

# What's New?

Issue No. 79/2020 | 20 November 2020



Finance Bill 2020 - Amendment of section 65B of ITA  
1967: Incentive Scheme

奖掖

Incentive  
scheme

**2020 財政法案 -  
1967年所得稅法令  
Finance Bill 2020**





# Incentive scheme

## [Income Tax Act 1967]



This amendment has effect for the year of assessment 2021 and subsequent years of assessment.

65B

- (1) Where a person referred to in paragraph 6(1)(m) carries on a business in Malaysia in respect of a source consisting of a qualifying activity under an incentive scheme approved by the Minister, the business shall be treated as a separate and distinct business and source of that person.
- (2) The chargeable income of a person in respect of the source consisting of the qualifying activity referred to in subsection (1), for a year of assessment shall be the statutory income from that source reduced by any amount of deduction falling to be made pursuant to subsection 43(2) relating to that source and so much of the amount which has not been deducted from that statutory income for the year of assessment the incentive scheme ends shall only be deductible in accordance with subsection 43(2) for a period of seven consecutive years of assessment.

[To introduce new section]

# Incentive scheme

## [Income Tax Act 1967]



This amendment has effect for the year of assessment 2021 and subsequent years of assessment.

65B

3) For the purposes of subsection (2), the period of seven consecutive years of assessment shall commence immediately following that year of assessment the incentive scheme ends and any amount of balance of the amount referred to in that subsection which is not deductible at the end of that period shall be disregarded for the purposes of this Act.

[To introduce new section]

# Incentive scheme

## [Income Tax Act 1967]



This amendment has effect for the year of assessment 2021 and subsequent years of assessment.

65B

4) The chargeable income of a person in respect of the source or sources other than the source consisting of the qualifying activity referred to in subsection (1) for a year of assessment shall be the statutory income from that source or the aggregate of the statutory income from each of those sources, as the case may be, reduced by any deduction falling to be made pursuant to subsections 43(2) and 44(1):

Provided that in so making the deductions under subsections 43(2) and 44(1), no regard shall be had to the adjusted loss, if any, from the source consisting of such qualifying activity.

[To introduce new section]

# Incentive scheme

## [Income Tax Act 1967]



This amendment has effect for the year of assessment 2021 and subsequent years of assessment.

65B

5) Where the person referred to in subsection (1) fails to comply with the conditions prescribed by the Minister under Part XVII of Schedule 1, the Director General may at any time within five years after the expiration of the year of assessment for which the rate prescribed by the Minister under Part XVII of Schedule 1 was applied, make such additional assessments upon that person as appears to the Director General to be necessary in order to counteract any benefit obtained under Part XVII of Schedule 1.

[To introduce new section]

# Incentive scheme

## [Income Tax Act 1967]



This amendment has effect for the year of assessment 2021 and subsequent years of assessment.

65B	6) The person who carries on a business in respect of the source consisting of a qualifying activity referred to in subsection (1) shall maintain a separate account for the income derived from such qualifying activity for the basis period for each year of assessment.
	[To introduce new section]

## Finance Bill 2020 - Amendment of section 65B of ITA 1967: Incentive Scheme



- With these amendments:
  - to provide for tax treatment for a person carrying on a business in Malaysia in respect of a source consisting of a qualifying activity under an incentive scheme approved by the Minister.
  - The business of a person from the qualifying activity shall be treated as a **separate and distinct business and source** of that person.
  - Any loss for a year of assessment which is carried forward to the following year of assessment can only be deducted from the source of income of the qualifying activity.





## Finance Bill 2020 - Amendment of section 65B of ITA 1967: Incentive Scheme



- With these amendments:
  - Any unabsorbed losses during the period of an incentive scheme shall only be utilized for a period of seven consecutive years of assessment after the year of assessment in which the incentive scheme ends.
  - If a person fails to comply with the conditions prescribed by the Minister for the approved incentive scheme, the Director General may make an additional assessment on the person at any time within five years after the expiration of the year of assessment for which the rate was applied to recover the amount of tax ought to be paid.
  - This amendment has effect for the year of assessment 2021 and subsequent years of assessment.



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