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TNB dividend payout trend intact despite tax risk

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PETALING JAYA: Tenaga Nasional Bhd's (TNB) total taxes could potentially rise to about RM8bil, should the Inland Revenue Board (IRB) decide to further issue tax assessment for 2023-2024, says CIMB Securities Research.

The utility giant recently received a notice of additional assessment (NAA) from the IRB for 2022 amounting to RM840.1mil.

This was on top of the cumulative amount from NAA for the years 2013 to 2021 of RM5.05bil (net of remission of penalties and RM1.76bil paid to IRB in December 2020 in relation to the years 2016 to 2017), bringing the total to-date to RM5.89bil.

In a note to clients, CIMB Research said "we believe there is a risk the IRB may also potentially issue a NAA for 2023-2024".

If TNB's financial year 2023 (FY23) to FY24 capital expenditure provides any indication, the research house thinks that the additional tax assessment for 2023 to 2024 could be around RM2bil, raising the total amount for 2013 to 2024 to nearly RM8bil.

Meanwhile, TNB said it is currently evaluating its available legal options to address the latest NAA, taking into consideration that TNB has already submitted an application for Investment Allowance or IA under Schedule 7B of the Income Tax Act 1967 (including those for 2022) to the Minister of Finance or MoF.

In a separate note, UOB Kay Hian (UOBKH) Research also maintained its "buy" call on the TNB stock, with a target price of RM16.30 per share.

It believes that the share price has largely priced in the income tax-related negative newsflow, as the stock is down 9% since the news first broke out.

Commenting on the additional RM840mil tax notice from IRB, UOBKH Research expects TNB and IRB to land on a decision by end-August 2025.

UOBKH Research forecasts that TNB dividends will remain intact as dividend payout is 30% to 60% of underlying net profit.