

**TECHNICAL**

**Direct Taxation**

**Guideline for incentive claims for the upstream petroleum industry under the Petroleum Income Tax Act 1967**

The Inland Revenue Board (IRB) has recently uploaded the above Guideline, dated 22 May 2014, to provide clarification on incentives which can be claimed by taxable persons undertaking petroleum operations in marginal fields and the method of computing these incentives. A summary of the salient points in the Guideline is set-out in the table below.

Incentives and regulations	Summary of salient points
<p>1. <a href="#">Petroleum Income Tax (Accelerated Capital Allowances) (Marginal Field) Rules 2013</a> [P.U. (A) 119/2013]</p> <p>as amended by</p> <p><a href="#">Petroleum Income Tax (Accelerated Capital Allowances) (Marginal Field) (Amendment) Rules 2014</a> [P.U. (A) 58/2014]</p>	<ul style="list-style-type: none"> <li>The Rules provides that qualifying plant expenditure incurred in the basis period for the year of assessment 2010 to 2024 solely for the purpose of carrying out petroleum operations in a marginal field is subject to an initial allowance of 25% and an annual allowance of 15%.</li> <li>The Guideline illustrates the application of the law in respect of :- <ul style="list-style-type: none"> <li>Disposals and claw back of capital allowances claimed; and</li> <li>Non-application of the incentive.</li> </ul> </li> </ul>
<p>2. <a href="#">Petroleum Income Tax (Exemption) Order 2013</a> [P.U. (A) 122/2013]</p> <p>as amended by</p> <p><a href="#">Petroleum Income Tax (Exemption) (Amendment) Order 2014</a> [P.U. (A) 57/2014]</p>	<ul style="list-style-type: none"> <li>The Order stipulates that statutory income derived from petroleum operations in a marginal field, as determined pursuant to the prescribed formula, is exempt from petroleum income tax.</li> <li>The Guideline provides illustrations on :- <ul style="list-style-type: none"> <li>Determination of statutory income arising from petroleum operations in a marginal field; and</li> <li>Non-application of the incentive.</li> </ul> </li> </ul>
<p>3. <a href="#">Petroleum Income Tax (Marginal Field) Regulations 2013</a> [P.U. (A) 121/2013]</p>	<ul style="list-style-type: none"> <li>The Regulations sets out the framework for ascertainment of chargeable income derived from operations in a marginal field.</li> <li>The Guideline illustrates the ascertainment of chargeable income derived from operations in a marginal field with examples:- <ul style="list-style-type: none"> <li>Gross income;</li> <li>Adjusted income;</li> <li>Adjusted loss;</li> <li>Statutory income;</li> <li>Unabsorbed capital allowance;</li> <li>Assessable income; and</li> <li>Income which can be taxed.</li> </ul> </li> </ul>

<p>4. <a href="#">Petroleum Income Tax (Investment Allowances) Regulations 2013</a> [P.U. (A) 120/2013] as amended by <a href="#">Petroleum Income Tax (Investment Allowance) (Amendment) Regulations 2014</a> [P.U. (A) 69/2014]</p>	<ul style="list-style-type: none"> <li>• The Regulations provides that an investment allowance (IA) of 60% of the qualifying capital expenditure (QCE) shall be given to a chargeable person who has incurred QCE in respect of a qualifying project or on an infrastructure asset, as determined by the Minister, for the purpose of carrying on petroleum operations, within a period of ten years.</li> <li>• The Guideline illustrates the application of the law with examples:- <ul style="list-style-type: none"> <li>○ Scope and interpretation of a qualifying project;</li> <li>○ Separate petroleum operations;</li> <li>○ Gross income;</li> <li>○ Adjusted income;</li> <li>○ Adjusted loss;</li> <li>○ Capital allowance;</li> <li>○ Statutory income;</li> <li>○ Qualifying investment allowance;</li> <li>○ Assessable income;</li> <li>○ Disposals and claw back of investment allowances claimed; and</li> <li>○ Non-application of the Regulations.</li> </ul> </li> </ul>
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Applications for the above-mentioned incentives are required to be submitted to the Malaysian Petroleum Management, Petroliaam Nasional Berhad for verification of eligibility before onward submission to the Upstream Petroleum Industry Incentive Commission at the Ministry of Finance for approval.

You may read the Guideline in full at the websites of the [Institute](#) and the [IRB](#).

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