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PART 1 – OVERVIEW

1. Introduction

- 1.1 Under the Malaysia International Islamic Finance Centre (MIFC) initiative announced in August 2006, several tax incentives have been introduced including stamp duty exemption for instruments relating to non-ringgit Islamic finance activities executed under MIFC.
- 1.2 The stamp duty exemption was granted in 2007 by Ministerial exemption under Section 80(1A) of the Stamp Act 1949, until 2016 and applies to instruments relating to Islamic banking and takaful activities conducted in currencies other than Ringgit as well as non-ringgit Islamic securities originated in Malaysia that are approved by the Securities Commission.

2. Definition

- 2.1 “Stamp Duty Exemption” refers to the exemption from stamp duty on qualifying instruments granted in 2007 by Ministerial exemption under Section 80(1A) of the Stamp Act 1949 that is available until 31 December 2016.
- 2.2 A “qualifying person” is either:-
- (a) International Currency Business Unit of an Islamic bank licensed under Islamic Banking Act 1983 (IBA) or of an institution licensed under Banking and Financial Institutions Act 1989, approved by Bank Negara Malaysia;
 - (b) International Currency Business Unit of a takaful operator registered under the Takaful Act 1984 (TA), approved by Bank Negara Malaysia;
 - (c) International Islamic Banks licensed under the IBA; or
 - (d) International Takaful Operators registered under TA.

2.3 “qualifying instruments” are instruments on transactions denominated in currencies other than Ringgit relating to either:–

- (a) Islamic banking or takaful activities between a qualifying person and his resident or non-resident customer; or
- (b) non-ringgit Islamic securities originated in Malaysia that are approved by the Securities Commission.

3. Applicability

3.1 This circular is applicable to the qualifying instruments as defined above.

4. Objective

4.1 The objective of this circular is to provide the administrative requirement for dealings with Pejabat Duti Setem, Lembaga Hasil Dalam Negeri for the purpose of obtaining the Stamp Duty Exemption on the qualifying instruments.

PART II – STAMP DUTY EXEMPTION ADMINISTRATIVE REQUIREMENTS

5. Identification of qualifying instruments

5.1 All qualifying persons are required to specifically identify the qualifying instruments as eligible for the Stamp Duty Exemption in the manner specified under sub-paragraph 5.2.

5.2 The qualifying person shall ensure that qualifying instruments contain the following stamp duty declaration clause:-

*“It is hereby declared that this **[describe the name(s) of the transaction document(s) e.g. Master Ijarah Agreement]** is/are* instrument(s) relating to **[describe the product, e.g. Ijarah facility in the principal amount of***

USD100 million] [employed in one transaction]^, a non-ringgit Islamic finance activity conducted under Malaysia International Islamic Finance Centre, and is exempted from stamp duty pursuant to the Ministerial powers under Section 80 (1A) of the Stamp Act 1949.”

* delete as appropriate

^ delete if only one transaction document is involved

6. Presentation to Pejabat Duti Setem

- 6.1 The relevant qualifying instruments must be presented to the Pejabat Duti Setem for exemption from stamp duty endorsement.

PART III – COMPLIANCE

7. Compliance

- 7.1 The qualifying person shall ensure due compliance with the above requirement prior to presentation to the Pejabat Duti Setem.

PART IV – IMPLEMENTATION DATE

8. Implementation date

- 8.1 This circular shall be effective immediately and shall expire on 31 December 2016.