

**TECHNICAL**

**Direct Taxation**

**PUBLIC RULING NO. 7/2018 - ACCELERATED CAPITAL ALLOWANCE**

This [Public Ruling](#) was issued by the IRBM on 8 October 2018 (reported in our [e-CTIM TECH-DT 69/2018](#) dated 12 October 2018).

This PR replaces PR No. 4/2013 of the same title dated 15 April 2013, the contents of which have been updated and rearranged in this second edition. The updates and amendments are listed in [paragraph 14](#) of this PR.

The Contents of the PR (Headings of each paragraph, with brief notes where appropriate) are shown below:

Para. #	All sections quoted below refer to sections of the ITA unless otherwise stated.		
1	<b>Objective</b>		
	The objective is to explain the tax treatment of qualifying plant and machinery (P&M) for the purpose of claiming Accelerated Capital Allowances (ACA) or at the prescribed rates in determining statutory income from a business.		
2	<b>Relevant Provisions of the Law</b>		
	This PR is based on S154(1)(b) and Schedule 3 of the Income Tax Act 1967 (ITA) and subsidiary legislations (Income Tax Rules (ITR)) listed in paragraph 13 of this PR		
3	<b>Interpretation</b>		
	Provides definitions of terms used in the PR.		
4	<b>Application of the Law</b>		
	The same conditions for claiming initial and annual allowances apply as those that apply for claiming these allowances at the normal rates (refer <a href="#">PR No. 5/2014</a> )		
5	<b>Introduction</b>		
6	<b>Qualifying Expenditure (QE)</b>		
	The interpretation of QE generally applies to all ITR, i.e. the capital expenditure which is incurred under paragraph 2 of Sched. 3. (Also refer <a href="#">PR No. 6/2015</a> )		
7	<b>Income Tax Rules</b>		
	Lists the following ITRs as the ITRs for P&M that are still in force, and provides information on rules applicable to the claim under each ITR.		
Example No.	P.U. (A)	ITR	Qualifying Assets (Note: Please refer to the respective ITR for more details).
1	265/1997	IT (Qualifying Plant Allowances Rules) 1997	Buses using natural gas and natural gas refuelling equipment
2 & 3	294/1998	IT (Qualifying Plant Initial Allowances) Rules 1998	P&M used in certain industries
	295/1998	IT (Qualifying Plant Allowances) (Control Equipment) Rules 1998	Control Equipment
4	505/2000	IT (ACA) (Recycling of Wastes) Rules	P&M used for recycling of waste or further processing of wastes
5	506/2000	IT (ACA) (Reinvestment in a Qualifying Project)	P&M for use in a qualifying

		Rules	project (reinvestment in a QP)
6	87/2005	IT (ACA) (Power Quality Equipment) Rules	Power quality equipment
	252/2017	IT (ACA) (Automation Equipment) Rules 2017	Automation equipment
	253/2017	IT (Exemption) (No. 8) Order 2017	
8	<b>Steps to claim ACA</b>		
Example 7	Explains the procedure in making a claim for ACA and the steps to follow.		
9	<b>Qualifying Period</b>		
Examples 8, 9 & 10	Explains the issues relating to the qualifying period during which a claimant is eligible to claim ACA and the tax treatment.		
10	<b>Disposal of Assets Within Two Years</b>		
11	Explains the tax treatment relating to allowances which have been claimed in respect of an asset which is owned by the claimant for a period of less than 2 years. (Refer also to <a href="#">PR No. 7/2017</a> )		
11	<b>Non-Application</b>		
Example 12	States the objective of the "Non-application" provision in each ITR (to prevent a person from claiming ACA if in the same year of assessment that person also enjoys other incentives as set out in the relevant ITR), and how this is applied.		
12	<b>Claim Procedure</b>		
	The claim for ACA is made in the IT Return Form.		
13	<b>Summary of ITRs and Rates of Allowances for Plant and Machinery</b> (Table)		
14	<b>Updates and Amendments</b>		
	Provides details of amendments made to PR No. 4/2013 in updating it to produce this Second Edition.		

Please read the PR in full at the website of the [Institute](#) and the [LHDNM](#).

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 suggestions, concern or comments you may have on the [PR No. 7/2018](#).

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