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### PR No. 7/2016 – Basis Period for Companies under Liquidation

The Inland Revenue Board ["IRB"] has recently issued the Public Ruling ["PR"] No. 7/2016 – Basis Period for Companies under Liquidation to provide guidance on the determination of the basis period for companies under liquidation due to change of accounting period following the liquidation of the company under various scenarios where:-

- New accounts are prepared for less than 12 months and ending in the same year as the accounts before liquidation.
- New accounts are prepared for less than 12 months and ending in the following year.
- New accounts are prepared for more than 12 months and ending in the following year.
- New accounts are prepared for more than 12 months and ending in the third year.

## Hyperlinks

- [Moore Stephens Malaysia](#)
- [Moore Stephens International](#)
- [Inland Revenue Board](#)
  
- [PR No. 7/2016](#)

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## Hyperlinks

The guidelines also explain the determination of basis period in certain situations as follows:-

- Change of accounting period prior to year of assessment 2014.
- The accounting period for the failure year is too short.
- Company under liquidation with a few liquidators being appointed.
- Company under liquidation by court order.

Various examples are provided in the abovementioned PR to illustrate the manner the basis periods are determined.

### Updated Guidelines on Advance Rulings

The IRB has issued the updated Guidelines on Advance Rulings to clarify that the scope of advance ruling (Paragraph 6.1 of the Guidelines) does not cover the interpretation of agreement for the Avoidance of Double Taxation including determination of permanent establishment in Malaysia.

**Note :** For further information on the previous Guidelines, kindly refer to our *Tax Flash – November 2015* issue.

### Guidelines on Automatic Claim for Double Deduction in Respect of R&D Project

Following the Budget 2016 announcement, the IRB has issued the Guidelines on Automatic Claim for Double Deduction in Respect of Research and Development [“R&D”] Project. The Guidelines provide guidance on the eligibility and requirements for the automatic claim of double deduction in respect of R&D project under Section 34A of the Income Tax Act 1967 [“the Act”].

To be eligible for the double deduction claim of the expenditure incurred for in-house R&D project automatically in respect of the YA 2016 to YA 2018 without obtaining prior approval of the IRB, the company must be:-

- incorporated under the Companies Act 1965;
- resident in Malaysia; and
- a Small and Medium Enterprise [“SME”] for the year of assessment in which the claim for double deduction is made.

The allowable expenditure shall not exceed RM50,000 each year and excludes capital expenditure incurred:-

- on plant, machinery, fixtures, land, premises, buildings;
- on structures or works of a permanent nature or on alterations, additions or extensions thereof; or
- in the acquisition of any rights in or over any property.

➤ [Guidelines on Advance Rulings \(Updated on 10<sup>th</sup> June 2016\)](#)

➤ [Tax Flash – November 2015](#)

➤ [Guidelines on Automatic Claim for Double Deduction in Respect of R&D Project \(in \*Bahasa Malaysia\*\)](#)

## Hyperlinks

A company is a SME if it has paid-up capital in respect of ordinary shares of not more than RM2.5 million on the first day of the basis period of that year of assessment and does not have related companies (related by way of more than 50% shareholding) having paid-up capital in respect of ordinary shares of more than RM2.5 million on the same day.

The company must submit the Application for An Approved Research Project under Section 34A of the Act ["Form 1 (Sek 34A ACP 1967)"] to the Tax Policy Department of the IRB, 6 months prior to the end of the financial year in which the allowable expenditure was incurred despite that it is allowed to claim the above double deduction for R&D expenditure prior to the IRB's approval.

The automatic claim for double deduction will be withdrawn in the event that the application for the relevant R&D project is rejected by the IRB subsequently.

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