



INLAND REVENUE BOARD OF MALAYSIA

ACCELERATED CAPITAL ALLOWANCE

PUBLIC RULING NO. 4/2013

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DIRECTOR GENERAL'S PUBLIC RULING

A Public Ruling as provided for under section 138A of the Income Tax Act 1967 is issued for the purpose of providing guidance for the public and officers of the Inland Revenue Board Of Malaysia. It sets out the interpretation of the Director General of Inland Revenue in respect of the particular tax law, and the policy and procedure that are to be applied.

A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling.

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

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1. Objective

The objective of this Ruling is to explain the qualifying capital expenditure incurred by a person in the provision of plant and machinery for business purposes.

2. Related Provisions

The relevant provisions of the Income Tax Act 1967 (ITA 1967) and the relevant Income Tax Rules are as follows :

- 2.1. Paragraph 2, paragraphs 10 to 19A and paragraph 71 Schedule 3, ITA 1967
- 2.2. Income Tax (Accelerated Capital Allowance) (Recycling of Wastes) Rules 2000 [P.U.(A) 505]
- 2.3. Income Tax (Accelerated Capital Allowance) (Reinvestment In A Qualifying Project) Rules 2000 [P.U.(A) 506]
- 2.4. Income Tax (Accelerated Capital Allowance) (Conservation of Energy) Rules 2003 [P.U.(A) 349]
- 2.5. Income Tax (Accelerated Capital Allowance) (Power Quality Equipment) Rules 2005 [P.U.(A) 87]
- 2.6. Income Tax (Accelerated Capital Allowance) (Machinery and Equipment For Agriculture Sector) Rules 2005 [P.U.(A) 188]
- 2.7. Income Tax (Accelerated Capital Allowance) (Conservation of Energy) (Revocation) Rules 2006 [P.U.(A) 64]
- 2.8. Income Tax (Accelerated Capital Allowance) (Moulds for The Production of Industrialised Building System Components) Rules 2006 [P.U. (A) 249]
- 2.9. Income Tax (Accelerated Capital Allowance) (Plant and Machinery) (Bus) Rules 2008 [P.U.(A) 356]
- 2.10. Income Tax (Accelerated Capital Allowance) (Plant and Machinery) Rules 2008 [P.U.(A) 357]
- 2.11. Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2008 [P.U.(A) 358]
- 2.12. Income Tax (Accelerated Capital Allowance) (Security Control Equipment and Monitor Equipment) Rules 2008 [P.U.(A) 359]
- 2.13. Income Tax (Accelerated Capital Allowance) (Plant and Machinery) Rules 2009 [P.U.(A) 111]

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- 2.14. Income Tax (Accelerated Capital Allowance) (Security Control Equipment and Monitor Equipment) Rules 2013 [P.U.(A) 4].

3. Interpretation

The words used in this Ruling have the following meaning:

- 3.1. "Moulds" for the purposes of the Income Tax (Accelerated Capital Allowance) (Moulds for the production of the Industrialised Building System components) Rules 2006 means precast concrete moulds.
- 3.2. "Assets" means plant or machinery used for the purpose of a business on which qualifying plant expenditure has been incurred.
- 3.3. "Plant or Machinery" as provided for in Schedule 3 of the ITA 1967 include motor vehicles, heavy machinery, plant and equipment (general), office equipment, furniture and any capital expenditure for the purchase of a plant and machinery used in a person's business.
- 3.4. "Disposal" means sold, conveyed, transferred, assigned, or alienated with or without consideration, but does not include damaged due to accident, fire or natural disaster.
- 3.5. "Person" includes a company, limited liability partnership, cooperatives, partnerships, clubs, associations, an association, Hindu Joint Family, the Trust, the administrator of the estate and the individual, but does not include a unit trust which shall be conducted pursuant to section 63A of the ITA 1967.
- 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 1967.
- 3.7. "Beneficial owner" means a person who has committed the qualifying plant expenditure in relation to, or who have paid for, an asset and the person is able to prove the claim with documents or other evidence [e.g. relevant entries in account books of business, supported by documents such as invoices, vouchers and receipts].
- 3.8. "Legal owner" means the person in whose name the asset is registered or otherwise recorded [examples : certificate of registration for a motor vehicle, warranty certificate for a machine, etc.].

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- 3.9. "Tax computation" means the working sheets, statements, schedules, calculations and other supporting documents forming the basis upon which an income tax return is made that are required to be submitted together with Income Tax Return Form (ITRF) or maintained by the person making the return.
- 3.10. Any reference to **owner** may also be construed as a reference to owners where the context so permits or requires.
- 3.11 "Assessment" means any assessment or additional assessment made under the ITA 1967.
- 3.12 "Basis year" in relation to a year of assessment for a business source is the basis period for that year of assessment.
- 3.13 "Year of assessment" means calendar year.
- 3.14 "Basis period" in relation to gross income from business source is ascertained by section 20 of the ITA 1967.

4. Capital Allowance

Generally, to be eligible for capital allowance (CA), a person has to meet the following conditions :

- (a) He was carrying on a business during the basis period
- (b) He has incurred qualifying expenditure in the basis period
- (c) The asset was used for purposes of a business, and
- (d) At the end of the basis period, he was the owner of the asset and the asset was in use.

5. Qualifying Expenditure

Qualifying expenditure (QE) on plant and machinery includes the following expenditures:

- (a) Expenditure incurred in the provision of the asset consisting cost of plant and machinery and the cost of installation.
- (b) Expenditure incurred on alteration of an existing building or structure for the purposes of installing plant or machinery including incidental expenses incurred in the installation.

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- (c) Expenditure incurred on preparing, cutting, tunnelling or leveling land to prepare a site for the installation of plant and machinery.
- (d) Expenditure incurred on fish ponds, animal pens, chicken coops, cages, buildings and other structures, improvements in the area used for the purpose of poultry, livestock, inland fisheries or agricultural or pasture to another.
- (e) For vehicles which is not licensed for commercial transportation of goods or passengers, QE is restricted to RM50,000 from year of assessment 1991. With effect from year of assessment 2001, QE was increased to RM100,000 for vehicles purchased on or after 28.10.2000 on condition the vehicles are new and the total cost does not exceed RM150,000. For vehicles costing more than RM150,000, QE is restricted to RM50,000.

For a more detailed discussion on QE for CA, please refer to Public Ruling No.1/2001: Ownership Of Plant And Machinery For The Purpose Of Claiming Capital Allowances and Public Ruling No. 2/2001: Computation Of Initial and Annual Allowances In Respect Of Plant and Machinery dated 18.01.2001.

