



**INLAND REVENUE BOARD OF MALAYSIA**

**COMMERCIALISATION OF  
PUBLIC RESOURCE-BASED  
RESEARCH AND DEVELOPMENT  
FINDINGS, PART II –  
TAX INCENTIVE FOR  
ELIGIBLE COMPANY**

**PUBLIC RULING NO.     /2022**

*Translation from the original Bahasa Malaysia text*

**DATE OF PUBLICATION:     2022**



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Published by  
Inland Revenue Board of Malaysia

First edition

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<b>CONTENTS</b>	<b>Page</b>
1. Objective	1
2. Relevant Provisions of the Law	1
3. Interpretation	1
4. Introduction	3
5. Qualifying Criteria of an Eligible Company	4
6. Application and Grant of Approval for Tax Incentive	4
7. Ascertainment of Tax-Exempt Income	5
8. Disclaimer	20

**DIRECTOR GENERAL'S PUBLIC RULING**

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,  
Inland Revenue Board of Malaysia.**

## 1. Objective

This Public Ruling (PR) provides an explanation on the tax incentive available to a company, in which its holding company has made investments, for the purpose of financing a project on the commercialisation of public resource-based research and development (R&D) findings in Malaysia.

## 2. Relevant Provisions of the Law

- 2.1 This PR takes into account laws which are in force as at the date this PR is published.
- 2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 2, 8, 21, 21A, subsections 44(2) and 44(3), paragraph 127(3)(b) and Schedule 3.
- 2.3 The provisions of the Promotion of Investment Act 1986 (PIA) related to this PR are sections 2, subsections 5(1DF) and 6(1AI), sections 14, 14A, 14C, 15, 18, 21A, 21E, 21L, 23 and 25(2).
- 2.4 The relevant subsidiary legislation referred to in this PR is the Income Tax (Deduction for Investment in a Project of Commercialisation of Research and Development Findings) Rules 2005 [*P.U.(A) 269/2005*].

## 3. Interpretation

The words used in this PR have the following meaning:

- 3.1 “Production day” means the day specified as such in the pioneer certificate in accordance with section 7 of the PIA.
- 3.2 “Approved research institute” means an institute, including a company licensed under section 45 of the Companies Act 2016 [*Act 777*], approved by the Minister to mainly carry on research in an industry specified in the approval and to commercially exploit the benefit of such research.
- 3.3 “Person” includes a company, a body of persons, a limited liability partnership and a corporation sole.
- 3.4 “Investment” means an investment in the form of cash or holding of shares in a related company.
- 3.5 “Resident” means resident in Malaysia for the basis year for a year of assessment by virtue of section 8 of the ITA.

- 3.6 “Statutory income”, in relation to a person, a source and a year of assessment, means statutory income ascertained in accordance with the ITA.
- 3.7 “Research and development findings” means research and development findings in the resource-based industry wholly owned by a public research institute or public institute of higher learning in Malaysia.
- 3.8 “Commercialisation” means a process of transforming research and development findings into a product or process that has an industrial application or that is marketable.
- 3.9 “Research and development” means any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, or processes, but does not include –
- (a) quality or routine testing of materials, devices or products;
  - (b) research in the social sciences or the humanities;
  - (c) routine data collection;
  - (d) efficiency surveys or management studies;
  - (e) market research or sales promotion;
  - (f) routine modifications or changes to materials, devices, products, processes or production methods; or
  - (g) cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods.
- 3.10 “Related company” means a company in which at least 70 per centum of the issued share capital is directly owned by the company that made the investment for the purpose of a project of commercialisation.
- 3.11 “Pioneer company” means a company certified by a pioneer certificate to be a pioneer company in relation to a promoted activity or promoted product in respect of which the tax relief period has not ended or has not ceased.
- 3.12 “Year of assessment” means calendar year.

