



INLAND REVENUE BOARD OF MALAYSIA

**RESIDENCE STATUS OF COMPANIES
AND BODIES OF PERSONS**

PUBLIC RULING NO. 9/2019

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BODIES OF PERSONS**

INLAND REVENUE BOARD OF MALAYSIA

**Public Ruling No. 9/2019
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DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**

1. Objective

This Public Ruling (PR) provides an explanation on the determination of the residence status of companies and bodies of persons.

2. Relevant Provisions of the Law

2.1 This PR takes into account laws which are in force as at the date this PR is published.

2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are section 8 and subsection 61(3).

3. Interpretation

The words used in this PR have the following meaning:

3.1 "Body of persons" means an unincorporated body of persons (not being a company), including a co-operative society, a club, an association, a trust and a Hindu Joint Family but excluding a partnership.

3.2 "Non-resident" means other than a resident in Malaysia by virtue of section 8 and subsection 61(3) of the ITA.

3.3 "Hindu Joint Family" means what in any system of law prevailing in India is known as a Hindu Joint Family or coparcenary.

3.4 "Person" includes a company, a body of persons, a limited liability partnership and a corporation sole.

3.5 "Resident" means resident in Malaysia for the basis year for a year of assessment (YA) by virtue of section 8 and subsection 61(3) of the ITA.

3.6 "Company" means a body corporate and includes any body of persons established with a separate legal entity by or under the laws of a territory outside Malaysia and a business trust.

4. Significance of Residence Status

4.1 Residence status is a question of fact and it is one of the main criteria that determines the tax treatment and tax consequences of a company or body of persons.

4.2 A resident and a non-resident company in Malaysia is taxed in the same manner in respect of any gains or profits accrued in or derived from Malaysia.

- 4.3 The distinct differences in the tax treatment of a resident and non-resident company are as follows:

Item	Resident	Non-Resident
Scope of charge	<p>a) Companies carrying on business of banking, insurance, shipping and air transport - income is taxable on a world income scope.</p> <p>b) Other companies - income accrued in or derived from Malaysia.</p>	Income accrued in or derived from Malaysia.
Business income	Taxable if deemed derived from Malaysia.	Taxable on business income accruing in or derived from Malaysia if there is a permanent establishment in Malaysia.
Derivation of dividends	<p>Dividends distributed by a resident company are deemed derived from Malaysia.</p> <p>With the introduction of the single-tier system with effect from 1.1.2008, single-tier dividends are exempt from tax in Malaysia.</p> <p>Beginning from 1.1.2014, all dividends distributed by a resident company are exempt from tax in Malaysia.</p>	Dividends distributed by a non-resident company are not deemed derived from Malaysia.
Section 108 ITA account	A resident company was required to deduct tax under section 108 ITA from dividends deemed derived from Malaysia under the imputation system.	Not applicable.

Item	Resident	Non-Resident
	With the introduction of the single tier system which was fully implemented on companies from 1.1.2014, section 108 ITA is no longer applicable.	
Able to enjoy tax treaty benefits	Applicable.	Applicable.
Double taxation relief	Applicable.	Not Applicable.
Incentives available under ITA and Promotion of Investment Act 1986	Applicable.	Not Applicable.
Tax rates	<ol style="list-style-type: none"> 1) As specified in paragraph 2 of part I, Schedule 1, ITA. 2) Tax rate for companies with a paid up capital in respect of ordinary shares of RM2.5 million and less at the beginning of the basis period (as provided under paragraph 2A of part I, Schedule 1, ITA) is as follows: 	As specified in paragraph 2 of part I, Schedule 1, ITA.

