
TECHNICAL

Direct Taxation

[INCOME TAX \(SET-OFF FOR TAX CHARGED ON ACTUARIAL SURPLUS UNDER TAKAFUL BUSINESS\) RULES 2017 \[P.U. \(A\) 410/2017\]](#)

These Rules were gazetted on 26 December 2017 (refer to our [e-CTIM TECH-DT 99/2017](#) dated 29 December 2017). The Rules are deemed to have effect from the year of assessment (YA) 2015.

These Rules provide the formula for calculating the portion of the actuarial surplus from the family fund of a takaful operator transferred to the shareholders' fund of the takaful operator in respect of the family business of the takaful operator, which is referred to in S60AA(9)(a)(vi) or S60AA(10)(a)(vi) of the Income Tax Act 1967 (ITA).

(Under S110C(1) of the ITA, where an amount which is the portion of the surplus (referred to in the above paragraph) for the basis period for a YA, is transferred in accordance with the abovementioned sections of the ITA, any amount of tax charged on the portion of that surplus shall be set off against the tax charged on the chargeable income from the shareholders' fund of the takaful operator in respect of the family business.)

Under rule 2, the portion of the actuarial surplus mentioned above is calculated using the formula:

$$A \times \frac{B}{C}$$

- Where
- A is the amount of the actuarial surplus from the family fund of the takaful operator transferred to the shareholders' fund pursuant to subparagraph 60AA(9)(a)(vi) or 60AA(10)(a)(vi) of the ITA in the basis period for that YA;
 - B is the net income from investment and net proceeds from the realization of investment or any rights arising from them in the basis period for that YA from the family fund in respect of the family business of the takaful operator; and
 - C is the amount of actuarial surplus in the basis period for that YA from the family fund in respect of the family business of the takaful operator including contribution and income from investment.

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

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