3.13 “Basis period” in relation to a person, a source of his and a year of assessment, means such basis period, if any, as is ascertained in accordance with section 21 or section 21A of the ITA.

3.14 “Tax relief period”, in relation to a pioneer company, means the period ascertained in accordance with section 14 of the PIA and any extension of that period under section 14A of the PIA.

#### 4. Introduction

The commercialisation of resource-based R&D findings developed by approved public institutions of higher learning or public research institutes have long been encouraged in Malaysia. It involves the transformation of resource-based R&D findings into new resource-based products or activities, or new process technology so that the R&D outcomes have an industrial application or is marketable. Resource-based R&D findings covers R&D in the following sectors -

- (a) agriculture;
- (b) agriculture and food processing;
- (c) oil palm products;
- (d) wood and wood-based products;
- (e) rubber-based products;
- (f) non-metallic mineral products;
- (g) natural products including pharmaceuticals; and
- (h) natural resources such as water, air, lightning and solar.

Tax incentives under the APP have been provided for both eligible company, which is, the eligible company that receive investments to commercialize public resource-based R&D findings from eligible investor company, and eligible investor company that finance investments to commercialize public resource-based R&D by eligible company, if all the necessary requirements are fulfil by both eligible companies.

For further information on the tax incentives available to an investor company, please refer to PR No. /2022 titled Commercialisation of Public Resource-Based R&D Findings, Part I – Tax Incentive for Investor Company, which is available at [www.hasil.gov.my](http://www.hasil.gov.my), the official portal of the Inland Revenue Board of Malaysia (IRBM).

## 5. Qualifying Criteria of an Eligible Company

A company which receives financing from an investor company (holding company) for a project on the commercialisation of resource-based R&D findings developed by the public sector would qualify for a tax incentive if it fulfils all of the following criteria–

- (a) incorporated under the Companies Act 2016 [Act 777];
- (b) resident in Malaysia;
- (c) at least 70% of its equity is directly owned by the investor company; and
- (d) at least 70% of the equity of the investor company is Malaysian owned.

In other words, both the holding company which makes an investment and the related company that is the recipient of the investment for the purpose of undertaking the commercialisation of public resource-based R&D findings would have to fulfil the required criteria to be able to enjoy the available tax incentives.

## 6. Application and Grant of Approval for Tax Incentives

Any eligible company that intends to undertake a project on the commercialisation of public resource-based R&D findings, and intending to construct a factory or have an existing factory in Malaysia to be occupied for the said project, may apply for a tax incentive.

### 6.1 Application for a tax incentive

An application form for the tax incentive is to be submitted to the Malaysian Industrial Development Authority (MIDA). For further information on the eligibility criteria and the procedure for the application, please refer to MIDA's website at [www.mida.gov.my](http://www.mida.gov.my) on Guidelines for the Application for Incentive for Commercialisation of Public Sector R&D Findings in Resource-Based Industries and Non Resource-Based Industries. Application for tax incentives by both the investor company and its related company undertaking the commercialisation of the public resource-based R&D findings are to be submitted together to MIDA.

### 6.2 Grant of Approval

- (a) Eligible company would be granted pioneer status by the Minister of International Trade and Industry with the concurrence in writing of the Minister of Finance if tax incentive is approved.

- (b) Project of commercialisation of public resource-based R&D findings undertaken by an eligible company should commence within one (1) year from the date of approval issued by MIDA. The investor company would be entitled to an approved tax incentive if the commercialisation commences within the stipulated period.
- (c) Eligible company is required to apply for a pioneer certificate within twenty four (24) months from the date the pioneer status is granted. The production date would be specified in the pioneer certificate and is the day the company commences to produce marketable quantities of the resource-based pioneer product of not less than 30% of the rated production capacity.
- (d) The pioneer status would be for a tax relief period of five (5) years from the date determined by the Minister as the production day. The eligible company may apply for an extension of the tax relief period for the next five (5) years in writing to the Minister within thirty (30) days or any such extension period allowed by the Minister after the expiry of the tax relief period of first five (5) years.