Item	Resident	Non-Resident
	<p>i) for every ringgit of the first RM500,000 - 17% with effect from the year of assessment 2019; and</p> <p>ii) for every ringgit exceeding RM500,000 - 25% for the year of assessment 2015 and 24% for the subsequent years of assessment.</p> <p>However, pursuant to paragraph 2B of part I, Schedule 1, ITA which was introduced with effect from the year of assessment 2009, a company will not qualify for the above preferential tax rates if more than 50% of the paid up capital in respect of ordinary shares of -</p> <p>a) that company is owned directly or indirectly by a related company;</p> <p>b) the related company is owned directly or indirectly by that company; or</p> <p>c) that company and the related company is owned directly or indirectly by another company.</p>	

Item	Resident	Non-Resident
	<p>Related company means a company whose paid up capital in respect of ordinary shares exceeds RM2.5 million at the beginning of the basis period for a year of assessment.</p> <p>3) The tax rate applicable for an insurer from inward re-insurance business or offshore insurance business is as specified in paragraph 3, part I of Schedule 1, ITA.</p> <p>4) The tax rate applicable for a life fund other than income arising from life re-insurance business and inward life re-insurance business, of a resident or non-resident insurer is as specified in part VIII of Schedule 1, ITA.</p> <p>5) The tax rate applicable for a family fund referred to in section 60AA of the ITA other than income arising from family solidarity re-takaful business and inward family solidarity re-takaful business, of a resident or non-resident operator is as specified in part XII of Schedule 1, ITA.</p>	

Item	Resident	Non-Resident
Withholding tax	Not applicable.	<p>Certain receipts may be subject to withholding tax such as:</p> <ul style="list-style-type: none"> i) Interest¹ (except as exempted) (withholding tax under section 109 of the ITA - final tax at the rate as specified in part II of Schedule 1, ITA); ii) Royalties¹ (withholding tax under section 109 of the ITA - final tax at the rate as specified in part II of Schedule 1, ITA); iii) Special classes of income¹ under section 4A of the ITA (withholding tax under section 109B of the ITA - final tax at the rate as specified in part V of Schedule 1, ITA); iv) Service portion of contract payments (withholding tax under section 107A of the ITA); v) Distribution of income from a Real Estate Investment Trust¹ (REITs) exempted under section 61A of the ITA (withholding tax under section 109D of the

Item	Resident	Non-Resident
		<p>ITA - final tax at the rate as specified in part X of Schedule 1, ITA);</p> <p>vi) Distribution of income of a family fund, family re-takaful or general fund under section 60AA of the ITA (withholding tax under section 109E of the ITA at the rate as specified in part XI of Schedule 1, ITA); and</p> <p>vii) Other income¹ falling under paragraph 4(f) of the ITA (withholding tax under section 109F of the ITA - final tax at the rate as specified in part XIII of Schedule 1, ITA).</p>

¹Reference has to be made to the relevant agreements for the avoidance of double taxation for any variation in tax rates, if applicable.

4.4 The distinct differences in the tax treatment of resident and non-resident bodies of persons are as follows:

Category	Resident	Non-Resident
Hindu Joint Family	<p>Personal relief of RM9,000 can be claimed.</p> <p>Taxed at scale rates which are applicable to resident individuals in accordance with paragraph 1 of part I, Schedule 1, ITA.</p>	<p>Personal relief is not applicable.</p> <p>Taxed in accordance with the general provisions of the ITA applicable to non-residents and at the rate of tax as specified in paragraph 1A of part I, Schedule 1, ITA.</p>

Category	Resident	Non-Resident
Trade Association	Income tax exemption is applicable to the statutory income derived from members' subscription fees. Taxed at scale rates which are applicable to resident individuals in accordance with paragraph 1 of part I, Schedule 1, ITA.	Income tax exemptions are not applicable. Taxed in accordance with the general provisions of the ITA applicable to non-residents and at the rate of tax as specified in paragraph 1A of part I, Schedule 1, ITA.
Trust Body	Tax rate is as specified in paragraph 2, part I of Schedule 1, ITA.	Taxed in accordance with the general provisions of the ITA applicable to non-residents and at the rate of tax as specified in paragraph 1A of part I, Schedule 1, ITA.
Co-operative Societies	Taxed at scale rates which are applicable to a Co-operative Society as specified in part IV of Schedule 1, ITA.	Taxed in accordance with the general provisions of the ITA applicable to non-residents and at the rate of tax is as specified in paragraph 1A of part I, Schedule 1, ITA.
Clubs, Association, Societies	Taxed at scale rates which are applicable to resident individuals in accordance with paragraph 1 of part I, Schedule 1, ITA.	Taxed in accordance with the general provisions of the ITA applicable to non-residents and the rate of tax is as specified in paragraph 1A of part I, Schedule 1, ITA.

