IRB slaps additional RM2.1b in taxes on TNB

TENAGA Nasional Bhd (TNB) was slapped with an extra RM2.07 billion in taxes last week due to revocation of its status as manufacturer, which had allowed it tax exemptions, say industry sources.

TNB announced last week it was appealing after receiving Inland Revenue Board (IRB) notices that it owed taxes of RM985.57 million for 2013 and RM1.083 billion for 2014.

Sources said the bill came after the IRB disallowed deductions for reinvestment allowance on capital expenditure (capex) on equipment and facilities enhancement, which it previously enjoyed under the category for manufacturer, and that TNB has grounds to appeal.

“TNB spends a substantial amount of money on equipment, replacement, refurbishment and expansion for its power and sub-stations, transmission lines and other equipment to produce electricity. It is an ongoing process.

“All these expenses were allowed as tax breaks under the reinvestment allowance before. However, TNB was not categorised as a manufacturer for 2013 and 2014 and that’s why it has received the notices of demand. TNB will appeal,” a source told The Malaysian Reserve.

The notices for the RM2.07 billion additional taxes demanded by IRB is believed to be the highest in corporate Malaysia.

In 2014, TNB allocated about RM10 billion for its capex and RM8.5 billion in 2013. The bulk of its expenditure is for new supply and system maintenance and improvement to ensure system efficiency, security and reliability.

For this year, TNB is allocating about RM10.8 billion in capex, about
Backdated taxes could impact TNB’s cash reserve

FROM P1 IRB

which 50% will be channelled towards new generation projects while the balance is for investments in system maintenance and enhancement.

Meanwhile, CIMB Research in a research note said the substantial backdated taxes could impact TNB’s cash reserve, estimated at RM8.9 billion. For the financial 2015, TNB posted a net profit of RM6.12 billion and RM43.29 billion in revenue.

TNB is one of the largest companies on Bursa Malaysia with a market capitalisation of RM75.6 billion and over RM100 billion in assets.

Majority owned by national strategic fund Khazanah Nasional Bhd, TNB serves over 8.4 million customers.

Recently, TNB was in the spotlight after a Chinese firm outbid the national utility firm for 1Malaysia Development Bhd’s energy unit Edra Global Energy Bhd.

However, research houses remained positive on TNB’s future prospects despite losing to China General Nuclear Power Group (CGN) for Edra’s power assets.

In a Nov 23 note, JP Morgan Research reiterated its target price of RM20 for TNB’s stock over the next 12 months while Standard & Poor’s Ratings Services said TNB’s credit ratings and outlook remained unchanged.

Its shares have surged to multi-month highs since it lost the bid to CGN.

TNB is also currently undertaking an RM8.98 billion sukuk exercise via the Jimah East Power unit to finance the construction of its power plant. — The Malaysian Reserve