

TECHNICAL

Direct Taxation

[INCOME TAX \(EXEMPTION\) \(NO.3\) ORDER 2018 \[P.U. \(A\) 251/2018\]](#)

This Exemption Order was gazetted on 5 October 2018. It is deemed to have effect from the year of assessment (YA) 2017 until YA 2020.

Definitions

The words which are defined in paragraph 2 are the following:

Word	Meaning
Qualifying ringgit account (QRA)	An account of investment made in Ringgit Malaysia (RM) relating to the business of a qualifying person and approved by the Central Bank of Malaysia.
Qualifying person (QP)	<p>(a) the International Currency Business Unit in –</p> <ul style="list-style-type: none"> (i) an Islamic bank licensed under the Islamic Financial Services Act 2013 [Act 759] (IFSA) which carries on Islamic banking business in any currencies other than RM; or (ii) a licensed institution or authorized under the Financial Services Act 2013 [Act 758] which carries on Islamic banking business in any currencies other than RM; or (iii) a licensed takaful operator under the IFSA which carries on takaful business in any currencies other than RM; <p>(b) a licensed international Islamic bank under the IFSA which carries on Islamic banking business in any currencies other than RM; or</p> <p>(c) a licensed international takaful operator under the IFSA which carries on a takaful business in any currencies other than RM.</p> <p>approved by the Central Bank of Malaysia.</p>

Exemption [Paragraph 3(1)]

A QP is exempted from the payment of income tax in respect of statutory income (SI) derived from the business of the QP and the QRA in the basis period for a YA. [Paragraph 3(1)]

Losses [Paragraph 4(1) to 4(2)]

Any losses incurred by the QP in a YA in the basis period in which the above exemption applies is to be carried forward and deducted from the SI of the business of the QP and the QRA in the post-exempt year or years of assessment, until the whole amount is fully deducted from the SI of that business.

Any amount of loss which is deducted from SI of the business of the QP and the QRA for a YA in the manner stated above shall be disregarded for the purposes of S43(2) and 44(2) of the Income Tax Act 1967.

Separate source and separate account [Paragraph 5(1) to 5(2)]

If a QP carries on another activity other than the business of the QP and the QRA, each activity must be treated as a separate and distinct source, and separate accounts for the income derived from each activity must be kept by the QP which is granted an exemption under paragraph 3(1).

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

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