6. Standard Rates Of Allowances Under Schedule 3 Of ITA 1967

Standard rates of allowances provided under Schedule 3 of ITA 1967 are summarized as follows:

Type Of Allowance	Qualifying Asset	Rates Of Allowance	
		Initial Allowance	Annual Allowance
Capital Allowance	Heavy machinery and motor vehicle	20%	20%
	Plant and machinery	20%	14%
	Others	20%	10%
Industrial Building Allowance	Industrial building as defined under paragraphs 63 and 64 of Schedule 3 of the ITA 1967	10%	3%
Agriculture Allowance	Clearing land, planting crops, roads and bridges	-	50%
	Building used in farming business		10%
	Living accommodation for workers		20%

Forest Allowance	Roads and buildings for timber extraction	-	10%
	Living accommodation for workers		20%

7. Special Rates Of Allowances

Special rates of allowances provided under Schedule 3 of ITA 1967 and Income Tax Rules may be categorized to accelerated capital allowance, accelerated or special rate of industrial building allowance, and accelerated agriculture allowance.

7.1 Accelerated capital allowance (ACA)

Further information regarding Income Tax Rules on ACA is shown in paragraph 8 of this Ruling.

The Income Tax Rules related to ACA are as in Appendix A.

7.2 Accelerated or special rate of industrial building allowance

Special rates of industrial building allowance are as in Appendix B.

7.3 Accelerated agriculture allowance (AAA)

7.3.1 AAA is given to a non-rubber plantation company that plants at least 10% of plantation with rubber wood trees.

7.3.2 Under Income Tax (Accelerated Agriculture Allowance)(Plantation of Rubber Wood Tree) Rules 2008 [P.U.(A)193/2008], the agriculture allowance under paragraph 81 of Schedule 3 of ITA 1967 is given to a company equal to the amount of the qualifying agriculture expenditure incurred in the basis period for a year of assessment for the purpose of a qualifying project.

7.3.3 For the purpose of these Rules -

(a) "Qualifying agriculture expenditure" means –

- (i) The clearing and preparation of land for the purposes of agriculture
- (ii) The planting (but not replanting) of crops on land cleared for planting, and
- (iii) The construction on a farm of a road or bridge

- (b) "Company" means a company –
 - (i) Incorporated under the Companies Act 1965 and resident in Malaysia, and
 - (ii) Engaged in an agricultural project or a forest plantation project for species other than rubber wood trees.

7.3.4 The agriculture allowance is only given to a company where at least 10% of the total area of the agricultural project or forest plantation project is planted with rubber wood tree as verified by the Ministry of Plantation Industries and Commodities.

7.3.5 P.U.(A) 193/2008 does not apply to a company which has been given–

- (a) Any incentive under the Promotion of Investments Act 1986 (PIA 1986)
- (b) Reinvestment allowance (RA) under Schedule 7A of the ITA 1967
- (c) Exemption under the Income Tax (Exemption) (No. 9) Order 2006 [P.U. (A) 50/2006] or Income Tax (Exemption) (No.10) Order 2006 [P.U. (A) 51/2006], or
- (d) Deduction for capital expenditure on approved agriculture project under Schedule 4A ITA 1967.

7.3.6 P.U. (A) 193/2008 has effect from the year of assessment 2003 to year of assessment 2010.

8. Income Tax Rules On ACA

Some of the more recent Income Tax Rules on ACA are as follows:

8.1 Income Tax (Accelerated Capital Allowances) (Waste Recycling) Rules 2000 [P.U. (A) 505/2000]

8.1.1 With effect from the year of assessment 2001, a manufacturing company which has incurred QE for the purpose of its business may claim ACA on the plant and machinery which are -

- (a) Used exclusively or otherwise for the recycling of waste, or
- (b) Used for the further processing of the wastes into a finished products.

-
- 8.1.2 A company that fulfils the above criteria is eligible to claim ACA of 20% for initial allowance (IA) and 40% for annual allowance (AA).
- 8.1.3 A company is not eligible for ACA under the above mentioned Rules for the period during which the company -
- (a) Has been given incentives except for deduction for promotion of exports under the PIA Act 1986, or
 - (b) Has claimed RA under Schedule 7A, ITA 1967.

8.2 Rules of the Income Tax (Accelerated Capital Allowances) (Reinvestment of Eligible Projects) 2000 [P.U.(A) 506/2000]

- 8.2.1 These Rules are effective from YA 2001 and applies in respect of qualifying plant expenditure incurred on the provision of plant or machinery for the purpose of a qualifying project in respect of –
- (a) A promoted activity
 - (b) A promoted product, or
 - (c) An agricultural project, and
used for the purposes of his business.
- 8.2.2 ACA is given in the form of -
- (a) IA at 40%
 - (b) AA at 20%
- 8.2.3 For the purposes of these Rules –
- (a) “Promoted activity or promoted product” means any activity or product promoted under section 4 of the PIA 1986.
 - (b) “Agricultural project” has the meaning as defined under paragraph 8(c) in respect of activities listed under paragraph 9(aa) to 9(ff) of Schedule 7A of the ITA 1967.
 - (c) “Qualifying projects” has the meaning as defined under paragraph 8 (a) of Schedule 7A of the ITA 1967.

- 8.2.4 These Rules shall not apply to the company within these periods -
- (a) Was given RA under Schedule 7A of the ITA 1967.
 - (b) Has been granted pioneer status or investment tax allowance under the PIA 1986 in respect of a promoted activity or promoted product.
 - (c) Failed to submit a copy of the letter from the Malaysian Industrial Development Authority confirming the promoted activity or promoted product undertaken in respect of a qualifying project for a year of assessment.

8.3 Income Tax (Accelerated Capital Allowance) (Conservation of Energy) Rules 2003 [P.U. (A) 349/2003]

- 8.3.1 With effect from year of assessment 2003, ACA is given to a company which has incurred capital expenditure in the basis period for a year assessment on the -
- (a) Provision of plant or machinery as certified by the Ministry of Energy, Telecommunications and Multimedia, or
 - (b) Machinery used exclusively for the conservation of energy of its business.
- 8.3.2 ACA is fully given within one year with IA of 40% and AA of 60%.
- 8.3.3 If the company has been granted an AA under the Income Tax (Accelerated Capital Allowance) (Conservation of Energy) Rules 2001 [P.U.(A) 82/2001], AA for the year of assessment 2003 is the amount of qualifying plant expenditure less the amount of the allowance that has been permitted under P.U.(A) 82/2001.

Example 1

In the year of assessment 2001, A Sdn Bhd has incurred QE for the provision of plant and machinery for the purpose of conservation of energy in the its business worth RM120,000. Company has claimed ACA on QE incurred.

