



MOORE Advent

# TAX FLASH

June 2025

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## PR No. 1/2025 – Tax Treatment of Malaysian Ship

Shipping or sea transport businesses in Malaysia are accorded special tax treatment under Sections 54 and 54A of the Income Tax Act 1967 (“ITA 1967”), supported by the relevant subsidiary legislations. Section 54A(1) of the ITA 1967 provides that effective year of assessment (“YA”) 2012, a person who is resident in Malaysia and carries on the qualifying business of transporting passengers or cargo by sea on a Malaysian ship; or letting out on charter a Malaysian ship owned by the taxpayer on a voyage or time charter basis, is eligible for an income tax exemption of up to 70% on statutory income derived from the qualifying business.

Despite the above partial exemption, a full income tax exemption on shipping income from a Malaysian ship has been granted for the YA 2012 to YA 2026 through the following subsidiary legislations:-

- Income Tax (Exemption) (No. 2) Order 2012 is for the YA 2012 and YA 2013;
- Income Tax (Exemption) Order 2018 is for the YA 2014 and YA 2015;
- Income Tax (Exemption) (No. 2) Order 2018 is for the YA 2016 to YA 2020;
- Income Tax (Exemption) (No. 7) Order 2022 is for the YA 2021 to YA 2023; and
- Income Tax (Exemption for Malaysian Ship) Order 2024 is for the YA 2024 to YA 2026.

The Inland Revenue Board (“IRB”) has recently issued the Public Ruling [\[“PR”\] No. 1/2025 – Tax Treatment of Malaysian Ship](#) to replace the PR No. 10/2012 dated 13<sup>th</sup> December 2012 with some changes to the examples and relevant amendments in the legislation.

The pertinent updates included in the new PR are as follows:-

- i. A new paragraph has been added in the new PR to address the conditions (on operating expenditure and full-time employees) that are subject to an annual verification before the full income tax exemption can be accorded.
- ii. The annual verification must be obtained from the Ministry of Transport for each Malaysian ship.
- iii. The details of the abovementioned conditions are as follows:
  - annual operating expenditure of at least RM250,000 must be incurred for each Malaysian ship;
  - the shipping business must employ at least 4 shore employees with the majority being Malaysian citizens, covering the following roles:-
    - chief executive officer;
    - administrative and finance officer;
    - operating officer; and
    - officer responsible for the health, protection, safety and environmental affairs.
  - the ship personnel must meet the minimum manning requirements as specified in the Safe-Manning Certificate issued by the Marine Department of Malaysia, pursuant to the Merchant Shipping Ordinance 1952.

**Note:** For further information on the PR No. 10/2012 and the Income Tax (Exemption for Malaysian Ship) Order 2024, kindly refer to our [Tax Flash - January 2013](#) and [Tax Flash – August 2024](#) issues respectively.

## Determination of Chargeable Income of an Individual in respect of Dividend

Following the gazettlement of the Finance Act 2024, the IRB has issued the [Income Tax \(Determination of Chargeable Income of an Individual in respect of Dividend\) Rules 2025](#) on 7<sup>th</sup> May 2025 which takes effect from the YA 2025 onwards.

The salient points of the above Rules are as follows:-

- A Dividend Tax of 2% is imposed on chargeable dividend income (derived from Malaysia) received by individual taxpayer (residents and non-residents) where the annual dividend income exceeds RM100,000.
- Individual means a shareholder of a company, either through direct shareholding or a nominee.
- The prescribed formula to determine the chargeable dividend income (in the event the individual taxpayer has dividend income and other income) is as follows:-

$$\frac{A}{B} \times C$$

Where

- A is the statutory income in respect of dividend in the basis period for that year of assessment
- B is the aggregate income in the basis period for that year of assessment
- C is the chargeable income in the basis period for that year of assessment which is subject to tax as specified in paragraph 1 or paragraph 1A of Part I and Part XXII of Schedule 1 to the ITA 1967

- In the event of a combined assessment, the aggregate income shall include the income from the wife or husband.
- The excess of chargeable income apart from the chargeable dividend income (derived via the formula shown above) shall be subject to tax at the prevailing tax rate as prescribed under Schedule 1 to the ITA 1967.

**Note:** For further information on the imposition of dividend tax, kindly refer to our *Tax Flash – November 2024 (Special Edition)* issue.

## **Remission of Income Tax and Stamp Duty on Business Financing-i Facility Obtained by the Public Sector Home Financing Board from Bank Islam Malaysia Berhad**

Pursuant to the *Loans Guarantee (Bodies Corporate) (Remission of Tax and Stamp Duty) (Public Sector Home Financing Board) Order 2025*, remission of the following tax and stamp duty is granted for the Business Financing-i Facility [“BF-i Facility”] obtained by the Public Sector Home Financing Board [“PSHFB”] from Bank Islam Malaysia Berhad [“BIMB”] with the aggregate principal amount not exceeding RM1 billion in relation to the guarantee given by the Government of Malaysia:-

### **i. Remission of Tax**

Any tax payable under the ITA 1967 by:-

- PSHFB or BIMB in respect of any money payable under any agreement, instrument and document in relation to the BF-i Facility and the guarantee; or
- any party to whom the agreement, instrument and document in relation to the BF-i Facility is transferred or assigned,  
shall be remitted in full.

### **ii. Remission of Stamp Duty**

- Any stamp duty payable under the Stamp Act 1949 [“SA 1949”] in respect of any agreement, instrument and document in relation to the BF-i Facility and the guarantee shall be remitted in full.

## Stamp Duty Exemption for Employment Contracts Executed before 1<sup>st</sup> January 2025

In line with Budget 2025, the Government has introduced the Self-Assessment System for Stamp Duty, to be implemented in phases commencing from 1<sup>st</sup> January 2026, shifting greater responsibility to taxpayers in ensuring compliance with stamp duty obligations. To support this transition, the IRB has released a Stamp Duty Audit Framework on 1<sup>st</sup> January 2025 and has since begun conducting stamp duty audits. A key finding from the IRB's audit was the non-compliance with stamp duty requirements for employment contracts between employers and employees, specifically the failure to affix stamp duty as prescribed under Item 4, First Schedule of the SA 1949, which imposes a duty of RM10.

To ease the burden of the employer, the IRB has issued a media release stating that:-

- i. Employment contracts executed before 1<sup>st</sup> January 2025 are exempted from stamp duty;
- ii. Employment contracts executed from 1<sup>st</sup> January 2025 to 31<sup>st</sup> December 2025 are subject to stamp duty but remission of penalty is given provided that the employment contracts are stamped on or before 31<sup>st</sup> December 2025; and
- iii. Employment contracts to be executed from 1<sup>st</sup> January 2026 onwards are subject to stamp duty and any late stamping is subject to penalty.

For more information, please refer to the Media Release on the [\*Stamp Duty Exemption for Employment Contracts Executed before 1<sup>st</sup> January 2025\*](#).

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