
TECHNICAL

Direct Taxation

EXEMPTION OF PROFITS FROM INVESTMENT RECEIVED BY QUALIFIED PERSON - INCOME TAX (EXEMPTION) (NO.3) ORDER 2016 [P.U.(A)113/2016]

The above Order was gazetted on 26 April 2016 and has effect from 1 April, 2016.

Definitions

The following words are defined in subparagraph 2:

Word	Meaning
Licensed Islamic bank	Same as defined under subsection 2(1) of the Islamic Financial Services Act 2013 .
Prescribed institution	Same as defined under section 3 of the Development Financial Institutions Act 2002 .
Qualified person (QP)	An individual resident in Malaysia.
Small and medium enterprises (SME)	Same as defined under section 2 of the Small And Medium Enterprise Corporation Malaysia Act 1995 .
Investment account platform (IAP)	A multibank platform which enables the channelling of funds invested by an individual through an investment account as defined under subsection 2(1) of the Islamic Financial Services Act 2013 .

Exemption

Exemption from income tax is granted in respect of profits from an investment received by a qualified person within a period of 3 consecutive years starting from the first year of assessment the profits are received by the qualified person, subject to conditions stated below.

Conditions

The conditions for exemption are as follows:

- The investment is made within the three-year period from 1 April 2016 to 31 March 2019;
- The investment is made through the IAP established by a licensed Islamic bank or prescribed institution and operated by a person recognized by Bank Negara Malaysia;
- The investment is to finance a venture or project in Malaysia in any industry or sector undertaken by a SME that meets the following criteria:
 - A sole proprietor who is a Malaysian citizen and the business is registered under the [Registration of Business Act 1956](#) (RBA);

- A limited liability partnership (LLP) registered under the [LLP Act 2012](#), in which at least 51% of its capital contribution is contributed by Malaysian citizen;
 - A partnership registered under the RBA, in which at least 51% of its capital contribution is contributed by Malaysian citizen; or
 - A company incorporated under the [Companies Act 1965](#), in which at least 51% of its issued ordinary share capital is directly owned by Malaysian citizen;
- d) The venture or project in which the investment is made is sponsored by a licensed Islamic Bank or prescribed institution;
- e) The QP obtains confirmation from the person who operates the IAP on the profits received from the project/ venture invested in and furnishes the same to the DGIR;
- f) The project or venture invested in does not involve a “relative” of the QP, which is specified as –
- a spouse;
 - a parent, including a stepparent or parent-in-law;
 - a child, including a stepchild or a child adopted under any law;
 - a brother or sister, including stepbrother or stepsister; and
 - a grandparent or grandchild, including a step-grandparent or step-grandchild;

Withdrawal

The exemption granted under this Order may be withdrawn if, within the exemption period, the SME undertaking the project/ venture referred to in Condition (c) above is no longer a SME, or no longer fulfils the criteria specified under Condition (c) above.

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

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 [Order](#) so that we may raise them to the LHDNM.

Disclaimer

This document is meant for the members of the Chartered Tax Institute of Malaysia (CTIM) only. CTIM has taken all reasonable care in the preparation and compilation of the information contained in this E-CTIM. CTIM herein expressly disclaims all and any liability or responsibility to any person(s) for any errors or omissions in reliance whether wholly or partially, upon the whole or any part of this E-CTIM.