



## TAX FLASH

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### Guidelines for Green Technology Tax Incentive on GITA Asset for Own Consumption

In the 2024 Budget, the Government has announced the revision of Green Technology Tax Incentives which provides tax incentive based on tiering approach and categorised into 3 categories as follows:-

- Green Investment Tax Allowance [“GITA”] project for business purposes;
- GITA asset for own consumption; and
- Green Investment Tax Exemption [“GITE”] solar leasing.

Following the above, the Malaysian Green Technology and Climate Change Corporation [“MGTC”] has issued the [Guidelines for Green Technology Tax Incentive \(GITA Asset\)](#) dated 24<sup>th</sup> April 2024 [“the GITA Asset Guidelines”] to provide guidance on the application for GITA asset for own consumption.

- [Moore Malaysia](#)
- [Moore Global](#)
- [Inland Revenue Board](#)

The salient points of the GITA Asset Guidelines are as follows:-

i. Investment tax allowance is given on qualifying capital expenditure as follows:-

Qualifying Activities	Percentage of GITA	Percentage of Statutory Income to be Set-Off
<p><b>Tier 1</b></p> <p>i. Qualifying asset as approved by the Minister of Finance [“MOF”] per Appendix 1 of the GITA Asset Guidelines</p> <p>ii. Battery Energy Storage System</p> <p>iii. Green Building</p>	100%	70%
<p><b>Tier 2</b></p> <p>i. Qualifying asset as approved by MOF per Appendix 2 of the GITA Asset Guidelines</p> <p>ii. Renewable Energy System</p> <p>iii. Energy Efficiency</p>	60%	70%

- ii. The qualifying capital expenditure must be incurred within the period of 1<sup>st</sup> January 2024 until 31<sup>st</sup> December 2026.
- iii. The application made under the GITA Asset Guidelines must be received by the MGTC from 1<sup>st</sup> January 2024 until 31<sup>st</sup> December 2026.

The eligibility criteria, tax incentive mechanism and qualifying criteria for existing companies approved for GITA under the previous scheme are also provided in the GITA Asset Guidelines.

**Note:** For further details on the previous tax incentives available to companies involved in green technology, kindly refer to our [Tax Flash – April 2016](#) and [Tax Flash – October 2019](#) issues.

### **Guidelines for Further Tax Deduction for Carbon Projects**

In the 2024 Budget announcement, it was proposed that further tax deduction up to RM300,000 be given to companies for cost incurred on Measurement, Reporting and Verification [“MRV”] and activities related to the development of carbon projects to encourage carbon trading companies to participate in the voluntary carbon market.

Following the above, MGTC has issued the [Guidelines for Further Tax Deduction for Carbon Projects](#) to provide guidance for submission of application and eligibility criteria for claiming further tax deduction for carbon projects.

The salient points of the abovementioned Guidelines are as follows:-

- i. Further tax deduction is given up to RM300,000 in respect of eligible MRV and development cost to each qualified company i.e. in addition to the deduction under Section 33(1) of the Income Tax Act 1967 [“ITA 1967”].
- ii. The MRV and development cost must meet all of the following requirements to be eligible for further tax deduction:-

- expenses must be incurred not earlier than the submission date of Phase 1 application and no later than the first transaction date on sales of carbon credits on Bursa Carbon Exchange ["BCX"]; and
- expenses must fall under the eligible cost listed below:-

No.	Activity	Eligible Cost
1.	Project registration and credit issuance with Recognised Registry	Project registration request fee, preliminary review fee, project design review fee, performance review fee, credit issuance fee, crediting period renewal fee.
2.	Engagement with Qualified Service Providers for professional services as required by Recognised Registry	Professional fees related to:- 1. Technical Assessment 2. Baseline emission assessment 3. Stakeholder consultation with local communities, project participants, non-governmental organisations, and other stakeholders as per required by Recognised Registry 4. Preparation of Project Design Document 5. Validation fee 6. Project activity monitoring as per monitoring report related to services procured by Carbon Project (e.g. equipment maintenance/hiring/rental fee, data collection and management fee, laboratory analysis fee) 7. Due diligence activities conducted by Qualified Service Providers 8. Consulting services for the preparation of MRV report by an approved validation/verification body

- iii. Further tax deduction can only be deducted against income generated from the trading of carbon credits on BCX.
- iv. The incentive period is capped to 3 years and shall commence from the date of first transaction of carbon credits traded on BCX.
- v. Effective for applications received by MGTC from 1<sup>st</sup> January 2024 to 31<sup>st</sup> December 2026.