#### 6.3 Withdrawal of pioneer status

The pioneer status granted may be withdrawn if the company contravenes any provisions in the PIA or any conditions imposed by the Minister upon the grant of the incentive.

#### 6.4 Surrender of pioneer status or pioneer certificate

A company which has been granted pioneer status or issued a pioneer certificate may at any time surrender such status or certificate by giving a notice in writing to the Minister. The Minister may approve such surrender if he satisfied and it shall have effect retrospectively.

### 7. Ascertainment of Tax-Exempt Income

An eligible company which has been granted pioneer status for undertaking a project on the commercialisation of a public resource-based R&D findings is considered a pioneer company carrying on a pioneer business during the tax relief period.

#### 7.1 Exemption under pioneer status

A pioneer company undertaking a pioneer business for the commercialisation of public resource-based R&D findings would be granted a 100% tax exemption of its statutory income derived from the pioneer business for a



period of five (5) years from the date determined by the Minister as the production day. The company may apply for an extension of the tax relief period for the next five (5) years in writing to the Minister within thirty (30) days or any such extension period allowed by the Minister after the expiry of the tax relief period of first five (5) years.

## 7.2 Pioneer business and post-pioneer business are separate businesses

A pioneer business in respect of the project on the commercialisation of a public resource-based R&D finding carried on during the tax relief period is deemed to have permanently ceased on the last day of the tax relief period. A new business would be deemed to have been set up and commenced on the day following the end of the pioneer period. A pioneer business is treated as a separate business from the post-pioneer business.

## 7.3 Accounts of a pioneer business and a post-pioneer business

### (a) Pioneer business

The pioneer company must prepare the accounts of a pioneer business as follows:

- (i) for a period not exceeding one (1) year commencing at the date when the pioneer business of the company commenced;
- (ii) for successive periods of one (1) year thereafter; and
- (iii) for the period not exceeding one (1) year ending at the date when its tax relief period ends.

### (b) Post-pioneer business

A pioneer company would usually continue to operate the same pioneer business after the end of the tax relief period. The pioneer company is deemed to have set up and commenced a new business i.e. post-pioneer business. Hence the closing balance in respect of its assets and liabilities as shown in its last accounts in respect of its tax relief period should be taken as the opening balance for the first accounts of post-pioneer business of that company. The accounts following the first accounts are to be made up by reference to the closing accounts in the first accounts and so forth.

The basis period for accounts of the post-pioneer business has to be made up as below –

- (i) the basis period for the year of assessment of the pioneer business, in which the day of commencement of the post-pioneer business falls is the basis period of that year of assessment of the post-pioneer business; and
- (ii) there is no basis period for the post-pioneer business for any year of assessment prior to the year of assessment referred in the paragraph 7.3(b)(i) of this KU.

### **Example 1**

AA Sdn Bhd, an eligible company was granted pioneer status for undertaking a project on the commercialisation of a public resource-based R&D finding. AA Sdn Bhd closes its accounts on 31 December annually and its production day was determined to be 1.6.2017.

The tax relief period of five (5) years is from 1.6.2017 to 31.5.2022. The company has been given an extension of tax relief period for five (5) years from 1.6.2022 to 31.5.2026. The basis period for each year of assessment during the pioneer period is as follows:

<b>Year of Assessment</b>	<b>Basis Period</b>
2017	1.6.2017 to 31.12.2017 (7 months)
2018	1.1.2018 to 31.12.2018
2019	1.1.2019 to 31.12.2019
2020	1.1.2020 to 31.12.2020
2021	1.1.2021 to 31.12.2021
2022	1.1.2022 to 31.12.2022
2023	1.1.2023 to 31.12.2023
2024	1.1.2024 to 31.12.2024
2025	1.1.2025 to 31.12.2025
2026	1.1.2026 to 31.5.2026 (5 months)

The first basis period for pioneer business of a company for the year of assessment 2017 was a period not exceeding one (1) year commencing from the production day on 1.6.2017 to 31.12.2017. For the years of assessment 2018 to 2025, the basis periods are successive periods. The final basis period of the pioneer business is for a period not exceeding one (1) year ending on the date when the pioneer period ends i.e. on 31.5.2026.

