

e-CTIM No.9/2013

16 January 2013

TO ALL MEMBERS

TECHNICAL

Direct Taxation

INCOME TAX (ACCELERATED CAPITAL ALLOWANCE) (SECURITY EQUIPMENT AND MONITORING EQUIPMENT) RULES 2013 [P.U.(A) 4/2013]

The above Rules dated 28 December 2012 are effective from the year of assessment 2013 till the year of assessment 2015 except for Rule 7 (relating to non-application of the Rules), which has effect till the year of assessment 2017.

Application (Rule 3)

The Rules apply to:

- (a) a resident individual, in respect of capital expenditure incurred on a business in the basis period for a year of assessment (YA), for the installation of any security control equipment and monitoring equipment (other than a Global Positioning System (GPS) for vehicle tracking) in a building or permanent structure used for the purpose of that business; or
- (b) a resident company incorporated under the Companies Act 1965, in respect of capital expenditure incurred on a business, in the basis period for a YA, for the installation of the following equipment:
 - i. Any security control equipment and monitoring equipment (other than a GPS for vehicle tracking) for a factory of the company, provided that the company is approved under the Industrial Coordination Act 1987;
 - ii. Any GPS for vehicle tracking for the following vehicles used for the purpose of the business of the company –
 - a. A container lorry bearing Carrier Licence A and
 - b. A cargo lorry bearing Carrier Licence A or Cissued under the Commercial Vehicles Licensing Board Act 1987.
 - iii. Any security control equipment and monitoring equipment other than a GPS for vehicle tracking, in residential areas.

The list of security equipment and monitoring equipment to which the Rules apply are specified in the Schedule to the Rules.

Rates of allowance (Rules 5 and 6)

The rates of allowance allowed under the Rules are:

- Initial allowance - one-fifth of capital expenditure incurred (20%) [Rule 5];
- Annual allowance - four-fifths of capital expenditure incurred (80%) [Rule 6].

Non-application (Rule 7)

Rule 7(1) states that the Rules *shall not apply* in respect of an individual or company if the individual or company :

- a) has been granted any incentive under the Promotion of Investments Act 1986;
- b) has been granted reinvestment allowance under Schedule 7A of the Income Tax Act 1967 (ITA);
- c) has been granted any exemption under section 127 of the ITA; or
- d) qualifies for an allowance at a higher fraction under the ITA or any rules made under

section 154 of the ITA.

Rule 7(2) provides for the withdrawal of any allowance which has been allowed under Rules 5 and 6 in the basis period for a YA in a situation where, in that basis period, the individual or company sells, conveys, transfers, assigns or alienates the security control or monitoring equipment with or without consideration, within two years from the date of purchase of the equipment.

Members may read the full text of [the Rules](#) at the Attorney General's Chamber's official portal under e-Federal Gazette.

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