Year Of Assessment 2001: [P.U.(A) 82/2001]

	<u>RM</u>
Qualifying expenditure	120,000
Deduct:	
IA (120,000 x 40%)	48,000
AA (120,000 x 20%)	<u>24,000</u>
Residual expenditure	<u>72,000</u> 48,000

Year Of Assessment 2002: [P.U.(A) 82/2001]

Deduct:	
AA (120,000 x 20%)	<u>24,000</u>
Residual expenditure	24,000

Year Of Assessment 2003: [P.U.(A) 349/2003]

Deduct:	
AA (120,000 x 60%) - (restricted)	<u>24,000</u>
Residual expenditure	<u>Nil</u>

8.3.4 These Rules shall not apply to a company within these periods -

- (a) Has been granted any incentive except for deduction for promotion of exports under the PIA 1986, or
- (b) Had claimed RA under Schedule 7A of the ITA 1967.

8.3.5 P.U.(A) 349/2003 has been revoked with effect from 1.10.2005 through P.U.(A) 64/2006. However, where QE was incurred on or before 30.9.2005 and ACA had been given under P.U.(A) 349/2003 ACA can continue to be claimed until it is fully absorbed.

8.4 Income Tax (Accelerated Capital Allowance) (Power Quality Equipment) Rules 2005 [P.U. (A) 87/2005]

8.4.1 These Rules are applicable from the year of assessment 2005 for capital expenditure incurred in the basis period for a year of assessment for -

- (a) Provision of equipment as certified by the Ministry of Energy, Water and Communications, Malaysia, and
- (b) Equipment used by companies for their own business exclusively for the control of electric power quality.

8.4.2 ACA is allowed with IA at 20% and AA at 40%.

8.4.3 These Rules do not apply to a company which -

- (a) Has been granted any incentive except for deduction for promotion of exports under the PIA 1986, or
- (b) Has made a claim for RA under Schedule 7A of the ITA 1967.

8.5 Income Tax (Accelerated Capital Allowance) (Machinery and Equipment For Agriculture Sector) Rules 2005 [P.U.(A) 188/2005]

8.5.1 With effect from YA 2005, ACA is available to a company on qualifying plant expenditure incurred in the basis period for a year of assessment on machinery and equipment as determined by the Minister of Finance as machinery and equipment used for the purpose of its agriculture business.

8.5.2 The company is entitled to claim 20% for IA and 40% for AA.

8.5.3 These Rules are not applicable for the period during which the company—

(a) Has been granted any incentive except for deduction for promotion of exports under the PIA 1986, or

(b) Has claimed RA under Schedule 7A of the ITA 1967.

Example 2: P.U.(A) 116/2002 and P.U.(A) 188/2005 not mutually exclusive

B Sdn Bhd is a company resident in Malaysia which carries on business in the agricultural sector. The company has bought some machinery for agricultural purposes in 2010. In the year 2010 the company claimed deduction for promotion of exports under the Income Tax (Deduction for Promotion of Exports) (No.2) Rules 2002 [P.U.(A) 116/2002] for expenses related to the registration of patents, trademarks and licensing goods abroad.

B Sdn Bhd is still eligible to claim ACA on the machinery for use in the business for the year of assessment 2010.

8.6 Income Tax (Accelerated Capital Allowance) (Moulds for The Production of Industrialised Building System Components) Rules 2006 [P.U. (A) 249/2006]

8.6.1 With effect from year of assessment 2006, ACA is given in respect of the qualifying plant expenditure incurred in the basis period for a year of assessment on the purchase of pre-cast concrete mould used in the production of industrialized building system component for the purposes of the business of a manufacturing company or a construction company.

8.6.2 **Industrialized building system** means the construction of structural components made in controlled conditions as in the factory or on site, transported and assembled into a structure with minimal site work.

8.6.3 The Company is entitled to claim ACA rate at 40% for IA and 20% for AA.

8.7 **Income Tax (Accelerated Capital Allowance) (Bus) Rules 2008 [P.U.(A) 356/2008]**

8.7.1 From year of assessment 2009 to year of assessment 2011, a person who is resident in Malaysia is eligible to claim ACA on capital expenditure incurred for the purchase of new buses in the basis period for a year of assessment from a source consisting of his business in relation to the commercial transportation.

8.7.2 ACA is allowed within one year with IA of 20% and AA of 80%.

8.7.3 The condition for ACA are:

- (a) New buses (i.e. Not used or reconditioned buses) are assembled or constructed in Malaysia as defined in Motor Vehicles (Registration And Licensing) Rules 1959
- (b) The transport operator is a holder of a public service vehicle license issued under the Commercial Vehicles Licensing Board Act 1987 or the holder of tourist vehicle license issued under the Tourism Vehicle Licensing Act 1999, and
- (c) The transport operator is the first registered owner of the bus.

Example 3

C Sdn Bhd which was established in 2005 is a holder of a public service vehicle license issued by the Commercial Vehicle Licensing Board. The company is in the business of commercial transportation and resident in Malaysia. On 8.7.2009 the company **bought 3 new buses** for business purposes.

C Sdn Bhd is entitled to ACA on the capital expenditure on 3 new buses.

Example 4

D Sdn Bhd (accounts ending on December 31) carries on the business of running excursion bus and it is the holder of vehicle license issued under the Tourism Vehicle Licensing Act 1999. In year 2010 the company **purchased 2 used buses** to fulfil its business needs.

D Sdn Bhd not qualify for ACA in the year of assessment 2010.

8.7.4 For the purposes of these Rules, qualifying bus is -

- (a) Stage bus
- (b) Charter bus
- (c) Express bus
- (d) Mini bus
- (e) Employees bus
- (f) Feeder bus
- (g) School bus, or
- (h) Excursion bus

8.8 Income Tax (Accelerated Capital Allowance) (Plant and Machinery) Rules 2008 [P. U. (A) 357/2008]

8.8.1 For the year of assessment 2009 to year of assessment 2010, a company which has incurred capital expenditure on plant and machinery for the purposes of its business is given a 100% allowance provided :

- (a) The company is incorporated and resident in Malaysia, and
- (b) The company has a paid up capital in respect of ordinary shares of RM2.5 million or less at the beginning of the basis period for a year of assessment.

Example 5

E Sdn Bhd was incorporated on 10.2.2009 with an authorized capital of RM3,000,000 and paid-up capital of RM2,300,000. On 30.7.2009, company increased the issuance of ordinary shares with a paid up capital of RM2,800,000. The company closes its accounts on 31 December each year. On 7.11.2009 the company purchased a machine costing RM100,000 for business purposes and claim ACA for expenses incurred.

E Sdn Bhd is entitled to ACA as paid-up capital at the beginning of the basis period is less than RM2.5 million.

