

INCOME TAX (SPECIAL TREATMENT FOR INTEREST ON LOAN) REGULATIONS 2020

PU (A) 237

24 August 2020

IN exercise of the powers conferred by subsection 36(1) of the Income Tax Act 1967 [Act 53], the Director General makes the following regulations:

CITATION AND COMMENCEMENT

- 1(1) These regulations may be cited as the **Income Tax (Special Treatment for Interest on Loan) Regulations 2020**.
- 1(2) These Regulations shall have effect for the year of assessment 2020 and subsequent years of assessment.

APPLICATION

- 2 These Regulations apply to bank or financial institution referred to in regulation 3.

INTERPRETATION

- 3 In these Regulations—

"bank or financial institution" means—

- (a) a licensed bank or licensed investment bank under the Financial Services Act 2013 [Act 758];
- (b) a licensed Islamic bank under the Islamic Financial Services Act 2013 [Act 759]; and
- (c) a development financial institution prescribed under the Development Financial Institutions Act 2002 [Act 618];

"small and medium enterprises" has the same meaning assigned to it under section 2 of the Small and Medium Industries Development Corporation Act 1995 [Act 539];

"loan" means any loan or financing which is related to the moratorium programme under the Prihatin Rakyat Economic Stimulus Package (PRIHATIN), but does not include credit card facility, granted by a bank or financial institution to an individual, small and medium enterprises or any company other than small and medium enterprises;

GROSS INCOME OF BANK OR FINANCIAL INSTITUTION

- 4(1) Subject to subregulation (2) and regulation 5, where a moratorium is approved by a bank or financial institution in respect of any amount of interest due and payable from 1 April 2020 until 30 September 2020 by an individual, small and medium enterprises or any company other than small and medium enterprises on a loan granted by the bank or financial institution in the basis period for a year of assessment, such interest shall not constitute the gross income of that bank or financial institution in the basis period for that year of assessment.
- 4(2) Where any amount of interest referred to in subregulation (1)—
 - (a) is received from 1 April 2020 until 30 September 2020; or

(b) becomes receivable on or after 1 October 2020,

by the bank or financial institution in the basis period for a year of assessment, such interest shall be treated as the gross income of the bank or financial institution in the basis period for that year of assessment.

CONDITIONS RELATING TO LOAN AND MORATORIUM

5 For the purpose of these Regulations, the following conditions relating to a loan and moratorium shall apply:

(a) the loan is in Ringgit Malaysia;

(b) there is no outstanding payment on the loan for more than ninety days as at 1 April 2020 by the individual, small and medium enterprises or any company other than small and medium enterprises; and

(c) relating to company other than small and medium enterprises, the application for the moratorium has been made to the relevant bank or financial institution.

LOAN IMPAIRMENT

6 A deduction from the gross income of a bank or financial institution based on any impairment of a loan involved in the period of the moratorium programme under the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) referred to in subregulation 4(1) shall not be allowed under the Act.

SEPARATE ACCOUNT

7 The bank or financial institution shall maintain a separate account for the amount of interest referred to in subregulation 4(1) and payment received in relation to that interest.