

## **PRACTICE NOTE NO. 2/2025**

### **EXPLANATION IN RELATION TO FORMULA FOR TAX REMISSION ON GOVERNMENT GUARANTEE LOAN INSTRUMENTS UNDER THE LOANS GUARANTEE (BODIES CORPORATE) ACT 1965 (EXCLUDING INSURANCE AND TAKAFUL INDUSTRY)**

1. This Practice Note is issued to provide clarification regarding the formula for tax remission claim granted by the Minister under a loan guarantee order made pursuant to subsection 10(1) of the Loans Guarantee (Bodies Corporate) Act 1965 (LGA).
2. The loan guarantee order is the mechanism for implementation of the Minister of Finance's power under subsection 10(1) of LGA to remit any tax payable under the Income Tax Act 1967 (ITA) in respect of any money payable under any agreement, bond, promissory note or guarantee subject to the LGA.
3. Typically, the types of instruments issued and guaranteed by the Government include bonds, sukuk, medium term notes, Islamic medium-term notes and syndicated revolving credit facilities.
4. An example of the loan guarantee order is the Loans Guarantee (Bodies Corporate) (Remission of Tax and Stamp Duty) (Digital Nasional Berhad) Order 2024 [P.U.(A) 469/2024] which provides for the remission of tax and stamp duty on the GGRC-i Facility received by Digital Nasional Berhad from Maybank Islamic Berhad.
5. Taxpayers are required to comply with the conditions and restrictions stipulated in LGA and the loan guarantee order to claim for tax remission. The amount of tax remission allowable shall be calculated in accordance with the prescribed formula.

6. This practice note applies to banking institutions, financial institutions and any approved instrument holders, except insurers and reinsurers as well as takaful and retakaful operators.

7. The formula used for calculating the tax remission is as follows:

$$\frac{\text{Gross Interest or Profit Income}}{\text{Total Gross Income}} \times \text{Tax Payable}$$

8. This practice note explains the terms used in the formula in paragraph 7 as follows:-

Term	Description
Gross interest income	Interest received by the holder of a conventional financial instrument for which the issuance of that instrument has been permitted for remission of any tax payable under the ITA through the loan guarantee order under the LGA.
Gross profit income	Profits received by the holder of an Islamic financial instrument for which the issuance of that instrument has been permitted for remission of any tax payable under the ITA through the loan guarantee order under the LGA.
Tax payable	Tax payable by an instrument holder for the year of assessment the application of tax remission is made.
Total gross income	The gross income of an instrument holder from all sources of income in a basis period for a year of assessment.

Example 1:

The calculation of total gross income for Bank Kesuma Dewi for the year assessment 2025 is as follows:

Details	RM
Local interest income (Income granted for tax remission is RM1,131,455)	576,600,762
Foreign interest income	15,016,998
Fee income	324,750,200
Net investment income	2,400,314
Gross business income	918,768,274
Less: Allowable expenses	
Operation cost	(268,471,625)
Impairment MFRS 9	(75,463,846)
Adjusted income	574,832,803
Less: Capital allowance	(26,472,500)
Statutory business income (a)	548,360,303
Gross rental income	2,500,000
Less: Allowable expenses	(500,000)
Statutory rental income (b)	2,000,000
Chargeable income (a) + (b)	550,360,303
Calculation of tax payable	
Tax @ 24%	132,086,472.72
<u>Calculation of total gross income</u>	
Gross business income	918,768,274
Gross rental income	2,500,000
Total gross income	921,268,274

Bank Kesuma Dewi as the holder of a conventional financial instrument, has been granted tax remission under the ITA through a loan guarantee order issued under the LGA for local interest income amounting to RM1,131,455.

The calculation of tax remission in accordance with the prescribed formula is as follows:

$$\frac{\text{RM1,131,455}}{\text{RM921,268,274}} \times \text{RM132,086,472.72} = \text{RM162,221.91}$$

Therefore, the amount of tax remission eligible to be claimed by Bank Kesuma Dewi is RM162,221.91.

9. Beginning from the year of assessment 2025, companies may submit application for tax remission by completing and submitting the Income Tax Return Form (ITRF) via the e-Filing platform.

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

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