INLAND REVENUE BOARD OF MALAYSIA

REINVESTMENT ALLOWANCE
PART I – MANUFACTURING ACTIVITY

PUBLIC RULING NO. 10/2022

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CONTENTS

		Page
1.	Objective	1
2.	Relevant Provisions of the Law	1
3.	Interpretation	1
4.	Eligibility to Claim Reinvestment Allowance	1
5.	Minimum Period of Operation	2
6.	Manufacturing	4
7.	Qualifying Project	8
8.	Capital Expenditure	13
9.	Qualifying Period	27
10.	Tax Treatment	32
11.	Special Tax Treatment During Transitional Period	46
12.	Non-Application	48
13.	Claim Procedure	52
14.	Updates and Amendments	52
15.	Disclaimer	53

DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

Director General of Inland Revenue,
Inland Revenue Board of Malaysia.

1. Objective

The objective of this Public Ruling (PR) is to assist a company resident in Malaysia and engaged in manufacturing activities in ascertaining its eligibility to claim reinvestment allowance (RA) and provide clarification in relation to:

(a) projects that qualify for RA;

(b) expenditures that qualify for RA;

(c) period of eligibility;

(d) computation of RA; and

(e) limitation of maximum period to absorb RA balances.

2. Relevant Provisions of the Law

2.1 This PR takes into account laws which are in force as at the date this PR is published.

2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are section 133A, Schedule 3 and Schedule 7A.

3. Interpretation

The words used in this PR have the following meaning:

3.1 "Operation" means an activity which consists of the carrying on of a business referred to in paragraph 8 of Schedule 7A of the ITA; and

3.2 "Ceased to be used" in relation to an asset includes an asset classified as held for sale under paragraph 61A of Schedule 3 of the ITA.

4. Eligibility to Claim Reinvestment Allowance

RA is a special tax incentive available to a company resident in Malaysia which:

(a) has been in operation for not less than 36 months; and

(b) has incurred in the basis period for a year of assessment (YA) capital expenditure on a factory, plant or machinery used in Malaysia for the purposes of a qualifying project referred to in paragraph 8(*a*) of Schedule 7A of the ITA.

5. Minimum Period of Operation

A company has to be in operation for 36 months or more to be eligible to claim RA for a qualifying project. Period of operation is computed from the day the company commenced its business of manufacturing.

Example 1

Company A commenced the business of manufacturing plasticwares on 1.3.2015 and closes its accounts on 31 December each year. The company incurred capital expenditure of RM200,000 on 1.6.2018 on a few high technology machines for the purposes of a modernisation project.

The scenario is summarised as follows:

Year of Assessment				
2015	2016	2017	2018	2019

1.3.2015
Co. A commenced business of manufacturing of plasticwares

1.6.2018
Co. A incurred capital expenditure of RM200,000 for a qualifying project

39 months (in operation): 1.3.2015 to 1.6.2018

Company A is eligible to claim RA for the YA 2018 on the capital expenditure of RM200,000 as the company had been in operation for more than 36 months (i.e 39 months).

Example 2

Company B commenced manufacturing of glass bottles on 1.1.2016 and closes its accounts on 31 December each year. Company B incurred capital expenditure of RM300,000 for the purposes of a qualifying project on 1.7.2018.

The scenario is summarised as follows:

Year of Assessment			
2016	2017	2018	2019

1.1.2016
Co. B commenced business of manufacturing of glass bottles

1.7.2018
Co. B incurred capital expenditure for a qualifying project

30 months (in operation): 1.1.2016 to 1.7.2018

Company B is not eligible to claim RA for the YA 2018 on the capital expenditure of RM300,000 incurred because as at 1.7.2018, the company had been in the business of manufacturing of glass bottles for less than 36 months (i.e. 30 months).

Example 3

Company C commenced the business of manufacturing shoes on 1.3.2014 and closes its accounts on 31 December each year. On 1.9.2015, Company C started another business manufacturing personal care products such as hair shampoo, conditioner and hair styling products which are not related to the manufacturing of shoes. Company C diversified into a wider range of personal care products such as body shampoo and body lotion and incurred qualifying capital expenditure of RM130,000 on 1.5.2018 for that purpose.

The scenario is summarised as follows:

Year of Assessment				
2014	2015	2016	2017	2018

1.3.2014
Co. C commenced business 1 – manufacturing shoes

1.9.2015
Co. C commenced business 2 – manufacturing personal care products

1.5.2018
Co. C incurred capital of RM130,000 for a qualifying project – diversification of personal care products

32 months: 1.9.2015 to 1.5.2018

In determining whether Company C has been in operation for not less than 36 months, the period of operation is calculated from the day the company commenced the activity of manufacturing personal care products which is from 1.9.2015.

As the company has been in the business of manufacturing personal care products for less than 36 months (i.e 32 months), Company C is not eligible for RA on the capital expenditure of RM130,000 for the YA 2018.

6. Manufacturing

6.1 Meaning of manufacturing

Manufacturing for the purposes of RA means –

a) conversion by manual or mechanical means of organic or inorganic materials into a new product by changing the composition, nature or quality of such materials;

b) assembly of parts into a piece of machinery or products, or

c) mixing of materials by a chemical reaction process including biochemical process that changes the structure of a molecule by the breaking of the intra molecular bonds or by altering the spatial arrangement of atom in the molecule,

but does not include –

(i) the installation of machinery or equipment for the purpose of construction;

(ii) a simple packaging operations such as bottling, placing in boxes, bags and cases;

(iii) a simple fixing;

(iv) a simple mixing of any products;

(v) a simple assembly of parts;

(vi) any activity to ensure the preservation of products in good condition during transportation and storage;

(vii) any activity to facilitate shipment and transportation;

(viii) any activity of packaging or presenting goods for sale, or

(ix) any activity that may be prescribed by the Minister, notwithstanding the above interpretation. Please refer to **Appendix A** for the list of excluded activities as provided in the Income Tax (Prescription of Activity Excluded from the Definition of "Manufacturing") Rules 2012 - [P.U.(A) 23/2012].

For the purpose of RA, **simple** means an activity which does not need special skills, special machines, special apparatus or special equipment especially produced or installed for carrying out that activity.

Example 4

Company D imports fully disassembled furniture from China in completely knocked down (CKD) form. The staff at the company's factory assembles all the imported components into completed furniture. The activity of assembling the CKD parts into a piece of furniture does not require any special machine, apparatus, equipment or skills.

The activity done by the company does not fall within the definition of manufacturing for the purposes of RA.

Example 5

Company E has been in the business of supplying and fixing pipes since 1.3.2013 and closes its accounts on 31 August each year. The pipes are cut and welded according to customers' specifications. Due to increasing demand of its products, Company E purchased a new building on 15.6.2018 and used it as a workshop for its business.

Company E is not eligible to claim RA on the cost of the new building as the activity of the company does not fall within the definition of manufacturing for the purposes of RA.

6.2 For the purposes of RA, manufacturing has been defined in paragraph 9 of Schedule 7A of the ITA. The manufacturing activity would be considered completed once the finished product can be identified.

Example 6

Company F has been in the business of manufacturing colour pencils since 1.2.2014 and closes its account on 30 September each year. On 1.6.2018, Company F acquired a new plant for an expansion project. Part of the plant comprises of machine A for folding the colourful boxes and putting the colour pencils into those boxes in which the colour pencils are sold. Another new machine (machine B) then packs these boxes into cartons.

For the purposes of RA, the manufacturing of colour pencils is completed after the process of putting the pencils into colourful boxes. Therefore, the capital expenditure incurred by Company F on machine A for folding the colourful boxes and putting the colour pencils into these boxes for its expansion project **would qualify for RA**.

However, as packing of the colourful boxes into cartons for marketing purposes does not fall within the manufacturing activity, the capital expenditure incurred on machine B would not qualify for RA.

6.3 Treatment of waste for use in manufacturing activity

6.3.1 Treatment of waste for reuse

Where, the waste material of a manufacturing activity is treated and recycled in the factory for use in the same manufacturing activity, treatment of the waste can be treated as part and parcel of the manufacturing activity for the purposes of RA.

Example 7

Company G, a manufacturing company producing hydrochloric acid had purchased and installed an equipment in the factory to treat its toxic industrial waste water. This is not for the purpose of recycling the waste water to be reused in the manufacturing activity.

The equipment bought to treat the toxic industrial waste water does not qualify for RA incentive.

Example 8

Company H, a manufacturing company producing hydrochloric acid expanded its existing business by purchasing additional machines to increase its production capacity. The company also purchased and installed an equipment in the factory to treat the toxic industrial waste water to be recycled for reuse in the process of producing hydrochloric acid.

Company H has undertaken a qualifying project by expanding its existing business and since the treated water is reused in the process of producing hydrochloric acid, the company is eligible to claim RA on the cost of the: –

(i) additional new machines to increase its production capacity; and

(ii) equipment to treat the toxic industrial waste water to be recycled for reuse in the manufacturing activity.

6.3.2 Conversion of waste material and by-product

Instead of disposing of a treated waste or by-product, a company can convert the waste or by-product into a related product by way of bioconversion or other conversion methods. The activity involved in conversion is a manufacturing activity.

Note:

The conversion of the waste or by-product into a related product would qualify as a diversification project. Please refer to subparagraph 7.3.4 and Example 15 for further explanation.

6.3.3 Treatment of waste material before discharging from the factory

Treatment of waste material before discharging from the factory is not part of the manufacturing activity and not diversification for the purposes of Schedule 7A of the ITA. However, the treatment of waste material by itself (as explained in subparagraph 6.3.1) may be a separate and distinct qualifying project if it meets the necessary criteria.

Example 9

Company J is a palm oil manufacturing company. It purchased equipment for toxic industrial waste water treatment to meet the requirements of the local authority in reducing pollution to the environment.

The treatment of industrial waste water is not part of the manufacturing activity but for the purpose of compliance with the relevant laws. Hence, the expenditure incurred was not eligible for RA incentive.

7. Qualifying Project

7.1 Meaning of qualifying project

Pursuant to paragraph 8 Schedule 7A of the ITA, a qualifying project means a project undertaken by a company in expanding, modernizing or automating its existing business in respect of manufacturing of a product or any related product within the same industry or in diversifying its existing business into any related product within the same industry.

A qualifying project should result in an increase in the production capacity or performance in the form of saving in the use of time, material or labour, or results in better quality products or any other improvement as compared to before undertaking the qualifying projects. This increase or improvement should be verified by the production engineer/technician or any other relevant person directly responsible or directly involved in production. For purposes of audit, the relevant documents/data that had enabled the engineer/technician to make a verification must be made available.

7.2 Meaning of project

7.2.1 A **project** in relation to a qualifying project for the purposes of Schedule 7A of the ITA undertaken by a company involved in manufacturing activity to implement a plan or a scheme. It is a well thought out plan or scheme designed to be implemented over a specific period of time, with a specific budget and target of achievement.

7.2.2 Documents that can be used to substantiate a project are:

(a) project paper;

(b) feasibility study;

(c) market research;

(d) business plan indicating the course of action taken or to be taken;

(e) budget and financing arrangements;

(f) directors' resolution and/or minutes of meetings; or

(g) any other relevant documents relating to the project.

7.3 Expanding, modernizing, automating or diversifying

7.3.1 **Expanding** refers to an increase of a production capacity or expansion of factory area. This is often associated with an increase in demand for a product. This will result in increased production capacity for the manufacturing of a product or any related product within the same industry. This increased capacity should, under normal circumstances, be followed by increased capacity utilization, accompanied by a higher allocation and utilization of other resources. The result should be an increase in production output and sales in due course.