**Note:** For further information, kindly refer to our [Tax Flash – October 2023 \(Special Edition\)](#) and [Tax Flash – November 2023 \(Special Edition\)](#) issues.

### **Guidelines and Procedures for the Application of Automation CA for Manufacturing and Services Sectors**

In the retabled 2023 Budget, it was proposed that the existing automation capital allowance ["Automation CA"] incentive granted to the manufacturing and services sectors to be expanded as follows:-

- the scope of automation to include the adaptation of Industry 4.0 elements; and
- capital expenditure threshold for Category 1 [labour-intensive industries (rubber products, plastics, wood, furniture and textiles)] and Category 2 [other industries including services sector] be aligned and increased up to RM10 million.

Automation CA of 200% is given on the first RM10 million qualifying capital expenditure incurred within the year of assessment ["YA"] 2023 to YA 2027.

Following this announcement, the Malaysian Investment Development Authority ["MIDA"] has recently issued the [Guidelines and Procedures for the Application of Automation CA for Manufacturing and Services Sectors](#) dated 1<sup>st</sup> July 2024 to provide guidance on the eligibility criteria, eligible machinery/equipment, incentive treatment, application process, documents required to apply for the tax incentive in relation to qualifying capital expenditure incurred on automation machinery/equipment in manufacturing, services sectors and with the adaptation of Industry 4.0 elements.

Application for the above incentive must be received by MIDA from 1<sup>st</sup> January 2023 to 31<sup>st</sup> December 2027.

**Note:** For further information on the above incentive, please refer to our [Tax Flash – February 2023 \(Special Edition\)](#).

### Extension of Incentives for Sabah Development Corridor

Currently, tax incentives are given to the companies undertaking qualifying activities for Sabah Development Corridor as follows:-

- tax exemption on statutory income derived from qualifying activity equivalent to 100% of the qualifying capital expenditure incurred by a qualifying company for a period of 5 or 10 years pursuant to the Income Tax (Exemption) (No. 11) Order 2018 which has been extended until 31<sup>st</sup> December 2022 for submission of the application to the Sabah Economic Development and Investment Authority;
- tax exemption in respect of the statutory income derived from a qualifying activity for a period of 5 or 10 years pursuant to the Income Tax (Exemption) (No. 12) Order 2018 which has been extended until 31<sup>st</sup> December 2022 for submission of the application to the Sabah Economic Development and Investment Authority; and
- stamp duty exemption on any instrument chargeable with *ad valorem* duty for transfer of the real property, used for the purposes of carrying on a qualifying tourism project pursuant to Stamp Duty (Exemption) (No. 8) Order 2018 which has been extended for the instrument of transfer executed on or before 31<sup>st</sup> December 2022.

Subsequent to the above, the following amendment Orders have been gazetted to provide further extension of incentive period for another 2 years i.e. until 31<sup>st</sup> December 2024:-

- [Income Tax \(Exemption\) \(No. 11\) Order 2018 \(Amendment\) Order 2024](#);
- [Income Tax \(Exemption\) \(No. 12\) Order 2018 \(Amendment\) Order 2024](#); and
- [Stamp Duty \(Exemption\) \(No. 8\) Order 2018 \(Amendment\) Order 2024](#).

**Note:** For further information on the Sabah Development Corridor incentives above, kindly refer to our [Tax Flash – February 2019](#) and [Tax Flash – April 2022](#) issues.

### Extension of Tax Exemption for Malaysian Shipping Business

The [Income Tax \(Exemption for Malaysian Ship\) Order 2024](#) has been gazetted to provide extension of 100% tax exemption granted to a person who is resident in Malaysia and carries on the business of transporting passengers or cargo by sea on a Malaysian ship or letting out on charter for another 3 years i.e. from YA 2024 to YA 2026.

The above exemption is subject to an annual verification from the Ministry of Transport certifying that the person has:-

- incurred annual operating expenditure of at least RM250,000 for each Malaysian ship; and
- an adequate number of full-time employees in Malaysia for each Malaysian ship as follows:-

- in relation to shore employees, at least four (4) of the following employees and majority of the employees shall be Malaysian citizens:-
  - a chief executive officer;
  - an administrative and finance officer;
  - an operating officer; and
  - an officer having charge of the health, protection, safety and environmental affairs; and
- in relation to employees who are ship personnel under Part III of the Merchant Shipping Ordinance 1952, the employees shall be subject to the minimum requirement as specified in the Safe-Manning Certificate issued by the Marine Department of Malaysia.

