



TAX FLASH

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In this Issue

- [Tax Incentives for Green Technology](#)
- [Exemption from Capital Gains Tax and Tax on Foreign-Sourced Income for Unit Trusts](#)
- [Issuance of Electronic Invoice](#)
- [Updated E-Invoice Guidelines, General FAQ and E-Invoice Illustrative Guide](#)
- [Public Ruling No. 2/2024 \(Amendment\) \(No. 2\) 2024 – Manufacturing Aids and Cleanroom Equipment](#)

Tax Incentives for Green Technology

In line with the Malaysian Government's aspiration to drive the growth of green economy, in Budget 2020, the Government has announced the extension of Green Investment Tax Allowance ["GITA"] for the purchase of green technology assets ["GTA"] and Green Income Tax Exemption ["GITE"] on qualifying green services activity as well as extended the GITE to any company which undertakes solar leasing activity. Following this, the below Orders have been gazetted to provide for the relevant tax incentives to a qualifying company:-

- [Income Tax \(Green Technology Incentive\) \(Asset\) \(Exemption\) Order 2024;](#)
- [Income Tax \(Green Technology Incentive\) \(Project\) \(Exemption\) Order 2024;](#)
- [Income Tax \(Green Technology Incentive\) \(Green Building\) \(Exemption\) Order 2024;](#)
- [Income Tax \(Green Technology Incentive\) \(Services\) \(Exemption\) Order 2024; and](#)
- [Income Tax \(Green Technology Incentive\) \(Solar Photovoltaic System Leasing\) \(Exemption\) Order 2024.](#)

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

Salient points on each of the gazetted Orders are as below:-

i. GITA on Green Assets – For Owners of Green Technology Assets

GITA on Green Projects – For Companies that undertake Green Technology Projects

GITA on Green Building

Subject	GITA on Green Assets	GITA on Green Projects	GITA on Green Building
GTA / Qualifying Expenditure [“QE”] for Green Building	<ul style="list-style-type: none"> • GTA means a green technology product, equipment or system which is used to conserve the natural environment and resources, to minimise or reduce the negative impact of human activities. 	<ul style="list-style-type: none"> • GTA means a green technology product, equipment or system which is used to conserve the natural environment and resources, to minimise or reduce the negative impact of human activities. 	<ul style="list-style-type: none"> • QE refers to an additional expenditure incurred on or after 1st January 2020 in relation to the construction of a building or alteration, renovation, extension or improvement of an existing building, or plant or machinery for the purpose of obtaining Final Green Building Certificate from the relevant green building rating tools recognised by the Malaysian Green Technology and Climate Change Corporation [“MGTC”]. • QE incurred shall not be earlier than 3 years from the date of the application for approval.
Qualifying Company	<ul style="list-style-type: none"> • Incorporated under the Companies Act 2016 [“CA 2016”] and resident in Malaysia. • Made an application for a verification of GTA and such application shall be received by MGTC:-<ul style="list-style-type: none"> ○ on or after 25th October 2013 but not later than 31st December 2023; or 	<ul style="list-style-type: none"> • Incorporated under the CA 2016 and resident in Malaysia. • Made an application for approval that the company is carrying on a qualifying activity and such application shall be received by Malaysian Investment Development Authority [“MIDA”] on or after 1st January 2020 but not later than 31st December 2023. 	<ul style="list-style-type: none"> • Incorporated under the CA 2016 and resident in Malaysia. • Made an application for approval that the company is a company that has incurred the QE and such application shall be received by MIDA on or after 1st January 2020 but not later than 31st December 2023 after obtaining a Provisional Green Building Certificate.