Example 10

Company K is a manufacturer of car components, installs 3 additional production lines for the purpose of increasing the production capacity of its existing manufacturing activity. Production capacity increased from 12,000 units to 20,000 units per month.

Company K is undertaking an expansion project for the purposes of RA.

Other examples of expansion are as follows:

Original Activity/Product	New Activity/Product
rubber gloves	cotton gloves, woollen gloves
tyres for motor vehicles	tyres for aircraft, rethreaded tyre, inner tubes
skin care products	cosmetic products
production of cooking oil	vegetable fats, butter, margarine
conventional TV	plasma TV, LCD TV
analogue camera	digital camera, video camera
mobile phones	mobile phones with photography and recording functions
costume jewellery, silver jewellery	gold jewellery, jewellery with crystals and precious stones

Expansion also includes backward integration. Backward integration involves production of components or raw materials used in an existing end product of the company.

Example 11

Company L is a manufacturer of garments, goes into manufacturing of fabric.

The manufacturing and production of fabric is a qualifying project as it is backward integration and it is an expansion project for the purposes of RA.

7.3.2 **Modernizing** refers to the upgrading of manufacturing equipment and processes. A modernization project is usually undertaken to achieve greater efficiency in production, improvement in quality of product and / or reduction in costs.

Example 12

Company M, a manufacturer of rubber gloves, installs new sophisticated machines to its existing production line which cut down on the number of processes, production time and labour costs and improve the quality of the products.

As such, Company M is undertaking a modernization project for the purposes of RA.

7.3.3 **Automating** is a process whereby manual operations are substituted by mechanical operations with minimal / reduced human judgement and control.

Example 13

Company N is a motorcycle manufacturer which invested in a robotic machine to do welding and spraying work previously done manually.

The welding and spraying work carried out by the robotic machine is an automation project for the purposes of RA.

7.3.4 **Diversifying** means undertaking a project to produce additional or new related products relating to the same industry. The additional or new products should be related or similar to the existing products in terms of the following characteristics:

(a) major raw materials

(b) main components;

(c) type, range, variety, class, category, group;

(d) features, characters;

(e) functions, purpose, usage; or

(f) manufacturing process.

Some examples of activities or products that would qualify as diversification projects are as shown in the table below:

Original Activity/Product	**New Activity/Product**
rubber gloves	rubber shoes, rubber seals
tyres for motor vehicles	metal rim for wheels
skin care products	toiletries e.g. hair and body shampoo, sun block lotion
production of cooking oil	soap, wax, grease
conventional TV	VCD and DVD players
costume jewellery, silver jewellery	silver, gold, crystal ornaments

Some examples of activities or products that would not qualify as diversification projects are as follows:

Original Activity/Product	New Activity/Product
rubber gloves	laboratory equipment
tyres for motor vehicles	plastic floats
skin care and cosmetic products	garments
cooking oil	kitchen utensils
conventional TV	air-conditioner
costume jewellery, silver jewellery	cosmetic products

7.3.4.1 Diversification also includes a forward integration project. Forward integration refers to moving from existing production of raw materials or intermediate products to the production of downstream products such as another intermediate product or an end product.

Example 14

Company O produces colouring and flavouring agents used in food and beverages. The company decides to go into manufacturing and production of cordials.

The production of cordials is a forward integration project and qualifies as a diversification for the purpose of RA.

7.3.4.2 Conversion of waste material or a by-product by way of manufacturing activity into a new product is diversification for the purposes of Schedule 7A of the ITA.

Example 15

Company P, a company producing palm oil embarks on a project to utilize the empty fruit bunches of oil palm waste and converts the waste into palm-based fibreboard.

The manufacturing of this fibreboard from oil palm waste qualifies as a diversification project for the purpose of RA.

Example 16

Same facts as in Example 15 except that Company P decides to turn a by-product of palm oil refinery, namely palm fatty acid distillate, into animal feed.

The manufacturing of this animal feed qualifies as a diversification project for the purpose of RA.

8. Capital Expenditure

8.1 Capital expenditure for the purposes of a qualifying project

Capital expenditure refers to the capital expenditure on factory, plant or machinery incurred for the purposes of a qualifying project under Schedule 7A of the ITA. Such expenditure shall not include capital expenditure incurred on plant and machinery which is provided wholly or partly for the use of a director, or an individual who is a member of the management, or administrative or clerical staff.

8.2 Meaning of factory

8.2.1 A factory means –

(a) portion of the floor area of a building or an extension of a building used for the purposes of qualifying project to place or install plant or machinery or to store any raw material, or goods or materials manufactured prior to sale; and

(b) in respect of portion of the floor area of the building or extension of the building used for the storage of raw material, or goods or materials, or both, it shall not be more than one-tenth of the total floor area of that building or extension.

This is summarised in the following Diagram 1, 2, 3 and 4:

Diagram 1

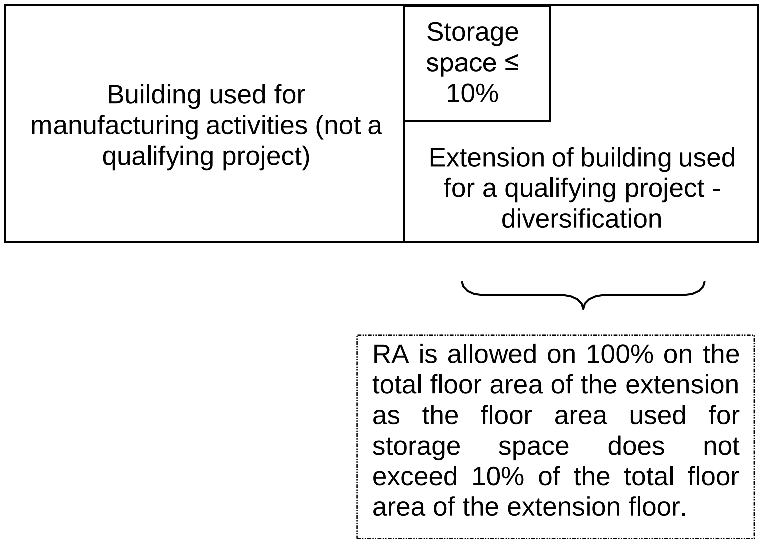


Diagram 2

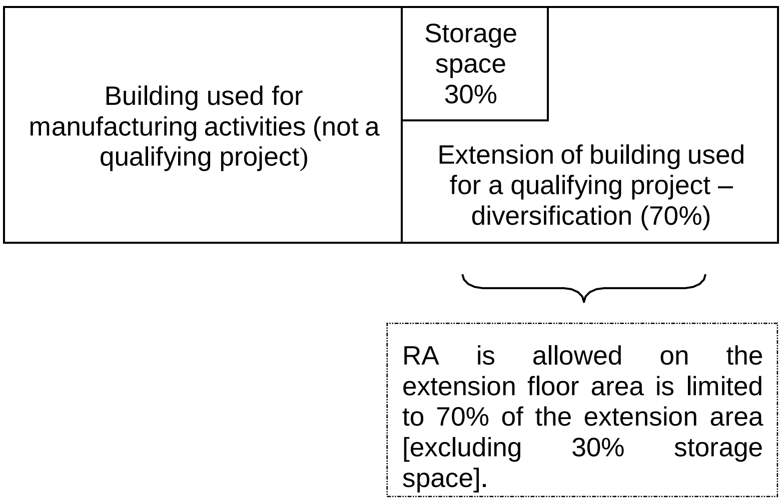


Diagram 3

<table>
<tr><td rowspan="2">Building used for manufacturing activities (not a qualifying project)</td><td>Storage space
5,000 sq. ft.
(5%)</td><td>Sales office space
25,000 sq. ft.
(25%)</td></tr>
<tr><td colspan="2">Extension of building used for a qualifying project – diversification 70,000 sq. ft. (70%)</td></tr>
</table>

Sales office space is not eligible for RA because the extended floor area is not used for qualifying project or storage space.

RA is only allowed on the 75,000 sq. ft. of the extended floor area (used for qualifying project and storage space). The floor area used for storage space qualifies for RA as it is less than 10% (5,000 sq. ft./75,000 sq. ft. x 100%) of the total floor area used for qualifying projects and storage space.

Determination of RA eligibility for storage space shall be based on the ratio of the area of the storage space (5%) to the aggregate area of qualifying projects (diversification)

8.2.2 The tax treatment shown in diagrams 1, 2 and 3 applies as long as the area of storage space does not exceed one -tenth (1/10) of the total area extension to the building used for the purpose of the qualifying project.

Diagram 4

<table>
<tr><td rowspan="2">Building used for manufacturing activities (not a qualifying project)</td><td>Storage space
8,000 sq. ft. (8%)</td><td>Sales office space
25,000 sq. ft. (25%)</td></tr>
<tr><td colspan="2">Extension of building used for a qualifying project – diversification 67,000 sq. ft. (67%)</td></tr>
</table>

Sales office space is not eligible for RA because the extended floor area is not used for qualifying project or storage space.

RA is only allowed on 67,000 sq. ft. of the extended floor area. The floor area used for storage space is not eligible for RA as it exceeds 10% (8,000 sq. ft./75,000 sq. ft. x 100%) of the total floor area used for eligible projects and storage space.

The determination of RA eligibility for storage space shall be based on the ratio of the area of the storage space (8%) to the aggregate area of eligible projects (diversification) (8,000 sq. ft. + 67,000 sq. ft.).

8.2.3 A company renting a factory may claim RA on qualifying expenditure incurred on the cost of extension to the factory if the extension is done for the purposes of a qualifying project.

Example 17

Company Q rents out a factory to Company A1, a manufacturing company of plastic products. To accommodate new machines for an expansion project, Company A1 spent RM100,000 on extension to the rented factory.

The extension to the rented factory was to accommodate new machines for an expansion project. Therefore, the extension to the rented factory is a factory for purposes of RA.

8.2.4 A company moving from a rented factory to its own factory or buying over a factory which it previously rented, does not meet the eligibility as a factory for purposes of RA unless the factory is used for the purpose of a qualifying project.

Example 18

Company R has been doing manufacturing business in a rented factory in Klang for 3 years. In the fourth year of business the company decided to buy over that factory when the owner put it up for sale.

The building that was purchased is not a factory for purposes of RA as it is not used for a qualifying project.

Example 19

Same facts as in Example 18 except that Company R decided to relocate by buying a bigger factory nearby. The company did not increase its production capacity, upgrade plant or machinery, or diversify its products. The bigger building that was purchased is not a factory for purposes of RA as it is not used for a qualifying project.

Where a company is relocated to another factory (which may be bigger, smaller or of the same size as the existing one) and incurs qualifying expenditure on the new factory for the purposes of a qualifying project, the company is entitled to claim RA on the new factory. The capital expenditure that qualifies for RA would be the proportion of the floor area of the new factory that is utilised for the qualifying project calculated as follows:

$$\frac{\text{Portion of factory (additional floor area) used for qualifying project}}{\text{Total floor area of factory}} \times \text{Cost of new factory}$$

Example 20

Company S has been doing manufacturing business in their own factory in Rawang since 2014. The floor space used for manufacturing activity is 20,000 sq. metres. In the year 2018 the company decided to undertake an expansion project for which the company needed a factory twice as big as the old one. Company S bought a piece of land in Shah Alam to construct a new factory with floor space of 42,000 sq. metres for manufacturing at the cost of RM4 million.

