

FREQUENTLY ASKED QUESTIONS (FAQ) ON INTERNATIONAL TAX ISSUES DUE TO COVID-19 TRAVEL RESTRICTIONS

FAQs

The following FAQs are in response to travel restrictions imposed due to the global COVID-19 pandemic. The responses are measures undertaken solely because of COVID-19 related situations. If required, additional guidance will be issued subject to the evolving situation on COVID-19.

A. RESIDENCE

No.	Question	Feedback
1.	I am currently outside of Malaysia because of COVID-19 travel restrictions. How would my absence from Malaysia affect my residence status in Malaysia?	<p>It will not affect your residence status in Malaysia.</p> <p>If you are an individual who is temporarily absent from Malaysia because of COVID-19 travel restrictions, the period of temporary absence from Malaysia because of COVID-19 travel restrictions shall be taken to form part of your period or periods in Malaysia for the purpose of tax residence.</p> <p>You should keep relevant documentations and records (e.g. travel documents, local authority travel restrictions guideline etc.), and to provide the relevant information to LHDNM upon request.</p>
2.	I am not a resident in Malaysia. Currently, I am in Malaysia because of COVID-19 travel restrictions. Would my temporary presence in Malaysia affect my residence in Malaysia?	<p>If you are an individual who is temporarily present in Malaysia because of COVID-19 travel restrictions, the period of temporary presence in Malaysia because of COVID-19 travel restrictions shall not be taken to form part of your period or periods in Malaysia for the purpose of residence status.</p> <p>You should keep relevant documentations and records (e.g. travel documents, local authority travel restrictions guideline etc.), and to provide the relevant information to LHDNM upon request.</p>
3.	My company is unable to convene a meeting of the Board of Directors (BOD) in Malaysia because of COVID-19 travel restrictions. Will this have an effect on the company's residence status in Malaysia?	<p>If your company is not able to convene its Board of Directors' meeting in Malaysia due to COVID-19 travel restrictions, LHDNM is prepared to presume the company a Malaysian resident, provided it meets all the following conditions:</p> <ol style="list-style-type: none"> a. the company is a resident in the immediate previous year of assessment; b. there are no changes to the economic circumstance of the company; and c. the directors of the company have to attend the BOD meeting held outside Malaysia (either physical meeting or via electronic means) due to COVID 19 travel restrictions.

No.	Question	Feedback
		<p>Note: Economic circumstances are the principal activities and business model of the company; the nature of the business operations and the conduct of the business in Malaysia and elsewhere; and the usual locations in which the company operates.</p> <p>The company should keep relevant documentations and records (e.g. board minutes stating why the directors were attending board meetings from their respective locations), and to provide the relevant information to LHDNM upon request.</p>
4.	<p>My company convenes a meeting of the Board of Directors (BOD) in Malaysia because of COVID-19 travel restrictions. The company is not a resident in Malaysia and does not intend to seek residence status in Malaysia.</p>	<p>If your company convenes its Board of Directors' meeting in Malaysia due to COVID-19 travel restrictions, LHDNM is prepared to presume the company a non-resident in Malaysia, provided it meets all the following conditions:</p> <ol style="list-style-type: none"> a. the company has to hold its Board of Directors meeting in Malaysia due to COVID-19 travel restrictions; and b. there are no changes to the economic circumstance of the company <p>The company should keep relevant documentations and records (e.g. board minutes stating why the directors were attending board meetings from their respective locations), and to provide the relevant information to LHDNM upon request.</p> <p>Note: Economic circumstances are the principal activities and business model of the company; the nature of the business operations and the conduct of the business in Malaysia and elsewhere; and the usual locations in which the company operates.</p>

B. PERMANENT ESTABLISHMENT

No.	Question	Feedback
5.	<p>My company is not resident in Malaysia. Does the temporary presence of my employees or personnel in Malaysia due to COVID-19 travel restrictions lead to the creation of a permanent establishment in Malaysia?</p>	<p>LHDNM will consider such temporary presence of employees or personnel does not result in the creation of a permanent establishment in Malaysia, provided it meets the following criteria:</p> <ol style="list-style-type: none"> a. your company does not have a permanent establishment in Malaysia before the existence of COVID-19 travel restrictions; b. there are no other changes to the economic circumstances of the company; c. the temporary presence of the employees in Malaysia is solely due to travel restrictions relating to COVID-19; and d. the activities performed by the employees during their temporary presence would not have been performed in Malaysia if not for the COVID-19 travel restrictions. <p>The company should keep relevant documentations and records and to provide the relevant information to LHDNM upon request.</p>

No.	Question	Feedback
		Note: Economic circumstances are the principal activities and business model of the company; the nature of the business operations and the conduct of the business in Malaysia and elsewhere; and the usual locations in which the company operates.

C. CROSS BORDER EMPLOYMENT INCOME

No.	Question	Feedback
6.	Before the MCO, I commute daily to Singapore from my home in Johor Bahru for work. Due to the MCO, I am temporarily working from home in Johor Bahru. Is my income taxable in Malaysia?	<p>If the following conditions are met:</p> <ol style="list-style-type: none"> there is no change in the contractual terms governing your employment overseas before and after your return to Malaysia; and this is a temporary work arrangement due to COVID-19 travel restrictions. <p>LHNDM is prepared to consider your employment income from your employment exercised in Malaysia as not derived from Malaysia because the exercising of the employment in Malaysia is due to COVID-19 travel restrictions.</p> <p>If all the conditions are met, your employment income for the period of your temporary work in Malaysia will not be taxable in Malaysia.</p> <p>Normal tax rules will apply to determine the taxability of your employment income for work done in Malaysia, if any of the conditions are not met.</p>
7.	I am currently temporarily working from overseas due to COVID-19 travel restrictions. Is my income taxable in the current location?	<p>If you would normally exercise your employment in Malaysia and is forced to work temporarily outside of Malaysia because of COVID-19 travel restrictions you are regarded to be exercising your employment in Malaysia. The income is deemed derived from Malaysia. Therefore, the income is still taxable in Malaysia. You may be subject to taxation in the locality where you are temporarily present if no special tax measures for COVID-19 are provided by that locality's tax authority. If you are in a state that has a tax treaty with Malaysia, you will not be taxable if you are present for less than 183 days.</p> <p>If you are in a state that has no tax treaty with Malaysia, you might be subject to taxation. In such case, you may apply for credit relief under the ITA 1967.</p>
8.	I am a non-resident individual and currently working from Malaysia because of COVID-19 travel restrictions.	<p>If the following conditions are met:</p> <ol style="list-style-type: none"> the period of your temporary presence is for a period of not more than 60 days; and the work you have done during your temporary presence is not connected to your assignment in Malaysia and would have been performed overseas if not for COVID-19 travel restrictions.

No.	Question	Feedback
		LHNDM is prepared to consider you as not exercising an employment in Malaysia for the period of your temporary presence due to COVID-19 travel restrictions and have been working remotely from Malaysia for your overseas employer during your temporary presence in Malaysia.