

INCOME TAX (DEDUCTIONS NOT ALLOWED FOR PAYMENT MADE TO LABUAN COMPANY BY RESIDENT) RULES 2018 (AMENDMENT) 2020

PU (A) 376
23 December 2020

IN exercise of the powers conferred by paragraphs 39(1)(r) and 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 (Deductions Not Allowed for Payment Made to Labuan Company by Resident) Rules 2018 (Amendment) 2020**.
- 1(2)** These Rules are deemed to have come into operation on 1 January 2019 except for rule 2 which comes into operation on 1 January 2021.

AMENDMENT OF RULE 2

- 2** The Income Tax (Deductions Not Allowed for Payment Made to Labuan Company by Resident) Rules 2018 [P.U. (A) 375/2018] which is referred to as the “principal Rules” in these Rules, are amended-
- (a) by renumbering the existing rule 2 as subrule 2(1); and
- (b) by inserting after the renumbered subrule 2(1) the following subrule:
- “(2) For the purpose of these Rules, “Labuan company” means a Labuan entity referred to in paragraph 2B(1)(a) of the Labuan Business Activity Tax Act 1990 [Act 445].”

AMENDMENT OF SCHEDULE

- 2** The Schedule to the principal Rules is amended –
- (a) by substituting for the heading of the Schedule the following heading:
- | “(1) | (2) | (3) |
|------|-----------------|-------------------------------------|
| No. | Type of payment | Amount not allowed for deduction ”; |
- (b) in item 1, under column (3), by substituting for the words “33% of the amount of payment” the words “25% of the amount of payment (including payment in connection with financing in respect of commission facility fee and advance fee)”; and
- (c) in item 2, under column (3), by substituting for the words “33%” the words “25%”.