Since Company S has undertaken a qualifying project, it is eligible for RA on the new factory. However, since the cost of the old factory would not have qualified for RA, the company would not be given RA on the whole cost of the new factory but only on the proportion of the new factory that is used for the qualifying project.

The qualifying expenditure eligible for RA would be:

$$\frac{42{,}000 - 20{,}000}{42{,}000} \times 100\ \% = 52.38\ \%$$

52.38% X RM4 million = RM2,095,238

Example 21

Company T has been doing manufacturing business in a rented factory of 15,000 sq. metres in Kuala Lumpur since the year 2011. In March 2015 the company diversified into a related product but scaled down on the production of the existing product. For that purpose, the company bought a piece of land in Petaling Jaya to construct a new factory of the same size as the existing factory.

The new factory was completed in June 2018 at a cost of RM1.2 million, out of which only RM1 million relates to the portion of factory used for manufacturing activity. The floor area used for manufacturing is the same as in the old rented factory but now only 40% of the floor area is for manufacturing of existing product and 60% for the new product.

As Company T has undertaken a qualifying project, it is eligible for RA on the new factory. The qualifying expenditure eligible for RA would be:

60% X RM1 million = RM600,000

Example 22

Same facts as in Example 21, except that instead of constructing a new factory, Company T bought over the rented factory for RM1 million. Out of the total floor area of the building, 40% is used for manufacturing of existing product and 60% for the new product.

As Company T has undertaken a qualifying project, it is eligible for RA on the newly acquired factory. The qualifying expenditure eligible for RA would be:

60% X RM1 million = RM600,000

8.3 Plant and machinery

8.3.1 Meaning of plant and machinery

(a) A plant means an apparatus used in respect of a manufacturing activity, which is directly used in carrying out that activity in a factory.

(b) A machinery means a device or apparatus consisting of fixed and moving parts that work together to perform function in respect of a manufacturing activity, which is directly used in carrying out that activity in a factory.

(c) The phrase “directly used in carrying out the manufacturing activity in a factory” means that during the manufacturing activity, the plant and machinery used in the factory must:

(i) effect a change in material to form a product to be sold;

(ii) have an active or necessary role in the manufacture of the product for sale;

(iii) be used in handling, storage, or conveyance of materials or the product to be sold; or

(iv) be used to package the product for sale.

Example 23

Company U, a manufacturer whose accounts ending on 31 December, embarked on an expansion project in 2018 and acquired two forklifts for this purpose. Forklift A is used to unload the raw materials from the lorry outside the factory building to be weighed and inspected before being placed in storage. Forklift B is used inside the factory to move the materials throughout the production line.

As Forklift A is not used inside the factory, it is not a machinery for the purposes of RA. Forklift B is used inside the factory for the conveyance of materials and product to be sold and would be considered a machinery for the purposes of RA.

Example 24

Same facts as in Example 23 and the manufacturer also purchased computer equipment that is directly linked to the production equipment used in the actual manufacturing activity.

The computers would be eligible for RA as they are linked to the production equipment and have an active and necessary role in the actual manufacturing activity.

Example 25

Same facts as in Example 23 and the company incurred capital expenditure on commercial vehicles for transporting the raw materials and products for sale. Capital expenditure incurred on commercial vehicles is not qualifying expenditure for the purpose of RA as these vehicles are not used in the factory.

8.3.2 Additional or replacement of plant and machinery

In carrying out manufacturing activities, a company may purchase a new plant or machinery in addition or replacement to existing plant and machinery. However, if the purchase of plant and machinery is not for a qualifying project, the company is not eligible to claim RA on the expenditure incurred. This includes replacement of the existing tools or machinery parts whereby the company is not eligible to claim RA on the expenses incurred in replacing the tools or machinery parts unless it can be shown that such capital expenditure resulting in expanding, modernizing, automating or diversifying of the existing business.

Example 26

Same facts as in Example 10. Company K replaced some existing machine parts that have worn out. Company K is **not eligible** for RA as the expenditure was incurred for replacement of machine parts and not for a qualifying project.

8.4 Meaning of 'incurred'

For the purposes of RA, the word **incurred** is defined in accordance with paragraphs 46 and 55 of Schedule 3 of the ITA.

8.4.1 Paragraph 46 of Schedule 3 of the ITA refers to capital expenditure on a plant or machinery acquired under a hire purchase agreement.

8.4.2 A person who acquires plant or machinery under a hire purchase agreement will be eligible for RA on the capital portion of installment payment. RA will be given for each YA where there is installment payment of hire purchase provided it does not exceed the period of entitlement of 15 years of assessment.

8.4.3 Paragraph 55 of Schedule 3 of the ITA refers to the date when capital expenditure on building, plant or machinery is deemed incurred. The expenditure is deemed incurred as follows:

(a) on a building, on the day the construction of the building is completed;

(b) on plant or machinery, on the day the plant or machinery is **capable of being used** for the purposes of a business;

Example 27

Company V**,** a rubber glove manufacturer imported a new machine for its expansion project in March 2018. The machine was installed in the factory in May 2018. The production commenced after a trial run of the installed machine which started on 1.6.2018. The time period for the trial run and trial production is three months. After the trial production period is over on 31.8.2018, the commercial production started on 1.9.2018.

The machine is capable of being used for the purposes of the rubber glove manufacturing business on 1.9.2018. Therefore, the capital expenditure is deemed to have been incurred on 1.9.2018.

(c) in any other case, the day on which the amount of expenditure becomes payable; or

(d) for the purposes of a business of his which he is about to carry on, when he commences to carry on the business.

Example 28

Company W, a manufacturer of beverages, undertakes an expansion project which involves the construction of a new factory and installation of a new plant. Construction of the factory covers three (3) basis periods commencing in the basis period ending 30.6.2016. The construction of the factory was completed on 30.3.2018 and the new plant was installed in the new factory and capable of being used on 31.5.2018. Qualifying expenditure incurred is as follows:

Year Ended	On Factory (RM)	On Plant (RM)
30.6.2016	400,000	Nil
30.6.2017	700,000	Nil
30.6.2018	900,000	500,000
Total	2,000,000	500,000

As the factory and plant were completed and used in the same basis period ending 30.6.2018, the capital expenditure for the expansion project is deemed incurred in the same basis period. Company W is eligible to claim RA on the total capital expenditure of RM2,500,000 for the YA 2018.

Example 29

Company X (accounts ending on 31 December) embarked on an expansion project in the year 2015 and acquired a new machine on hire purchase for 36 instalments in October 2015. The company can claim RA on the capital portion of the hire purchase it incurred as follows:

Year of Assessment	No. of Instalments Paid	No. of Instalments that Qualify (Capital Portion)
2015	3	3
2016	12	12
2017	12	12
2018	9	9

8.5 Disposal of Assets

8.5.1 An asset is **disposed of** when it is sold, conveyed, transferred, assigned, ceased to be used or alienated with or without consideration. An asset that has ceased to be used in a business includes an asset classified as held for sale. With effect from YA 2016, once an asset has ceased to be used, it is considered as disposed of. In a case of a factory, if there is a change in the usage of the floor area, that floor area is considered as ceased to be used.

8.5.2 Disposal of asset within 5 years

Where an asset is disposed of at any time within 5 years from the date of acquisition of that asset, the RA claimed shall be withdrawn irrespective of whether the disposal is between related or non-related parties.

In view of the self-assessment system and for practical purposes, the relevant amount of RA shall be withdrawn in the year of disposal. Effective from YA 2015, the amount of RA withdrawn is deemed as part of the statutory income in the basis period for a YA in which the asset is disposed of. The RA withdrawn should be equal to the RA which has been claimed in the preceding years of assessment and any unabsorbed RA will not be available to be carried forward.

Example 30

Company Y has been in the business of manufacturing of wooden furniture since the year 2012 and closes its accounts on 31 December each year. On 1.1.2016 the company purchased a few new machines for RM200,000 for a qualifying project. RA claimed on the assets in the YA 2016 is RM120,000 (60% x 200,000). Statutory income of the company for the YA 2016 is RM1,100,000. In the YA 2018 the company suffered business loss of RM60,000 and sold the machine in that YA to a related company.

As the machine was sold within 5 years from the date of acquisition, RA claimed shall be withdrawn in the YA 2018.

Computation of chargeable income for the years of assessment 2016 to 2018 are as follows:

YA 2016	**RM**	**RM**
Statutory income	1,100,000	
Less: RA	120,000	
Statutory income	980,000	

YA 2017	**RM**	**RM**
Statutory income	NIL	(Loss RM20,000)
Statutory/ Aggregate income	NIL	
Unabsorbed loss c/f RM20,000		

YA 2018	**RM**	**RM**
Statutory income	NIL	(Loss RM60,000)
Add: RA withdrawn	<u>120,000</u>	
Statutory income	120,000	
Less: Previous year loss	<u>20,000</u>	
	100,000	
Less: Current year loss	<u>60,000</u>	
Chargeable income	<u>40,000</u>	

Example 31

Same facts as in Example 30 except that Company Y incurred losses for years of assessment 2016 to 2018 consecutively and decides to dispose of the asset in the YA 2018.

Since the RA claimed on the asset of RM200,000 has not been utilised in the years of assessment 2016 to 2018 before the asset is disposed of in the YA 2018, Company Y should not include the total RA of RM120,000 as part of the statutory income in the YA 2018 and that unabsorbed RA will not be available to be carried forward.

8.5.3 For the purposes of Schedule 7A of the ITA, **disposal** does not include destruction by fire, flood or any other such disasters. RA claimed for the assets which are destroyed under such circumstances would not be withdrawn.

8.6 Controlled transfer

8.6.1 Where assets are acquired from related parties, provisions of **controlled transfer** under paragraph 1B of Schedule 7A of the ITA shall apply. If a disposer has incurred capital expenditure on an asset for the purposes of a qualifying project where RA is claimed, and the asset is subsequently disposed of, the acquirer is not eligible to claim RA on the asset.

8.6.2 Controlled transfer transactions occur under the following circumstances:

(a) the disposer of the asset is a person over whom the acquirer of the asset has control;
(b) the acquirer of the asset is a person over whom the disposer of the asset has control;

(c) some other person has control directly or indirectly over the disposer and acquirer of the asset, or

(d) the acquisition is effected in consequence of a scheme of reconstruction or amalgamation of companies.

Asset means a factory, plant or machinery referred to in paragraph 1 of Schedule 7A of the ITA. In the case of an agricultural project, asset means a plant, machinery or building referred to in the definition of **capital expenditure** in paragraph 9 of the same Schedule.

Control in relation to a company means the power of a person to secure, by means of the holding of shares or the possession of voting power in or in relation to that or any other company, or by virtue of any powers conferred by the articles of association or other document regulating that or any other company, that the affairs of the first mentioned company are conducted in accordance with the wishes of that person.

8.6.3 However, in the case where the disposer acquires an asset not for the purposes of a qualifying project and that asset is subsequently disposed of to a related company, the acquirer is eligible to claim RA on the same asset if the asset is used for a qualifying project. The qualifying capital expenditure for RA for the acquirer in respect of the asset is the market value of the asset on the date of acquisition. The provision of control transfer will not regard the amount paid to the related company as the capital expenditure incurred.