5. Determination of Residence Status of Companies and Bodies of Persons

Companies and bodies of persons must meet certain criteria to be considered a resident in Malaysia. Section 8 of the ITA provides for the determination of residence status in respect of Hindu Joint Family, companies or bodies of persons (except trust bodies), limited liability partnership and business trust whereas subsection 61(3) of the ITA provides for the determination of residence status of a trust body.

5.1 Residence status of a Hindu Joint Family

Pursuant to paragraph 8(1)(a) of the ITA, a Hindu Joint Family is resident in Malaysia for the basis year for a year of assessment if the manager or karta is resident for that basis year. As such, if the manager or karta is a non-resident, the Hindu Joint Family is deemed a non-resident in Malaysia.

5.2 Companies or bodies of persons carrying on a business

Pursuant to paragraph 8(1)(b) of the ITA, a company or a body of persons (not being a Hindu Joint Family) carrying on a trade or business is resident in Malaysia for the basis year for a year of assessment if at any time during the basis year the management and control (as explained in paragraph 5.7 of this PR) of its business or of any one of its businesses are exercised in Malaysia.

Example 1

Jet Ltd, a company incorporated in Hong Kong has businesses in Hong Kong, Singapore and Malaysia. All the businesses of the company are managed and controlled by the head office in Hong Kong except for a brief period in the year 2018 when the management and control was exercised in Malaysia. This is because one of the board of directors meeting was held in Kuala Lumpur, where important policy decisions were made, on 28.6.2018 which falls in the basis year for the year of assessment 2018.

Jet Ltd is resident in Malaysia for the basis year for the year of assessment 2018 as the management and control which involved important policy making decisions was exercised in Malaysia in 2018. Therefore the income derived from the business carried on in Malaysia is subject to tax in Malaysia for the year of assessment 2018.

Note:

If the company is not a resident in Malaysia, it would still be taxable on its income derived from Malaysia. Non-resident companies and persons other than resident companies carrying on the business of banking, insurance or sea or air transport are exempted from tax on income derived from sources outside Malaysia and received in Malaysia.

Example 2

Simon Inc., was incorporated in the USA on 2.1.2000 and shortly after its incorporation, it registered as a foreign company in Malaysia on 2.3.2000. Simon Inc. (Malaysia) then commenced the business of provision of management and consultancy services in Malaysia. Its revenue was largely from fees charged for management, consultancy and other services provided to a related company, Simon (Malaysia) Sdn Bhd.

The Board of Directors of Simon Inc. (Malaysia) comprised of an American citizen who held the post of the president and 4 Malaysians who held the posts of a general manager, director (2 persons) and an accountant. However, the management and control of Simon Inc. (Malaysia) has been carried on in the USA since incorporation by the board of directors in the USA.

The financial accounting period of Simon Inc. (Malaysia) is the calendar year. The company claimed to be a resident in Malaysia in the year of assessment 2018 as the board of directors meeting was held in Kuala Lumpur on 30.11.2018. An audit finding indicated that a board of directors meeting was not held on the said date but a promotional and marketing session was held instead.

Since a board of directors meeting was not held in Malaysia on 30.11.2018, the management and control of the company was not exercised in Malaysia in the year of assessment 2018. Therefore, Simon Inc. (Malaysia) is not a resident in Malaysia for the year of assessment 2018.

5.3 Any other company or body of persons

Pursuant to paragraph 8(1)(c) of the ITA, any other company or body of persons (not being a Hindu Joint Family) is resident in Malaysia for the basis year for a year of assessment if at any time during the basis year the management and control (as explained in paragraph 5.7 of this PR) of its affairs are exercised in Malaysia by its directors or other controlling authority, e.g. a board of management / directors. As for investment holding companies, the management and control of its affairs includes the management and important decisions in respect of investments.

Example 3

Smart Holdings Sdn Bhd (SHSB), an investment holding company was incorporated in Malaysia on 2.1.2006. SHSB is wholly owned by Smart Holding Ltd, the holding company in the British Virgin Islands. This holding company is wholly owned by Smart Construction Holding Ltd, the ultimate holding company in Bermuda.

