cases have increased from 169 in 2016 to 257 in 2018. As such, transfer pricing may be a key issue raised during a tax audit.

Detailed discussion

Change in tax authority structure

On 20 December 2019, Japan's National Tax Agency (NTA) released a document showing the reorganization planned for the administrative year beginning July 2020.

Under the heading "Responding to internationalization", the document sets out the divisions or audit teams within the regional tax bureaus (RTBs) which deal with international taxation.

Transfer Pricing Divisions in RTBs have been replaced by International Examination Management Divisions (a provisional title referred to as IEMD herein). IEMDs are located in the larger RTBs of Tokyo, Osaka and Nagoya, and have a much broader audit scope than just transfer pricing.

Another outcome of this restructuring is that domestic corporate tax audit teams are also now able to audit transfer pricing issues, whereas previously, only transfer pricing divisions were able to audit such issues.

Effects on audit approach

The IEMD and domestic corporate tax audit teams will be able to concurrently audit a wide range of issues, including transfer pricing and international tax matters such as permanent establishments or application of the principal purpose test ("simultaneous audit").

Previously, an examiner would have had to bring in different teams to address each issue separately.

This new approach reflects the NTA's desire to effectively respond to complicated tax issues (TP taxation or private equity taxation, tax avoidance schemes, etc.), by concentrating audit authority in the hands of a single team.

Implications to taxpayers

Previously, as transfer pricing issues were examined separately from domestic tax issues, it was easier for the local tax or finance team of a taxpayer to know when questions should be addressed to colleagues in the international tax or transfer pricing departments, who are usually located overseas.

Now, under simultaneous audits, local corporate tax personnel managing a corporate tax audit are likely to be asked questions on transfer pricing and international tax matters too.

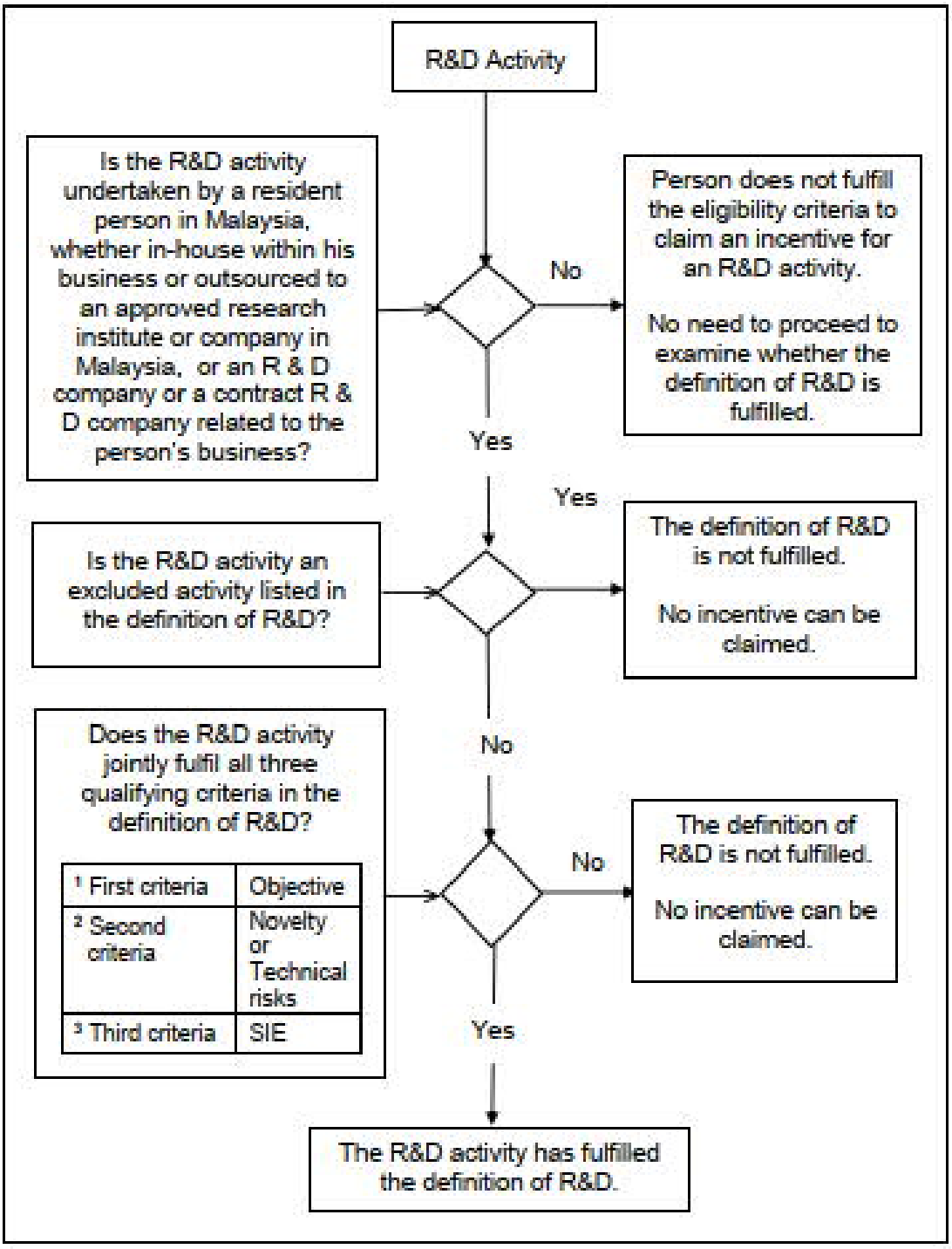
Transfer pricing audits can be intrusive, with NTA issuing many requests for documents and information. Questions can often be open-ended and abstract. Therefore, it is important to understand the rationale for a request, so as to be able to be efficient and responsive without increasing audit risk.