8.6.4 Where a company acquires an asset for a qualifying project but does not claim RA on the qualifying capital expenditure as the company chooses to claim a mutually exclusive incentive and subsequently disposes of the asset by way of controlled transfer, the acquirer is eligible to claim RA on the qualifying capital expenditure of the asset if it is used in a qualifying project of the acquirer. The qualifying capital expenditure is the residual expenditure of the asset.

Example 32

Company Z sold a machine to Company B1, a related company, for RM150,000 on 1.7.2018. Company B1 used the machine for its qualifying project. Both companies close their accounts on 31 December. Although Company Z was eligible to claim RA on the machine at the time of purchase on 2.6.2016 at a price of RM200,000 as the machine was acquired for a qualifying project, Company Z had not done so as it was granted an incentive mutually exclusive to RA.

In this case, Company B1 is eligible to claim RA on the machine. The qualifying capital expenditure for Company B1 is the residual expenditure of the asset as ascertained under Schedule 3 of the ITA.

Company Z		
	RM	**RM**
Cost of machine		200,000
YA 2016		
Initial Allowance (20%)	40,000	
Annual Allowance (14%)	28,000	<u>68,000</u>
Residual Expenditure		132,000
YA 2017		
Annual Allowance		<u>28,000</u>
Residual Expenditure		<u>104,000</u>

The qualifying capital expenditure for Company B1 is the residual expenditure, that is RM104,000.

9. Qualifying Period

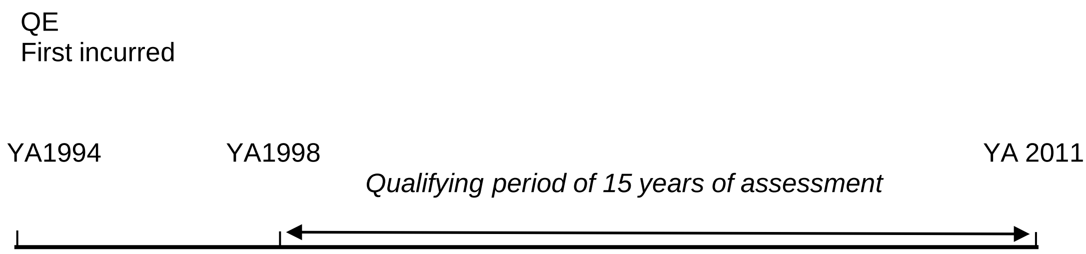
9.1 A company is entitled to claim RA for 15 consecutive years of assessment.

9.2 A company has to make a claim for RA in the income tax return form (ITRF) and the qualifying period of 15 consecutive years of assessment commences from the YA the company first makes the claim.

9.3 Prior to the YA 1998 (financial year ended 1997), RA was allowed only for the YA in which qualifying expenditure was incurred and RA was granted on a year-to-year basis.

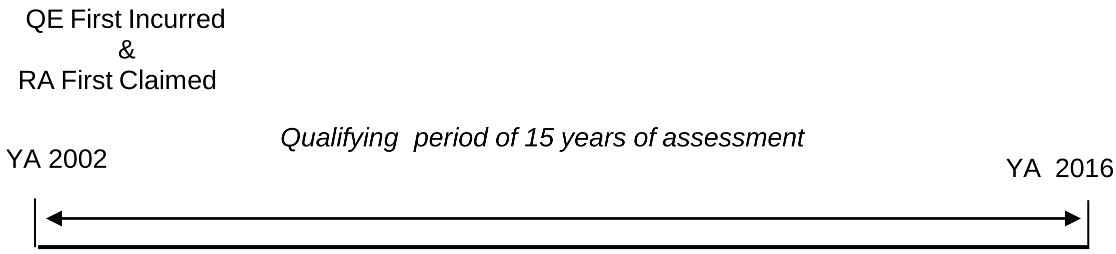
The concept of qualifying period was introduced and made effective from the YA 1998. A company which had been given RA before the YA 1998 is eligible to claim RA for a new qualifying period of 15 years of assessment beginning from the YA 1998.

Scenario 1 – First Qualifying Expenditure (QE) incurred before the YA 1998



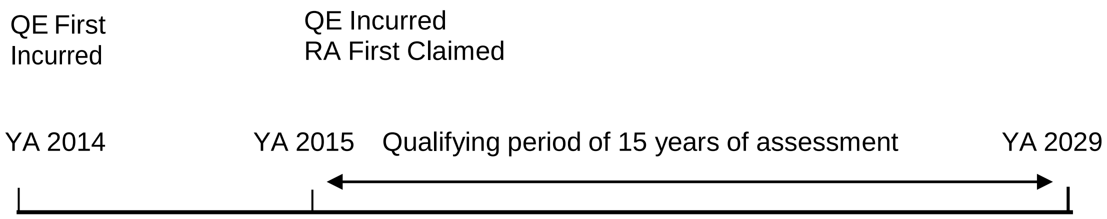
If a company incurred first QE for a qualifying project in the YA 1994, therefore YA 1994 is not part of the 15 years of assessment. The eligibility period for RA is calculated from YA 1998.

Scenario 2 – First QE incurred in the YA 2002



If a company **incurred** first QE in the YA 2002, the qualifying period of 15 years of assessment is calculated from YA 2002.

Scenario 3 – QE incurred in the YA 2014 and YA 2015 but RA first claimed in the YA 2015



If a company incurred first QE in the YA 2014 for a qualifying project but no RA claim is made, and chooses to make its first **claim** only in the YA 2015, the qualifying period of 15 years of assessment is calculated from YA 2015.

Example 33

Company AA (accounts ending on 31 December) undertook a qualifying project in the year 2017 and incurred qualifying expenditure of RM100,000 in the year 2017 and RM1.5 million in the year 2018. The company decided not to claim RA for the YA 2017 but made a claim only in the ITRF for the YA 2018.

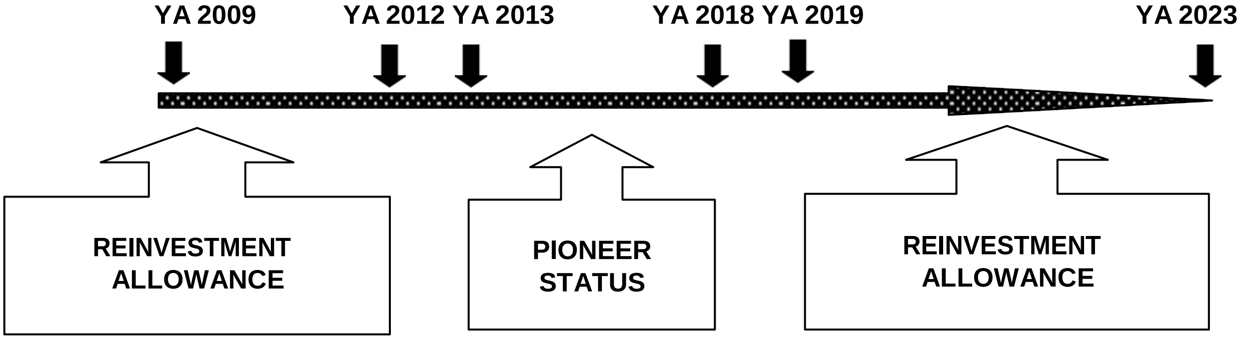
Hence the qualifying expenditure of RM100,000 incurred in year 2017 is forgone for purposes of RA. The qualifying period of 15 consecutive years of assessment starts from the YA 2018 to the YA 2032.

9.4 RA is given for a year of assessment. If the qualifying period of 15 consecutive years of assessment has commenced and the company wishes to enjoy a mutually exclusive incentive for any period of time during the qualifying period, then that period will lapse and the company will enjoy RA for the balance of the qualifying period.

Example 34

Company BB (accounts ending on 31 December), first incurred qualifying expenditure and claimed RA on capital expenditure for the purposes of a qualifying project in the year 2009. The qualifying period of 15 consecutive years of assessment commenced in the YA 2009 and will end in the YA 2023. The company was granted pioneer status for a promoted product for the period 1.7.2013 to 30.6.2018.

Since the company had enjoyed pioneer status for the YA 2013 to 2018, that period will lapse and the company can only continue to enjoy RA for the YA 2019 till 2023.



9.5 If a company has first made a claim for RA during the qualifying period of 15 consecutive years of assessment and the qualifying period ends in the year prior to YA 2015 or in the YA 2015, the company is entitled to make a claim for Additional RA in respect of capital expenditure incurred for a qualifying project undertaken in the basis period for the YA 2016 to 2018 as follows:

YA (the RA Incentive Period of 15 Consecutive Years Ended)	YA (Period Qualifies for Additional RA Claims)
2015 or prior	2016, 2017 and 2018
2016	2017 and 2018
2017	2018

Note:

In the event that plant and machinery are purchased through a hire purchase agreement (as described in paragraph 8.4.2 of this Public Ruling) the company is entitled to make further claims for RA in relation to the capital portion of instalment payments incurred for a qualifying project undertaken in the basis period for the YA 2016 to 2018.

9.6 The company can claim additional RA under the PENJANA package (PENJANA RA) for the basis period YA 2020 to 2024 if it meets all the following conditions:

9.6.1 The company has incurred qualifying expenditure for manufacturing projects or agricultural activities as specified in Schedule 7A;

9.6.2 The RA claim period for 15 consecutive years has ended and / or;

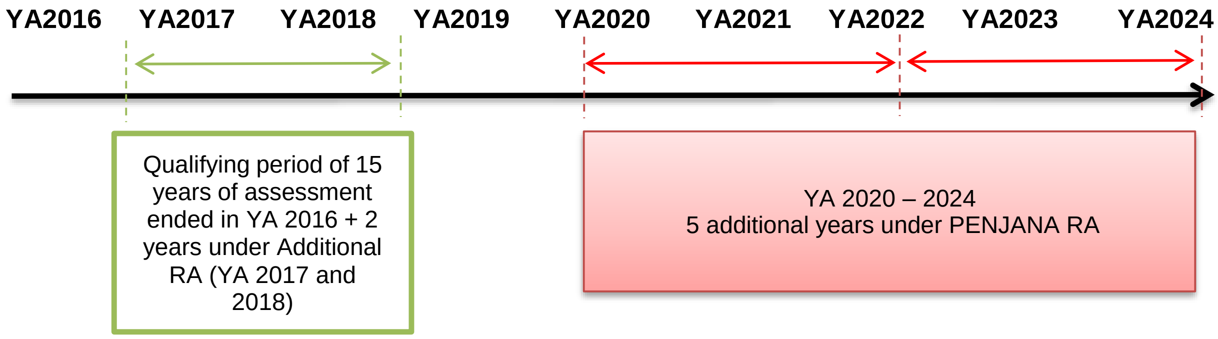
9.6.3 The three years of assessment for Additional RA for the assessment years 2016 until 2018 has ended.

