

# COVID-19 & ITS IMPACT MANAGING TAX CONCERNS FOR PROPERTY DEVELOPERS

6 May 2020 ( Wednesday ) | 4.00 pm to 5.15 pm

MODERATOR



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# COVID-19 & ITS IMPACT

## MANAGING TAX CONCERNS FOR PROPERTY DEVELOPERS



### Developers' Point of View

**Dato' Soo Chan Fai**

Chairman, REHDA Taskforce on Accounting Standards & Taxation  
Group Financial Controller, Ecoworld Development Group Sdn. Bhd.

REHDA WEBINAR

## Incentives and Stimulus

- Deferment of employer's EPF contribution from Apr 20 to Jun 20
- Loan moratorium for SME
- Various financial measures to support SME
- Construction is sector allowed to operate during extended MCO
- Tax instalment revision at 3<sup>rd</sup> month
- Reduction in foreign worker's levy

## Developer's concerns

- Sale and leaseback deal
- Rent with option to purchase
- Restructuring of unsold stock for refinancing purpose
- Injection of fresh capital to joint venture co
- Tax estimation
- Inter-co charges
- Valuation of investment properties

## Managing Tax Concerns for Property Developers

Steve Chia, Partner

6 May 2020



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# Managing Tax Concerns for Property Developers

**Decline in sales and delay  
in project execution**



01

**Funding  
requirements**



02

03

**Economic Stimulus  
Package (ESP)  
opportunities**



04

05



**Review of asset / land holding  
portfolios**



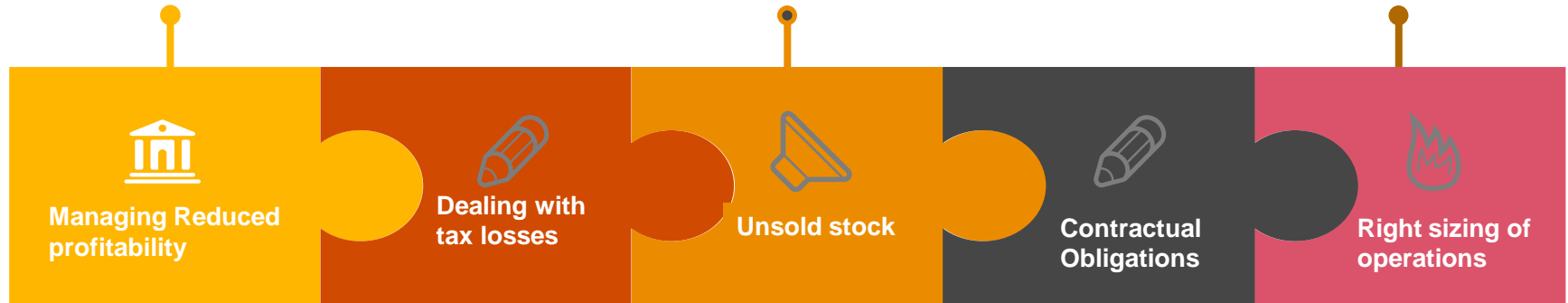
**Responding to the new  
normal**

# Declining in sales and delay in project execution

- Review tax estimate
- Review inter-company charges

- Tax implications on temporary renting out unsold stock - withdrawal of stocks?
- Robust documentation required to substantiate intention of holding the stock
- Bumi quota release - tax deductibility

- Tax considerations on business consolidation (e.g. RPGT, income tax or stamp duty)
- Tax deductibility on staff retrenchment / restructuring costs.



- Group relief (restricted to newly commenced company for up to 3 years)
- Limitation of 7 years carried forward of unutilized losses
- Opportunity to accelerate utilisation?

- Tax consideration on liquidated ascertained damages (LAD)

# Review of asset / land holding portfolios



## Impairment issues

Impairment not tax deductible



## Tax character of assets & reclassification

- Review tax character of assets (trading stock / IP / PPE)
- Consider reclassification from stock to IP/PPE or vice versa