Subject	GITA on Green Assets	GITA on Green Projects	GITA on Green Building
	<ul style="list-style-type: none"> ○ on or after 1st January 2022 but not later than 31st December 2023 for the purchase of GTA under the rainwater harvesting system. • The above application shall be made within 2 years from the date the qualifying capital expenditure [“QCE”] was incurred by the company. • Shall comply with any condition imposed by the Minister in relation to the application. • Shall obtain a verification letter for the GTA in relation to the application. 	<ul style="list-style-type: none"> • Shall obtain the approval letter from MIDA. • Shall not make any QCE prior to the date of the application. • Shall request for determination of the commencement date of exemption period from MGTC within the period specified in the Schedule of this Order. 	<ul style="list-style-type: none"> • Shall obtain the approval letter from MIDA. • Shall request for determination of the commencement date of exemption period from MGTC within 24 months from the date of the approval letter or any period as the Minister may allow, after obtaining the approval letter.
QCE / Qualifying Activity	<ul style="list-style-type: none"> • QCE refers to the capital expenditure incurred by a qualifying company in relation to the purchase of a GTA used in Malaysia solely for the purpose of carrying on its business. 	<ul style="list-style-type: none"> • Renewable Energy: Activities in the generation of energy in the form of electricity, steam, heat and chilled water using renewable energy resources (e.g. solar power). • Energy Efficiency: Invest in energy efficient equipment or technologies and energy saving equipment. 	N/A

Subject	GITA on Green Assets	GITA on Green Projects	GITA on Green Building
		<ul style="list-style-type: none"> • Green Data Centre: Purchase of any energy efficient product or solution for green data centre which has obtained a Provisional Green Building Certificate from locally developed rating tool or certification body approved by the Government. • Integrated Waste Management: Undertake or invest in waste recycling or waste recovery or waste treatment and additional activities such as composting, storage, collection or disposal. 	
Tax Incentive	<ul style="list-style-type: none"> • Exemption is given up to 70% of the statutory income equivalent to the amount of QCE incurred for the purchase of GTA. • In the absence or insufficiency of statutory income, the QCE incurred (which cannot be granted in full) shall be carried forward to the subsequent years of assessment until such amount is fully utilised. 	<ul style="list-style-type: none"> • Exemption is given up to 70% of the statutory income (from qualifying activity or activity other than a qualifying activity) equivalent to the amount of QCE incurred for the purchase of GTA used in Malaysia solely to carry on a qualifying activity. • Qualifying company shall incur an approved adequate annual operating expenditure [“OPEX”] in Malaysia to carry on the qualifying activity for its business and the OPEX shall include local services provided by local service provider. 	<ul style="list-style-type: none"> • Exemption is given up to 70% of the statutory income equivalent to the amount of the QE incurred on the green building. • In the absence or insufficiency of statutory income, the QE incurred (which cannot be granted in full) shall be carried forward to the subsequent years of assessment until such amount is fully utilised.

Subject	GITA on Green Assets	GITA on Green Projects	GITA on Green Building
		<ul style="list-style-type: none"> In the absence or insufficiency of statutory income, the QCE incurred (which cannot be granted in full) shall be carried forward to the subsequent years of assessment until such amount is fully utilised. 	
Tax Incentive Period	<ul style="list-style-type: none"> GTA acquired from 25th October 2013 to 31st December 2023. 	<ul style="list-style-type: none"> 3 consecutive years commencing from the date the first QCE is incurred subject to any conditions imposed by the Minister (note: the compliance of the conditions shall be verified by MGTC). 	<ul style="list-style-type: none"> 3 consecutive years commencing from the date the first QE is incurred subject to any conditions imposed by the Minister (note: the compliance of the conditions shall be verified by MGTC).
Disposal of GTA / Green Building, Plant or Machinery	<ul style="list-style-type: none"> Tax exemption granted shall be withdrawn if the GTA is disposed of within 5 years from the date of acquisition and the withdrawal will be made in the basis period the GTA is disposed of. 	<ul style="list-style-type: none"> Tax exemption granted shall be withdrawn if the GTA is disposed of within 5 years from the date of acquisition and the withdrawal will be made in the basis period the GTA is disposed of. 	<ul style="list-style-type: none"> Tax exemption granted shall be withdrawn if the building, plant or machinery is disposed of within 5 years from the date of acquisition and the withdrawal will be made in the basis period the building, plant or machinery is disposed of.
Disposal to Related Company	<ul style="list-style-type: none"> QCE incurred by a related company in respect of a GTA acquired from a qualifying company (which has been exempted under this Order) shall be deemed to be a sum equal to zero. 	<ul style="list-style-type: none"> QCE incurred by a related company in respect of a GTA acquired from a qualifying company (which has been exempted under this Order) shall be deemed to be a sum equal to zero. 	<ul style="list-style-type: none"> QE incurred by a related company in respect of any building, plant or machinery acquired from a qualifying company (which has been exempted under this Order) shall be deemed to be a sum equal to zero.