9.7 PENJANA RA claims related to capital expenditure incurred for qualifying project carried out in the basis period of the last year of assessment (YA) 2020 to 2024 as follows:

YA (the RA Incentive Period of 15 Consecutive Years and Additional RA Ended)	YA (Period Qualifies for PENJANA RA Claims)
2019 or prior	2020, 2021, 2022, 2023 and 2024
2020	2021, 2022, 2023 and 2024
2021	2022, 2023 and 2024
2022	2023 and 2024
2023	2024

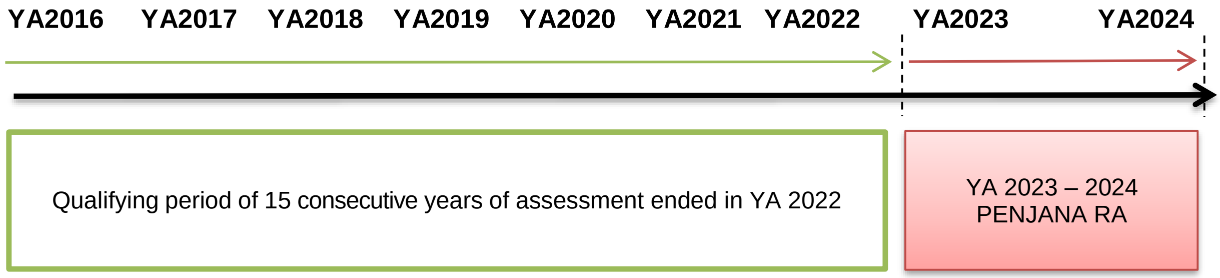
Example 35

NS Chemical Sdn Bhd a chemical manufacturing company, has claimed RA and 15 consecutive years has ended in year of assessment 2016. The company also claimed Additional RA for years of assessment 2017 and 2018. The company can claim additional RA under PENJANA package (PENJANA RA) for capital expenditure incurred for a qualifying project undertaken in the basis period for the YA 2020 to 2024.



Example 36

Alpa Medical Sdn Bhd a medical equipment manufacturing company has claimed RA from YA 2008 and 15 consecutive years has ended in year of assessment 2022. The company can claim PENJANA RA for two years of assessment only (YA 2023 and 2024) if capital expenditure is incurred on qualifying projects for that period.



10. Tax Treatment

10.1 An eligible company can claim RA of an amount equivalent to 60% of the capital expenditure incurred in the basis period for a year of assessment.

10.2 RA is to be deducted against the statutory income of a business but is restricted to 70% of the statutory income.

Example 37

Company CC commenced the business of manufacturing furniture on 1.1.2015 in a factory located in Muar, Johor. On 10.6.2018 the company incurred capital expenditure of RM200,000 on a few machines for the purposes of a qualifying project. The company closes its accounts on 31 December. The statutory income of the business for the YA 2018 is RM150,000. Company CC has no other sources of income.

The computation for RA for the YA 2018 is as follows:

		RM
Statutory income		150,000
Less:		
RA (60% X 200,000 = 120,000)		
RA restricted to (70% X 150,000)		105,000
Chargeable income		45,000
Unabsorbed RA carried forward	**RM15,000**	

10.3 The statutory income referred to in paragraph 10.2 is the amount of statutory income of a person from a source in respect of the related qualifying project.

Example 38

Company DD's business is selling of cosmetic products with the brand names Amy (A) and Bernie (B). Company DD manufactures brand A whereas it imports brand B from Korea.

Company DD carried out a modernization project for the manufacture of brand A and incurred capital expenditure of RM160,000 on machines for that purpose. The Profit & Loss accounts of Company DD for the YA 2018 are as shown below:

	Brand A	**Brand B**	**Total**
	RM	**RM**	**RM**
Sales	600,000	400,000	1,000,000
Less: Cost of sales	300,000	250,000	550,000
Gross profit	300,000	150,000	450,000
Less: Operating expenditure			200,000
Net profit before tax			**250,000**
Capital allowances (CA) claimed –			
• Exclusively for manufacture of brand A		79,000	
• Common assets		21,000	
		100,000	

Computation of statutory income and RA for brand A and B, and chargeable income for the YA 2018 are as follows:

	RM	RM
Net profit as per account	250,000	
Add:		
Non- allowable expenses	50,000	
Adjusted income		300,000
Less:		
Capital Allowance		100,000
Statutory income		200,000

Statutory income of brand B: **RM**

Adjusted income X $\frac{\text{Cost of sales Brand B}}{\text{Cost of sales Brand A \& B}}$

RM300,000 X $\frac{\text{RM250,000}}{\text{RM550,000}}$ 136,364

Less:

Portion of Capital Allowance on common assets
RM21,000 X $\frac{\text{RM250,000}}{\text{RM550,000}}$ 9,545

Statutory income of Brand B **126,819**

Statutory income of brand A: **RM**
(Total statutory income – Statutory income of Brand B)
RM200,000 – RM126,819 73,181

Less:	
RA	
(60% X RM160,000 = RM96,000)	
Restrict to 70% of RM73,181 = RM51,227	51,227
(RA c/f RM44,773)	
Statutory income of Brand A	**21,954**

Chargeable income **(Statutory income of Brand A + Statutory income of Brand B)**	**RM148,773**

Note:

The cost of sales is an acceptable basis in determining the portion of statutory income in relation to manufacturing of the goods. Any other allocation basis that is fair and reasonable in determining the statutory income may be used as long as it is consistently adopted.

10.4 RA may be deducted against 100% of statutory income if a qualifying project has achieved the level of productivity as prescribed by the Minister of Finance (MOF). The level of productivity will be measured by using a Process Efficiency (PE) ratio as shown in Appendix B and should be compared with the level prescribed by the MOF for the same year of assessment.

The percentage of statutory income that may be utilized for the deduction of RA is summarized as follows:

Activity of Company/Person	**Percentage of Statutory Income to be Deducted**	
Manufacturing	PE not achieved	PE achieved
	70%	100%
Agriculture	70%	Not applicable

10.5 Unabsorbed Reinvestment Allowance

10.5.1 Any unabsorbed RA in a year of assessment by reason of the restriction of the allowance to 70% of the statutory income or of an insufficiency or absence of statutory income of a business (i.e. manufacturing or agricultural activities) which undertakes a qualifying project can be carried forward to subsequent years of assessment

10.5.2 This unabsorbed RA can be deducted against 70% of the statutory income of that business in the following years of assessment.

10.5.3 In the case whereby the current year RA is to be deducted up to 100% of the statutory income, the amount of RA brought forward may also be deducted up to 100% of the statutory income of the qualifying project.

10.5.4 A company that has met the prescribed level of productivity for a year of assessment, RA for the year of assessment is to be deducted up to 100% of the statutory income of the qualifying project. If the statutory income of the qualifying project is not sufficient to absorb the amount of RA, the amount that cannot be absorbed is carried forward to the subsequent years of assessment and will be deducted up to 70% of the statutory income of the qualifying project. However, the RA can be deducted up to 100% of the statutory income of the qualifying project in the relevant year if the company achieves the level of productivity.

Example 39

Company EE's main activity is manufacturing plastic wares and in the YA 2018, Company EE bought a plant and machinery worth RM400,000 for its expansion project. The company's PE ratio for Year 2018 is 1.51 while the level prescribed by MOF for that sector for Year 2018 is 1.45. In the Year 2019, the company's PE ratio is 1.62 as compared to 1.54, the level prescribed by MOF for that sector.

YA 2018	**RM**	**RM**	**RM**
Statutory income		200,000	
Less:			
Current RA (400,000 X 60%)	240,000		
RA allowed to be deducted (100% X 200,000)		200,000	
Chargeable income		**Nil**	
RA c/f (240,000 – 200,000)			40,000

YA 2019	**RM**	**RM**
Statutory income		150,000
Less:		
RA b/f allowed to be deducted (100% X 150,000)		40,000
Chargeable income		**110,000**

Note

If the company's PE ratio in Year 2019 is less that the level prescribed by MOF, the RA b/f can only be deducted up to 70% of the statutory income of the qualifying project in the YA 2019.

Example 40

The same facts as example 37 except the PE ratio is 1.32 which is lower than the level prescribed by MOF. The RA b/f can only be deducted up to 70% of the statutory income of the qualifying project in the YA 2019

TT 2019	**RM**	**RM**
Statutory income	50,000	
Less:		
RA b/f allowed to be deducted (70% X 50,000)	35,000	
Chargeable income	**15,000**	
RA c/f (40,000 – 35,000)		5,000

10.5.5 Prior to YA 2019, the unabsorbed RA can be carried forward to be absorbed in the subsequent years of assessment until it is fully absorbed. However, starting from YA 2019, the unabsorbed RA can only be carried forward to be absorbed for a maximum period of seven (7) consecutive years of assessment upon expiry of the qualifying period of that RA. Any balance of unabsorbed RA after the end of that seven (7) consecutive years of assessment will be disregarded.

Example 41

Company FF's business activity is manufacturing of frozen foods. Company FF first claimed its RA in the YA 2005. Hence the qualifying period of its RA ended in the YA 2019. In the YA 2018, Company FF bought a plant and machinery worth RM300,000 for its modernization project and has unabsorbed RA of RM2,700,000.

The computation for Company FF's taxable income for the YA 2018 and 2019 are as follow:

YA 2018	**RM**	**RM**	**RM**
Statutory income		100,000	
Less:			
Current RA (300,000 X 60%)	180,000		
RA b/f	2,700,000		
	2,880,000		
Restricted to (70% X 100,000)		70,000	
Chargeable income		**30,000**	
RA c/f (2,880,000 – 70,000)			2,810,000

YA 2019	**RM**	**RM**	**RM**
Statutory income		300,000	
Less:			
RA b/f – RM2,810,000			
Restricted to (70% X 300,000)		210,000	
Chargeable income		**70,000**	
RA c/f (2,810,000 –210,000)			2,600,000

Note:

The unabsorbed RA in YA 2019 of RM2,600,000 can be carried forward to be absorbed until YA 2026 (7^{th} year period). Any RA balances that has not been absorbed in YA 2026 will be disregarded in the YA 2027.

10.5.6 For businesses that still have unabsorbed RA balances in the YA of 2018 even though the qualifying period (15 years) has ended, those balances can be carried forward to be absorbed in the YA of 2019 and subsequent years of assessment until the YA 2025 (7^{th} year period).

Example 42

Company GG's business is manufacturing of frozen food. Company GG claimed its first RA in the YA 2001. As such, the qualifying period ended in the YA 2015.

In the YA 2018, the company has unabsorbed RA of RM2,700,000. The company's tax computation for the years of assessment 2018 until 2021 are as follows:

YA 2018	**RM**	**RM**	**RM**
Business statutory income		700,000	
Less:			
RA b/f	2,700,000		
Restricted to (70% X 700,000)		490,000	2,210,000 (RA c/f)
Chargeable income		210,000	
YA 2019			
Business statutory income		1,000,000	
Less:			
RA b/f	2,210,000		
Restricted to (70% X 1,000,000)		700,000	1,510,000 (RA c/f)
Chargeable income		300,000	
YA 2020			
Business statutory income		2,000,000	

Less:			
RA b/f	1,510,000		
Restricted to (70% X 2,000,000)		1,400,000	110,000 (RA c/f)
Chargeable income		600,000	
YA 2021			
Business statutory income		2,000,000	
Less:			
RA b/f		110,000	
Chargeable income		1,890,000	

Note:

The unabsorbed RA in the YA 2018 can only be carried forward to be absorbed in the YA 2019 until YA 2025 (7th year period). In the above case, Company GG is able to generate sufficient statutory income to absorb the RA by YA 2021. Therefore, there is no amount of RA to be disregarded.

Nevertheless, if Company GG is not able to generate sufficient income to absorb the unabsorbed RA balances within the period of YA 2019 until 2025, the unabsorbed RA balances if any will be disregarded in the YA 2026.

10.5.7 The unabsorbed PENJANA RA shall be calculated separately from the unabsorbed RA balance. The unabsorbed PENJANA RA balance can only be allowed to be carried forward to be absorbed up to a maximum of 7 consecutive years of assessment after the PENJANA RA qualifying period ends in YA 2024. Calculation of 7-year period for accumulated unabsorbed PENJANA RA starts from YA 2025. If there remains an unabsorbed PENJANA RA balance at the end of YA 2031, the amount will be disregarded.