8.8.2 ACA is allowed within one year with IA of 20% and AA of 80%.

8.8.3 A company may elect to claim ACA on security equipment or GPS under these Rules or Income Tax (Accelerated Capital Allowance)

Plant and Machinery) Rules 2008 [P.U.(A) 359/2008 discussed under paragraph 8.10.1 of this Ruling].

8.8.4 P.U.(A) 357/2008 does not apply to -

- (a) A company which -
 - (i) Has made a claim for any incentives under the PIA 1986.
 - (ii) Has made a claim for any incentives under RA under Schedule 7A of ITA 1967.
 - (iii) Qualified special allowance on small value assets under paragraph 19A, Schedule 3 of the ITA 1967, or
- (b) A company where –
 - (i) More than 50% of the paid up capital of ordinary shares are owned directly by a related company¹

Example 6

F Sdn Bhd was incorporated on 5.1.2008 with an authorized capital of RM900,000 and paid up capital of RM650,000. The company closes its accounts on December 31 each year. 60% of ordinary shares F Sdn Bhd are owned directly by a related company. The Company purchased an asset at RM55,000 on 10.8.2009 for his business use.

Since more than 50% of ordinary shares of G Sdn Bhd is owned by the related company, F Sdn Bhd does not qualify to claim ACA in the year of assessment 2009.

- (ii) More than 50% of the paid up capital of ordinary shares of the related company is directly or indirectly owned by the company as stated in paragraph 8.8.4(b)(i), or

Example 7

Facts as Example 6 above. However, 60% of the ordinary shares owned by related companies F Sdn Bhd.

Since more than 50% of the ordinary shares of the related companies owned by F Sdn. Bhd., F Sdn Bhd do not qualify for EMD in the year of assessment 2009.

- (iii) More than 50% of the paid up capital of ordinary shares of the company as stated in paragraph 8.8.4(b)(i) and the related company is directly or indirectly owned by another company.

Example 8

Facts as example 6 above. However, 60% of ordinary shares of related companies and F Sdn Bhd is owned by another company.

Since more than 50% of the ordinary shares of related companies and F Sdn Bhd is owned by another company, F Sdn Bhd do not qualify for EMD in the year of assessment 2009.

Note

¹A related company means a company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a year of assessment.

8.9 Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2008 [P.U.(A) 358/2008]

- 8.9.1 From the year of assessment 2009 to year of assessment 2015, a person resident in Malaysia is eligible for ACA in respect of capital expenditure incurred in the basis period for a year of assessment in relation to the purchase of any information and communications technology equipment used for the purpose of a business.
- 8.9.2 ACA is given at 20% for IA and 80% for AA. This means QE is written off in one year.
- 8.9.3 A person can claim either CA or ACA for an asset. Once a claim is made, it should be consistently apply the said provisions of the ITA 1967 until the total qualifying plant expenditure is fully deducted.

Example 9

G Sdn Bhd is a fast-food product manufacturing company. The company purchased an accounting software package for use in its business and claimed capital allowance on the asset.

G Sdn Bhd is allowed to claim capital allowances at normal rates even though the company is entitled to ACA on the asset.

8.9.4 ACA will be given be on capital expenditure incurred on the following ICT equipment :

- (a) Access control system
- (b) Banking system
- (c) Bar code equipment
- (d) Busters/decollators
- (e) Cables and connectors
- (f) Computer assisted design
- (g) Computer assisted manufacturing
- (h) Computer assisted engineering
- (i) Card readers
- (j) Computers and components
- (k) Central processing unit
- (l) Storage
- (m) Screen
- (n) Printer
- (o) Scanners / readers
- (p) Accessories
- (q) Communication and network, or
- (r) Software system or software package.

8.9.5 A person is not entitled to ACA under P.U.(A) 358/2008 where for a year of assessment -

- (a) The person was given an incentive under the PIA 1986, or
- (b) The person has claimed RA under Schedule 7A of the ITA 1967.

8.10 Income Tax (Accelerated Capital Allowance) (Security Control Equipment and Monitor Equipment) Rules 2008 [P.U.(A) 359/2008].

8.10.1 From year of assessment 2009 to year of assessment 2012 ACA is given on any capital expenditure incurred in the basis period for a year of assessment by -

-
- (a) A person resident in Malaysia for the installation of any security equipment [other than the GPS for tracking vehicles] at any building of permanent structures used for the purpose of business, or
- (b) A company incorporated under the Companies Act, 1965 that is resident in Malaysia for any installation of -
- (i) Security control equipment [other than GPS for tracking vehicles] on the company factories and approved under the Industrial Co-ordination Act 1975, or
 - (ii) GPS for vehicle tracking on a container lorry of company bearing Carrier Licence A and for a general cargo lorry bearing Carrier Licence A or C issued under the Commercial Vehicles Licensing Board Act 1987 which used for the business purposes of the company.
- 8.10.2 ACA is given on capital expenditure incurred on the following equipment -
- (a) Anti-theft alarm system
 - (b) An infrared motion detector system
 - (c) Siren
 - (d) Access control system
 - (e) The closed-circuit television
 - (f) Video surveillance system
 - (g) Security cameras
 - (h) Wireless camera transmitter
 - (i) Time lapse recording and video motion detection equipment, and
 - (j) GPS for vehicle tracking.
- 8.10.3 ACA is given at the rate of 20% for initial allowance (IA) and 80% for annual allowance (AA). which mean the QE is written off in one year.
- 8.10.4 P.U.(A) 359/2008 does not apply to a individual or company if in the basis period for a year assessment -
- (a) The individual or company has been granted any incentive under the PIA 1986, or

-
- (b) The individual or company has made a claim RA under Schedule 7A of the ITA 1967.
- 8.10.5 With the application of P.U.(A) 359/2008, Income Tax (Accelerated Capital Allowance) (Security Control Equipment and Monitoring Equipment) Rules 2008 [P. U. (A) 205/2008] is revoked with effect from YA 2009.
- 8.10.6 For qualifying expenditure incurred prior to the YA 2009, P.U.(A) 205/2008 is applicable.
- 8.11 Income Tax (Accelerated Capital Allowance) (Plant and Machinery) Rules 2009 [P.U.(A) 111/2009]**
- 8.11.1 With effect from year of assessment 2009, a person who is resident in Malaysia and incurs qualifying plant expenditure for the purposes of his business on or after 10.3.2009, but not later than 31.12.2010 is eligible to claim ACA under these Rules.
- 8.11.2 Plant and machinery include motor vehicles, office equipment, furniture and other assets which qualifying for capital allowance under Schedule 3 of the ITA 1967. For motor vehicles (other than a vehicle licensed for commercial use) please refer paragraph 5(e).
- 8.11.3 ACA can be claimed within 2 years with IA of 20% and AA of 40%. This mean that QE is written off in two years of assessment.
- 8.11.4 For the period between 10.3.2009 to 31.12.2010, P.U.(A) 111/2009 does not apply to –
- (a) A company which has been granted any incentive under PIA 1986
 - (b) A company which has made a claim for RA under Schedule 7A of the ITA 1967
 - (c) A company which has been granted an exemption under paragraph 127(3)(b) or subsection 127 (3A) of the ITA 1967, or
 - (d) Assets which qualify for higher rates of capital allowance under the ITA 1967 or any Rules made under section 154 of ITA 1967.

