

# Tax Newsletter Kuala Lumpur

## Newsletter

October 2018



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### Tax Newsletter Volume 3

This circulation provides you with updates on recent tax developments in Malaysia. In this edition, we highlight the recent indirect tax developments following the repeal of the GST regime and the introduction of the new sales tax and service tax framework. We also discuss developments relating to proposals to introduce new Earning Stripping Rules in Malaysia.

You may select and click articles to read a more detailed version.

We hope that you find these updates useful. Please contact us if you have any queries or require any assistance.

#### **Direct Tax**

# Proposed Implementation of Earning Stripping Rules ("ESR")

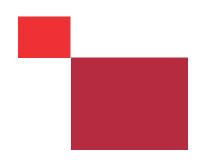
During the 2018 Budget speech in October 2017, the Malaysian Government proposed the introduction of ESR, similar to those recommended under the OECD's BEPS Action 4 final report. Click here to read more.

### Establishment of a Tax Reform Committee

On 14 September 2018, the Ministry of Finance announced the establishment of a Tax Reform Committee, to undertake a comprehensive study of the Malaysian taxation system ahead of the tabling of the 2019 Budget in Parliament. **Click here to read more**.

## Characterisation of Software Distribution Fees – IBM Malaysia Sdn. Bhd. v Ketua Pengarah Hasil Dalam Negeri

In the recent decision of *IBM Malaysia Sdn. Bhd. v Ketua Pengarah Hasil Dalam Negeri (2018) MSTC 30-157*, the Malaysian High Court ruled that software distribution fees paid by a Malaysian company to a Dutch affiliate should be regarded as business profits (instead of royalties) under the Malaysia-Netherlands tax treaty. **Click here to read more**.





### **Indirect Tax**

# Implementation of the New Sales Tax and Service Tax ("SST")

With effect from 1 September 2018, SST was introduced to replace the existing goods and services tax ("GST") regime. Click here to read more.

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