

Shearn Delamore & co.

# Legal Update October 2020



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## Financial Services

### SC and Bursa extend temporary margin financing flexibilities

On 28 September 2020, the Securities Commission Malaysia (“SC”) and Bursa Malaysia Berhad (“Bursa”) extended the temporary relief measures relating to margin financing to 31 December 2020. The relief measures, which took effect on 27 March 2020 via Participating Organisations’ Circular No. R/R 6 of 2020, were initially due to expire on 30 September 2020.

The relief measures allow brokers to exercise discretion whether or not to impose force selling measures on clients and accept other types of collateral from investors such as bonds, unit trusts, gold and immovable properties for purposes of margin financing. Previously, brokers were required to automatically liquidate their clients’ margin accounts if the equity value in those accounts falls below 130% of the outstanding balance.

The announcement on the extension is available [here](#).

### Currency Act 2020 in force from 1 October 2020

The **Currency Act 2020** (the “Act”) came into force on 1 October 2020<sup>1</sup>. The Act provides for the management of currency of Malaysia, regulation of currency processing business and currency processing activities and for related matters.

The Currency (Processing Fees for Application of Registration of Currency Processing Business)

## Contents

<b>Financial Services</b> .....	2
<i>SC and Bursa extend temporary margin financing flexibilities</i> .....	2
<i>Currency Act 2020 in force from 1 October 2020</i> .....	2
<i>Exposure Draft on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions</i> .....	3
<b>Tax and Revenue</b> .....	3
<i>Income tax</i> .....	3
<i>Service tax</i> .....	4

Regulations 2020 (the “Regulations”) also came into force on 1 October 2020. The Regulations prescribe a RM500 processing fee for an application for registration to carry on currency processing business under paragraph 25(1)(c) of the Act. The Regulations are available at <https://tinyurl.com/y3raahw5>.

<sup>1</sup> P.U.(B) 476/2020 dated 29 September 2020 is available at <https://tinyurl.com/y4hx7f2r>.

## Exposure Draft on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions

On 1 October 2020, BNM released the Exposure Draft on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions (the “Exposure Draft”), applicable to prescribed Development Finance Institutions (“DFIs”). DFIs which elect to apply the transitional arrangements are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to Tier 1 Capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021.

The proposals are intended to be consistent with the guidance issued by the Basel Committee of Banking Supervision on “*Regulatory treatment of accounting provisions — interim approach and transitional arrangement*” (March 2017), and “*Measures to reflect the impact of Covid-19*” (April 2020).

The Exposure Draft is to be read together with the policy document on Capital Framework for Development Financial Institutions. Feedback on the Exposure Draft must be submitted to BNM

by 30 October 2020.

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For further information regarding financial services matters, please contact our [Financial Services Practice Group](#).

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## Tax and Revenue

### Income tax

The **Income Tax (Prescribed Fees under Schedule 5 to the Act) Rules 2020** have been gazetted on 22 September 2020 and have come into operation on 25 September 2020.

The following public rulings and guidelines have recently been published on the [Inland Revenue Board of Malaysia’s official website](#):

- i. **Appeal Against an Assessment and Application for Relief (Public Ruling No. 7/2020)** issued on 7 October 2020 to replace Public Ruling No. 12/2017 dated 29 December 2017;
- ii. **Taxation of a Resident Individual Part I — Gifts or Contributions and Allowable Deductions (Public Ruling No. 8/2020)** issued on 9 October 2020;
- iii. **Garis Panduan Potongan bagi Perbelanjaan berhubung dengan Yuran Kesetiausahaan dan Yuran Pemfailan Cukai mulai Tahun Taksiran 2020** (available in Malay language only) — issued on 18 September 2020;
- iv. **Garis Panduan Permohonan untuk Kelulusan Ketua Pengarah Hasil Dalam Negeri di bawah Subseksyen 44(11D) Akta Cukai Pendapatan 1967 bagi Endowmen** (available in Malay language only) — issued on 6 October 2020; and
- v. **Garis Panduan Permohonan untuk**

**Kelulusan Ketua Pengarah Hasil Dalam Negeri di bawah Subseksyen 44(11D) Akta Cukai Pendapatan 1967 bagi Wakaf** (available in Malay language only) — issued on 8 October 2020.

## Service tax

The following guides have recently been published on the [Royal Malaysian Customs Department's MySST website](#):

- i. **Panduan Perkhidmatan Pengurusan** (as at 1 October 2020) — available in the Malay language only, to replace the earlier version dated 25 August 2018;
- ii. **Guide on Professional Services** (as at 6 October 2020);
- iii. **Panduan Perkhidmatan Pengurusan Penggudangan** (as at 6 October 2020) — available in the Malay language only;
- iv. **Panduan Umum Cukai Perkhidmatan (versi 2)** (as at 6 October 2020) — available in the Malay language only, to replace the earlier version dated 7 September 2018;
- v. **Panduan Perkhidmatan Kelab (Kumpulan C, D & E)** (as at 13 October 2020) — available in the Malay language only, to replace the earlier version dated 23 August 2018; and
- vi. **Guide on Accommodation (version 2)** (as at 13 October 2020) — to replace the earlier version dated 7 September 2018.

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For further information regarding tax and revenue matters, please contact our [Tax and Revenue Practice Group](#).

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