The basis period for the year of assessment for the post-pioneer period is as follows:

<b>Year of Assessment</b>	<b>Basis Period</b>
2026	1.6.2026 to 31.12.2026 (7 months)
2027	1.1.2027 to 31.12.2027

The basis period a post-pioneer business commence on the first day of the post-pioneer business falls i.e. on 1.6.2026. This basis period will constitute the first basis period of post-pioneer company for year of assessment 2026 i.e 1.6.2026 to 31.12.2026. There is no basis period for the post-pioneer business for any year of assessment preceding year of assessment 2026.

#### 7.4 Capital allowances

Generally, a person would be allowed to claim or not to claim capital allowances and/or industrial building allowance (as the case may be) to arrive at the statutory income from a business. However, for a pioneer company, during the tax relief period, the statutory income for any accounting period is ascertained after deducting capital allowances and/or industrial building allowances under Schedule 3 of the ITA regardless that no claim has been made for the capital allowances.

##### (a) Unabsorbed capital allowances

Where an asset has been used for the purpose of a pre-pioneer business, any unabsorbed capital allowances at the end of the pre-pioneer period is deemed as an allowance to be utilised in the pioneer business in the basis period in which the pioneer business commences. For a pioneer company whose tax relief period ends on or after 1.10.2005, any unabsorbed capital allowances at the end of the tax relief period can be carried forward to the post pioneer period and deducted from the same business source.

##### (b) Same asset used for pioneer business and non-pioneer business

Where in a basis period for a year of assessment, a particular asset is used for a pioneer business related to the commercialisation of public resource-based R&D findings, and this same asset is also used for the purposes of –

- (i) an activity or producing a product which is not a promoted activity or promoted product; or

- (ii) an activity or product which is a promoted activity or promoted product in respect of which the pioneer company has been granted pioneer status and whose tax relief period has expired,

the capital allowances of the said asset that is attributable to the extent the said asset is used for the purpose of (i) or (ii) above has to be determined. Only a reasonable portion of the capital allowances attributable to the pioneer business is allowed as a deduction against the adjusted income from the pioneer business to arrive at the statutory income.

For more information on the apportionment of capital allowances for assets used in more than one business, please refer to PR No. 5/2014 titled Ownership and Use of Asset for the Purpose of Claiming Capital Allowances available at [www.hasil.gov.my](http://www.hasil.gov.my), the official portal of the IRBM.

- (c) Assets used in pre-pioneer business continues to be used in pioneer business

If a pioneer company has been using an asset in its pre-pioneer business and if that same asset continues to be used in its pioneer business, the –

- (i) residual expenditure as at the end of the basis period for the year of assessment immediately prior to the year of assessment in the basis period in which the day of commencement of the pioneer business falls, is deemed to be residual expenditure of that asset on the day of the commencement of the pioneer business;
- (ii) where the same asset of a pioneer company that is used in a pre-pioneer business continues to be used in the pioneer business and that same asset is also used for the purposes as stated in paragraph 7.4(b)(i) and 7.4(b)(ii) of this PR, the residual expenditure arrived at as explained in paragraph 7.4(c)(i) of this PR is to be reduced by the residual expenditure attributable to the activities mentioned in paragraph 7.4(b)(i) and 7.4(b)(ii) of this PR; and
- (iii) capital expenditure incurred on that asset by the pioneer company during the basis period in which the date of cessation of the pre-pioneer business falls, is deemed to have been incurred on the day of commencement of the pioneer business.