The abovementioned Order shall have effect from the YA 2024 until YA 2026.

**Note:** For further information on the previous Income Tax (Exemption) (No. 7) Order 2022, kindly refer to our [Tax Flash – November 2022 issue](#).

### Updates on Global Minimum Tax

The Inland Revenue Board [“IRB”] has recently issued the following to provide clarifications with regards to the implementation of Global Minimum Tax [“GMT”]:-

- [Implementation timeline of GMT in Malaysia](#); and
- [Frequently asked questions \[“FAQ”\] on implementation of GMT in Malaysia \(Version 2.0\)](#).

The salient points of the implementation timeline of GMT in Malaysia include:-

Timeline	Remarks
1 <sup>st</sup> January 2025 - Effective date	For multinational enterprises [“MNE”] Group with a consolidated financial statement period begin on or after 1 <sup>st</sup> January 2025
31 <sup>st</sup> December 2025 - Closing date*	The closing date for the first MNE Group’s consolidated financial statement for the year 2025
30 <sup>th</sup> June 2027	Submission for Top-up Tax Return, the Information Return and the payment of the top-up tax <sup>^</sup>
January 2028	Proposed for risk assessment and audit review process

\* For a complete 12-month financial year period beginning 1<sup>st</sup> January 2025.

<sup>^</sup> Transitional period – for the first financial year when the MNE Group comes within the scope of the GMT, the submission and payment period is within 18 months from the closing date of the consolidated financial statement.

For further information, kindly refer to the FAQ on implementation of GMT in Malaysia.

### Updated E-Invoice Guidelines, General and Industry Specific FAQ and E-Invoice Software Development Kit

The IRB has recently issued the following documents with further clarifications and amendments pertaining to the implementation of e-Invoice:-

- [Updated e-Invoice Guideline dated 30<sup>th</sup> July 2024 \[Version 3.2\]](#) to replace the previous guidelines uploaded on 28<sup>th</sup> June 2024;

- [Updated e-Invoice Specific Guideline dated 30<sup>th</sup> July 2024 \[Version 3.0\]](#) to replace the previous guidelines uploaded on 28<sup>th</sup> June 2024;
- [General FAQ \(Updated on 19<sup>th</sup> July 2024\)](#);
- New and updated Industry Specific FAQ for the following industries:-
  - [Insurance and takaful \(dated 7<sup>th</sup> June 2024\)](#);
  - [Healthcare industry \(updated on 14<sup>th</sup> June 2024\)](#);
  - [Tourism industry \(updated on 14<sup>th</sup> June 2024\)](#);
  - [Financial services, stockbroking and unit trust \(updated on 1<sup>st</sup> July 2024\)](#);
  - [Aviation industry \(updated on 9<sup>th</sup> July 2024\)](#); and
- [E-Invoice Software Development Kit 1.0 \(updated on 10<sup>th</sup> August 2024\)](#).

**Note:** For further information on the previous e-Invoice Guideline and e-Invoice Specific Guideline, kindly refer to our [Tax Flash – August 2023](#), [Tax Flash – November 2023](#), [Tax Flash – March 2024](#) and [Tax Flash – May 2024](#) issues.

## Service Tax Policy No. 7/2024 – Service Tax Treatment on Issuance of Virtual Credit Card

The Royal Malaysian Customs Department has published the [Service Tax Policy No. 7/2024 – Service Tax Treatment on Issuance of Virtual Credit Card](#) [“STP 7/2024”] dated 26<sup>th</sup> July 2024 in our national language – *Bahasa Malaysia*. The salient points extracted from the STP 7/2024 are as follows:-

- A virtual credit card issued as a product enhancement to an existing physical credit card is not subject to service tax if the following conditions are met:-
  - the activation or renewal date, expiry date and card verification value [“CVV”] number of the virtual credit card match those of the existing physical credit card;
  - only one credit card statement or bill is issued to the customer based on the existing physical credit card number; and
  - service tax has been levied on the issuance and renewal of the existing physical credit card.
- Service tax shall be charged on the issuance of a virtual credit card if:-
  - the virtual credit card is issued without a physical credit card; or
  - the virtual credit card is issued to replace all the functions of a physical credit card.

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[www.moore.com.my/publications](http://www.moore.com.my/publications)



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