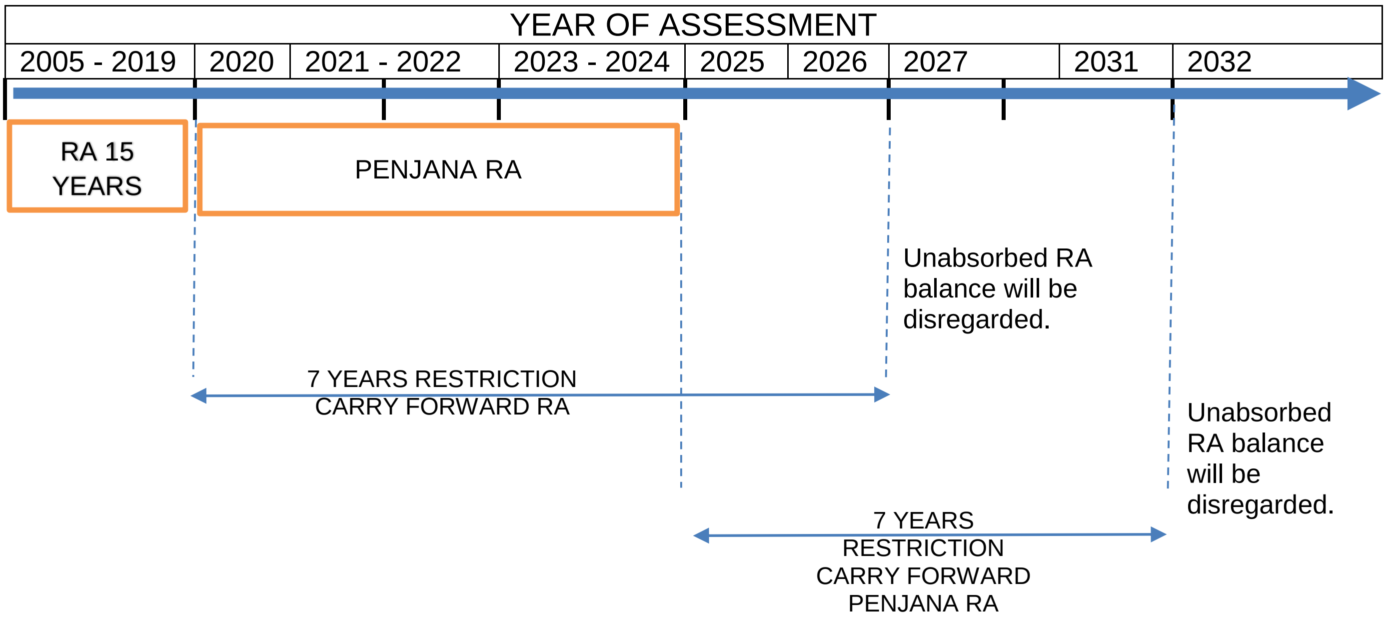
Example 43

Hartawan Segera Sdn Bhd is engaged in the manufacturing of rubber gloves. The Company has incurred capital expenditure for qualifying activities and has claimed RA for such activities from YA 2005 and the RA claim period ended in YA 2019. The Company has an unabsorbed RA balance in YA 2019. If Hartawan Segera Sdn Bhd incurs qualifying expenditure for the qualifying project in YA 2020 to 2024, it is eligible to claim the PENJANA RA for that period. However, for the purpose of calculating the unabsorbed RA balance, it shall be calculated separately from the PENJANA RA.

The 7 year restriction on unabsorbed RA balances, for RA claims ended in YA 2019 will commence in YA 2020 and will end in YA 2026. Any unabsorbed RA balance in YA 2026 will be disregarded in YA 2027.

For PENJANA RA, the 7 year restriction on unabsorbed PENJANA RA balance will start in YA 2025 and end in YA 2031. Any remaining PENJANA RA that is not absorbed in YA 2031 will be disregarded starting YA 2032.

An illustration of Hartawan Segera Sdn Bhd RA claim period is as below:



Example 44

Cold Blue Sdn Bhd is a frozen food manufacturing company. Cold Blue Sdn Bhd claimed RA for the first time in YA 2003. The RA 15 consecutive years claim period ended in YA 2017.

In YA 2020, Cold Blue Sdn Bhd has an unabsorbed RA balance of RM1,860,000. The company claims PENJANA RA for YA 2022 and YA 2023 on expenses for the following eligible projects:

Year of Assessment	Qualifying Expenditure
2022	RM 500,000
2023	RM 1,000,000

The calculation of the remaining unabsorbed RA shall be calculated separately from the PENJANA RA. The company tax calculation for TT 2020 to 2024 is as follows:

DETAILS	RM	RM	RA C/F (RM)	
			15-YEARS	**PENJANA**
		YA 2020		
Statutory income		1,000,000		
Less:				
RA 15-year c/f			1,860,000	
RA allowed to be deducted (restricted) [70% x 1,000,000]		(700,000)	1,160,000	
Chargeable income		300,000		
		YA 2021		
Statutory income		500,000		
Less:				
RA 15-year c/f	1,160,000			
RA allowed to be deducted (restricted) [70% x 500,000]		(350,000)	810,000	
Chargeable income		150,000		

DETAILS	RM	RM	RA C/F (RM) 15-YEARS	RA C/F (RM) PENJANA
YA 2022				
Statutory income		1,000,000		
Less: Current PENJANA RA [500,000 x 60%)	300,000			
RA allowed to be deducted (restricted) [70% x 1,000,000]		(300,000)		
RA 15 year c/f	810,000			
RA allowed to be deducted (restricted) [70% x 1,000,000]		(400,000)	410,000	
Chargeable income		300,000		
TT 2023				
Statutory income		400,000		
Less: Current PENJANA RA [1,000,000 x 60%)	600,000			
RA allowed to be deducted (restricted) [70% x 400,000]		(280,000)		320,000
RA 15-year c/f			410,000	
Chargeable income		120,000		

DETAILS	RM	RM	RA C/F (RM)	
			15-YEARS	PENJANA
TT 2024				
Statutory income		500,000		
Less: RA 15-year c/f	410,000			
RA allowed to be deducted (restricted) [70% x 500,000]		(350,000)	60,000 (1)	
PENJANA RA year c/f				320,000 (2)
Chargeable income		150,000		

Note:

1. The balance of 15-year carried forward RA (15-year RA expires in YA 2024) which cannot be absorbed in YA 2024 (7th YA) amounting to RM60,000 will be disregarded from YA 2025.

2. The PENJANA RA balance of RM320,000 will be carried forward in YA 2025. The unabsorbed PENJANA RA in YA 2025 (1st year), can be carried forward to be absorbed until YA 2031 (7th year). The unabsorbed PENJANA RA in YA 2031 will be disregarded in YA 2032.

10.5.8 If the manufacturing activity ceases in a year of assessment, any unabsorbed RA brought forward cannot be deducted from the statutory income of the company.

Example 45

Same facts as in Example 36. Company DD discontinued manufacture of brand A on 1.1.2018 and solely imports brand B for sales.

The RA balances of RM44,773 cannot be carried forward and deducted from the statutory income of the company for the YA 2018 and subsequent years of assessment since the manufacturing ceased on 1.1.2018. Therefore, the RA balances is disregarded.

10.6 A company can claim RA for more than one qualifying project for the same year of assessment.

Example 46

Same facts as in Example 10 and Company K invests in a robotic machine to do welding and spraying work previously done manually. Company K qualifies for RA as it undertook 2 qualifying projects i.e. expansion and automation for its manufacturing of car component business.

Company K can claim RA against 70% of the statutory income of that business from the respective qualifying project.

11. Special Tax Treatment during Transitional Period

Following changes in the provision of law pertaining to the RA claims, there are a few concessions allowed during the relevant transitional period.

No.	Details	Current Law	Concession
1.	Definition of qualifying project	Effective from the YA 2009, the definition of qualifying project **excludes** the processing of a product or any related product within the same industry.	If a company which involved in a processing activity had made the first claim for RA prior to the YA 2009, the company may continue to claim RA until the end of the qualifying period of the 15 consecutive years of assessment.
2.	Definition of manufacturing	Effective from the YA 2009, the definition of manufacturing was	If a company involved in manufacturing activities prior to the YA 2009 and

		introduced. In addition to the introduction of manufacturing definition in the current law, the Minister may also prescribed any activities notwithstanding the definition of manufacturing. For example, a list of excluded activities as provided in the Income Tax [Prescription Of Activity Excluded From The Definition Of Manufacturing] Rules 2012 - P.U.(A) 23 (Appendix A) which deemed to have effect from YA 2009	had made the first claim for RA prior to the YA 2009, the company may continue to claim RA until the end of the qualifying period of 15 years of assessment even though the activities do not fall under the definition of manufacturing for the purposes of RA and the activities are part of excluded activities under the list prescribed by the Minister in Appendix A. Another concession is also given due to the fact that the Income Tax Rules 2012 P.U.(A) 23 were only issued on 9.1.2012. The concession is that RA claimed for the years of assessment 2009 to 2011 are to be allowed even though the RA is for a manufacturing activity which was later found to be an excluded activity listed in Appendix A. However, RA would no longer be allowed for the same activity from the YA 2012 onwards. Any unabsorbed RA can be carried forward to the YA 2012 and subsequent years of assessment.
3.	Limitation period for unabsorbed	Effective from YA 2019, the unabsorbed RA can only be carried forward for	The unabsorbed RA can be carried forward for a

	RA	a maximum period of 7 consecutive years of assessment upon expiry of qualifying period of the RA. Any unabsorbed RA balances after the end of the 7 consecutive years of assessment, will be disregarded.	maximum period of 7 consecutive years of assessment beginning from the YA 2019 although the qualifying period (15 years)has ended earlier. Any RA balance that has not been absorbed in the YA 2025 will be disregarded in the YA 2026.
4.	Mutually exclusive incentives	RA would not apply to a company for the period during which the company has been granted or enjoys the incentives as listed in subparagraph 12.1 below.	For a company with brought forward RA from the preceding year of assessment, the company is not precluded from claiming any other incentive that is mutually exclusive. Current year allowance has to be deducted before deducting any RA brought forward

12. Non-Application

12.1 Effective YA 2011, with the change from **period** to **basis period** in paragraphs 7(a) to 7(e) of Schedule 7A of the ITA, a company is only eligible to claim RA in the basis period for a year of assessment, after the end of that basis period for that year of assessment, during which the company has been granted or enjoys the following incentives:

(a) Pioneer status under the Promotion of Investments Act 1986 (PIA)

(i) a company granted pioneer status under the PIA and is applying for or intends to apply for a pioneer certificate; or

(ii) a company granted pioneer certificate under PIA and the pioneer period has not ended;

(b) Investment tax allowances (ITA) under the PIA

   (i) a company has been granted ITA and ITA period has not ended; or

   (ii) a company has been approved ITA and has not surrendered the ITA approval;

(c) Incentive under Investment Incentive Act 1968 (IIA)

   (i) pioneer status approval, labour utilization or local incentives and investment tax credit (ITC) of the IIA and the tax relieve period has not ended; or

   (ii) approval under ITC of the IIA and incurred capital expenditure which qualified for ITC even though the IIA has been repealed;

(d) Industrial adjustment allowance under the PIA in respect of a manufacturing activity or a manufactured product (approval granted prior to the coming into operation of section 27 of the Promotion of Investments (Amendment) 2007 Act [Act A1318];

(e) Group Relief for companies under section 44A of the ITA;

(f) Deductions under any rules made under section 154 of the ITA where the rules provide that RA shall not apply to that company or person; and

(g) Exemption from tax on income under exemption orders made under paragraph 127(3)(b) or exemption under subsection 127(3A) of the ITA where it provides that RA shall not apply to that company or person.