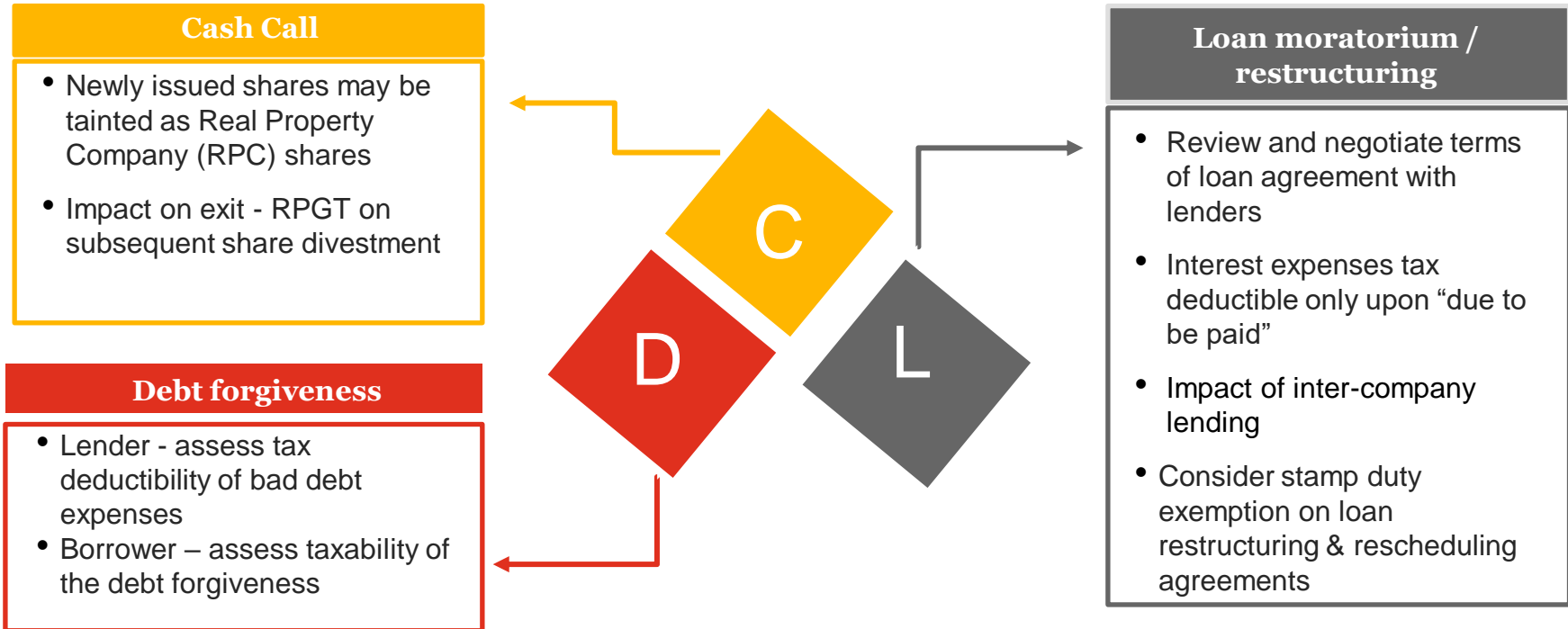
## Review of property ownership

- Consider internal restructuring
  - Assess potential tax transactions costs (e.g. stamp duty / RPGT)

- Robust supporting documents required to reflect tax character of assets
- Consider timing of reclassification of assets vis-à-vis accounting classification and its impact on tax cash flow
- Consider eligibility of tax reliefs arising from internal restructuring



# Funding requirements



# Responding to new normal



## ***Adoption of technology / automation***

- Consider tax deductibility / capital allowance claim on the investment of technology cost.
- Withholding tax / digital service tax impact for payment to foreign service provider



## ***Alternative business models***

- Rent to Own Scheme, alternative funding, etc.
- Consider tax impact

# Key tax measures from Economic Stimulus Packages

## Revision of tax estimates

Consider early revision of tax estimate in 3<sup>rd</sup> month in year 2020 rather than 6<sup>th</sup> or 9<sup>th</sup> month.

## Deferment of tax instalments

SMEs are eligible to defer 3 months tax instalment from April 2020 to June 2020 until filing of tax return

## Accelerated capital allowance (ACA) for plant & machinery

Claim of ACA on qualifying assets incurred from 1 March 2020 – 31 December 2020



## Tax deduction for renovation and refurbishment cost

Special deduction be given on renovation and refurbishment cost incurred from 1 March 2020 to 31 December 2020

## Rental deduction for landlords

Tax deduction be given to landlord for giving at least 30% rebates to SMEs from April 2020 to June 2020.

## Tax deduction for Covid-19 contribution

Deduction on donations to combat COVID-19

# Thank you

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# Managing Tax Concerns for Property Developers

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6.5.2020

- Withdrawal stock

*Sec. 24(2) of the Income Tax Act 1967 (ITA)*

- Bad debt treatment

*Sec. 34(2) of the ITA*

- Release of debt / Forgiveness of debt

*Sec. 30(4) of the ITA*

- Compensation payment to employees- retrenchment benefits etc  
*Sec. 33(1) of the ITA*
- Compensation payment for breach of contract  
*Sec. 33(1) of the ITA*
- Compensation payment received  
*Sec. 22(2)(b) of the ITA*

- Deductibility of financing costs

*Sec. 33(1) of the ITA*

- Remission application to the DG / Minister

*Sec. 129 of the ITA*

- Tax relief for employees

*Para 15(1) of Sch. 6 of the ITA*



# Thank you

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