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RPGT Guidelines

Following the recent reintroduction of Real Property Gains Tax ["RPGT"], a guideline has been issued by the Inland Revenue Board ["IRB"] on 2nd February 2010 to provide guidance to taxpayers as to how RPGT will be computed with effect from 1st January 2010 and the procedures for the submission of RPGT forms and remittance of RPGT payments.

A new set of RPGT forms for disposal and acquisition of chargeable asset made on or after 1st January 2010 has been released by the IRB and can be downloaded from the IRB's website. The downloaded forms may be used for RPGT return submission purposes.

Deduction for Contribution to Retirement Fund

With effect from year of assessment ["YA"] 2003, expenditure incurred on contributions made to a retirement fund established under the Retirement Fund Act 2007 in respect of a member of the public service who has been seconded to serve in a company incorporated under the Companies Act 1965 will be an allowable expense in arriving at adjusted income of a resident company. The maximum allowable deduction is up to 19% of the actual last drawn monthly salary received by the member of the public service before being seconded to the company.

This deduction rule has been gazetted under the Income Tax (Deduction for Contribution to Retirement Fund) Rules 2010. Prior to this new rule, only contributions to the Employees Provident Fund ["EPF"] and approved scheme were allowable for tax deduction.

Renovation or Refurbishment Allowances

Following the 2009 Mini Budget announcement, the Income Tax (Renovation or Refurbishment Expenditure) Rules 2010 has been gazetted to provide for a list of qualifying and non-qualifying expenditure for renovation or refurbishment allowances (i.e. an allowance of 50% of the expenditure for each of the 2 consecutive years). Additional details of the above allowances can be obtained from item 3 of the Guidelines on 2009 Mini Budget from the IRB's website and Paragraphs 8A, 8B, 32A and 32B of Schedule 3 of the Income Tax Act 1967 ["the Act"].

Hyperlinks

[Advent Consulting Group](#)
[Inland Revenue Board](#)

References

[RPGT Guidelines](#)

[RPGT Forms](#)

[Income Tax \(Deduction for Contribution to Retirement Fund\) Rules 2010](#)

[Income Tax \(Renovation or Refurbishment Expenditure\) Rules 2010](#)

[Guidelines on 2009 Mini Budget](#)



Please note that designer fee and professional fee for the renovation will not qualify for renovation or refurbishment allowances under the Rules.

This Rule takes effect from YA 2009 until YA 2011 for qualifying expenditure not exceeding RM100,000 incurred during the period from 10th March 2009 to 31st December 2010.

Guidelines on Tax Exemption of Grants or Subsidies, and Income of Statutory Authority

The IRB has issued guidelines on tax exemption of grants or subsidies, and income of statutory bodies as follow:-

i. Grants or Subsidies

The guidelines provide clarification on the tax treatment of grants or subsidies which were gazetted under the following Orders:-

- Income Tax (Exemption) (No. 4) Order 2003
 - This Order takes effect from the YA 2002 to YA 2005.
 - This Order exempts grants or subsidies received from the Federal Government or State Government at statutory income level.
 - Expenses incurred that were financed by the abovementioned grants or subsidies are eligible for tax deduction under Section 33(1) of the Act or the Promotion of Investments Act 1986 ["the PIA"].
 - Expenditure for the acquisition of plant and machinery financed by the abovementioned grants or subsidies are eligible for capital allowances under Schedule 3 of the Act.
 - This Order is revoked by the Income Tax (Exemption) (No.22) Order 2006 from the YA 2006.

- Income Tax (Exemption) (No.22) Order 2006
 - This Order takes effect from the YA 2006.
 - This Order exempts grants or subsidies received from the Federal Government or State Government at gross income level.
 - Expenses incurred that were financed by the abovementioned grants or subsidies are not eligible for tax deduction under Section 33(1) of the Act or the PIA.
 - Expenditure for the acquisition of plant and machinery financed by the abovementioned grants or subsidies are not eligible for capital allowances under Schedule 3 of the Act.
 - Grants or subsidies are exempted from tax in the basis period they were received or in the basis period in which the expenses financed by the grants or subsidies were incurred, whichever the earlier.

Guidelines on Tax Exemption of Grants or Subsidies and Income of Statutory Authority

Income Tax (Exemption) (No. 4) Order 2003

Income Tax (Exemption) (No. 22) Order 2006

ii. Income of Statutory Authority

- A statutory authority is defined as “*any authority or body established by or under a written law (not being an authority or body established under the Companies Act 2965 [Act 125], or any written law of a corresponding kind in force before the commencement of that Act in any place comprised in Malaysia on 1st January 1968) to discharge any functions for a public nature, including the provision of public and similar services*”.
- The guidelines further clarify that income of a statutory authority are exempted from tax.
- The tax treatment of the income of a statutory authority is the same as grants or subsidies received from Federal Government or State Government mentioned above.

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