This mean that if an asset qualifies for a higher rate of capital allowances, then capital allowance should be claimed at the higher rate.

Example 10: Double deduction for promotion of export and ACA not mutually exclusive

H Sdn Bhd has made a claim for double deduction for promotion of export given by the Minister of Finance under section 154 of the ITA 1967. H Sdn Bhd is still entitled to claim ACA for the relevant year of assessment even though it has made a claim for double deduction for promotion of export.

Example 11: RA and ACA mutually exclusive

J Sdn Bhd incurred qualifying plant expenditure in the basis period for the year 2009 and has claimed IA at 20% and AA at 40%. In the year of assessment 2010, the company claimed RA under Schedule 7A of the ITA 1967 on the same assets.

J Sdn Bhd is not eligible to claim ACA as the company has made a claim for RA which is mutually exclusive to ACA under P.U.(A) 111/2009.

Example 12: Higher rate of ACA should be claimed

JK Sdn Bhd has purchased 10 units of information technology equipment priced at RM950 per unit. As the cost of each unit is not more than RM1,000, JK Sdn Bhd should claim the CA at 100% under paragraph 19A, Schedule 3 of the ITA 1967 and not rates of 20% (IA) and 40% (AA) under P.U.(A) 111/2009.

Example 13: Period of claim

Company K Sdn Bhd, a small and medium enterprises company (SMEs), closes its accounts on 30 November each year. The company purchased 2 asset on 1.9..2009 (year of assessment 2009) and 15.12.2010 (year of assessment 2011).

K Sdn Bhd is eligible to claim ACA as follows –

Year of assessment 2009

For assets acquired on 1.9.2009, EMD claim shall be made under the P.U.(A) 357/2008, since the commencement of this Rule is from the year of assessment 2009 until year of assessment 2010.

Year of Assessment 2011

For assets acquired on 15.12.2010 ACA claims shall be made under P.U.(A) 111/2009 since the commencement of this Rule is for the assets acquired on or after 03.10.2009 but not later than 31.12.2010.

- 8.11.5 P.U.(A) 357/2008 and P.U.(A) 111/2009 are mutually exclusive. Where an asset qualifies for ACA at different rates under different provisions, ACA is to be claimed at the higher rate.
- 8.11.6 If an asset is acquired under hire purchase terms, capital portion of instalments qualify for ACA at the higher rate (if any) or at the normal rate if the effective period of the Rules is ended.
- 8.11.7 For assets acquired under hire purchase, P.U.(A) 111/2009 does not apply where the hire purchase agreements are signed before 10.3.2009 or after 31.12.2010. Instalments made during the period from 10.03.2009 to 31.12.2010 will qualify for ACA.

Example 14: Asset under hire purchase

Rules	P.U.(A) 357/2008		P.U.(A) 111/2009	
Qualifying person	SMEs		Any resident person	
Qualifying assets	All assets		All assets	
Qualifying period	YA 2009 – YA 2010		10.3.2009 – 31.12.2010	
CA Rates (%)	IA	AA	IA	AA
	20	80	20	40

L Sdn Bhd , a SMEs, closes its accounts on 31 January each year. On 1.9.2009, the company purchased a machine on hire purchase terms for RM20,000. Deposit was RM2,000 and monthly instalments spread over 20 months. Capital portion of each instalment is RM900.

Capital Allowance Computation

Year Of Assessment 2010 (1.2.2009 - 31.1.2010) – ACA under P.U.(A) 357/2008

	<u>RM</u>	<u>RM</u>
Deposit		2,000
Monthly instalments (900 x 5 months)		<u>4,500</u>
Qualifying expenditure		6,500
Deduct:		
IA (6,500 x 20%)	1,300	
AA (6,500 x 80%)	<u>5,200</u>	<u>6,500</u>
Residual expenditure		Nil

Year Of Assessment 2011 (1.2.2010 - 31.1.2011)

Monthly Instalments (900 x 12 months)	<u>10,800</u>
Qualifying expenditure	10,800

Monthly Instalments portion

- (i) 11 instalments (1.2.2010 - 31.12.2010)
- under P.U.(A) 111/2009

Monthly instalment = 9,900 (900 x 11 months)

Deduct:		
IA (9,900 x 20%)	2,160	
AA (9,900 x 40%)	<u>3,960</u>	<u>5,940</u>
Residual expenditure		4,860

- (ii) 1 instalment (1.1.2011 - 31.1.2011)
- under Schedule 3 of ITA 1967

Monthly instalments = 900 (900 x 1 month)

Deduct:		
IA (900 x 20%)	180	
AA (900 x 14%)	<u>126</u>	<u>306</u>
Residual expenditure		4,554 ²

Note

²Annual allowance of 14% on qualifying expenditure (RM10,800) under Schedule 3 of the ITA 1967 is allowed for the subsequent years of assessment until the residual expenditure fully given.

8.12 Income Tax (Accelerated Capital Allowance) (Security Control Equipment and Monitor Equipment) Rules 2008 [P.U.(A) 4/2013]

8.12.1 From year of assessment 2013 to year of assessment 2015 ACA is given on any capital expenditure incurred by such individual or company in the basis period for a year of assessment from a source consisting of a business by -

- (a) A person resident in Malaysia, for the installation of any security equipment [other than the Global Positioning System (GPS) for tracking vehicles] at any building of permanent structures used for the purpose of business, or
- (b) A company incorporated under the Companies Act, 1965 that is resident in Malaysia for any installation of -
 - (i) Security control equipment [other than GPS for tracking vehicles] on the company factories and approved under the Industrial Co-ordination Act 1975
 - (ii) GPS for vehicle tracking on a container lorry of company bearing Carrier Licence A and for a general cargo lorry bearing Carrier Licence A or C issued under the Commercial Vehicles Licensing Board Act 1987 which used for the business purposes of the company, or
 - (iii) Security control equipment and monitoring equipment, [other than GPS for vehicle tracking] in residential areas.

Example 15

M Sdn Bhd was incorporated under Company Act 1965 on 10.1.2013 and resident in Malaysia. The Company incurred capital expenditure of RM60,000 on installation of security equipment in its business premises.

M Sdn Bhd is entitled to ACA on RM60,000.

