

e-CTIM No 152/2012

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TO ALL MEMBERS

TECHNICAL

Public Ruling No. 6/2012 on Reinvestment Allowance

Please be informed that the Inland Revenue Board (IRB) has uploaded a new [Public Ruling No.6/2012: Reinvestment Allowance](#), issued on 12 October 2012, replacing the Public Ruling No.2/2008 dated 3 April 2008.

The objective of this Public Ruling (PR) is to assist taxpayers in ascertaining their entitlement to Reinvestment Allowance (RA) under [Schedule 7A](#) of the Income Tax Act 1967 (ITA) and to provide clarification in relation to:

- i. projects that qualify for RA;
- ii. expenditure that qualifies for RA;
- iii. period of eligibility for RA; and
- iv. computation of RA.

Below is a summary of the changes made to PR (No.2/2008)

Changes In This Ruling		
Para.	Item (Effective date)	Reference
4.2	Amendment to paragraphs 1, 1A and 1C of Schedule 7A of the ITA 1967 (Year of assessment (YA) 2009)	Budget 2009 (New)
5.3.3	Percentage of statutory income to be utilized for deduction of RA (YA 2012)	Budget 2012 (New)
6.1.1 & 6.1.4	Meaning of “qualifying project” prior to and from YA 2009 (YA 2009)	Budget 2009 (New)
6.3.1	Meaning of “manufacturing” (YA 2009)	
6.3.4 & 6.3.5	Concession to allow RA if the first claim made was prior to YA 2009	
7.2.1	Meaning of “factory” prior to YA 2012	Budget 2012 (New)
7.2.2	Meaning of “factory” from YA 2012 onwards	
8.3	Concept of “qualifying period”	Clarification (New)
9.2.2	Disposal of asset (YA 2009)	Budget 2009 (New)
9.2.3	Concession for assets acquired prior to YA 2009	
9.4	Control transfer (from 9.1.2009)	
10.4	Change from “period” to “basis period” (YA 2011)	Budget 2011 and 2012 (New)
10.5	Retrospective application of paragraphs 7(b), (d) and (e) (YA 2011)	Budget 2012 (New)
10.7	Non-application with other incentives	Clarification (New)
11.8 & 11.9	RA for business of rearing chicken and ducks (YA 2009)	Budget 2009 (New)

In addition, this PR also includes the following appendices:

- Appendix A List of incentives mutually exclusive to RA
- Appendix B Computation of Process Efficiency (PE) Ratio
- Appendix C List of Non-qualifying activities for RA under Paragraph 9(ii) of Schedule 7A of ITA

Some salient points of this PR are as follows:-

- **Paragraph 4** states that with effect from YA 2009, a company or a person has to be in operation for not less than 36 months (instead of 12 months previously), to be eligible for RA. However, where the first claim for RA has been made prior to YA 2009, a concession is given to the claimant to continue claiming RA even though the period of operation may be less than 36 months.
- Paragraph 2 of [Schedule 7A](#) of ITA stipulates that RA shall be given for 15 consecutive YAs (eligible period) beginning from the YA in which the first RA claim was made. **Paragraph 8** of this PR illustrates how the eligible period is determined. If the qualifying expenditure was first incurred before YA 1998, the eligible period began from YA1998. Where the eligible period has commenced, and the claimant wishes to enjoy a mutually exclusive incentive during the eligible period, then the eligible period will lapse and the claimant will enjoy RA for the balance of the eligible period.
- **Paragraph 10** deals with non-application of Schedule 7A of ITA. **Paragraph 10.5.2** further provides that, other than for paragraph 7(a), (b), (d) and (e), where a company is affected as a result of the retrospective application of the legislation, the company has to amend the tax computation by withdrawing the RA claimed. Where a penalty has been imposed, an appeal for waiver of the penalty would be considered favorably by the IRB.
- **Paragraph 12** indicates the procedures for claiming RA. The original copy of the claim form LHDN/BT/RA/2007 is to be kept by the claimant together with all relevant documents relating to the claim.

We would be pleased if you could let us have your feedback and/or enquiry, so that we may raise it to the IRB.

Members may view the [Public Ruling at the CTIM website](#) and the [IRB website](#).

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