

e-CTIM TECH-DT 55/2014

25 July 2014

TO ALL MEMBERS

TECHNICAL

Direct Tax

EXTENSION OF ACCELERATED CAPITAL ALLOWANCE FOR INFORMATION AND COMMUNICATION TECHNOLOGY EQUIPMENT

[Income Tax \(Accelerated Capital Allowance\) \(Information And Communication Technology Equipment\) Rules 2014 \[P.U.\(A\)217/2014\].](#)

The Rules have been gazetted on 21 July 2014 and have effect from the year of assessment (YA) 2014 till YA 2016, except for rule 8. Rule 8 has effect from YA 2014 till YA 2018.

Background

The *Income Tax (Accelerated Capital Allowance) (Information And Communication Technology Equipment) Rules 2008* [P.U.(A) 358/2008] (2008 Rules) allows accelerated capital allowance (ACA) of 20% (initial allowance) and 80% (annual allowance) to be claimed for specified information and technology equipment for the years of assessment 2009 to 2013. Budget 2014 contained a proposal for the incentive to be extended for 3 years.

Incentive (Rule 5 and 6)

These Rules provide for the following allowances under Schedule 3 of the Income Tax Act 1967 (ITA) to be claimed in respect of capital expenditure incurred for the *purchase of any information and communication technology equipment** which is specified in the Schedule to the Rules :

1. Initial allowance of 20% of capital expenditure incurred;
2. Annual allowance of 80% of capital expenditure incurred.

* Defined in rule 2 to include installation of such equipment.

Eligibility (Rule 3)

These Rules apply to a resident of Malaysia, in respect of capital expenditure incurred by such a person for the purchase (includes installation) of any information and communication technology equipment which is used for the purpose of a source consisting of a business of that person.

Equipment purchased under hire purchase agreements (Rule 4)

Where a person has purchased equipment that qualifies for ACA under these rules under a hire purchase agreement:

- that person is treated as the owner of the equipment; and
- the amount of capital expenditure incurred by that person in the basis period for a YA is taken to be the capital portion of any instalment payment made, or the aggregate of all instalment payments made, in that basis period;

Non-application (Rule 7)

The Rules do not apply to any person who has been granted incentives/ exemption/ or qualified for deductions which are specified under sub-rules 7(a) to 7(d) as follows:

- Granted any incentive under the Promotion of Investment Act 1986 [Act 327];
- Granted a reinvestment allowance or an investment allowance under Schedule 7A or 7B of the ITA respectively;
- *Granted any exemption under section 127 of the ITA, or*
- *Qualified for a deduction under any other rules made under section 154 of the ITA.*

*The last two restrictions are not found in the 2008 Rules.

Withdrawal of capital allowance

If a person sells, conveys, transfers, assigns or alienates (with or without consideration) any equipment on which ACA has been allowed under these Rules within 2 years from the date of purchase, the ACA will be withdrawn in the basis period for the YA in which the sale, transfer, alienation etc. takes place.

List of equipments

The schedule to the Rules contains a list of equipment which qualify for ACA under the Rules.

You may read the Rules in full at the official website of the [Attorney-General's Chambers](#).

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the above Rules so that we may raise them to the authorities

Disclaimer

This document is meant for the members of the Chartered Tax Institute of Malaysia (CTIM) only. CTIM has taken all reasonable care in the preparation and compilation of the information contained in this E-CTIM. CTIM herein expressly disclaims all and any liability or any liability or responsibility to any person(s) for any errors or omissions in reliance whether wholly or partially, upon the whole or any part of this E-CTIM.