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## TNB drops lawsuit in RM1.4 bil tax dispute, as it shifts strategy and seeks utility incentives

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KUALA LUMPUR (Sept 18): Tenaga Nasional Bhd (KL: TENAGA) has withdrawn its judicial review proceedings against the Inland Revenue Board's (IRB) additional tax assessments amounting to nearly RM1.4 billion for the 2020 and 2021 financial years.

Instead, the utility giant known as TNB has submitted an application for tax incentives under Schedule 7B of the Income Tax Act 1967. Approval for this lies with the finance minister.

The move comes after a significant tax dispute defeat for TNB in July, when the Federal Court ruled against the company in a case involving RM1.25 billion additional tax for the year of assessment 2018. In a unanimous decision, the apex court found that TNB had wrongly claimed a reinvestment allowance meant for manufacturers instead of utilities.

TNB said it had filed notices of discontinuance on Sept 10, which the High Court acknowledged on Thursday, accord-

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ing to its latest bourse filing.

This effectively ends the company's legal challenge against the IRB's claims of RM685.82 million for 2020 and RM705.24 million for 2021.

TNB and the IRB have been locked in disputes since 2015 over multiple tax assessments, with RM5.05 billion in disputed sums still outstanding, according to TNB's latest annual report.

Analysts have cautioned that the unresolved cases pose risks of hefty provisions and financial strain on the group.

For the second quarter ended June 30, 2025 (2QFY2025), TNB's net profit slipped to RM1.16 billion from RM1.44 billion a year earlier, due to a swing from a cost pass-through under-recovery to an over-recovery from domestic electricity sales.

This swing indicated that TNB's fuel costs for electricity generation had dropped, leading to an over-recovery of funds that must be passed back to customers, which in turn reduced its net profit. The group booked an imbalance cost pass-through (ICPT) over-recovery of RM589.3 million, compared with an under-recovery of RM2.82 billion in 2QFY2024.

Revenue for 2QFY2025 rose 17.2% year-on-year to RM16.84 billion, as it saw higher electricity sales.

As of end-June, TNB held RM16.5 billion in cash and cash equivalents and RM7.63 billion in receivables, deposits and prepayments.

TNB shares have been under pressure since July 2, following the Federal Court ruling, when they hit a high of RM14.20. The stock ended at RM13.28 on Thursday, down 16 sen or 1.2% for the day, valuing the company at RM77.4 billion, with year-to-date losses of more than 11%.