

INCOME TAX (EXEMPTION) (NO. 3) ORDER 2016

PU (A) 113
26 April 2016

IN exercise of the powers conferred by paragraph 127(3)(b) of the Income Tax Act 1967 [*Act 53*], the Minister makes the following order:

CITATION AND COMMENCEMENT

1(1) This order may be cited as the **Income Tax (Exemption) (No. 3) Order 2016**.

1(2) This Order is deemed to have come into operation on 1 April 2016.

INTERPRETATION

2 In this Order—

"licensed Islamic bank" has the meaning assigned to it under subsection 2(1) of the Islamic Financial Services Act 2013 [*Act 759*];

"prescribed institution" has the meaning assigned to it under section 3 of the Development Financial Institutions Act 2002 [*Act 618*]

"qualified person" means an individual resident in Malaysia;

"small and medium enterprises" has the meaning assigned to it under section 2 of the Small and Medium Enterprise Corporation Malaysia Act 1995 [*Act 539*]

"investment account platform" means a multibank platform which enables the channeling of funds invested by and individual through an investment account as defined under subsection 2(1) of the Islamic Financial Services Act 2013.

EXEMPTION

3(1) Subject to subparagraph (2), the Minister exempts a qualified person from the payment of income tax in respect of the profits from an investment received by the qualified person within the period of three consecutive years of assessment starting from the first year of assessment the profits are received by the qualified person.

3(2) The exemption referred to in subparagraph (1) is subject to the following conditions:

- (a) the investment is made within the period of three years starting from 1 April 2016 to 31 March 2019;
- (b) the investment is made through the investment account platform established by a licensed Islamic bank or prescribed institution and operated by a person recognized by the Bank Negara Malaysia;
- (c) the investment is to finance any venture or project in Malaysia in any industry or sector undertaken by a small and medium enterprise that fulfills the following criteria:

- (i) a sole proprietor who is a Malaysian citizen and his business is registered under the Registration of Businesses Act 1956 [Act 197];
 - (ii) a limited liability partnership registered under the Limited Liability Partnership Act 2012 [Act 743], in which at least fifty one per cent of its capital contribution is contributed by Malaysian citizen;
 - (iii) a partnership registered under the Registration of Businesses Act 1956, in which at least fifty one per cent of its capital contribution is contributed by Malaysian citizen; or
 - (iv) a company incorporated under the Companies Act 1965 [Act 125] in which at least fifty one per cent of its issued ordinary share capital is directly owned by Malaysian citizen;
- (d) the venture or project in respect of which the investment is made is sponsored by a licensed Islamic Bank or prescribed institution;
- (e) the qualified person obtains a confirmation from the person who operates the investment account platform on the profits received from the venture or project in respect of which the investment is made and furnishes the confirmation to the Director General; and
- (f) the venture or project in respect of which the investment is made does not involve any of the following relative of the qualified person:
- (i) a spouse;
 - (ii) a parent, including a step parent and a parent in law;
 - (iii) a child, including a step child, or an adopted child in accordance with any law;
 - (iv) a brother or a sister, including a step brother or a step sister; and
 - (v) a grandparent or a grandchild, including a step grandparent or a step grandchild.

WITHDRAWAL OF EXEMPTION

- 4** An exemption given to a qualified person under this Order may be withdrawn if within the exemption period referred to in subparagraph 3(1) the small and medium enterprise that undertakes the venture or project referred to in subparagraph 3(2)(c)—
- (a) is no longer a small and medium enterprise; or
 - (b) no longer fulfills the criteria specified in subparagraph 3(2)(c).