

INCOME TAX (DEDUCTION RELATING TO TRANSACTION WITH NON-MEMBERS FOR CLUB, ASSOCIATION OR SIMILAR INSTITUTION) RULES 2011

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IN exercise of the powers conferred by paragraph 154(1)(b) of the Income Tax Act 1967 [Act 53], the Minister makes the following rules:

CITATION AND COMMENCEMENT

- 1(1) These rules may be cited as the **Income Tax (Deduction Relating to Transaction with Non Members for Club, Association or Similar Institution) Rules 2011**.
- 1(2) These Rules have effect from the year of assessment 2009.

INTERPRETATION

2 In these Rules, unless the context otherwise requires—

"**outgoings or expenses**" means expenses of the kind allowable under section 33 of the Act;

"**non-members**" in relation to a body of persons, means those person who are not entitled to vote at a general meeting of the body at which effective control is exercised over its affairs;

"**capital allowances**" means capital allowances to be made under Schedule 3 of the Act in respect of common asset used by members and non-members of a person;

"**person**" means a body of persons which carry on a club, association or similar institution to which section 53A of the Act applies.

DEDUCTION

- 3(1) In ascertaining the adjusted income of a person relating to transaction with non-members for a basis period for a year of assessment, there shall be allowed a deduction pursuant to subsection 53A(5) in respect of outgoings or expenses incurred by that person in the basis period for a year of assessment and the amount of deduction shall be determined in accordance with the following formula:

$$A \times \frac{B}{C}$$

- where
- A is the amount of outgoings or expenses incurred by the person in the basis period for a year of assessment;
 - B is the gross income from transaction with non-members of the person in the basis period for a year of assessment; and
 - C is the gross income from transaction with both members and non-members of the person in the basis period for a year of assessment.

- 3(2)** In ascertaining the statutory income of a person relating to transaction with non-members for a basis period for a year of assessment, there shall be deducted from the adjusted income capital allowances made by that person in the basis period for a year of assessment pursuant to subsection 53A(5) and the amount of deduction shall be determined in accordance with the following formula:

$$D \times \frac{E}{F}$$

- where
- D is the capital allowances made by the person for the basis period for a year of assessment;
 - E is the gross income from transaction with non-members of the person in the basis period for a year of assessment; and
 - F is the gross income from transaction with both members and non-members of the person in the basis period for a year of assessment.

- 3(3)** Where a person is entitled for deduction under subsection 44(6) of the Act for a basis period for a year of assessment, the portion of gift of money to be deducted from the aggregate income relating to transaction with non-members for the basis period for a year of assessment shall be determined in accordance with the following formula:

$$G \times \frac{H}{I}$$

- where
- G is the gift of money made by the person for the basis period for a year of assessment;
 - H is the aggregate income from transaction with non-members of the person in the basis period for a year of assessment; and
 - I is the aggregate income from transaction with both members and non-members of the person in the basis period for a year of assessment:

Provided that the amount to be deducted shall not exceed seven per cent of the aggregate income of the person for the basis period for that year of assessment.