Subject	GITA on Green Assets	GITA on Green Projects	GITA on Green Building
Withdrawal of Exemption	N/A	<ul style="list-style-type: none"> The exemption granted shall be deemed to have not been granted to the qualifying company from the first year of the exemption period. 	<ul style="list-style-type: none"> The exemption granted shall be deemed to have not been granted to the qualifying company from the first year of the exemption period.
Effective Date	<ul style="list-style-type: none"> Deemed to have come into operation on 25th October 2013. 	<ul style="list-style-type: none"> Deemed to have effect from the year of assessment ["YA"] 2020. 	<ul style="list-style-type: none"> Deemed to have effect from the YA 2020.

ii. GITE on Green Services – For Companies Engaged as Service Providers for Clients Involved in Green Technology Projects

GITE on Solar Leasing Services – For Owners of Solar Photovoltaic System

Subject	GITE on Green Services	GITE on Solar Photovoltaic System Leasing
Qualifying Company	<ul style="list-style-type: none"> Incorporated under the CA 2016 and resident in Malaysia. Made an application for approval that the company is carrying on a qualifying activity and such application is received by MIDA – <ul style="list-style-type: none"> on or after 1st January 2020 but not later than 31st December 2023; and before the issuance of first invoice in relation to its qualifying activity. Shall obtain the approval letter from MIDA. Shall request for determination of the commencement date of exemption period from MGTC within 12 months from the date of the approval letter. Related companies are not eligible to be granted an exemption under the same Order. 	<ul style="list-style-type: none"> Incorporated under the CA 2016 and resident in Malaysia. At least 60% of the equity must be directly owned by citizens of Malaysia. Provides solar photovoltaic system leasing services which have been verified by the Sustainable Energy Development Authority Malaysia ["SEDAM"]. Listed under the Registered Solar Photovoltaic Investor Directory. Made an application for approval that the company is carrying on qualifying activity and such application shall be received by MIDA on or after 1st January 2020 but not later than 31st December 2023. Shall obtain the approval letter from MIDA. Shall request for determination of the commencement date of exemption period from SEDAM within 24 months from the date of the approval letter. Related companies are not eligible to be granted an exemption under the same Order.

