

What's New?

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**Income Tax (Accelerated Capital Allowance)
(Automation Equipment) 2017 (Amendment)
Rules 2020 - Accelerated Capital Allowance for
automation equipment extended to Y/A 2023**

Income Tax (Accelerated Capital Allowance) (Automation Equipment) 2017 (Amendment) Rules 2020



- In exercise of the powers conferred by paragraph 154(1)(b) of, and paragraphs 10 and 15 of Schedule 3 to, the Income Tax Act 1967 [Act 53], the Minister makes the this rules.
- These Rules are deemed to have come into operation from the year of assessment 2018.
- The Income Tax (Accelerated Capital Allowance) (Automation Equipment) Rules 2017 [P.U. (4) 252/2017] is amended.



Income Tax (Accelerated Capital Allowance) (Automation Equipment) 2017 (Amendment) Rules 2020



- a **qualifying company** which has carried on a **qualifying project** for a period of at least thirty-six months and has incurred **qualifying capital expenditure** on **automation equipment**:
 - In relation to a qualifying project relating to rubber, plastic, wood, furniture and textile, in the basis period for the year of assessment 2015 until the year of assessment **2023**;
 - In relation to qualifying project other than those specified in above as determined by the Minister, in the basis period for the year of assessment 2015 until the year of assessment **2023**



Income Tax (Accelerated Capital Allowance) (Automation Equipment) 2017 (Amendment) Rules 2020



- The **initial allowance** as provided for in paragraph 10 of Schedule 3 to the Act entitled to be claimed by the qualifying company shall be equal to:
 - In relation to a qualifying project relating to rubber, plastic, wood, furniture and textile, one-fifth of the first four million ringgit (**RM400m**) qualifying capital expenditure incurred by the qualifying company; or
 - In relation to qualifying project other than those specified in above, one-fifth of the first two million ringgit (**RM200m**) qualifying capital expenditure incurred by the qualifying company.



Income Tax (Accelerated Capital Allowance) (Automation Equipment) 2017 (Amendment) Rules 2020



- The **annual allowance** as provided for in paragraph 15 of Schedule 3 to the Act entitled to be claimed by the qualifying company shall be equal to:
 - In relation to a qualifying project relating to rubber, plastic, wood, furniture and textile, four-fifth of the first four million ringgit (**RM400m**) qualifying capital expenditure incurred by the qualifying company; or
 - In relation to qualifying project other than those specified in above, four-fifth of the first two million ringgit (**RM200m**) qualifying capital expenditure incurred by the qualifying company.



Meaning of “qualifying capital expenditure”



a capital expenditure relating to automation equipment used in Malaysia solely for the purpose of carrying on a qualifying project



Meaning of “automation equipment”



any plant or machinery used directly in a qualifying project which adopts technology that is more advanced than the current technology used by the qualifying company

Meaning of “qualifying project”



a project undertaken by a qualifying company for modernizing or automating its existing manufacturing activity of a product



Meaning of “qualifying company”



- incorporated under the Companies Act 2016 [Act 777] and resident in Malaysia;
- which engages in a manufacturing activity in compliance with the Industrial Co-ordination Act 1975 [Act 156];
- which holds a business license issued by the relevant local authority;



Non-application

- a) the qualifying company has been granted any incentive under the Promotion of Investments Act 1986 [Act 327];
- b) the qualifying company has made a claim for reinvestment allowance under Schedule 7 A to the Act or investment allowance for service sector under Schedule 7B to the Act;
- c) the qualifying company has been granted any exemption under section 127 of the Act except the Income Tax (Exemption) Order (No. 8) 2017 [P.U. (A) 253/2017]; or





Non-application

- d) the qualifying company has made a claim for deduction under any other rules made under section 154 of the Act except-
 - i. the rules in relation to allowance under Schedule 3 to the Act;
 - ii. the Income Tax (Deduction for Audit Expenditure) Rules 2006 [P.U. (A) 129/2006];
 - iii. the Income Tax (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) Rules 2014 [P.U. (A) 336/2014]; or



Non-application



- d) the qualifying company has made a claim for deduction under any other rules made under section 154 of the Act except-
 - iv. the Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2014 [P.U. {A} 217/2014].



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