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## TNB flags financial impact after losing RM1.25 bil tax appeal



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KUALA LUMPUR (July 2): Tenaga Nasional Bhd (TNB) (KL:TENAGA) warned of a possible financial hit after the Federal Court ruled in favour of the Inland Revenue Board (IRB) in a RM1.25 billion tax dispute for the 2018 assessment year.

The Federal Court ruled on Wednesday that TNB wrongly claimed tax relief meant for manufacturers. Instead, TNB should have applied under a scheme for utility companies, since electricity is considered a utility. The court said TNB's mistake was understandable but confirmed the tax authority had the right to reject the claim.

In a filing with Bursa Malaysia, TNB said it is reviewing the financial impact

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of the court ruling, which could negatively affect its earnings and assets for the financial year ending Dec 31, 2025.

The company added it will now apply for the investment allowance under a scheme for utility companies.

The dispute focuses on how TNB's electricity generation business is classified. On July 13, 2020, the tax authority (IRB) issued a RM1.81 billion bill, saying TNB wrongly claimed a manufacturing tax incentive (Reinvestment Allowance) that does not apply to its business.

TNB challenged the notice via judi-

cial review, arguing that its core activity — transforming fuel into electricity — qualified as manufacturing under the Income Tax Act 1967's broad definition. Both the High Court and Court of Appeal agreed with this position before the Federal Court's decision.

TNB first received the RM1.81 billion tax bill in July 2020. Later, a consent order on Dec 29, 2020, removed the penalties, reducing the amount to RM1.25 billion.

Shares in TNB closed 30 sen or 2% lower at RM14.60 on Wednesday, giving the group a market capitalisation of RM85.11 billion. The stock has eased by just over 1% year to date.