

TECHNICAL

Direct Taxation

PUBLIC RULING NO. 10/2017 – REINVESTMENT ALLOWANCE
PART II - AGRICULTURAL AND INTEGRATED ACTIVITIES

This [Public Ruling \(PR\)](#) dated 22 December 2017 (please refer to our e-[CTIM TECH-DT 98/2017](#) dated 28 December 2017), is the updated version (Second Edition) of [PR No. 6/2012](#) (published 12 October 2012). The contents of PR 6/2012 have been rewritten, rearranged and updated. This [PR](#) should be read together with [PR No. 9/2017](#).

Objective (Paragraph 1)

This PR sets out the eligibility criteria for a company resident in Malaysia engaged in agricultural and integrated activities to claim Reinvestment Allowance (RA) and provides other pertinent information such as the projects and expenditures that qualify for RA, period of eligibility and computation of RA.

The following table sets out the Contents (headings of the main paragraphs) of the PR. The Synopsis highlights some salient points in the relevant paragraph.

Para. #	Heading and Synopsis (Sections cited refer to sections of the ITA, unless otherwise stated.)
3	Interpretation Provides the meaning of the word “Operation”
4	Eligibility to Claim RA A company resident in Malaysia is eligible to claim RA if – i. it has been in operation for not less than 36 months; and ii. it has incurred in the basis period (BP) for a year of assessment (YA) capital expenditure (CE) on a factory, plant or machinery used in Malaysia for the purpose of a qualifying project (QP) referred to in para. 8(c) of Sched. 7A. - For the purpose of RA, companies engaged in agricultural activities would include an agro-based co-operative society, an Area Farmers’ Association, a National Farmers’ Association, a State Farmers’ Association, an Area Fishermen’s Association, a National Fishermen’s Association, and a State Fishermen’s Association.
5	Minimum Period of Operation - To be eligible, a company must have been in operation for at least 36 months, counting from the day the company commenced its selected agricultural project.
6	Agricultural Projects (AP) To qualify for RA, the company must undertake an AP in expanding or modernizing or diversifying its cultivation and farming business, excluding the business of rearing chickens and ducks. - CE in relation to an AP means CE which is incurred for specified purposes which are listed in Para. 6.2 (under items (a) to (f)). - The above expenditure must be incurred for the purposes of food production, on any of the following activities: i. cultivation of rice and maize; ii. cultivation of vegetables, tuber and roots; iii. cultivation of fruits;

	iv. livestock farming; v. spawning, breeding or culturing of aquatic products; vi. any other activities approved by the Minister. - the above activities are to promote the production of food and hence, certain activities that do not involve <i>food production</i> (e.g. flowers or pearl culture) are not included. Cultivation of certain crops (e.g. oil palm and coffee) are not regarded as cultivation of fruits and does not qualify for RA (para. 6.3).
7	Integrated Project A company may carry on both an agricultural activity and a manufacturing activity as an integrated project constituting one business source. If the agricultural produce used in the manufacturing activity of that integrated project is purchased from a third party, any RA of that manufacturing activity can only be deducted from the statutory income (SI) of the manufacturing activity using purchased agriculture produce. (Examples 1 and 2 show the computation of RA and the apportionment of SI and RA between the integrated project and the manufacturing activities of a company.)

Members may read the PR in full 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 suggestions, concern or comments you may have on the [PR No. 10/2017](#) so that we may raise them to the LHDNM.

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