Accordingly, taxpayers should consider the following in preparing for a tax audit:

- Before any audit starts, multinational enterprises (MNEs) should ensure that their personnel in Japan, who generally provide the first responses to an audit, understand the need to consult and whom to consult with in the MNE's regional or global tax team.
- When a tax audit starts, personnel should review the business cards of all examiners. Understanding the departments and backgrounds of the examiners will help determine the likely focus of the audit.
- If questions regarding cross-border transactions are asked, taxpayers should not provide an immediate response, but should first consult with the regional or global tax team, as appropriate.

  - This is particularly important for sensitive requests relating to functions and risks or segmented profit and loss information, for example.
- Personnel in Japan should also be aware that donation taxation levied on transactions with foreign related parties will lead to double taxation (In certain circumstances, Japanese tax auditors might deem an inappropriately priced transaction to be a “donation”. Donations to related parties are non-deductible for Japanese corporate tax purposes).
- Personnel in Japan should be prepared to request a reasonable time to respond to questions and should not provide quick or preliminary responses on cross-border transactions. These may lead to misunderstandings which benefit neither the taxpayer nor the auditor (Note, however, that transfer pricing local files and related information are required to be provided by the deadlines determined by the examiner, which can be a maximum of 45 or 60 days after the request, depending on the transaction volume and type of information requested).
- As an audit activity could be intense and sustained over many months, MNEs should ensure sufficient qualified staff are available to respond to both domestic and international tax issues simultaneously.
- Personnel in Japan should consider that audit results in Japan may affect the outcome of tax audits in other jurisdictions through Country-by-Country Reporting (CbCR).
  - Specifically, adjustments to a Japanese taxpayer’s income and taxes (including changes to future transfer pricing to prevent a repeat of the audit result) will be reflected in the CbCR for that taxpayer’s multinational group. The CbCR is shared with other tax authorities who may use the increased profitability in Japan to propose higher levels of profit in their countries as well.