Example 16

N Sdn Bhd is a housing development company. The company undertook a construction project of double storey terrace house in 2 phases at Shah Alam. The project was completed and delivered to the purchaser in the middle of 2012. On 11.5.2013, the company installed security cameras and closed circuit television in the housing area to be used by the management and maintenance

office. N Sdn Bhd has claimed ACA on expenses incurred.

N Sdn Bhd is not entitled to claim ACA on expenses incurred because the expenses are not for the purpose of its business.

Example 17

Joint Management Body Sri Desa Condominium (JMB Sri Desa) close its accounts on 31 December each year. On 15.2.2013, JMB Seri Desa installed 10 units of closed circuit television and security cameras worth RM70,000 to improve safety and convenience of the occupants in Sri Desa Condominium.

JMB Sri Desa not eligible to claim ACA for the expenses incurred because Desa Sri JMC is not incorporated under the Companies Act 1965.

Example 18

P Sdn Bhd is a security company that provides accounts ended on 31 December each year. In February 2013, P Sdn Bhd. won a tender security in a residential area in Petaling Jaya. To improve the security and surveillance of the housing area, P Sdn Bhd have installed security and monitoring equipment worth RM25,000.

P Sdn Bhd entitled ACA on expenses incurred as the installation is done for the purpose of its business.

8.12.2 ACA is given on capital expenditure incurred on the following equipment -

- (a) Anti-theft alarm system
- (b) An infrared motion detector system
- (c) Siren
- (d) Access control system
- (e) The closed-circuit television
- (f) Video surveillance system
- (g) Security cameras

- (h) Wireless camera transmitter
- (i) Time lapse recording and video motion detection equipment
- (j) GPS for vehicle tracking.
- (k) Safety mirrors, and
- (l) Panic buttons

8.12.3 ACA is given at the rate of 20% for IA and 80% for AA. This means that QE is written off in one year.

8.12.4 P.U.(A) 4/2013 does not apply to individuals or companies, if in the basis period for a year assessment of an individual or company -

- (a) Has been granted any incentive under the PIA 1986
- (b) Has claimed RA under Schedule 7A of the ITA 1967
- (c) Has been granted any exemption under section 127 of the ITA 1967, or
- (d) Qualifies for an allowance at a higher fraction (%) under the ITA 1967 or any Rules made under section 154 of the ITA 1967.

9. Special Allowances For Small Value Assets

9.1. Paragraph 19A of Schedule 3, ITA 1967 provides for the QE of assets costing not more than RM1,000 to be written off in one year.

9.2 A person is given an option whether to claim special allowances for small value assets under paragraph 19A of Schedule 3 of the ITA 1967 or to claim ACA. However, once an election has been made to claim CA under paragraph 19A of Schedule 3 of the ITA 1967, he has to consistently apply the said provisions of the ITA 1967 until the total qualifying plant expenditure is fully deducted.

9.3 A person is deemed to have elected for special allowances on small value assets if in his tax computation he is using the special allowance rate provided under paragraph 19A, Schedule 3 of the ITA 1967.

- 9.4 If a person has claimed for a deduction under paragraph 19A, Schedule 3 of the ITA 1967 for small value assets, that person will not be entitled to claim CA under ACA in respect of the said asset.
- 9.5 The claims for special allowances for small value assets is restricted to a maximum amount of RM10,000 for each year of assessment. If a person has incurred qualifying plant expenditure for small value assets exceeding RM10,000 in a year of assessment, the excess QE is eligible for normal capital allowance rates provided for under paragraphs 10 and 15, Schedule 3 of the ITA 1967.

Example 19: ACA under paragraph 19A of Schedule 3, ITA 1967

Q Sdn Bhd bought a printer for RM1,000 on 22.6.2010 for the purpose of its business. The company is eligible for special allowances for small value assets equal to the amount of QE incurred in the year of assessment 2010 under paragraph 19A of Schedule 3 of the ITA 1967.

[Conditions and other considerations related to the special allowance on small value assets are under Public Ruling No. 1/2008].

10. Plant Or Machinery On Hire Purchase

- 10.1 Where an asset is acquired under hire purchase terms, the instalments consist of –
- (a) Capital payment (deposit and instalment), and
 - (b) Hire purchase charges.
- 10.2 Although the person who incurs qualifying expenditure on the asset is not the legal owner (until the final payment has been made), he is deemed to be the owner under paragraph 46, Schedule 3 of ITA 1967. The owner is entitled to CA on the capital portion of instalments made when payments are made. Hire purchase charges, on the other hand, are revenue expenses deductible against his business income.
- 10.3 The CA available to the owner are in the form of -
- (a) IA on QE incurred in each year throughout the hire purchase period, and
 - (b) AA on cumulative QE throughout the hire purchase period.

Example 20: ACA under P.U.(A) 111/2009

R Sdn Bhd purchased a milling machine on 1.7.2009 on the following hire purchase terms -

Cost of asset	RM 80,000
Deposit paid	RM 8,000
Amount financed	RM 72,000
Term of repayment	36 months (RM2,300 a month)

The company accounts are closed on 31 December annually. The monthly instalments commence on 1.8.2009.

	<u>RM</u>	<u>RM</u>
Deposit		8,000
Monthly instalments [2,300 x 36 months]		<u>82,800</u>
Total		90,800
Cost of Asset		<u>80,000</u>
Hire purchase interest		10,800
Monthly instalments	2,300	
Deduct: Interest per instalment	<u>10,800</u>	<u>300</u>
	36 months	
Qualifying expenditure per month	<u>2,000</u>	

Computation Of Accelerate Capital Allowance

	<u>RM</u>	<u>RM</u>
Year Of Assessment 2009		
Deposit		8,000
Monthly instalments [2,000 X 5 months]		<u>10,000</u>
Qualifying expenditure		18,000
Deduct:		
IA (18,000 x 20%)	3,600	
AA (18,000 x 40%)	<u>7,200</u>	<u>10,800</u>
Residual expenditure		7,200
Year Of Assessment 2010		
Monthly instalments [2,000 x 12 months]	<u>24,000</u>	<u>24,000</u>
		31,200
Deduct:		
IA (24,000 x 20%)	4,800	
AA (31,200 x 40%)	<u>12,480</u>	<u>17,280</u>
Residual expenditure		<u>13,920</u>

Example 21: ACA under P.U.(A) 356/2008

S Sdn Bhd is a resident company in Malaysia and closes its accounts on 31 December annually. The company purchased a bus on 15.7.2009 for RM55,000 on hire purchase with repayment over 48 months commencing on 1.8.2009.