The board of directors of SHSB comprises of 7 directors, 5 of whom are citizens and residents of Hong Kong while the remaining 2 are Malaysians. The board of directors meetings are held in both Hong Kong and Malaysia. The meetings that were held in Hong Kong were only attended by the 4 directors from Hong Kong who have vast experience in investment and finance. Meetings were also held in Malaysia but were attended by the 2 Malaysian directors and communication with the directors from Hong Kong were through video conferencing and telephone. From the minutes of the meetings, it was noted that all decisions regarding investments, share management, finance and administration of SHSB were resolved in Hong Kong by the 4 directors in Hong Kong. The meetings held in Malaysia merely reported what had been decided in Hong Kong.

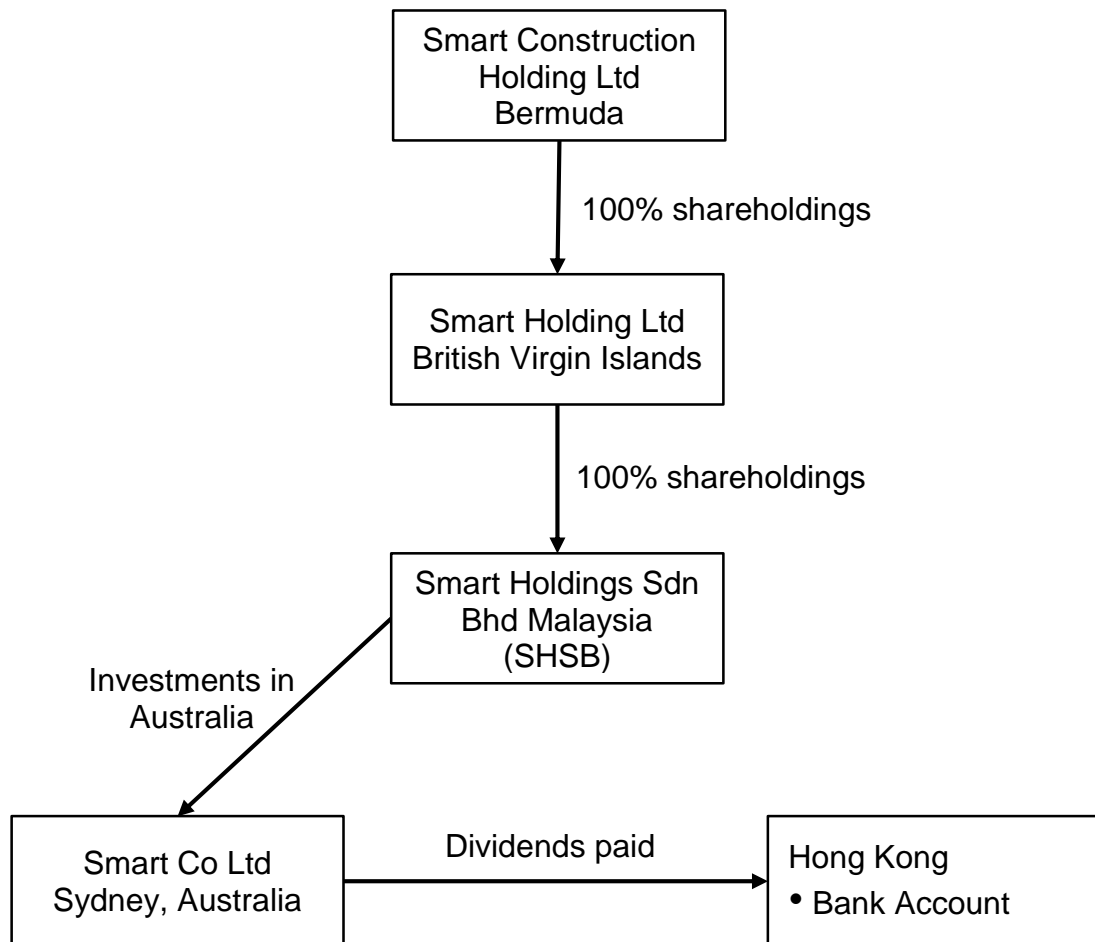
SHSB does not have a business premise in Malaysia. Its dividend income is from investments in an Australian company, Smart Co. Ltd in Sydney and interest income is from fixed deposits in various countries. None of SHSB's income has been remitted to Malaysia. SHSB does not have a bank account in Malaysia and all its income has been remitted to a bank account in Hong Kong.

