

**TECHNICAL**

**Direct Taxation**

**Income Tax (Exemption) (No. 6) Order 2020 [P.U. (A) 373/2020] and Income Tax Rules 2020 [P.U. (A) 374/2020 and 376/2020]**

P.U. (A)	Remarks (Please access the Order and Rules for the full details)
<p>373/2020 <b>Income Tax (Exemption) (No. 6) Order 2020</b></p>	<p><u>Exemption of a qualified person resident in Malaysia from payment of income tax in relation to:</u> -</p> <ol style="list-style-type: none"> <li>Statutory income (“SI”) of a new food production project for 10 consecutive years of assessment (“YAs”), commencing from the first year of assessment (“YA”) in which the qualified person derived SI in relation to that project; or</li> <li>SI from expansion projects for 5 consecutive YAs, commencing from the first YA in which the qualified person derived SI in relation to the expansion projects, and the 1<sup>st</sup> YA shall not be earlier than the YA in the basis period in which the date of approval from the Minister falls.</li> </ol> <p><u>Deemed to have effect from</u> 1 January 2016</p> <p><u>Further details</u> See paragraph 2, 3, 4(2) – 4(3) and 5 - 12 of the Order.</p>
<p>374/2020 <b>Income Tax (Deduction of Investment in New Food Production Project or Expansion Project) Rules 2020</b></p>	<p><u>Deduction allowed</u></p> <p>On an amount equivalent to the value of investment for the sole purpose of financing a new food production project or an expansion project under the <b>Income Tax (Exemption) (No. 6) Order 2020 [P.U. (A) 373/2020]</b> undertaken by the related company.</p> <p><u>Deemed to have effect from</u> 1 January 2016</p> <p><u>Further details</u> See paragraph 2, 3, 4(2) – 4(5), 5 and 6 of the Order.</p>

<p>376/2020</p> <p><b>Income Tax (Deductions Not Allowed for Payment Made to Labuan Company by Resident) Rules 2018 (Amendment) 2020</b></p>	<p><u>Amendment</u></p> <p>Income Tax (Deductions Not Allowed for Payment Made to Labuan Company by Resident) Rules 2018 [P.U. (A) 375/2018] (see our e-CTIM TECH-DT 3/2019 dated 9 January 2019) is amended as follows: -</p> <ul style="list-style-type: none"> <li>• Insertion of new rule 2(2) which defines a Labuan company as a Labuan entity referred to in Section 2B(1)(a) of the Labuan Business Activity Tax Act 1990; and</li> <li>• Amendment of the Schedule as follows: -</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><i>No.</i></th> <th style="text-align: left;"><i>Type of payment</i></th> <th style="text-align: left;"><i>Amount not allowed for deduction</i></th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">1.</td> <td style="vertical-align: top;">Interest payment</td> <td style="vertical-align: top;">25% of the amount of payment (including payment in connection with financing in respect of commission, facility fee and advance fee)</td> </tr> <tr> <td style="vertical-align: top;">2.</td> <td style="vertical-align: top;">Lease rental</td> <td style="vertical-align: top;">25% of the amount of payment</td> </tr> </tbody> </table> <p><u>Deemed to have effect from</u></p> <p>1 January 2019 except for rule 2 which is effective from 1 January 2021.</p> <p><u>Related references</u></p> <ul style="list-style-type: none"> <li>• Section 39(1)(r) of the Income Tax Act 1967.</li> <li>• <a href="#">Labuan Financial Services Authority's Circular on Revisions to Non-Deductibility Rules dated 23 December 2019</a> (see our e-CTIM TECH-DT 9/2020 dated 15 January 2020).</li> </ul>	<i>No.</i>	<i>Type of payment</i>	<i>Amount not allowed for deduction</i>	1.	Interest payment	25% of the amount of payment (including payment in connection with financing in respect of commission, facility fee and advance fee)	2.	Lease rental	25% of the amount of payment
<i>No.</i>	<i>Type of payment</i>	<i>Amount not allowed for deduction</i>								
1.	Interest payment	25% of the amount of payment (including payment in connection with financing in respect of commission, facility fee and advance fee)								
2.	Lease rental	25% of the amount of payment								

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

You may write to the Institute at [technical@ctim.org.my](mailto:technical@ctim.org.my) in respect of any suggestions, concern or comments you may have on the above Order and Rules.

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