Example 47

Company HH commenced the business of manufacturing wooden furniture on 1.1.2009 and closes its account on 31 December every year. Company HH purchased a few machines for RM350,000 and a new factory building for RM800,000 for an expansion project in 2018. A related company in the group of companies had surrendered losses of RM1.5 million to Company HH in 2018 under the group relief for companies. Company HH claimed RA on the machine and factory in the YA 2018.

Even though Company HH is eligible to claim the group relief of RM1.5 million for the YA 2018, Company HH will not enjoy the group relief as it has claimed RA in respect of the capital expenditure incurred for the expansion project for that year of assessment.

Example 48

Company JJ which closes its account on 31 December every year has been granted pioneer certificate and the pioneer period ends on 31.5.2018. The company purchases a few new machines for a qualifying project on 1.7.2018 and claims RA on the machines in the YA 2018. Company JJ is **not eligible** for RA for the YA 2018 as the company is enjoying pioneer status in the same year of assessment.

12.2 A company claiming RA in a year of assessment is allowed to utilize brought forward unabsorbed allowances arising from a mutually exclusive incentive. Similarly, where a company has brought forward RA from the preceding year of assessment, the company is not precluded from claiming any other incentive that is mutually exclusive in a year of assessment.

However, the company has to deduct the allowance claimed for the current year first before deducting any RA brought forward.

Example 49

Company KK is in the business of manufacturing frozen food. For the YA 2018, the company claimed an amount of RM70,000 as Allowance for Increased Export (AIE) [deduction against 70% of statutory income]. The company has brought forward unabsorbed RA of RM270,000 from the same business.

	RM	**RM**
Statutory income from business of frozen food	300,000	
Less: AIE (Claimed)	70,000	
	230,000	
Less: RA (b/f RM270,000) restricted to		
[(70% X 300,000) – AIE 70,000]	140,000	

Chargeable income	90,000	
RA c/f (270,000 – 140,000)		130,000

Example 50

Company LL is in the business of manufacturing automotive parts. The company incurred capital expenditure of RM450,000 for purposes of a qualifying project for the YA 2018. The company has brought forward unabsorbed AIE of 70,000 from the same business.

	RM	**RM**
Statutory income from business	300,000	
Less: RA (60% X 450,000 = 270,000) Restricted to (70% X 300,000)	210,000[1]	
	90,000	(RA c/f 60,000)
Less: AIE (b/f 70,000) [(70% X 300,000 = 210,000) - RA 210,000]	NIL[2]	(AIE c/f 70,000)
Chargeable income	90,000	

Example 51

Company MM which closes its accounts on 31 December has been granted pioneer status for product A for a period of 5 years and the pioneer period ended on 30.3.2017. The company has unabsorbed losses of RM150,000 during the pioneer period. In the year 2018, the company incurred capital expenditure of RM500,000 for a qualifying project for RA and achieved the level of productivity prescribed by the Minister. The company is eligible to deduct RA of up to 100% of the statutory income for the YA 2018.

[1] The restriction to 70% of statutory income is in line with the Income Tax Exemption Orders and Rules in relation to AIE.

[2] No AIE brought forward is deducted for the YA 2018 as the amount of the statutory income that can be deducted for AIE brought forward (70% X 300,000 = 210,000) has been fully utilized by RA. Unabsorbed AIE brought forward will be carried forward to the following year of assessment.

YA 2018	**RM**	**RM**
Statutory income from business	430,000	
Less:		
RA		
(60% X 500,000 = 300,000)	300,000	
	130,000	
Less:		
Pioneer period losses (RM150,000 restricted to)	130,000	
Chargeable income		**NIL**
Pioneer period losses c/f (RM150,000 – RM130,000)	20,000	

13. Claim Procedures

13.1 A claim for RA must be made in the related ITRF.

13.2 The claim made does not need a written approval from Inland Revenue Board Malaysia (IRBM). However, the claim must be recorded in the RA claim form which can be downloaded from IRBM's Official Portal (**Appendix C**).

13.3 The original copy of the RA claim form is to be kept by the claimant together with all relevant documents related to the claim.

14. Updates and Amendments

	Amendments	
	Paragraph	Explanations
This PR replaces the PR No.10/2020 dated 06 November 2020	8	Sub paragraph 8.2.1 is amended Diagram 1 and 2 amended New Diagram 3 and 4 inserted
	9	Paragraph 9.5 is amended, words 'further claim for RA' amended as 'Additional RA' and words 'Further RA' amended as 'Additional RA'.

		New paragraph, 9.6 and 9.7 inserted. New Examples, 35 and 36 inserted in paragraph 9.7 Previous Examples, 35, 36, 37, 38, 39 and 40 are amended and renumbered as Examples 37, 38, 39, 40, 41 and 42 respectively.
	10	Sub paragraph 10.5.7 renumbered as subparagraph 10.5.8 Examples 43 and 44 inserted in paragraph 10.5.7 Previous Examples 41 and 42 are amended and renumbered as Example 45 and 46 respectively.
	12	Previous Examples 43, 44, 45, 46 and 47 are amended and renumbered as Example 47, 48, 49, 50 and 51 respectively.

15. Disclaimer

The examples in this PR are for illustration purposes only and are not exhaustive.

Director General of Inland Revenue,
Inland Revenue Board of Malaysia

Appendix A

List of non-qualifying activities for RA under paragraph 9*(ii)* of Schedule 7A of the ITA

1. Ice making;
2. Cutting, sorting, cleaning, drying, grinding, mixing, grading or packaging herbs or spice, or any of its combination;
3. Production of aggregates, asphaltic concrete, pre-mix cement, ready mixed concrete or bitumen, or any of its combination;
4. Folding and shaping paper box, cardboard, plastic bag, envelopes or any other folding and shaping activity;
5. Laminating;
6. Quarrying,
7. Mining or extraction of mineral;
8. Processing of photograph, picture, slide or film, or any of its combination;
9. Baking except where the activity is carried on in a factory;
10. Distillation or filtration of water;
11. Treatment of waste water and solid waste;
12. Mixing or blending of petroleum product;
13. Cleaning, processing, packing or freezing of product, or any of its combination;
14. Painting, polishing or vanishing, or any of its combination;
15. Colouring, stamping or printing of logo on materials or clothing, or any of its combination;
16. Production of herbs and traditional medicine, or any of its combination;
17. Production of sawn timber, veneer, plywood including drying of the products, or any of its combination;
18. Photostatting;
19. Recycling activity which involves sorting, cutting or packaging, or any of its combination;
20. Ship building activity.

Appendix B

Computation of Process Efficiency (PE)

$$\text{PROCESS EFFICIENCY (PE)} = \frac{\text{TOTAL OUTPUT - BIMS}}{\text{TOTAL INPUT - BIMS}}$$

Note: BIMS is Bought-In Materials and Services

A	Total Output	Notes
1.	Net sales	Net sales = Gross sales less discounts,returns and rebates
2.	Closing stock of finished goods less opening stock of finished goods	
3.	Closing work-in-process less opening work-in-process	
4.	Own construction	Own construction is the total cost paid forany internal activity or project carried out by own resources for improvement or enhancement objective. Example: Upgrading tools for moulding activity
5.	Income from sale of goods purchased in the same condition	Example: Company XYZ is a tyre manufacturer. Atthe same time it acts as an agent for other tyre manufacturers and sell the tyres in the same condition to its clients
6.	Income from services rendered	The type of services rendered should be related to the main activity of the company as listed in the company's Memorandum of Association or itsConstitution.

B	BIMS (Bought-In Materials and Services)	Notes
1.	Materials consumed	
2.	Supplies, consumables, printing and lubricants	Supplies: All related supplies such as stationary, packaging materials, accessories, tools,parts for repairs and maintenance etc. Consumables: All related items consumed in a production process
3.	Cost of goods sold in same condition	
4.	Utilities	Examples: Water, electricity and fuel
5.	Payment to contractors	Example: Payment for subcontracting works
6.	Payment for industrial work done by others, storages and supplies	Example: Payment for maintenance of parts and machinery and for storage of materials orpurchased goods.
7.	Payments for non-industrial services	Example: Acquisition of trademark or patent, payment for royalties, advertising fees, audit fees, legal fees, professional charges, postage, consultancy fees etc.

C	Total Input	Notes
1.	Materials consumed	
2.	Supplies, consumable, printing and lubricants	Supplies: All related supplies such as lubricants stationery, packaging materials, accessories,tools, parts for repairs and maintenance etc. Consumable: All related items
3.	Cost of goods sold in same condition	
4.	Utilities	Example: Water, electricity and fuel
5.	Payment to contractors	Example: Payment for subcontracting works
6.	Payment for industrial work done by others, storages and supplies	Example: Payments for maintenance of parts and machinery and payments for storage of materials orpurchased goods
7.	Payment for non-industrial services	Example: Acquisition of trademark or patent, payment for royalty, advertising fees, audit fees, legal fees, professional fees, postage, consultancyfees etc.
8.	Salaries and wages (paid employees), including payment / fees to working / non-working directors	
9.	Payment-in-kind to paid employees, EPF, SOCSO, free wearing apparel etc.	
10.	Total depreciation	
11.	Bank charges	Example: Interest or charge paid to financial institutions
12.	Other payments (grants / donation and other expenditures) but excluding direct taxes	Example of grant: Scholarship grant given to staff and their immediate family members. Donation subjectto those from approved list issued by Inland Revenue Board Malaysia

1. (a) Other operating income should be included as part of Total Output. Example: Sales of scraps and by-products.

   (b) Non-operating income should not be included as part of Total Output. Examples of non-operating income are as listed below:

      I. Interest received

      II. Rent received

      III. Gain on investments

      IV. Gain on sale of properties

      V. Gain on sale or evaluation of securities, stock and bonds

      VI. Gain on foreign exchange transactions

      VII. Other income on transactions non-operating nature

2. Non-operating expenses should not be included as part of Total Input. Examples of non-operating expenses are as listed below:

      I. Bad debts

      II. Loss on sale of properties

      III. Loss on sale or evaluation of securities, stock and bonds

      IV. Loss on investments

      V. Stock written-off

      VI. Other losses on transactions non-operating in nature.

APPENDIX C

LHDN/BT/RA/2017

JABATAN DASAR PERCUKAIAN
IBU PEJABAT LEMBAGA HASIL DALAM NEGERI MALAYSIA
MENARA HASIL, ARAS 17
PERSIARAN RIMBA PERMAI
CYBER 8, 63000 CYBERJAYA
SELANGOR
www.hasil.gov.my

TUNTUTAN BAGI ELAUN PELABURAN SEMULA (EPS) BAGI PROJEK YANG LAYAK DI BAWAH JADUAL 7A, AKTA CUKAI PENDAPATAN 1967
CLAIM FOR REINVESTMENT ALLOWANCE (RA) FOR THE QUALIFYING PROJECT UNDER SCHEDULE 7A, INCOME TAX ACT 1967

NO. RUJUKAN CUKAI PENDAPATAN : ……………………………………………
INCOME TAX REFERENCE NO.