- (d) Assets used in pioneer business continues to be used in post-pioneer business

If a pioneer company has been using an asset in its pioneer business and that same asset continues to be used in its post-pioneer business

–

- (i) the residual expenditure as at the end of the basis period for the year of assessment immediately prior to the year of assessment in the basis period in which the day of commencement of the post-pioneer business falls, is deemed to be the residual expenditure of that asset on the day of commencement of that post-pioneer business;
- (ii) where the same asset of a pioneer company that is used in a pioneer business continues to be used in the post-pioneer business and that same asset is also used for the purposes as stated in paragraph 7.4(b)(i) and 7.4(b)(ii) of this PR, the residual expenditure arrived at as explained in paragraph 7.4(d)(i) of this PR is to be reduced by the residual expenditure attributable to the activities mentioned in paragraph 7.4(b)(i) and 7.4(b)(ii) of this PR; and
- (iii) capital expenditure incurred on that said asset by the pioneer company during the basis period in which the date of cessation of the pioneer business falls, is deemed to be incurred on the day of commencement of the post-pioneer business.

**Example 2**

Same facts as in Example 1 and the pre-pioneer period is as follows:

Year of Assessment	Basis Period
2016	1.1.2016 to 31.12.2016
2017	1.1.2017 to 31.5.2017

A machinery costing RM600,000 was purchased on 1.2.2016 and an additional machine costing RM300,000 is purchased on 1.2.2022.

The residual expenditure of the same assets used by a pioneer company in its pre-pioneer and pioneer, as well as pioneer and post-pioneer business are determined in the relevant basis period as follows:



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Year of Assessment	Basis Period		
	Pre Pioneer	Pioneer	Post Pioneer
2016	1.1.2016 - 31.12.2016		
2017	1.1.2017 - 31.5.2017	1.6.2017 - 31.12.2017	
Year of Assessment	Basis Period		
	Pre Pioneer	Pioneer	Post Pioneer
2018		1.1.2018 - 31.12.2018	
2019		1.1.2019 - 31.12.2019	
2020		1.1.2020 - 31.12.2020	
2021		1.1.2021 - 31.12.2021	
2022		1.1.2022 - 31.12.2022	
2023		1.1.2023 - 31.12.2023	
2024		1.1.2024 - 31.12.2024	
2025		1.1.2025 - 31.12.2025	
2026		1.1.2026 - 31.5.2026	1.6.2026 - 31.12.2026
2027			1.1.2027 - 31.12.2027

**(a) Asset used in pre-pioneer business continues to be used in pioneer business**

Pre-pioneer period            1.1.2016 to 31.5.2017

Cost of machine                RM600,000

Date of purchase                1.2.2016 (during pre-pioneer period)

Capital expenditure of RM600,000 is deemed incurred on 1.6.2017 and capital allowances are claimed in the pioneer business in the year of assessment 2017.

**Computation of Capital Allowances**

<b>Year of Assessment 2016 (1.1.2016 to 31.12.2016)</b>	<b>RM</b>	<b>RM</b>
Qualifying capital expenditure on machine		600,000
Less:		
Initial allowance (20%)	120,000	
Annual allowance (20%)	120,000	240,000
Residual expenditure		<u>360,000<sup>1</sup></u>
 <b>Year of Assessment 2017 (1<sup>st</sup> pioneer period)</b>		
Less: Annual allowance (20%)		<u>120,000</u>
Residual expenditure		240,000
 <b>Year of Assessment 2018</b>		
Less: Annual allowance (20%)		<u>120,000</u>
Residual expenditure		120,000
 <b>Year of Assessment 2019</b>		
Less: Annual allowance (20%)		<u>120,000</u>
Residual expenditure		<u>Nil</u>

**Note:**

<sup>1</sup> Residual expenditure as at the end of the basis period for the year of assessment 2016 pre-pioneer business, is deemed to be residual expenditure of that assets on the day of commencement of pioneer business of the basis period for the year of assessment 2017.

