
TECHNICAL

Direct Taxation

PUBLIC RULING NO. 11/2015 – TAX INCENTIVE FOR ANGEL INVESTOR

The above Public Ruling (PR) was issued on 16 December 2015 and was reported in the [e-CTIM TECH-DT 87/2015](#) dated 21 December 2015. It explains the tax incentive available to an angel investor (AI) who has invested in an investee company (IC). The summary of the PR is set-out below.

Important Definitions

Among the important terms defined are the following:

Term	Meaning
individual	A natural person
investment	A holding of shares, which is paid in cash in respect of ordinary shares of an investee company

Tax Incentive for Angel Investors

Para No.	Subject Matter & Summary
4	<i>Introduction</i> <ul style="list-style-type: none">A prospective Angel Investor (AI) must make an application to the Malaysian Business Angel Network (MBAN) (www.mban.com.my) for accreditation as an AI.An Investee Company (IC) must be certified by the Angel Tax Incentive Office (ATIO) (please visit www.cradle.com.my for more information) as eligible to be invested in before an accredited AI can invest in it.
5	<i>Criteria for AI</i> <ul style="list-style-type: none">An AI is a high net-worth individual who provides funding for starting a business in return for share ownership in the IC. To qualify for the tax incentive, an AI must meet the following criteria:<ul style="list-style-type: none">(i) Must be resident in Malaysia;(ii) Have sources of income not derived solely from business;(iii) The investment is solely to finance activities of the IC, and the amount shall not exceed 30% of the paid-up capital of the IC;(iv) The application for approval to invest in the IC is made on or after 1.1.2013 but not later than 31.12.2017 to the Minister of Finance (MOF);(v) Must not have family relationship with the IC i.e. no part of the paid-up capital of the IC is owned by a parent (including parent-in-law), a child (including step child, or child adopted according to the law), a brother or sister, grandparent or grandchild, or spouse of the investor. (Example 1)
6	<i>Criteria for IC</i> <ul style="list-style-type: none">An IC is a start-up company (defined) certified by the ATIO as eligible to be

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	<p>invested in by a qualified AI for the purpose of the angel tax incentive. To qualify as such, it must meet the following criteria:</p> <ul style="list-style-type: none"> a) Incorporated under the Companies Act 1965 and resident in Malaysia; b) At least 51% of its issued share capital is directly owned by a shareholder (other than the prospective AI who intends to invest in the IC) who is a Malaysian citizen; c) Must carry on activities approved by the MOF. The list of approved activities includes advanced electronics & information technology; telecommunications; equipment/instrumentation, automation & flexible manufacturing systems, healthcare; electro-optics, non-linear optics & optoelectronics; advanced materials; transportation; value-added services and emerging technologies.
7	<p><i>Tax Incentive</i></p> <ul style="list-style-type: none"> • An AI is granted tax exemption on his/her aggregate income for the basis period for a year of assessment (YA) in the second YA following the YA in which the investment is made. The amount of exemption allowed per annum is the amount of investment made or RM500,000, whichever is lower. • Any excess of the amount of investment made over the aggregate income of the AI is disregarded. • The conditions for granting exemption are: <ul style="list-style-type: none"> a) The investment must not be disposed of (fully or in part) within 2 years of the date of making the investment; b) Conditions of approval for the investment, as specified by the MOF in the approval letter, have been complied with. The exemption may be withdrawn if the AI fails to comply with the specified conditions. <p>Examples 2 to 5 illustrate the shareholding period and eligibility for tax exemption.</p>
8 – 10	<ul style="list-style-type: none"> • An AI must file an Income Tax Return Form and comply with other filing requirements as provided in the ITA. • An individual who has claimed a deduction under the Income Tax (Deduction for Investment in a Venture Company) Rules 2005 [P.U.(A) 76/2005] is not eligible for tax exemption as an angel investor under the Income Tax (Exemption) (No. 3) Order 2014 [P.U.(A) 167/2014]. • Para. 10 contains a table that summarizes the differences between a venture capitalist and an AI.

Members may view the PR at the websites of the [Institute](#) and the [LHDNM](#).

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

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