

INCOME TAX (ACCELERATED CAPITAL ALLOWANCE) (AUTOMATION EQUIPMENT) RULES 2017

PU (A) 252
30 August 2017

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 (Accelerated Capital Allowance) (Automation Equipment) Rules 2017**.

1(2) These Rules are deemed to have come into operation from the year of assessment 2015.

INTERPRETATION

2 In these Rules—

"automation equipment" means any plant or machinery used directly in a qualifying project which adopts technology that is more advanced than the current technology used by a qualifying company;

"qualifying capital expenditure" means a capital expenditure relating to automation equipment used in Malaysia solely for the purpose of carrying on a qualifying project;

"qualifying project" means a project undertaken by a qualifying company for modernizing or automating its existing manufacturing activity of a product;

"qualifying company" means the company referred to in paragraph 3(a).

APPLICATION

3 These Rules shall apply to—

(a) a qualifying company which fulfills the following conditions:

- (i) incorporated under the Companies Act 2016 [Act 777] and resident in Malaysia;
- (ii) which engages in a manufacturing activity in compliance with the Industrial Co-ordination Act 1975 [Act 156];
- (iii) which holds a business license issued by the relevant local authority;
- (iv) which has carried on a qualifying project for a period of at least thirty-six months;
- (v) which has incurred qualifying capital expenditure—

- (A) in relation to a qualifying company which undertakes a qualifying project relating to rubber, plastic, wood, furniture and textile, in the basis period for the year of assessment 2015 until the year of assessment 2017; or
 - (B) in relation to a qualifying company which undertakes a qualifying project other than those specified under subparagraph (A) as determined by the Minister, in the basis period for the year of assessment 2015 until the year of assessment 2020; and
- (b) automation equipment certified by the Director General of the Standards and Industrial Research Institute of Malaysia as adopting a technology that is more advanced than the current technology used by the qualifying company.

DEEMING PROVISION RELATING TO HIRE PURCHASE AGREEMENT

- 4 Where the qualifying company referred to in rule 3 incurs qualifying capital expenditure under a hire purchase agreement for the purchase of any automation equipment for the purposes of its business—
- (a) such qualifying company shall be treated to be the owner of such automation equipment; and
 - (b) the qualifying capital expenditure incurred by such qualifying company in the basis period for a year of assessment shall be taken to be the capital portion of any instalment payment or, where there is more than one such payment, of the aggregate of those payments made by such qualifying company under such hire purchase agreement in that basis period.

INITIAL ALLOWANCE

- 5 The initial allowance as provided for in paragraph 10 of Schedule 3 to the Act entitled to be claimed by the qualifying company shall be equal to—
- (a) in relation to the qualifying company referred to in subparagraph 3(a)(v)(A), one-fifth of the first four million ringgit qualifying capital expenditure incurred by the qualifying company; or
 - (b) in relation to the qualifying company referred to in subparagraph 3(a)(v)(B), one-fifth of the first two million ringgit qualifying capital expenditure incurred by the qualifying company.

ANNUAL ALLOWANCE

- 6 The annual allowance as provided for in paragraph 15 of Schedule 3 to the Act entitled to be claimed by the qualifying company shall be equal to—
- (a) in relation to the qualifying company referred to in subparagraph 3(a)(v)(A), four-fifth of the first four million ringgit qualifying capital expenditure incurred by the qualifying company; or
 - (b) in relation to the qualifying company referred to in subparagraph 3(a)(v)(B), four-fifth of the first two million ringgit qualifying capital expenditure incurred by the qualifying company.

NON-APPLICATION

- 7 These Rules shall not apply to a qualifying company if in the basis period for a year of assessment—
- (a) the qualifying company has been granted any incentive under the Promotion of Investments Act 1986 [*Act 327*];
 - (b) the qualifying company has made a claim for reinvestment allowance under Schedule 7A to the Act or investment allowance for service sector under Schedule 7B to the Act;
 - (c) the qualifying company has been granted any exemption under section 127 of the Act except the Income Tax (Exemption) Order (No. 8) 2017 [*P.U. (A) 253/2017*]; or
 - (d) the qualifying company has made a claim for deduction under any other rules made under section 154 of the Act except—
 - (i) the rules in relation to allowance under Schedule 3 to the Act;
 - (ii) the Income Tax (Deduction for Audit Expenditure) Rules 2006 [*P.U. (A) 129/2006*];
 - (iii) the Income Tax (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) Rules 2014 [*P.U. (A) 336/2014*]; or
 - (iv) the Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2014 [*P.U. (A) 217/2014*]