

Financial Services

Ruling of Shariah Advisory Council of Bank Negara Malaysia on *Qard*

At its 213th meeting of the Shariah Advisory Council (“SAC”) of Bank Negara Malaysia, the SAC ruled that the method under Malaysian Financial Reporting Standard (“MFRS”) 17 *Insurance Contracts* and MFRS 9 *Financial Instruments* may be adopted to measure *qard* (interest free loan) for transactions between shareholders’ fund and takaful fund. The reason being the total repayment on *qard* amount will not increase notwithstanding the application of time value of money principle.

The SAC’s ruling also sets out the requirements for comprehensive disclosure in the notes to the financial statements which are available [here](#).

Exposure draft on Agent Banking

Bank Negara Malaysia has issued an exposure draft on agent banking to seek feedback on the exposure draft by 31 August 2021. The exposure draft, when finalised, will be applicable to:

- (a) banks (including digital bank) licensed under the **Financial Services Act 2013** (“FSA”);
- (b) Islamic banks (including digital bank) licensed under the **Islamic Financial Services Act 2013**, and
- (c) prescribed institution under the **Development Financial Institutions Act 2002**.

BNM’s proposals in the exposure draft are intended to:

- (a) enhance the role and effectiveness of agent banks in complementing the current financial accessibility landscape, in the transition towards digitalisation of financial services;
- (b) ensure sustainability of agent banking services; and
- (c) encourage use of financial services, especially by the rural and underserved segments.

Legal Updates

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Amendments to Guidelines on Sustainable and Responsible Investment Funds

The Securities Commission Malaysia had, on 9 July 2021, amended the Guidelines on Sustainable and Responsible Investment (“SRI”) Funds (the “SRI Guidelines”).

A new chapter 5 has been inserted to the SRI Guidelines which sets out the:

- (a) qualifying conditions in the Income Tax (Exemption) (No.5) Order 2018 [P.U (A) 356/2018] and Income Tax (Exemption) (No.5) Order 2021 [P.U (A) 209/2021], respectively, which must be complied with by a fund manager that manages an SRI fund.
- (b) forms and documents which have to be submitted by the fund manager for the purpose of applying for certification of the income tax exemption. Appendix 2 to the SRI Guidelines sets out the prescribed form and written declaration which must be completed by an eligible fund manager.

Amendment to Capital Markets and Services Regulations 2012

A Capital Markets and Services (Amendment) Regulations 2021 [P.U (A) 288/2021], which came into effect on 1 July 2021, has been issued to amend regulation 8 of, read with Schedule 2 to, the Capital Markets and Services Regulations 2012.

Regulation 8 of, read with Schedule 2 to, the Capital Markets and Services Regulations 2012 prescribes the fees payable in respect of applicable fees payable to the Securities Commission Malaysia in respect of the types of applications set out therein.

Amendment to Schedules 5, 6 and 7 to the Capital Markets and Services Act 2007

Schedules 5, 6 and 7 to the **Capital Markets and Services Act 2007** (“CMSA”) have been amended, with effect from 1 July 2021, pursuant to the Capital Markets and Services (Amendment of Schedules 5, 6 and 7) Order 2021 (the Amendment Order).

Amongst changes made pursuant to the Amendment Order are:

- In respect of Schedule 5 — the inclusion of initial exchange offering of digital currency and digital token through a recognised market operator as a type of corporate proposal which do not require approval of the Securities Commission Malaysia.
- The digital currency and digital token must satisfy the requirements in the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019 and to be prescribed as securities under the CMSA.
- In respect of Schedules 6 and 7, the categories of sophisticated investors have been expanded to include:
 - (a) individuals with investment portfolio exceeding RM1 million (or its equivalent in foreign currencies) in capital market products, either on their own or through joint accounts with their spouse as a category of high-net worth individuals;
 - (b) corporations that are licensed, registered or approved to carry on a regulated activity or capital markets services by an authority in Labuan or outside Malaysia which exercises functions corresponding to the functions of the Securities Commission Malaysia is added as a category accredited investors;
 - (c) corporations that carry on the fund management activities solely for the benefit of its related corporations (as defined in the CMSA) with assets of more than RM10 million (or its equivalent in

foreign currencies) is added as a category of high-net worth entity.

- Parts III of Schedules 6 and 7, respectively, have been amended to include an offer, invitation or initial public offering of shares of corporation on the alternative market of Bursa Malaysia Securities Berhad, provided the offer, invitation or initial listing is accompanied with a prospectus which is registered by Bursa Malaysia Securities Berhad.

CONTACT US FOR FURTHER INFORMATION REGARDING FINANCIAL SERVICES MATTERS.

Tax & Revenue

Tax Matters During the National Recovery Plan & Movement Control Order 3.0 Period

In view of the implementation of the National Recovery Plan in Malaysia, the Inland Revenue Board (“IRB”) has issued a list of Frequently Asked Questions on tax matters arising during this period. The FAQ ([updated as at 4 July 2021](#)) is accessible via this [link](#).

The Royal Malaysian Customs Department (“Customs”) has also issued an announcement on 8 July 2021 on the extension of tax return filing and payment due dates for sales tax and service tax purposes. Click [here](#) to read the full announcement.

Income tax

The [Income Tax \(Accelerated Capital Allowance\) \(Excursion Bus\) Rules 2021](#) have been gazetted on 1 July 2021 and have effect from year of assessment 2020 until year of assessment 2021.

The following public ruling and operational guideline have recently been published on the IRB’s official website:

- i. [Tax Deduction for Sponsoring Arts, Cultural and Heritage Activities \(Public Ruling No. 2/2021\)](#) issued on 8 July 2021; and
- ii. [Permohonan Surat Penyelesaian Cukai bagi Syarikat, Perkongsian Liabiliti Terhadap dan Entiti Labuan](#) (available in Malay language only) — issued on 30 June 2021.

Service tax

The [Service Tax Policy No. 2/2021](#) issued on 1 July 2021 (in regard to the Service Tax Treatment on Group A: Accommodation First Schedule Service Tax Regulations 2018 under the People and Economic Strategic Empowerment Programme (“PEMERKASA”) has recently been published on Customs’ MySST website.

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