

Malaysia Temporarily Reduces Corporate Income Tax Rate

On 10 April 2017, Malaysia released an Exemption Order to implement a proposal announced in the 2017 Budget to temporarily reduce the corporate income tax rates based on incremental taxable income compared to the preceding year of assessment (YA).

The Exemption Order is only eligible for qualifying persons and years of assessment 2017 and 2018. Amongst others the following persons are considered as qualifying persons:

- A company resident in Malaysia and incorporated under Companies Act 2016
- A limited liability partnership registered under the Limited Liability Partnership Act 2012
- A trust body

Further the qualifying person has to fulfil the following three requirements:

- It has a business operation for not less than 24 months in Malaysia
- It has business taxable income for YA 2017 and 2018 and the preceding YA
- It has issued an annual financial statement with the same year end as the YA (end of calendar year)

If all requirements mentioned above are met, the qualifying person can make use of a reduced corporate income tax rate depending on the percentage of increase in taxable income compared to the preceding YA.

The following table depicts the reduced corporate income tax rates:

Percentage of increase in taxable income compared to preceding YA	Percentage point in tax rate reduction	Final corporate income tax rate
5 % - 9.99 %	1%	23%
10 % - 14.99 %	2%	22%
15 %-19.99 %	3%	21%
Over 20 %	4%	20%

The reduced corporate income tax rate is applicable on taxable income from all business sources except for passive income such as interest income or non-business rental income. Further, companies claiming certain tax incentives, such as reinvestment allowance tax incentive, incentives under the Promotion of Investments Act 1986 or a group relief are not entitled to the corporate income tax rate reduction.

The Executive Order does comprise a comprehensive list of circumstances where the reduced tax rate shall not be applicable.

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