Flowchart to determine both the eligibility of a person to claim an incentive for an R&D activity and a qualifying activity



APPENDIX II

Application for a special deduction

Form	Application criteria
Borang 1 (Pin. 1/2020) – Application for an Approved R&D Activity under Section 34A of the ITA	(a) A company that carries out in-house R&D activity within its business (b) Each completed Borang 1 is to be submitted together with the relevant supporting documents. Borang 1 is also applicable to a pioneer company which chooses to make a claim under Section 34A(4A) of the ITA. (c) The due dates for the submission of the completed Borang 1 are as follows: <u>New project</u> (i) Not less than six months before the end of the financial accounting year of the business, if the R&D activity commenced in the first half of the first financial accounting period of the business; and/or (ii) Not later than one month after the end of the financial accounting period of the business, if the R&D activity commenced in the second half of the financial accounting period of the business <u>Extension project</u> Not less than six months before the end of the financial accounting period of the business
Borang 2 (Pin. 1/2020) – Claim for double deduction on R&D expenditure under Section 34A of the ITA	(a) This form is to be completed after the certificate of approval has been issued by the DGIR. (b) The due dates for the submission of the completed Borang 2 are as follows: <u>Certificate of approval issued before the due date of submission of Income Tax Return Form (ITRF)</u> Borang 2 is to be submitted on the same date as the submission of the relevant ITRF. <u>Certificate of approval issued after the due date of submission of ITRF</u> Borang 2 is to be submitted not more than three months from the date the certificate of approval is issued by the DGIR.
Borang 3 (Pin. 1/2020) – Claim for double deduction under Section 34B of the ITA Note: Borang DD2/1995 (Pin. 2) has been replaced by Borang 3	(a) The form is to be completed by a company that: (i) Contributes cash to an approved research institute; (ii) Makes a payment for the use of services of an approved research company or approved research institute; and (iii) Makes a payment for the use of services of an R&D company or a contract R&D company (b) The original copy of the Borang 3 (together with the supporting documents) must be kept by the company and furnished in the event of an audit by the IRB.

Form	Application criteria
Borang 4 – Claim for single deduction under Section 34(7) of the ITA	(a) The completed Borang 4 is to be submitted by a company that carries out in-house R&D activities or uses the services of R&D service providers, and does not claim a double deduction under Sections 34A or 34B of the ITA, but intends to claim a single deduction under Section 34(7) of the ITA. (b) The completed form (Borang 4) is to be submitted within 30 days after the due date for the submission of the relevant ITRF.