Subject	GITE on Green Services	GITE on Solar Photovoltaic System Leasing						
Qualifying Activity	<ul style="list-style-type: none"> Qualifying green technology services include system design, feasibility study, advisory, consultancy, maintenance, repair and overhaul, testing and commissioning services in various sectors such as renewable energy, energy efficiency, green building, green data centre, green township, electric vehicle, etc. 	<ul style="list-style-type: none"> Activity of providing solar photovoltaic system leasing services in relation to the implementation of Net Energy Metering Scheme for sales of electricity or solar photovoltaic system leasing. “Net Energy Metering Scheme” refers to a mechanism which allows Net Energy Metering consumer to install solar photovoltaic system for his own use and export the excess energy to the grid. 						
Tax Incentive	<ul style="list-style-type: none"> Exemption is given up to 70% of the statutory income derived from the qualifying activity. 	<ul style="list-style-type: none"> Exemption is given up to 70% of the statutory income derived from the qualifying activity. 						
Tax Incentive Period	<ul style="list-style-type: none"> 3 consecutive years of assessment commencing from the year of assessment where the date of first invoice in relation to the qualifying activity is issued (as verified by MGTC) and the date shall not be earlier than the date of application received by MIDA. 	<table border="1" data-bbox="913 909 1405 1066"> <thead> <tr> <th data-bbox="913 909 1214 976">Installed Capacity</th><th data-bbox="1214 909 1405 976">Exemption Period</th></tr> </thead> <tbody> <tr> <td data-bbox="913 976 1214 1021">> 3MW - ≤ 10MW</td><td data-bbox="1214 976 1405 1021">5 years</td></tr> <tr> <td data-bbox="913 1021 1214 1066">> 10MW - ≤ 30MW</td><td data-bbox="1214 1021 1405 1066">10 years</td></tr> </tbody> </table> <ul style="list-style-type: none"> The exemption shall commence from the year of assessment where the date of the first invoice in relation to the qualifying activity is issued (as verified by SEDAM) and the date shall not be earlier than the date of the application received by MIDA. 	Installed Capacity	Exemption Period	> 3MW - ≤ 10MW	5 years	> 10MW - ≤ 30MW	10 years
Installed Capacity	Exemption Period							
> 3MW - ≤ 10MW	5 years							
> 10MW - ≤ 30MW	10 years							
Conditions for Tax Incentive	<ul style="list-style-type: none"> Employs at least 5 permanent full-time employees in Malaysia, including 2 competent personnel in green technology. Incurs an approved adequate amount of annual OPEX in Malaysia to carry on the qualifying activity for its business and the OPEX shall include services provided by local service providers. Undertakes at least 3 qualifying activities from the respective sectors as specified in the Schedule of the Order. 	<ul style="list-style-type: none"> Employs at least 5 permanent full-time employees in Malaysia, including 2 competent personnel in green technology. Incurs an approved adequate amount of annual OPEX in Malaysia to carry on the qualifying activity and the OPEX shall include local services provided by the local service providers. 						

Subject	GITE on Green Services	GITE on Solar Photovoltaic System Leasing
Exclusion of Intellectual Property ["IP"] Income	<ul style="list-style-type: none"> • In ascertaining the statutory income exempted from tax, the following shall be excluded:- <ul style="list-style-type: none"> ○ royalties and other income derived on or after 1st July 2018 but before 1st July 2021 from new IP rights that the company owns; and ○ royalties and other income derived on or after 1st July 2021 from all IP rights that the company owns. • The IP income excluded above will be subject to tax under the Income Tax Act 1967 ["ITA 1967"]. 	<ul style="list-style-type: none"> • The IP income derived from a qualifying activity shall be excluded from the statutory income that is exempted from tax. • The IP income excluded above will be subject to tax under the ITA 1967.
Withdrawal of Exemption	<ul style="list-style-type: none"> • The exemption granted shall be deemed to have not been granted to the qualifying company from the first year of the exemption period. 	<ul style="list-style-type: none"> • The exemption granted shall be deemed to have not been granted from the year of assessment the qualifying company fails to comply with any of the conditions imposed.
Effective Date	<ul style="list-style-type: none"> • Deemed to have effect from the YA 2020. 	<ul style="list-style-type: none"> • Deemed to have come into operation on 1st January 2020.

Exemption from Capital Gains Tax and Tax on Foreign-Sourced Income for Unit Trusts

Following the announcement by the Finance Minister II earlier this year that unit trusts will be exempted from capital gains tax and tax on foreign-sourced income, the following Orders have been gazetted:-

- [Income Tax \(Unit Trust\) \(Exemption\) Order 2024](#); and
- [Income Tax \(Unit Trust in relation to Income Received in Malaysia from Outside Malaysia\) \(Exemption\) Order 2024](#).

