

FAQ ON SPECIAL TAX TREATMENT TO FINANCIAL INSTITUTIONS IN RELATION TO MORATORIUM GRANTED TO CUSTOMER

NO	QUESTION	ANSWER
1.	Who qualifies for the special tax treatment?	All licensed banks, licensed investment banks, licensed Islamic banks and prescribed development financial institutions (DFIs) regulated by Bank Negara Malaysia are eligible for the special tax treatment.
2.	What is the special tax treatment?	<p>The special tax treatment granted is in respect of the amount of interest/profit accrued but the repayment/payment is deferred during the moratorium period shall not constitute the gross income of that financial institution for that basis period for that year of assessment.</p> <p>The interest/profit income that qualifies for the special tax treatment is the accrued interest/profit income from loans/financings granted under the moratorium package during the Stimulus Economic Package Prihatin Rakyat (PRIHATIN) starting from 1 April 2020 until 30 September 2020.</p> <p>Interest/profit income accrued after the moratorium period is treated as the gross income for the basis period for that year of assessment.</p>
3.	Which type of loan/financing granted to individuals and small and medium enterprises (SMEs) borrowers/customers that qualify for the special tax treatment?	<p>All types of loan/financing (except credit cards facilities) granted to individuals and SMEs borrowers/customers</p> <ul style="list-style-type: none"> • in Malaysian Ringgit denomination; • not in arrears exceeding 90 days as at 1 April 2020; and • granted moratorium from 1 April 2020 until 30 September 2020.

4.	What is meant by individuals and SMEs in this context?	<p>Individual means an individual borrower/customer other than SME</p> <p>SME means SME as defined by SME Corp. Malaysia.</p>
5.	Which type of loan/financing granted to corporate borrowers/customers that qualify for the special tax treatment?	<p>All types of loan/financing granted to corporate borrowers/customers</p> <ul style="list-style-type: none"> • in Malaysian Ringgit denomination; • not in arrears exceeding 90 days as at 1 April 2020; and • granted moratorium from 1 April 2020 until 30 September 2020.
6.	How does a financial institution report its income with regards to the special tax treatment to IRBM?	<p>Accrued interest/profit income from the moratorium portfolio must be reported separately from non-moratorium portfolio according to the customer's records. This is to ensure that the income is reported and recorded accordingly in the event a tax audit is carried out,</p>
7.	Is the special tax treatment applicable to accrued interest/profit income received during the moratorium period?	<p>No. Any accrued interest/profit received during the moratorium period is treated as the gross income for the basis period for that year of assessment.</p>
8.	What is the tax treatment for impairment provision in relation to loan/financing involved in the moratorium program?	<p>The impairment provision for loan/financing involved under the moratorium program is not allowed as a tax deduction during the moratorium period.</p> <p>The tax treatment on impairment provision for the pre and post moratorium period is based on the current tax treatment.</p>