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**TECHNICAL**

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**Direct Taxation**

**PR No. 8/2014 – Basis Period of a Company, Limited Liability Partnership, Trust Body and Co-Operative Society**

The Inland Revenue Board (IRB) has recently uploaded the above [Public Ruling \(PR\) No. 8/2014: Basis Period of a Company, Limited Liability Partnership, Trust Body and Co-Operative Society](#) published on 1 December 2014.

This PR replaces the PR No. 5/2001: *Basis Period for a Business Source (Co-Operatives)* and the PR No. 7/2001: *Basis Period for both Business & Non-Business Sources (Companies)*, both dated 30 April 2001.

**Objective (Paragraph 1 of the PR)**

The objective of this PR is to explain the determination of the basis period for a company, a limited liability partnership (LLP), a trust body and a co-operative society:

- On commencement of operations; and
- Which is in operations and changes its accounting period.

in line with the amendment to [Section 2, subsection 21A\(3\) and subsection 21A\(4\)](#) of the Income Tax Act 1967 (ITA) which is effective from year of assessment (YA) 2014.

**Interpretation (Paragraph 3 of the PR)**

The terms 'Operations' and 'Failure year' are defined as follows:

Term	Meaning
Operations	An activity which consists of – i) the carrying on of a business; ii) the making of investments; iii) the carrying on of a business and the making of investments; or iv) the making of investments prior to the commencement of a business or after the cessation of a business.
Failure year	The year in which there is failure to close the accounts to the normal accounting date.
The definitions for "Trust body", "Co-operative society", "LLP" and "Company" are also provided in Paragraph 3 of the PR.	

Below is a summary of the points in the PR relating to the determination of the basis period of a Company, LLP, Trust Body and Co-Operative Society (an entity):

Paragraphs	Summary
<p><b>Paragraph 4</b></p> <p><b>Determination of basis period for an entity on commencement of its operations</b></p>	<p>Effective from YA 2014, the determination of the basis period for an entity on commencement of its operations is as set-out in Paragraph 4 of the PR and applies to cases where the 1<sup>st</sup> accounts are closed in 2014 and subsequent years.</p> <p>Paragraph 4 of the PR includes the following examples:</p> <ul style="list-style-type: none"> <li>• <b>Example 1</b> – 1<sup>st</sup> accounts opened and closed in the same year;</li> <li>• <b>Example 2 &amp; 3</b> – 1<sup>st</sup> accounts closed in the following year; and</li> <li>• <b>Example 4</b> – 1<sup>st</sup> accounts made up for &gt;12 months and ending in the 3<sup>rd</sup> year; and</li> <li>• <b>Example 5</b> – 1<sup>st</sup> accounts closed in 2013.</li> </ul>
<p><b>Paragraph 5</b></p> <p><b>Determination of basis period for an entity which is in operations and changes its accounting period</b></p>	<p>Commencing from YA 2014, where an entity which is in operations fails to close its accounts on the same date in the following year (failure year), the Director General of Inland Revenue (DGIR) will determine the basis periods for the failure year and the year following the failure year. The determination of the basis period for such cases is set-out in Paragraph 5 of the PR.</p> <p>Paragraph 5 of the PR includes the following examples:</p> <ul style="list-style-type: none"> <li>• <b>Example 6</b> – Changing accounting period for &lt;12 months and ending in the same year;</li> <li>• <b>Example 7</b> – Changing accounting period for &lt;12 months and ending in the following year;</li> <li>• <b>Example 8</b> – Changing accounting period for &gt;12 months and ending in the following year; and</li> <li>• <b>Example 9</b> – Changing accounting period for &gt;12 months and ending in the 3<sup>rd</sup> year.</li> </ul>
<p>The PR also includes the determination of the basis period in the following cases:-</p> <ul style="list-style-type: none"> <li>• <b>Paragraph 6 &amp; Example 10</b> - Company with existing operations commencing new operations; and</li> <li>• <b>Paragraph 7 &amp; Examples 11 &amp; 12</b> – Company joining a partnership.</li> </ul>	

Members can refer to the PR at the websites of the [Institute](#) and the [IRB](#).

You may write to the Institute at [technical@ctim.org.my](mailto:technical@ctim.org.my) or [secretariat@ctim.org.my](mailto:secretariat@ctim.org.my) in respect of any concerns or comments you may have on the above PR.

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