



Malaysia Progress Update Pillar 2, OECD

Tax Division
Ministry of Finance Malaysia

FEDERAL GOVERNMENT REVENUE

DIRECT TAX

- Income taxes
 - Company
 - Individual
- Labuan Business Activity Tax Act (LBATA)
- Petroleum Tax
- Withholding Tax
- Stamp Duty Tax
- Real Property Gains Tax (RPGT)

INDIRECT TAX

- Import & Export Duty
- Excise Duty
- GST (2014-2018)
- Sales & Services Tax

NON-TAX REVENUE

- Interest & ROI
- Licenses
- Services fees
- Road tax
- Fines & penalties
- Rental
- Petroleum royalty

MALAYSIA TAXATION SYSTEM

SCOPE: TERRITORIAL TAXATION SYSTEM

- Imposed on income accrued in or derived from Malaysia or received from outside for resident company
- Exceptional for banking, insurance, sea (shipping) & air transport (world income scope)



Type of company	Chargeable income (RM)	CIT rate (YA) (%)
Resident company (other than Micro, Small and Medium Enterprise (MSME))		24
Resident company (MSME): <ul style="list-style-type: none">• Company with paid-up capital of RM2.5 million or less; and• Gross income from business of not more than MYR 50 million.	On the first 600,000	17
	In excess of 600,000	24
Non-resident company		24



ASSESSING THE IMPACT OF PILLAR TWO ON TAX INCENTIVES

Basic features of Pillar Two

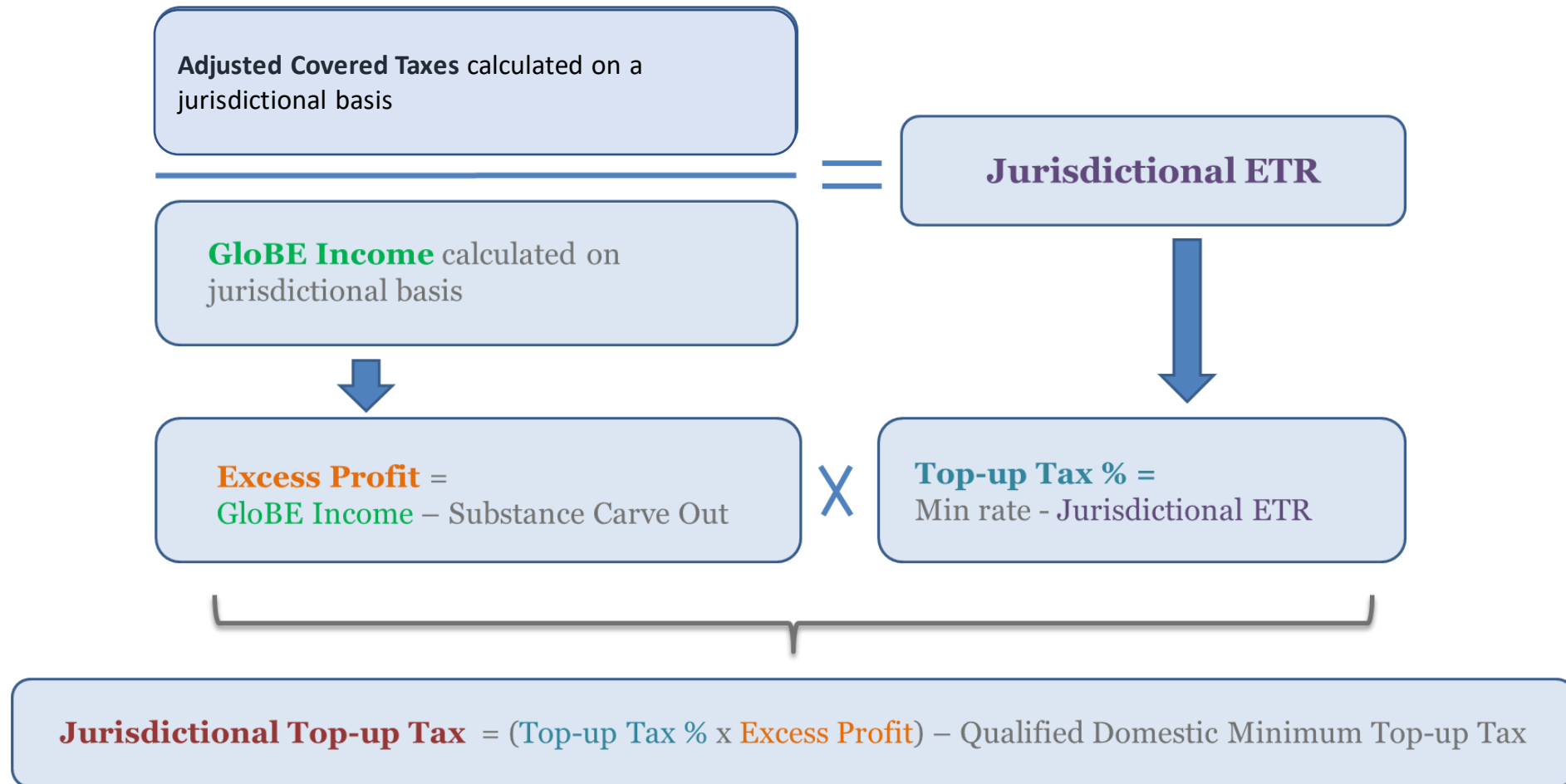
GloBE Rules

- Apply to MNEs exceeding the EUR 750 million revenue threshold
- Jurisdictional approach
- Effective Tax Rate of 15%
- Top-up Tax only applies to excess profits, i.e. after excluding a portion of the income based on substance

Subject to Tax Rule

- Applies to a range of covered payments
- Transactional approach
- Adjusted nominal CIT rate of 9%
- No carve-out

GloBE Rules : Effective Tax Rate and Top-up Tax



WHO WILL BE AFFECTED – MALAYSIA'S PERSPECTIVE

GloBE Rules

Malaysia Headquarters MNEs

Adopt - Top up tax in Malaysia if foreign subsidiary's jurisdictional ETR < 15%

Not adopt - Top up tax by other country if foreign subsidiary's jurisdictional ETR < 15%

Subsidiaries of Foreign Headquarters MNEs

Top up tax in UPE country if subsidiary's ETR in Malaysia < mETR 15%

Subject to Tax Rules (DTA)

Outbound Payment

WHT in Malaysia if payment is taxed in the recipient country below the STTR rate

Inbound Payment

WHT in payer country if payment is taxed in Malaysia below the STTR rate

Malaysia Domestic Corporate Tax Reform under Pillar 2, OECD



- Malaysia launched a public consultation to implement the Globe Rules, Pillar 2 of the BEPS Action Plan 1 on **1 August 2022**.
- **Main concern:**
 - Timeline: Effective date of GloBE Rules, Pillar 2 in Malaysia
 - Legislation: Tax certainty
 - Compliance cost: Simplified
 - The implementation of Qualified Domestic Minimum Top-up Tax (QDMTT).



Malaysia Budget 2023 Announcement: 7 October 2022



- Government will be introducing the minimum effective tax rate at the global level as recommended under Pillar 2 and intend to implement the QDMTT after further studies are made and targeted in 2024.
- Others (digitalisation):
 - Digitalize tax administrator services such as compulsory electronic tax return for businesses and making it compulsory for individuals by 2025.
 - Implementation of e-invoicing where the initial pilot testing to start from 2023.



**SUBJECT TO NEWLY
ELECTED
GOVERNMENT'S
APPROVAL**



THANK YOU!



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