The following are the salient points of the Exemption Orders:-

i. [Income Tax \(Unit Trust\) \(Exemption\) Order 2024](#)

- The Exemption Order provides exemption to unit trust resident in Malaysia (which is not a Real Estate Investment Trust ["REIT"] approved by the Securities Commission ["SC"] or a Property Trust Fund ["PTF"] listed on Bursa Malaysia) from the payment of capital gains tax in respect of any gains or profits received from the disposal of the following:-
 - shares of a company incorporated in Malaysia which is not listed on the stock exchange; and
 - shares of a controlled company incorporated outside Malaysia who owns, directly or indirectly real property situated in Malaysia, i.e. shares under Section 15C of the ITA 1967.
- The exemption is not applicable to disposals which are taxable as business income under Section 4(a) of the ITA 1967.
- Any loss from the disposal of shares shall be allowed as a deduction against the gains from subsequent disposals in accordance with Section 65E(5) and Section 65E(6) of the ITA 1967.
- The exemption is effective for any disposal made from 1st January 2024 to 31st December 2028.

ii. **Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2024**

- The Exemption Order provides exemption to qualifying unit trusts from the payment of income tax on gross income from all sources of income under Section 4 of the ITA 1967 which is received in Malaysia from outside Malaysia.
- The qualifying unit trust or the management company of the qualifying unit trust must comply with the conditions imposed by the Minister as specified in the guidelines issued by the Inland Revenue Board ["IRB"] under Section 134A of the ITA 1967, which shall include the following:-
 - Option A ("participation exemption requirement")
 - the gross income has been subjected to tax in the country of origin which the income arises and the headline tax rate in the country of origin is not less than 15% ["headline tax rate condition"]; or
 - Option B ("economic substance requirement condition")
 - the management company of the unit trust shall employ an adequate number of employees in Malaysia and incur an adequate amount of OPEX in Malaysia.
- **"Qualifying unit trust"** refers to a unit trust which is a resident in Malaysia managed by a management company and has income received in Malaysia from outside Malaysia but does not include a unit trust which is approved by the SC as REIT or PTF listed on Bursa Malaysia.
- **"Management company"** refers to a company licensed by the SC by which or on whose behalf a unit of a qualifying unit trust:-
 - has been or is proposed to be issued, or offered for subscription or purchase; or
 - in respect of which an invitation to subscribe or purchase has been made, and includes any person for the time being exercising the functions of the management company.
- Any expenses incurred in relation to the income exempted under the Exemption Order shall be disregarded for the purpose of ascertaining the chargeable income of the qualifying unit trust.
- This Exemption Order does not apply to unit trusts that carry on banking, insurance, sea transport or air transport business.
- This exemption is effective from 1st January 2024 to 31st December 2026.

Issuance of Electronic Invoice

Following the release of the e-Invoice Guidelines ["the Guidelines"] in the year 2023, the IRB has recently issued the *Income Tax (Issuance of Electronic Invoice) Rules 2024* to enforce the implementation of electronic invoice ["e-Invoice"].

The Rules, generally, are in line with the Guidelines and the salient points of the Rules include:-

i. **Implementation of E-Invoice**

- Any person who carries out a transaction in respect of any goods sold or service performed shall issue an e-Invoice in the following manner:-

Targeted Taxpayers	Implementation Date
Taxpayers with annual sales exceeding RM100 million	1 st October 2024*
Taxpayers with annual sales in excess of RM25 million but not exceeding RM100 million	1 st January 2025
Taxpayers with annual sales of RM25 million and below	1 st July 2025

* Mandatory implementation date remains as 1st August 2024 as per the FAQ updated on 4th October 2024 issued by the IRB.