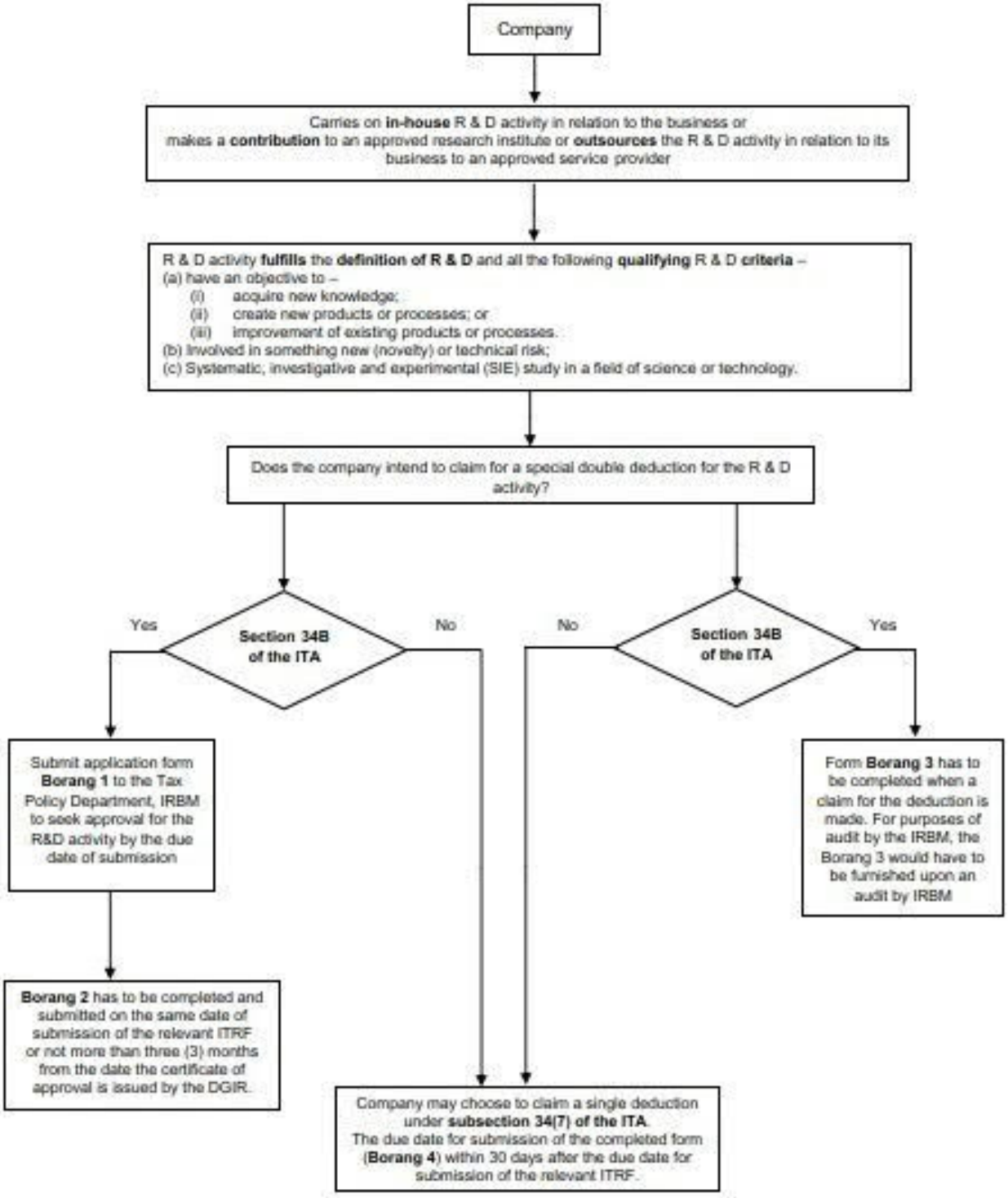
The above-mentioned forms are available to be downloaded from the IRB website:
http://www.hasil.gov.my/bt_goindex.php?bt_kump=5&bt_skum=5&bt_posi=3&bt_unit=7000&bt_sequ=2

Thereafter, the application form (Borang 1) and forms to claim a special deduction (Borang 2 and Borang 4) are to be submitted to:

Ketua Pengarah Hasil Dalam Negeri
Lembaga Hasil Dalam Negeri Malaysia
Jabatan Dasar Percukaian
Aras 17, Menara Hasil
Persiaran Rimba Permai, Cyber 8
63000 Cyberjaya, Selangor

[Attention to: Pengarah Jabatan Dasar Percukaian]

Flowchart on the procedure to claim a deduction under Sections 34A, 34B or 34(7) of the ITA for a qualifying R&D activity



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Important dates

Note: Please see EY Special Tax Alert No. 11/2020 and EY Special Tax Alert No. 12/2020 for information on the grace periods which have been provided to help businesses cope with the Movement Control Order.

31 August 2020	6th month revision of tax estimates for companies with February year-end
31 August 2020	9th month revision of tax estimates for companies with November year-end
31 August 2020	Statutory deadline for filing of 2020 tax returns for companies with January year-end. As a concession, this deadline is extended to 31 October 2020 pursuant to the updated Return Form (RF) Filing Programme.
15 September 2020	Due date for monthly instalments
30 September 2020	6th month revision of tax estimates for companies with March year-end
30 September 2020	9th month revision of tax estimates for companies with December year-end
30 September 2020	Statutory deadline for filing of 2020 tax returns for companies with February year-end. As a concession, this deadline is extended to 30 November 2020 pursuant to the updated RF Filing Programme.

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