

Ministry of Finance's Press Release on Foreign Source Income and Stamp Duty on Contract Notes

The Finance Bill 2021 has recently been passed in Parliament and gazetted on 31 December 2021 (“FA”). One of the FA amendments, which takes effect from 1 January 2022, is that only income arising from sources outside Malaysia and received in Malaysia by any person who is not tax-resident in Malaysia, would be tax exempt. Persons who are tax-resident in Malaysia would be taxed on income arising from sources outside Malaysia and received in Malaysia with effect from 1 January 2022 (“the Amendment”).

As such, foreign source income remitted to Malaysia and received by a tax resident person will be taxed at a flat rate of 3% on the gross amount received in Malaysia from 1 January 2022 to 30 June 2022. Thereafter, the prevailing tax rates would apply.

Whilst the Finance Bill 2021 had yet to be gazetted, on 30 December 2021, the Ministry of Finance issued the [attached Press Release](#) (“the said Press Release”) regarding the taxation of foreign source income with respect to persons who are tax-resident in Malaysia, and stamp duty on contract notes.

The Ministry of Finance vide the said Press Release has watered down the Amendment by maintaining the exemption for individuals for the most part subject to certain conditions. The said Press Release has also offered some relief on stamp duty on contract notes by limiting the stamp duty payable to RM1,000.00 and remitting (i.e. waiving) any stamp duty above that amount.

Foreign Source Income

In regard to foreign source income:

Tax & Revenue Law Update

JANUARY 2022

Shearn Delamore & Co
7th Floor

Wisma Hamzah Kwong-Hing,
No 1, Leboh Ampang
50100, Kuala Lumpur, Malaysia

T: 603 2027 2727

F: 603 2078 5625

info@shearndelamore.com

www.shearndelamore.com

www.linkedin.com/company/shearndelamore-&-co

- (a) tax-resident individuals would be tax-exempt in respect of foreign source income received in Malaysia from 1 January 2022 to 31 December 2026, provided that the individual does not carry on any partnership business. However, this exemption is purportedly subject to certain qualifying conditions, to be issued vide the Inland Revenue Board's guidelines;
- (b) tax-resident companies and limited liability partnerships would only be tax-exempt in respect of dividend income received in Malaysia from outside Malaysia from 1 January 2022 to 31 December 2026. However, the exemption is purportedly subject to certain qualifying conditions, to be issued vide the Inland Revenue Board's guidelines. All other categories of foreign source income would be taxed as per the Amendment; and
- (c) the prosperity tax ("*cukai makmur*") of 33% would not apply to any foreign source income received in Malaysia in the year of assessment 2022.

Stamp Duty

Pursuant to the **Finance Act 2021**, the existing maximum stamp duty of RM200.00 per contract note for the sale or purchase of shares listed on Bursa Malaysia, was removed with effect from 1 January 2022, and would be subject to stamp duty of 0.1% or 0.15% of the value of the shares. The Ministry of Finance has stated vide the said Press Release that the maximum stamp duty on contract notes for the sale/purchase of shares listed on Bursa Malaysia would be capped at RM1,000.00 per contract note, for the period from 1 January 2022 to 31 December 2026.

For further information regarding this article or tax & revenue law matters, please contact:



Anand Raj
Head
Tax and Revenue Practice Group
anand@shearndelamore.com
+603 2027 2828



Irene Yong
Partner
Tax and Revenue Practice Group
irene.yong@shearndelamore.com
+603 2027 2923



Foong Pui Chi
Partner
Tax and Revenue Practice Group
foongpuichi@shearndelamore.com
+603 2027 2641

*Copyright © 2022 Shearn Delamore & Co. All rights reserved.
This Update is issued for the information of the clients of the Firm and covers legal issues in a general way. The contents are not intended to constitute any advice on any specific matter and should not be relied upon as a substitute for detailed legal advice on specific matters or transactions.*