	<u>RM</u>
Cost of vehicle (including accessories)	55,000
Registration fee	200
Insurance and road tax	1,000
Deposit	10,000
Hire purchase interest (on the vehicle price and registration fee)	4,800
Monthly instalments with interest on hire purchase	1,042

Qualifying expenditure -	
Cost of the vehicle (including accessories)	55,000
Add: Registration fee	<u>200</u>
Qualifying capitalized expenses	55,200
Deduct : Deposit	<u>10,000</u>
Hire purchase Agreement	<u><u>45,200</u></u>

HP interest $\frac{4,800}{48 \text{ months}}$ = RM100/Month

Monthly instalments $\frac{45,200}{48 \text{ Months}}$ = RM942 per month and RM926 for the final instalment

Computation Of Accelerate Capital Allowance

	<u>RM</u>	<u>RM</u>
Year Of Assessment 2009		
Deposit		10,000
Instalment payments [942 x 5 months]		<u>4,710</u>
Qualifying expenditure		14,710
Deduct:		
IA (14,710 x 20%)	2,942	
AA (14,710 x 80%)	<u>11,768</u>	<u>14,710</u>
RE		Nil

Year Of Assessment 2010

Capital payment - instalment [942 x 12 months]	<u>11,304</u>
Qualifying expenditure	11,304

Deduct:			
IA (11,304 x 20%)	2,261		
AA (11,304 x 80%)	<u>9,043</u>	<u>11,304</u>	
Residual expenditure			Nil

Year Of Assessment 2011

Capital payment - instalment [942 x 12 months]		<u>11,304</u>	
Qualifying expenditure			11,304

Deduct:			
IA (11,304 x 20%)	2,261		
AA (11,304 x 80%)	<u>9,043</u>	<u>11,304</u>	
Residual expenditure			Nil

Year Of Assessment 2012

(From YA 2012, computation on CA is based on normal Rate)

Capital payment - instalment [942 x 12 months]		<u>11,304</u>	
Qualifying expenditure			11,304

Deduct:			
IA (11,304 x 20%)	2,261		
AA (11,304 x 20%)	<u>2,261</u>	<u>4,522</u>	
Residual expenditure			6,782

Year Of Assessment 2013

Capital payment - instalment [942 x 6 months]	5,652		
Last instalment	<u>926</u>	<u>6,578</u>	
Residual expenditure			13,360

Qualifying expenditure = 17,882 (11,304 + 6,578)

Deduct:			
IA (6,578 x 20%)	1,316		
AA (17,882 x 20%)	<u>3,577</u>	<u>4,893</u>	
Residual expenditure			8,467

Year Of Assessment 2014

Qualifying expenditure = 17,882

Deduct:			
AA (17,882 x 20%)		<u>3,577</u>	
Residual expenditure			4,890

Year Of Assessment 2015

Qualifying expenditure = 17,882

Deduct:

AA (17,882 x 20%)

3,577

Residual expenditure

1,313

Year Of Assessment 2016

Qualifying expenditure = 17,882

Deduct:

AA (17,882 x 20%) - (3,577- restricted)

1,313

Residual expenditure

Nil

11. Disposal Of Assets Within Two Years

- 11.1. An asset is **disposed of** when it is sold, conveyed, transferred, assigned or alienated with or without consideration.
- 11.2. Where an asset is disposed of at any time within two years from the date of acquisition of that asset, the ACA given shall be withdrawn in the basis period for the year of assessment in which the disposal was made with or without consideration. The amount of IA and AA will be withdrawn by way of a balancing charge in the year of disposal of the asset.
- 11.3 Disposal of an asset to a third-party are bona fide, if the asset is not suitable or not required for the business. The Director General may consider that paragraph 71 of Schedule 3 of the ITA 1967, does not apply. Balancing charge or balancing allowance must be imposed on the taxpayer

Example 22: Disposal within 2 years [ACA under P.U.(A) 356/2008]

T Sdn Bhd (accounting year ended 31 December) bought a bus on 1.7.2009 for RM250,000 for the purposes of its business. The bus was disposed of on 15.2.2011 for RM200,000.

Rate of ACA in accordance with P.U.(A) 356/2008.

IA = 20%

AA = 80%

Computation Of Capital Allowance

	<u>RM</u>	<u>RM</u>
Cost of bus		250,000

Year Of Assessment 2009

Deduct:

IA (250,000 x 20%)	50,000	
AA (250,000 x 80%)	<u>200,000</u>	<u>250,000</u>
Residual expenditure		Nil

Year Of Assessment 2010

Deduct:

AA		<u>Nil</u>
Residual expenditure		Nil

Year Of Assessment 2011

Disposal price	<u>200,000</u>
Balancing charge (paragraph 71, Schedule 31 of the ITA 1967)	<u>250,000</u>

Since the bus was sold in less than two years from the date of purchase, a balancing charge (BC) equal to the amount of IA and AA claimed in Year Of Assessment 2009 amounting to RM250,000 will be charged in the Year Of Assessment 2011.

Example 23: Disposal within 2 years where asset is not suitable for the business

U Sdn Bhd has purchased a machine costing RM60,000 on 1.10.2009, for business use. The machine was disposed of on 15.4.2010 with a value of RM50,000 because the machine is not able to accommodate the growing production. U Sdn Bhd has bought a new machine to increase production capacity. Company closes its accounts on 31 December each year.

Rate of ACA in accordance with P.U.(A) 111/2009.

IA = 20%
AA = 40%

Computation Of Capital Allowance

	<u>RM</u>	<u>RM</u>
Cost of machine		60,000
Year Of Assessment 2009		
Deduct:		
IA (60,000 x 20%)	12,000	
AA (60,000 x 40%)	<u>24,000</u>	<u>36,000</u>
Residual expenditure		24,000

Year Of Assessment 2010

Disposal price		<u>50,000</u>
Balancing charge (paragraph 71, Schedule 31 of the ITA 1967)		<u>26,000</u>

Disposal is bona fide, the provisions of paragraph 71 of Schedule 3 of the ITA 1967 is not applicable.

12. Controlled Transfer

- 12.1 Where assets are acquired from a related company, the provisions of **controlled transfer** under paragraph 38 to 40 of Schedule 3 of the ITA 1967 and Income Tax (Capital Allowances and Charges) Rules 1969 are applicable. The provision would not regard the amount paid to the related company as the capital expenditure incurred. Instead, the residual expenditure is taken to be the qualifying expenditure compute in accordance with Schedule 3 of the ITA 1967.
- 12.2 Where a controlled transfer is effected, the selling price is ignored, i.e. asset are deemed to be transferred at residual value. There is, therefore, no balancing allowance (BA) given or BC imposed on the disposer.

Example 24

V Sdn Bhd which closes its accounts on 30 September each year sold a machine on 1.12.2009 to W Sdn Bhd with accounting year end of 31 March. Both the businesses are controlled by the same holding company.