**(b) Asset used in pioneer business continues to be used in post pioneer business**

Tax relief period	1.6.2017 to 31.5.2026
Cost of machine	RM300,000
Date of purchase	1.2.2022 (during pioneer period)

Capital expenditure of RM300,000 is deemed incurred on 1.6.2026 and capital allowances are claimed in the post-pioneer business in the year of assessment 2026.

### Computation of Capital Allowances

<b>Year of Assessment 2023 (1.1.2023 to 31.12.2023)</b>	<b>RM</b>	<b>RM</b>
Qualifying capital expenditure on machine		300,000
Less:		
Initial allowance (20%)	60,000	
Annual allowance (20%)	60,000	120,000
Residual expenditure		180,000 <sup>2</sup>
<b>Year of Assessment 2024</b>		
Less: Annual allowance (20%)		60,000
Residual expenditure		120,000
<b>Year of Assessment 2025</b>		
Less: Annual allowance (20%)		60,000
Residual expenditure		60,000
<b>Year of Assessment 2026 (1<sup>st</sup> post pioneer period)</b>		
Less: Annual allowance (20%)		60,000
Residual expenditure		Nil

**Note:**

<sup>2</sup> Residual expenditure as at the end of the basis period for the year of assessment 2023 pioneer business, is deemed to be residual expenditure of that assets on the day of commencement of post-pioneer business of the basis period for the year of assessment 2024.

#### 7.5 Computation of income during tax relief period

For the purpose of computing the income of a pioneer company granted pioneer status in respect of the pioneer business of commercialising public resource-based R&D findings during the tax relief period –

- (a) the pioneer company would be subject to the conditions specified (if any) in the pioneer certificate of the company;



- (b) the income of a pioneer company for each accounting period of its pioneer business is to be computed in accordance with the ITA by –
- (i) treating each accounting period (which includes the last day of the relevant accounting period) as the basis period for the year of assessment; and
  - (ii) ascertaining the income as if it were the statutory income from the pioneer business for that year of assessment.

#### 7.6 Restriction of statutory income from a pioneer business

In ascertaining the statutory income from the pioneer business in respect of the commercialisation of public resource-based R&D findings for the basis period for a year of assessment, the tax-exempt statutory income of the pioneer company in respect of the pioneer business is to be reduced by the adjusted loss of the business related to -

- (a) a non-promoted activity or the manufacture of a non-promoted product;
- (b) a promoted activity or the manufacture of a promoted product which has not been granted a tax incentive in the form of pioneer status or investment tax allowance; and
- (c) a promoted activity or the manufacture of a promoted product which has been granted tax incentive in the form of pioneer status or investment tax allowance but such tax incentive has expired.

The losses related to the above-mentioned businesses is to be deducted against the statutory income of the pioneer company in respect of its pioneer business and the said losses are to be disregarded for purposes of deduction under subsection 43(2) and 44(2) of the ITA. In other words, once an amount of loss has been set off against the statutory income from the pioneer business, that same amount of losses cannot be used to set off other income of the pioneer company such as income from a non-pioneer business or investments.

#### 7.7 Loss incurred in the tax relief period

A pioneer company carrying on a pioneer business in respect of the commercialising of public resource-based R&D findings, that incurs a current year pioneer loss during the tax relief period, is only allowed to set off such losses against the pioneer business or businesses (if more than one). The set-off is in the like manner of subsections 43(2) and 44(2) of the ITA. In other

words, current year pioneer loss is not allowed to be set off against the current year aggregate income from a non-pioneer business and investments of the pioneer company.

Effective year of assessment 2019, any unabsorbed pioneer losses after the end of the tax relief period are only allowed to be carried forward for a maximum period of ten (10) consecutive years of assessment. The ten (10) consecutive year of assessment commences immediately following the basis period year of assessment when the tax relief period ends. Any unabsorbed pioneer loss after the ten (10) consecutive years of assessment are to be disregarded.

