



## Practice Note no. 4/2020 - Clarification on determining the Gross Income from Business Sources of not more than RM50 million of a company or limited liability partnership



- The Practice Note no. 4/2020 issued by IRBM on 21.12.2020 serves the purpose to clarify that the additional criteria for a company/ LLP to have gross income from all business sources shall be determined as follows:

Subject to sections 22, 24 and 30 of the ITA 1967 - for companies/ LLPs engaged in manufacturing/trading/service activities; or

Subject to specific provisions under the ITA 1967 or specific regulations for certain industries - for companies/ LLPs carrying out activities such as banking/ insurance/ developers/ contractors.

12/27/2020

CCS & Co [Chartered Accountants]

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## Ascertainment of Gross Income from all Business Sources



## Sections 22 of the ITA 1967 - Gross income generally



- 22(1) [Ascertainment of gross income]
- Subject to this Act, the gross income of a person from a source of his for the basis period for a year of assessment
- shall be the gross income from that source for that period ascertained in accordance with the following provisions of this Chapter 【Chapter 3—Gross income】

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## Sections 22 of the ITA 1967 - Gross income generally



- 22(2) [Insurance, etc., receipts]
- Shall include any sums receivable or deemed to have been received for that basis period in relation to that source by way of—
  - (a) insurance, indemnity, recoupment, recovery, reimbursement or otherwise—
    - i. where such sums are in respect of the kind of outgoings and expenses deductible in ascertaining the adjusted income of that person from that source; or
    - ii. under a contract of indemnity; and
  - (b) compensation for loss of income from that source.

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## Sections 24 of the ITA 1967 - Basis period to which gross income from a business is related



- 24(1) [Debt owing]
- 24(1A) [When sum received treated as gross income]
- 24(2) [Stock in trade withdrawn]
- 24(3) [Consideration for stock in trade withdrawn]
- 24(4) [Dividends from stock in trade shares]
- 24(5) [Interest from stock in trade securities]
- 24(6) [Exports]
- 24(7) [Reference to particular item]
- 24(8) [Treatment of special income]



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## Sections 30 of the ITA 1967 - Special provisions applicable to gross income from a business



- 30(1) [Recovery of written-off debt]
- 30(2) [Payroll tax, turnover tax refund]
- 30(3) [Recovered expenditure]
- 30(4) [Released debt]



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## Specific regulations for Developers / Contractors



- the Income Tax (Property Development) Regulations 2007 [P.U.(A) 277/2007] in relation to the sell-then-build method; or
- the Income Tax (Property Development) Regulations 2007 [P.U. (A) 277/2007] except for regulation 6, in relation to the build-then-sell method.
- Income Tax (Construction Contracts) Regulations 2007
- These Regulations are deemed to have effect from the year of assessment 2006 and subsequent years of assessment.

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