The machine was acquired by V Sdn Bhd for RM15,000 on 1.8.2009 and the company has claimed ACA under PU (A) 357/2008 on assets purchased. The machine was then sold to W Sdn Bhd for RM10,000 on 1.12.2009.

In this case, Rule 3 of the Income Tax (Capital Allowances and Charges) Rules, 1969 applies.

Steps :

- (a) Year of assessment W Sdn Bhd could claim is year of assessment 2010 (1.12.2009 falls within 1.4.2009 – 31.3.2010)
- (b) Basis period of V Sdn Bhd for year of assessment 2010 is 1.10.2009 – 30.9.2010.
- (c) Therefore, for V Sdn Bhd, 1st day of this final period is 1.10.2009.
- (d) V Sdn Bhd is deemed to have sold the asset on. 1.10.2009.

Under rule 3, the QE deemed to have been incurred by W Sdn Bhd shall be treated as had been incurred on the first day of the final period of V Sdn Bhd. Hence, in this case, the QE for W Sdn Bhd is deemed incurred on 1.10.2009.

Therefore, W Sdn Bhd is entitled to AA for YA 2010. There is no initial allowance shall be given to W Sdn Bhd (Rule 8).

Capital Allowance Computation For V Sdn Bhd

	<u>RM</u>	<u>RM</u>
Qualifying expenditure		15,000
Year Of Assessment 2009 (Year ended 30.9.2009) [ACA under P.U.(A) 357/2008]		
Deduct:		
IA (15,000 x 20%)	3,000	
AA (15,000 x 80%)	<u>12,000</u>	<u>15,000</u>
Residual expenditure on 1.10.2009		Nil

There is no BA or BC arises to V Sdn Bhd. The QE for W Sdn Bhd is RM0 and not RM10,000. Therefore, there is no CA can be claimed by W Sdn Bhd for year of assessment 2010.

- 12.3 For assets acquired from a related company located outside Malaysia, the QE is based on the market price at the time of transfer of the assets.

13. Qualifying Period

- 13.1. A person is entitled to claim ACA within the period specified in the relevant Rules (refer paragraph 8 above). Summary of the eligibility period is as shown in the table below-

No.	P.U.(A)/ Year	Income Tax Rules (Accelerated Capital Allowance)	Rate (%)	Applicable From
1	505/2000	Recycling of Wastes	IA :40 AA :20	YA 2001
2	506/2000	Reinvestment In A Qualifying Project	IA :40 AA :20	YA 2001
3	349/2003	Conservation of Energy [revoked effective from 1.10.2005 as provided under P.U.(A)64/2006]	IA :40 AA :60	YA 2003
4	87/2005	Power Quality Equipment	IA :20 AA :40	YA 2005
5	188/2005	Machinery and Equipment for Agriculture Sector	IA :20 AA :40	YA 2005
6	249/2008	Moulds for The Production of Industrialised Building System Components	IA :40 AA :20	YA 2006
7	356/2008	Bus	IA :20 AA :80	For YA 2009 - 2011
8	357/2008	Plant and Machinery	IA :20 AA :80	YA 2009 - 2010
9	358/2008	Information and Communication Technology Equipment	IA :20 AA :80	YA 2009 - 2013
10	359/2008	Security Control Equipment and Monitor Equipment	IA :20 AA :80	YA 2009 – 2012
11	111/2009	Plant and Machinery	IA :20 AA :40	10.3.2009 – 31.12.2010
12	4/2013	Security Control Equipment and Monitor Equipment	IA :20 AA :80	YA 2013 – 2015

- 13.2 A person is not entitled to ACA before the effective date/period or after the period as specified in each Income Tax Rules. However, the normal rate of CA apply where it is relevant.

Example 25: ACA can only be claimed when the Rules come into force

Z Sdn Bhd was incorporated on 5.1.2008 with an authorized capital of RM2,000,000 and paid up capital of RM1,000,000. The company closes its accounts on December 31 each year. On 1.3.2008 the company purchased assets amounting to RM50,000 for business use and claimed the ACA under P.U.(A) 357/2008.

Z Sdn Bhd does not qualify for ACA in the YA 2008 as the P.U.(A) 357/2008 only come into force in the year of assessment 2009.

- 13.3 Where an asset is purchased before a company commences operations, the asset is eligible for ACA under the relevant Rules when the business commences or when the asset is ready to be used.

Example 26: ACA commences when business commences

X Sdn Bhd, a manufacturing company closes its accounts on 31 December each year. The company purchased a few assets on 3.12.2009 but only started business operation on 1.1.2010.

X Sdn Bhd is only entitled to ACA beginning from the year of assessment 2010.

Example 27: ACA commences when asset is ready to be used

Y Sdn Bhd, a company producing processed food product (closes its accounts on 31 December each year). In 2008 the company purchased a new production line but the whole production line was only ready to be used in the year 2009.

Y Sdn Bhd is entitled to claim ACA from the year of assessment 2009.

14. Non-Application

Non-application provisions may differ for each Income Tax Rules. However, the following non-application provisions generally apply to all Income Tax Rules :

- 14.1. Where a company is enjoying a tax incentive under PIA 1986 or RA under Schedule 7A of the ITA 1967 and at the same time claim ACA for plant and machinery under P.U.(A) 111/2009 or any relevant Income Tax Rules on ACA, the tax incentive given will be maintained. ACA will be withdrawn and CA will be allowed at normal rates.

Example 28

Z Sdn Bhd (accounts ended 31 December) has been granted investment tax allowance (ITA) until the year 2013. On 1.6.2010, the company bought a grinding machine for RM60,000 for business purposes. The company claimed ACA on the machine purchased for the year of assessment 2010.

Z Sdn Bhd is not eligible for ACA for year of assessment 2010 as the company has been granted ITA under the PIA 1986. ACA will be withdrawn and CA will be given for the machine at normal rates.

-
- 14.2. Where an asset does not qualify for tax incentive under the ITA 1967, the company is still entitled to claim ACA under any relevant Income Tax Rules as mentioned under paragraph 8 in this Ruling or a special allowance on small value assets under paragraph 19A of Schedule 3 of ITA 1967.

Example 29

AA Sdn Bhd is a manufacturer of air conditioning components. In March 2009 the company installed two additional production lines to increase the production capacity. The company also purchased and installed security and monitoring equipment to ensure the quality of the product. In the year of assessment 2009 the company claimed RA for all capital expenditure incurred.

AA Sdn Bhd is entitled to RA for the installation of two additional production line. However expenditure incurred on security equipment and monitoring equipment does not qualify for RA but qualifies for ACA.

15. Claim Procedure

A claim for ACA is only made in Income Tax Return Form. All supporting documents are to be kept by the claimant for tax audit purposes.

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