Pursuant to a special provision, accumulated unabsorbed pioneer losses until the year of assessment 2018, are allowed to be carried forward up to a maximum of ten (10) years of assessment commencing from the year of assessment 2019 to 2028. Any accumulated unabsorbed pioneer loss after the year of assessment 2028 are to be disregarded.

7.8 Exempt income of a pioneer company must be credited to an exempt account. Summary of the computation to ascertain the tax-exempt income of a pioneer business in respect of the commercialisation of public resource-based R&D findings is as follows -

<b>Details</b>	<b>RM</b>	<b>RM</b>
<b>Pioneer business</b>		
Adjusted income		XX
Less:		
Capital allowances (deemed claimed)		XX
Statutory income from pioneer business (100% exempted)		XX
Less:		
Current year adjusted losses from non-pioneer business	XX	
Unabsorbed pioneer losses brought forward (b/f)	XX	XX
Amount credited into exempt account		XX

**Example 3**

A holding company made an investments in its wholly owned subsidiary, XY Sdn Bhd to undertake the commercialisation of public resource-based R&D findings. XY Sdn Bhd made an application for pioneer status on 1.10.2016 and was granted an approval on 1.2.2017. The pioneer certificate stated that

the production day was 1.9.2017. The company closes its accounts on 31 December annually. Details of the company's income and capital allowances for last three (3) years of assessment 2017 to 2019 are as follows:

<b>Year of assessment</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Year ended</b>	31.12.2017	31.12.2018	31.12.2019
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-pioneer business</b>			
Adjusted income/ (loss)	(20,000) <sup>3</sup>	(60,000) <sup>7</sup>	100,000 <sup>11</sup>
Capital allowances	2,000 <sup>4</sup>	1,000 <sup>8</sup>	1,000 <sup>12</sup>
<b>Pioneer business</b>			
Adjusted income/ (loss)	(180,000) <sup>5</sup>	100,000 <sup>9</sup>	200,000 <sup>13</sup>
Capital allowances	50,000 <sup>6</sup>	10,000 <sup>10</sup>	10,000 <sup>14</sup>
Statutory income from rental	120,000	120,000	120,000

The tax relief period for XY Sdn Bhd is 10 years from 1.9.2017 to 31.8.2027.

#### **Computation of Chargeable Income for Year of Assessment 2017**

<b>Particulars</b>	<b>RM</b>	<b>RM</b>
<b>Non-pioneer business</b>		
Adjusted income (Current year adjusted losses – RM20,000 <sup>3</sup> )		Nil
Less: Capital allowances (Unabsorbed capital allowances carried forward (c/f) – RM2,000 <sup>4</sup> )		Nil
Statutory income from non-pioneer business		Nil

Particulars	RM	RM
<b>Pioneer business</b>		
Adjusted income (Current year adjusted pioneer losses – RM180,000 <sup>5</sup> )	Nil	
Less: Capital allowances (Unabsorbed capital allowances c/f – RM50,000 <sup>6</sup> )	Nil	
Statutory income from pioneer business (100% exempted) / Attributable pioneer income	Nil	Nil
Exempt income credited to exempt account	Nil	
Aggregate statutory income from business sources		Nil
<b>Income other than business sources</b>		
Statutory income from rental [paragraph 4(d) of the ITA]		120,000
Aggregate income		120,000
Less:		
Current year adjusted losses from non-pioneer business [paragraph 44(2) of the ITA]		(20,000) <sup>3</sup>
Total income / Chargeable income		100,000

**Computation of Chargeable Income for Year of Assessment 2018**

Particulars	RM	RM	RM
<b>Non-pioneer business</b>			
Adjusted income (Current year adjusted losses – RM60,000 <sup>7</sup> )			Nil