- The annual sales for the purpose of determining the implementation date of e-Invoice is determined based on the following:-
 - for taxpayers with audited financial statements [“AFS”], it will be determined based on the annual sales stated in the AFS for the financial year 2022;
 - for taxpayers without AFS, it will be determined based on the annual sales reported in the tax return for the year of assessment 2022;
 - in the event of a change of accounting period for the financial year 2022, the taxpayers’ annual sales will be pro-rated to a 12-month period for the purpose of determining the e-Invoice implementation date.

ii. Particulars in E-Invoice

- An e-Invoice shall contain the following details:-
 - particulars of seller or service provider;
 - particulars of buyer or customer;
 - information of electronic invoice;
 - particulars of product or service;
 - transaction of import or export of goods;
 - particulars of payment; and
 - particulars of recipient if the goods sold are delivered to a recipient other than the buyer or customer.

iii. Exemption from Issuance of E-Invoice

- The following persons are exempted from issuance of e-Invoice:-
 - a foreign diplomatic office;
 - an individual who does not carry on business;
 - a statutory body, statutory authority or local authority in relation to:-
 - collection of payment, fee, charge, statutory levy, summon, compound and penalty in carrying out its functions under any written law; and
 - transaction of any goods sold or service performed before 1st July 2025; and
 - an international organisation for transaction of any goods sold or service performed before 1st July 2025.

The above Rules shall have effect from 1st October 2024.

Updated E-Invoice Guidelines, General FAQ and E-Invoice Illustrative Guide

The IRB has recently issued the following documents pertaining to the implementation of e-Invoice:-

- [*Updated e-Invoice Guideline dated 4th October 2024 \[Version 4.0\]*](#) to replace the previous guidelines uploaded on 30th July 2024;
- [*Updated e-Invoice Specific Guideline dated 4th October 2024 \[Version 3.1\]*](#) to replace the previous guidelines uploaded on 30th July 2024;
- [*General Frequently Asked Questions \[“FAQ”\] \(Updated on 4th October 2024\)*](#); and
- [*E-Invoice Illustrative Guide dated 11th September 2024*](#).

Following the gazette of the Income Tax (Issuance of Electronic Invoice) Rules 2024, the IRB has provided clarification via the updated General FAQ (updated on 4th October 2024) that the mandatory implementation date of e-Invoice for taxpayers with an annual sales exceeding RM100 million will remain as outlined in the e-Invoice guideline (i.e. 1st August 2024). Similarly, the commencement of the 6-month interim relaxation period for the aforementioned taxpayers will remain unchanged, i.e. starting from 1st August 2024.

In addition, exemption of e-Invoice implementation is given to taxpayers of all categories with annual sales below RM150,000, except for the following taxpayers:-

- i. taxpayer with non-individual shareholder(s) (or equivalent) with annual sales exceeding RM150,000;
- ii. taxpayer is a subsidiary of a holding company with annual sales exceeding RM150,000; or
- iii. taxpayer has related company / joint venture with annual sales exceeding RM150,000.

The eligible taxpayers who are exempted from the issuance of e-Invoice are not required to issue any e-Invoice, including consolidated e-Invoice and self-billed e-Invoice. However, once the taxpayers exceed the exemption threshold and are obliged to implement e-Invoice, they are required to continue issuing e-Invoices even if their annual sales falls below RM150,000 in subsequent years.

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

Public Ruling No. 2/2024 (Amendment) (No. 2) 2024 – Manufacturing Aids and Cleanroom Equipment

The Royal Malaysian Customs Department [“RMCD”] has published the [Public Ruling No. 2/2024 \(Amendment\) \(No. 2\) 2024 – Manufacturing Aids and Cleanroom Equipment](#) dated 20th September 2024 in our national language - *Bahasa Malaysia* to expand the list of manufacturing aids in Appendix 1 whereby the following items have been included for sales tax exemption purpose:-

No.	List of Manufacturing Aids
243.	Blister Pack
244.	Forming Fabrics
245.	Press Felts
246.	Dryer Fabrics

Note: For further details, kindly refer to our [Tax Flash – January 2024](#) and [Tax Flash – May 2024](#) issues.

For other issues of our Tax Flash, please go to:

www.moore.com.my/publications