SHSB claimed to be a resident in Malaysia from the year of assessment 2006 onwards as the management and control of its affairs were exercised in Malaysia by its directors.

Note:

If SHSB is a tax resident of Malaysia, the dividend income from Australia should be subject to tax at 15% on gross in accordance with Article 10 of the Double Taxation Avoidance Agreement (DTAA) between Malaysia and Australia instead of the 30% tax rate levied by the Australian Tax Authorities based on the Australian domestic tax laws.

The above situation can be summarised as follows:



Although SHSB claimed that there were board of directors meeting held in Malaysia but the meetings were not related to policy decisions that had to be followed by SHSB. All the decisions relating to investments, share management, finance and administration were made by the directors in Hong Kong at the board of directors meeting held in Hong Kong. As such, the management and control of the affairs of SHSB are not considered exercised in Malaysia and SHSB is not a tax resident of Malaysia from the year of assessment 2006.

5.4 Residence status of a subsidiary or a branch of a foreign company in Malaysia

Foreign corporations normally extend their business activities to Malaysia by incorporating a subsidiary in Malaysia or registering a branch in Malaysia. The residence status of subsidiaries of foreign corporations would be determined by paragraphs 8(1)(b) and 8(1)(c) of the ITA. Branches of foreign corporations in Malaysia are generally treated as non-residents in Malaysia unless it can be established that the management and control of its affairs or businesses or any one of the foreign corporation's businesses is exercised in Malaysia.

In other words, Malaysian branches of foreign corporations are controlled and managed by their overseas parent corporation and would generally be treated as non-residents in Malaysia. However, if a foreign corporation with a Malaysian branch claims that it is a tax resident of Malaysia, it has to be proven to the satisfaction of the Director General of Inland Revenue Malaysia that the management and control of its affairs, businesses or any one of the foreign corporation's businesses is exercised in Malaysia.

5.5 Residence status of a Limited Liability Partnership (LLP)

An LLP may be set up to carry on business or investment activities. The resident status of an LLP carrying on these activities are determined as follows:

- (i) Pursuant to paragraph 8(1A)(a) of the ITA, an LLP carrying on a business is resident in Malaysia for the basis year for a year of assessment if at any time during that basis year the management and control of its business or of any one of its businesses, as the case may be, are exercised in Malaysia; and
- (ii) Pursuant to paragraph 8(1A)(b) of the ITA, any other LLP is resident in Malaysia for the basis year for a year of assessment if at any time during that basis year the management and control of its affairs are exercised in Malaysia by its partners.

Where a foreign LLP expands its business activities to Malaysia, the resident status is determined by virtue of paragraph 8(1A)(a) and 8(1A)(b) of the ITA.

For more information, please refer to PR No. 5/2015 titled Taxation of Limited Liability Partnership which can be downloaded from the Inland Revenue Board Malaysia's official portal at www.hasil.gov.my.

5.6 Residence status of a business trust

A business trust is resident in Malaysia for the basis year for a year of assessment if the trustee manager of that business trust is resident in Malaysia. The trustee manager is resident for the basis year for a year of assessment if –

- (i) the trustee manager in his capacity as such carries on the business of such business trust in Malaysia; and
- (j) the management and control of the business of such business trust is exercised in Malaysia.

For more information, please refer to PR No. 10/2013 titled Taxation of Business Trust which can be downloaded from the Inland Revenue Board Malaysia's official portal at www.hasil.gov.my.

5.7 Management and control

- (i) Management and control is the key factor used to ascertain the residence status of a company in Malaysia. The management and control refers to the controlling authority which determines the policies to be followed by the company. The management and control is considered to be exercised where the directors meet to conduct the company's business / affairs irrespective of where the company might be incorporated. The management and control of a business of a company would depend upon how the business is managed.

If, at any time during the basis year for a year of assessment at least one meeting of the board of directors is held in Malaysia concerning the management and control of the company, even though all other meetings are held outside Malaysia, then the company is resident in Malaysia for that basis year.

Example 4

The facts are the same as in Example 1.