**COMMERCIALISATION OF PUBLIC  
RESOURCE-BASED RESEARCH AND  
DEVELOPMENT FINDINGS  
PART II – TAX INCENTIVE FOR  
ELIGIBLE COMPANY**

**INLAND REVENUE BOARD OF MALAYSIA**

**Public Ruling No.  
Date of Publication:**

**/2022  
2022**

Particulars	RM	RM	RM
Less: Capital allowances			Nil
Unabsorbed capital allowances b/f		2,000 <sup>4</sup>	
Current year capital allowances		1,000 <sup>8</sup>	
Unabsorbed capital allowances c/f		3,000 <sup>15</sup>	
Statutory income from non-pioneer business			Nil
<b>Pioneer business</b>			
Adjusted income		100,000 <sup>9</sup>	
Less: Capital allowances			
Unabsorbed capital allowances b/f	50,000 <sup>6</sup>		
Current year capital allowances	10,000 <sup>10</sup>		
Capital allowances utilised		60,000	
Statutory income from pioneer business (100% exempted) / Attributable pioneer income		40,000	Nil
Less:			
Unabsorbed adjusted pioneer losses utilized (restricted)		40,000 <sup>16</sup>	
Exempt income credited to exempt account		Nil	
Unabsorbed adjusted pioneer losses b/f	180,000 <sup>5</sup>		
Unabsorbed adjusted pioneer losses utilized (restricted)	40,000 <sup>16</sup>		
Unabsorbed adjusted pioneer losses c/f	140,000 <sup>17</sup>		
Aggregate statutory income from business sources			Nil

Particulars	RM	RM	RM
<b>Income other than business sources</b>			
Statutory income from rental [paragraph 4(d) of the ITA]			120,000
Aggregate income			120,000
Less:			
Current year adjusted losses from non-pioneer business [paragraph 44(2) of the ITA]			(60,000) <sup>7</sup>
Total income / Chargeable income			60,000

**Computation of Chargeable Income for Year of Assessment 2019**

Particulars	RM	RM
<b>Non-pioneer business</b>		
Adjusted income		100,000 <sup>11</sup>
Less: Capital allowances		
Unabsorbed capital allowances b/f	3,000 <sup>15</sup>	
Current year capital allowances	1,000 <sup>12</sup>	
Capital allowances utilised		4,000
Statutory income from non-pioneer business		96,000
<b>Pioneer business</b>		
Adjusted income	200,000 <sup>13</sup>	
Less: Current year capital allowances	10,000 <sup>14</sup>	
Statutory income from pioneer business (100% exempted) / Attributable pioneer income	190,000	Nil
Less:		
Unabsorbed adjusted pioneer losses utilized	140,000 <sup>17</sup>	



COMMERCIALISATION OF PUBLIC  
RESOURCE-BASED RESEARCH AND  
DEVELOPMENT FINDINGS  
PART II – TAX INCENTIVE FOR  
ELIGIBLE COMPANY

INLAND REVENUE BOARD OF MALAYSIA

Public Ruling No.  
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/2022  
2022

Particulars	RM	RM
Exempt income credited to exempt account	50,000	
Aggregate statutory income from business sources		96,000
<b>Income other than business sources</b>		
Statutory income from rental [paragraph 4(d) of the ITA		120,000
Aggregate income / Total income / Chargeable income		100,000

**Note:**

<sup>17</sup> The accumulated pioneer loss of RM140,000 until at the end of year of assessment 2018 can be carried forward from the year of assessment 2019 to 2028. However, the loss was fully absorbed in the year of assessment 2019.

8. **Disclaimer**

The examples in this PR are for illustration purposes only and are not exhaustive.

This PR should be read together with PR No. /2022 titled Commercialisation of Public Resource-Based Research and Development Findings, Part I – Tax Incentive for Investor Company, which is available at [www.hasil.gov.my](http://www.hasil.gov.my), the official portal of IRBM.

Director General of Inland Revenue,  
Inland Revenue Board of Malaysia.