

TECHNICAL

Direct Taxation

LHDNM TECHNICAL GUIDELINES - GUIDELINES ON TAX EXEMPTION IN RESPECT OF INCREASE IN CHARGEABLE INCOME FROM BUSINESS

Further to the Inland Revenue Board of Malaysia's ("LHDNM") clarifications on the [Income Tax \(Exemption\) \(No.2\) Order 2017 \[P.U. \(A\) 117/2017\]](#) as reported in our e-CTIMs ([e-CTIM TECH-DT 50/2018 dated 27 July 2018](#) refers), the LHDNM has recently uploaded their [Guidelines on Tax Exemption in Respect of Increase in Chargeable Income from Business](#) on their website. The Guidelines are available in the Malay Language only.

The objective of these Guidelines is to clarify the treatment and tax computation for the income tax rate reduction incentive claim based on the percentage increase in chargeable income for the current year of assessment ("YA") in comparison with the immediately preceding YA. This incentive was proposed in the 2017 Budget and provided under the [Income Tax \(Exemption\) \(No.2\) Order 2017 \[P.U. \(A\) 117/2017\]](#) and is effective for YA 2017 and YA 2018.

The outline of the Guidelines is set-out below:-

Para	Outline
2	<p><u>Eligibility Conditions</u></p> <p>This para also includes the following:-</p> <ul style="list-style-type: none"> • Example 1: Operating period of less than 24 months • Example 2: Operating period of more than 24 months • Example 3: Business loss
3	<p><u>Computation of Exempt Income</u></p> <p>This para also includes the following:-</p> <ul style="list-style-type: none"> • Example 4: Two business sources • Example 5: One of the two business sources experienced losses
4	<p><u>Computation Examples</u></p> <p>This para also includes the following:-</p> <ul style="list-style-type: none"> • Example 6: Company with paid-up capital not exceeding RM2.5 million • Example 7: Company with paid-up capital exceeding RM2.5 million • Example 8: Company with paid-up capital exceeding RM2.5 million with previous year's business loss claim and donation • Example 9: Company with paid-up capital exceeding RM2.5 million with reinvestment allowance claim

Para	Outline
5	<u>Non-Application</u>
6	<u>Penalty</u>

Members may read the Guidelines in full on 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 [Guidelines](#) so that we may raise them to the LHDNM.

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