



AMENDMENTS TO GUIDELINES FOR INCOME TAX TREATMENT OF MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS) 5: NON- CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

1. PURPOSE

Amendments to these guidelines are issued to amend the following paragraphs:-

- (a) **Scenario 3: Disposal in subsequent basis period (sale completed in more than 1 year but not within the following year of assessment)** as follows—

In 2014, Company A purchased a machine costing RM100,000. Company A's basis period is year ending 31st December. On 1/5/2017, the company classified the machine under MFRS 5. The machine was not sold during the year 2017 and 2018. The FV of the asset at 31.12.2018 was RM40,000 and the residual expenditure of the asset is RM24,000 after reducing a notional allowance for YA 2017.

Tax Treatment:

| | | |
|--|--------------------|-----------------|
| Qualifying expenditure | | 100,000 |
| TT2014 | Initial allowance | (20,000) |
| | Annual allowance | <u>(14,000)</u> |
| Residual expenditure | | 66,000 |
| TT2015 | Annual allowance | <u>(14,000)</u> |
| Residual expenditure | | 52,000 |
| TT2016 | Annual allowance | <u>(14,000)</u> |
| Residual expenditure | | 38,000 |
| TT2017 (HFS) | Notional allowance | <u>(14,000)</u> |
| Residual expenditure (Paragraph 61A(5) Schedule 3) | | 24,000 |
| Market value (Paragraph 61A(4)(b) Schedule 3) | | <u>(40,000)</u> |
| TT 2018 | Balancing charge | 16,000 |

(b) **Asset reclassified back to PPE** as follows–

Same facts as above but Company A failed to sell the asset. It reclassified the asset back to PPE on 1/12/2019 and the FV at that date is RM25,000.

BA/BC shall be computed in YA 2018 in the same way as in Scenario 3 above.

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22 January 2018

s.k. LHDN.01/35/(S)/42/51/103-2(3)