The management and control is considered exercised in Malaysia on 28.6.2018 when the board of directors held their meeting in Kuala Lumpur. Although only one board of directors meeting was held in Malaysia in the year of assessment 2018, Jet Ltd. is considered a resident in Malaysia as the management and control was exercised in Malaysia in the basis year for the year of assessment 2018.

Example 5

Brad Inc was incorporated in the United States of America and operates in Malaysia through a branch since 2015. The financial accounting period of Brad Inc. ends on 31 December annually. For the years 2016 to 2018, all the board of directors meetings were held in Malaysia. All the important policy decisions of the foreign company were made during the board of directors meetings.

The management and control of Brad Inc which involved important policy decisions was exercised in Malaysia for the years 2016 to 2018 as all the board of directors meetings were held in Malaysia. Therefore, Brad Inc is resident in Malaysia for the basis year for the years of assessment 2016 to 2018. As such, the income derived from the business carried on in Malaysia is subject to tax in Malaysia for the years of assessment 2016 to 2018.

- (ii) The location of the trading activities or the place of physical operations may not necessarily be the place of management and control. A company engaged in trading activities in Malaysia will not be resident in Malaysia if it is found that not only the trading activities, e.g. manufacturing or producing and selling are controlled abroad but also that the meetings of the shareholders and directors, at which all its important affairs are conducted and controlled, are also held abroad.

Example 6

Ching Mart Stores Inc. is a Chinese retail store dealing with luxury products in China. It has set up a business in Kuala Lumpur that deals with trading activities but the management and control is exercised by the parent company in China.

Although the physical operations of the company was carried on in Malaysia but the management and control of the company was exercised outside Malaysia. Therefore, the company is not a resident in Malaysia.

- (iii) The appointment of a local director or local board of directors in Malaysia does not determine the residence status of a company. If the controlling authority is exercised by the directors who are at the company's head office overseas, then the company is not a resident in Malaysia.

Example 7

The facts are the same as in Example 2 except that the 2 local directors from Malaysia are not involved with policy decisions that control and direct the company. The 2 directors merely perform formal functions delegated by the controlling directors who are in the USA.

Although 2 local directors from Malaysia have been appointed to be on the board of directors but the policies and decisions are all made by the board of directors at the head office in USA. Therefore, the management and control is not exercised in Malaysia and the company is not a resident in Malaysia.

- (iv) Control by the directors determines the management and control of a company. The directors exercise their powers in the management of the company's affairs by virtue of the powers conferred upon them under the Articles of Association or as stipulated under the Companies Act 2016. However, control by the shareholders is not relevant for the determination of the management and control as share-holders exercise their power over the company by virtue of their voting power at formal meetings of shareholders.
- (v) The residence status of a director does not determine the residence status of a company.

5.8 Residence status of trust bodies

Pursuant to subsection 61(3) of the ITA, a trust body is deemed a resident in Malaysia for the basis year for a year of assessment only if any trustee of the trust is a resident in that basis year. However, a trust body will not be regarded as a resident if:

- (i) the trust was created outside Malaysia by a person or persons who were not citizens;
- (ii) the income of that trust body for that basis year is wholly derived from outside Malaysia;
- (iii) the trust is administered for the whole of that basis year outside Malaysia; and
- (iv) at least one-half of the number of the member trustees are not resident in Malaysia for that basis year.

6. Residence Status to Continue Once Established

Pursuant to subsection 8(2) of the ITA, when it has been established by the Director General of the Inland Revenue Board Malaysia that a company is resident in Malaysia for a given year of assessment, that company is considered a resident in Malaysia for each subsequent year of assessment until the contrary is proved.

Example 8

Rich Ltd, a company incorporated in Taiwan has its business in Taiwan, Singapore and Malaysia. The financial accounting year of the company is 30 June. All major decisions affecting the company are made at the Board of Directors meetings, all of which are held in Taiwan except for one which is held in Kuala Lumpur on 15.5.2018.

As there was one Board of Directors Meeting held in Kuala Lumpur on 15.5.2018, the management and control is considered exercised in Malaysia and the company is resident in Malaysia for the year of assessment 2018. It will continue to be considered a resident in Malaysia for the year of assessment 2019 and subsequent years of assessment until the contrary is proved.