CAWANGAN LEMBAGA HASIL DALAM NEGERI : ……………………………
BRANCH OF INLAND REVENUE BOARD:

TAHUN TAKSIRAN : …………………………………………………………………..
YEAR OF ASSESSMENT :

TEMPOH ASAS : ……………………………………………………………………….
BASIS PERIOD :

TAHUN TAKSIRAN PERTAMA EPS DITUNTUT : ………………………………
(Berkuatkuasa mulai tahun taksiran 1998)
FIRST YEAR OF ASSESSMENT RA IS CLAIMED :
(With effect from the year of assessment 1998)

BAHAGIAN A: BUTIR-BUTIR SYARIKAT
PART A: DETAILS OF COMPANY

1. **Nama dan alamat berdaftar:**
Name and registered address:

…………………………………………………………………………………………..
…………………………………………………………………………..........................
………………………………………………………………………………………….
………………………………………………………………………………………......

LHDN/BT/RA/2017

2. **Kategori pembayar cukai** / *Category of taxpayer:*

a. **Syarikat perkilangan yang dilesenkan di bawah Akta Penyelarasan Perindustrian 1975.** ☐
A manufacturing company licensed under the Industrial Co-ordination Act 1975.

b. **Syarikat perkilangan yang tidak dilesenkan di bawah Akta Penyelarasan Perindustrian 1975.** ☐
A manufacturing company not licensed under the Industrial Co-ordination Act 1975.

c. **Syarikat di mana jumlah modal berbayar pada hari pertama tempoh asas tahun taksiran dituntut tidak melebihi RM 2.5 juta.** ☐
A company where paid-up capital on the first day of a basis period for a year of assessment claimed is not more than RM2.5 million.

d. **Syarikat, persatuan kerjasama berasaskan pertanian, persatuan peladang atau persatuan nelayan yang diluluskan yang menjalankan projek pertanian yang layak.** ☐
A company, an agro-based co-operative society, approved farmers or fishermen association which undertakes qualifying agricultural project.

3. **Kategori Permohonan** / *Category of Application:*

a. **Projek pembesaran bagi keluaran wujud.** ☐
Expansion project on existing product.

b. **Projek permodenan/automasi.** ☐
Modernization/Automation project.

c. **Projek pempelbagaian.** ☐
Diversification project.

4. **Tarikh perniagaan dimulakan:**
Date of commencement of business: ………………………………….

5. **Struktur Ekuiti:** **Rakyat Malaysia**/*Malaysian Citizen:* …………. (%)
Equity structure:
Rakyat Asing/*Foreign Citizen*: ……………..…. (%)

LHDN/BT/RA/2017

6. **Jenis galakan yang sedang dinikmati atau diluluskan secara prinsip di bawah Akta Penggalakan Pelaburan 1986 dan Akta Cukai Pendapatan 1967.**
Incentive currently enjoyed or had been approved in principle under the Promotion of Investments Act 1986 and Income Tax Act 1967

(a) **Jenis Galakan** / *Type of Incentive :* ……………………………….…

(b) **Tarikh kelulusan** / *Date of approval:* ……………………………….…

(c) **Tempoh** / *Period*: ………………………………………………………..…

(d) **Produk** / *Product* : ……………………………………………………..…

BAHAGIAN B: BUTIR-BUTIR PROJEK
PART B: PARTICULARS OF PROJECT

1. **Keterangan mengenai projek yang layak yang terlibat dalam aktiviti pengilangan atau pertanian dan kesan projek tersebut terhadap keluaran /operasi perniagaan sedia ada** / *Description of the qualifying project engaged in the activity of manufacturing or agriculture and the effect of that project on output/operation of the existing business.*

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* Sediakan lampiran sekiranya perlu.
Provide attachment if necessary.

LHDN/BT/RA/2017

BAHAGIAN C: BUTIR-BUTIR PERBELANJAAN MODAL YANG LAYAK BAGI AKTIVITI PENGILANGAN ATAU PROJEK PERTANIAN

PART C : DETAILS OF QUALIFYING CAPITAL EXPENDITURE FOR MANUFACTURING PROJECT OR AGRICULTURAL PROJECT

1. Butir-butir perbelanjaan modal yang layak di mana EPS yang telah dituntut bagi tahun taksiran sebelumnya.
Detals of qualifying capital expenditure where RA was claimed in the preceding year of assessment.

(a) Loji dan jentera / *Plant and Machinery*

Jenis loji & jentera Types of plant & machinery	**EPS yang diberi** RA given	**Tahun taksiran dituntut** Year of assessment claimed	**Jumlah Kos** *Total cost* (RM) *	**Tarikh pemerolehan** Date of acquisition	**Tarikh pelupusan** Date of disposal

* Bagi aset yang diperolehi secara sewa beli, sila nyatakan jumlah bayaran modal yang telah dibuat bagi tempoh-tempoh asas sebelumnya di mana EPS telah diberi.
For assets acquired on hire purchase, please state the amount of capital payments made in the previous basis periods for which RA has been given

(b) Bangunan kilang (terpakai kepada aktiviti pengilangan)
Factory Building (applicable for manufacturing activity)

Lokasi/ Location	**Tarikh Perbelanjaan modal dilakukan/** *Date of capital expenditure incurred*	**Tarikh siap/** Date of completion	**Tarikh mula digunakan/** Date first put of use

LHDN/BT/RA/2017

(c) Lain-lain jenis bangunan termasuk tempat tinggal atau kebajikan pekerja/ pembaikan struktur tanah / lain-lain struktur (terpakai kepada projek pertanian
Other types of building including building for living accommodation or welfare of staff/improvement on land / other structures (applicable for agriculture project.

Lokasi Location	**Tarikh Dibeli/dibina (tidak termasuk kos tanah)** Date of purchase/ construction (excluding cost of land)	**Tarikh siap** Date of completion	**Tarikh mula digunakan** Date first put of use	**Jumlah kos** Total cost (RM)

2. Butir-butir aset berhubung EPS yang dituntut bagi tahun taksiran semasa.
Particulars of assets where RA is claimed in the current year of assessment.

(a) Loji dan jentera/*Plant & machinery*

Jenis loji dan jentera *Types of plant & machinery*	**Fungsi** *Function*	**Tarikh Diperolehi** *Date of acquisition*	**Jumlah kos** *Total cost* (RM)	**Cara pembayaran dan bayaran modal yang dibuat dalam tempoh asas** *Mode of payment and capital payment made in the basis period*		**Tarikh mula digunakan** *Date put to use*
				Sewa beli *hire purchase* (RM)	**Tunai** *Cash* (RM)	

LHDN/BT/RA/2017

(b) Bangunan kilang (terpakai kepada aktiviti pengilangan)
Factory building (applicable for manufacturing activity)

Lokasi *Location*	**Tarikh perbelanjaan modal dilakukan** *Date of capital expenditure incurred*	**Kos kilang** *Cost of factory*	**Tarikh mula digunakan** *Date first put of use*	**Keluasan kilang** *Area of factory*

(c) Lain-lain jenis bangunan termasuk tempat tinggal atau kebajikan pekerja/ pembaikan struktut tanah/ lain-lain struktur (terpakai kepada projek pertanian / *Other types of building including building for living accommodation or welfare of staff /improvement on land/other structure (applicable for agricultural project)*

Lokasi *Location*	**Tarikh Dibeli/dibina (tidak termasuk kos tanah)** *Date of purchase/ construction (excluding cost of land)*	**Tarikh siap** *Date of completion*	**Tarikh mula digunakan** *Date first put of use*	**Jumlah kos** *Total cost* (RM)

LHDN/BT/RA/2017

BAHAGIAN D : KECEKAPAN PROSES (KP)
PART D : PROCESS EFFICIENCY (PE)

Pengecualian sepenuhnya tuntutan EPS boleh dibenarkan jika syarikat pengilangan menunjukkan peningkatan produktiviti dalam tempoh asas bagi tahun taksiran tuntutan dibuat. Kelayakan untuk mendapat pengecualian sepenuhnya ke atas pendapatan statutori bergantung kepada pencapaian KP.

Full exemption of RA claim can be given if the manufacturing company has shown an increase in productivity in the basis period for the year of assessment the claim is made. The company's eligibility to claim full exemption of the statutory income will depend on its performance in respect of PE.

PENGIRAAN : KECEKAPAN PROSES (KP)
CALCULATION : PROCESS EFFICIENCY (PE)

(a) **KP bagi tahun taksiran yang dituntut :** ……………………
PE for the year of assessment the claim is made:

(b) **Kadar pertumbuhan bagi subsektor perkilangan :** ……………………
Growth rate for the manufacturing subsector :

Nota : Senarai kadar pertumbuhan tahunan bagi subsektor pengilangan yang dikeluarkan oleh Kementerian Kewangan setiap tahun taksiran boleh diperolehi daripada Lembaga Hasil Dalam Negeri Malaysia.
Note : The list of annual growth rate for the manufacturing subsectors issued by the Ministry of Finance for each year of assessment can be obtained from Inland Revenue Board of Malaysia.

BAHAGIAN E : PENGAKUAN OLEH PEMOHON
PART E: DECLARATION BY THE APPLICANT

Saya dengan ini / *I hereby* :

(a) **mengaku bahawa semua butir-butir yang diberikan dalam borang ini adalah benar dan betul** / *declare that all particulars furnished in this form are true and correct.*

(b) **mengaku bahawa perbelanjaan loji dan jentera yang dituntut tidak melibatkan penggantian alat gantian dan loji dan jentera berkenaan tidak digunakan oleh ahli pengurusan, pentadbiran atau staf perkeranian** / *declare that expenditure claimed for plant and machinery is not inclusive of replacement of parts and the plants and machinery are not used by the members of the management, administrative or clerical staff.*

(c) **mengaku bahawa borang ini dan semua dokumen-dokumen berkaitan dengan tuntutan ini disimpan dengan teratur dan boleh dikemukakan bagi tujuan audit** / *declare that this form and all documents relating this claim are properly kept and are available for audit purposes.*

LHDN/BT/RA/2017

(d) **memberi kebenaran kepada pegawai Lembaga Hasil Dalam Negeri Malaysia yang diberi kuasa sepenuhnya pada bila-bila masa untuk membuat pemeriksaan ke atas salinan resit dan dokumen-dokumen lain berkaitan dengan tuntutan ini** / *give permission to the authorized officers of Inland Revenue Board of Malaysia at any time to examine copies of receipts and other documents relating to this claim.*

Tandatangan / *Signature*	:	....
Nama / *Name*	:	....
Jawatan / *Designation*	:	....
Cop Syarikat / *Company's Stamp*	:	....
Tarikh / *Date*	:	....

* Pengarah merujuk kepada mana-mana ahli Lembaga Pengarah syarikat pemohon.
Director refers to any member of the Board of Directors of the claimant company.

(Borang tuntutan beserta dokumen sokongan yang lengkap dinasihatkan disimpan oleh syarikat penuntut bagi tujuan audit. Borang tuntutan ini tidak perlu dikemukakan kepada Jabatan Dasar Percukaian, Ibu Pejabat Lembaga Hasil Dalam Negeri Malaysia. / *This claim form with the supporting documents are to be kept by the claimant company for audit purposes. This claim form need not be submitted to Tax Policy Department, Head Office of Inland Revenue Board of Malaysia)*