7. Dual Residence Status and Double Taxation Avoidance Agreements

7.6 Malaysia has entered into agreements with a number of countries that avoid double taxation by allocating taxing rights over bilateral income flows between the respective treaty partners.

7.7 Dual residence is avoided between Malaysia and countries with which Malaysia has tax treaties. These treaties provide a tie-breaker residence article to determine a single country of residence. The provision of the tie breaker varies from treaty to treaty.

7.8 The Article on residence is normally Article 4 of the DTA which states the test for residence and the tie breaker for dual residence. The tie breaker test in an agreement provides that a dual resident be treated solely as a resident of the treaty partner country for purposes of the agreement. The terms of the relevant DTA should be referred to when determining tax liability. However, Malaysian resident status is still applicable for purposes of the general application of the domestic law, so that the income of companies and bodies of persons remain assessable to Malaysian tax.

8. Required Documentation to Determine the Residence Status of a Company

When trading and management and control are exercised outside Malaysia but certain directors' meetings are held in Malaysia, the following documentation may assist to determine the company's residence status:

- (i) Articles and Memorandum of Association, constitution or as stipulated under the Companies Act 2016 to ascertain where the company is registered and whether or not there are any provisions regarding residence in the articles;
- (ii) if the articles do give a place of management and control, whether the articles are being implemented;
- (iii) the company's letter head;
- (iv) minutes of directors' meetings that indicates where the meetings were held and what decisions relating to management and control were taken; and
- (v) minutes of general meetings that shows where such meetings have been held and what transpired at these meetings.

9. Updates and Amendments

Amendments																			
<p>This PR replaces the PR No. 5/2011 dated 16 Mei 2011.</p>	<p>The contents of this PR have been amended and updated as follows:</p>																		
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 20%;">Paragraph</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3</td> <td>Paragraph 3 is amended</td> </tr> <tr> <td style="text-align: center;">4.3</td> <td> <p>Explanation of item “Derivation of Dividends” is amended.</p> <p>Item “Section 108 ITA account to franked dividend” in previous PR is amended.</p> <p>Explanation of item “Tax rates” is amended.</p> </td> </tr> <tr> <td style="text-align: center;">5.2</td> <td>Example 1 and 2 are updated.</td> </tr> <tr> <td style="text-align: center;">5.4</td> <td>Paragraph 5.4 is amended.</td> </tr> <tr> <td style="text-align: center;">5.5</td> <td>New paragraph 5.5 inserted.</td> </tr> <tr> <td style="text-align: center;">5.6</td> <td>New paragraph 5.6 inserted</td> </tr> <tr> <td style="text-align: center;">5.7</td> <td> <p>Previous paragraph 5.5 renumbered as paragraph 5.7.</p> <p>Example 4 is updated.</p> <p>A new Example 5 is inserted.</p> <p>Examples 5 and 6 in the previous PR are renumbered as Examples 6 and 7.</p> <p>Example 7 in previous PR is amended and renumbered as Example 8.</p> </td> </tr> <tr> <td style="text-align: center;">5.8</td> <td>Previous paragraph 5.6 renumbered as paragraph 5.8.</td> </tr> </tbody> </table>	Paragraph	Explanation	3	Paragraph 3 is amended	4.3	<p>Explanation of item “Derivation of Dividends” is amended.</p> <p>Item “Section 108 ITA account to franked dividend” in previous PR is amended.</p> <p>Explanation of item “Tax rates” is amended.</p>	5.2	Example 1 and 2 are updated.	5.4	Paragraph 5.4 is amended.	5.5	New paragraph 5.5 inserted.	5.6	New paragraph 5.6 inserted	5.7	<p>Previous paragraph 5.5 renumbered as paragraph 5.7.</p> <p>Example 4 is updated.</p> <p>A new Example 5 is inserted.</p> <p>Examples 5 and 6 in the previous PR are renumbered as Examples 6 and 7.</p> <p>Example 7 in previous PR is amended and renumbered as Example 8.</p>	5.8	Previous paragraph 5.6 renumbered as paragraph 5.8.
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10. Disclaimer

The examples in this PR are for illustration purposes only and are not exhaustive.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**