



**INLAND REVENUE BOARD OF MALAYSIA**

**TAX TREATMENT ON  
ASSET-BACKED SECURITISATION**

**PUBLIC RULING NO. 3/2025**

*Translation from the original Bahasa Malaysia text*

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#### **DIRECTOR GENERAL'S PUBLIC RULING**

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,  
Inland Revenue Board of Malaysia.**

## 1. Objective

The objective of this Public Ruling (PR) is to clarify the tax treatment in relation to transaction of Asset-Backed Securitisation (ABS).

## 2. Related Provisions of the Law

- 2.1 This PR takes into account the laws which are in force as of the date this PR is published.
- 2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 2, 4, 24, 60I, paragraphs 33A, 33B, and subparagraph 35(b) of Schedule 6 of the ITA.
- 2.3 The related subsidiary legislation referred to in this PR is as follows:
  - (a) The Real Property Gains Tax (Exemption) Order 2001 [*P.U.(A) 227/2001*].
  - (b) Income Tax (Deduction for Expenditure on Issuance of Asset-Backed Securities) Rules 2003 [*P.U.(A) 473/2003*].
  - (c) The Income Tax (Deductions for Expenses on the Issuance of Asset Backed Securities) Rules 2005 [*P.U.(A) 321/2005*].
  - (d) The Income Tax (Asset-Backed Securities) Regulations 2014 [*P.U.(A) 170/2014*].

## 3. Interpretation

The terms used in this PR have the following meanings:

- 3.1 "Asset" in relation to ABS means an asset that is the subject of a securitisation transaction and meets all the criteria as stipulated in the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework published by the Securities Commission of Malaysia (SC).
- 3.2 "Originator" in relation to ABS, means any entity that wishes to transfer or dispose of its assets to a Special Purpose Vehicle (SPV) in a securitisation transaction.

- 3.3 "Securitisation" in relation to ABS, means an arrangement involving the transfer of assets or risks to a third party where the transfer is funded by the issuance of corporate bonds or sukuk to investors. Payments to investors in relation to the corporate bonds or sukuk are essentially derived, directly or indirectly, from the cash flows of the assets.
- 3.4 "Asset-Backed Securities" (ABS) means corporate bonds or sukuk issued under a securitisation transaction. The ABS do not include any corporate bonds or sukuk with convertible or exchangeable features. Examples of such excluded securities include convertible bonds and corporate bonds or sukuk attached with warrants.
- 3.5 "Sukuk" means certificates of equal value that prove undivided ownership or investment in assets using principles and concepts of Shariah as certified by the Shariah Advisory Council, SC.

For avoidance of doubt, sukuk does not include sukuk issued by—

- (a) the Federal Government;
  - (b) any State Government; or
  - (c) Bank Negara Malaysia.
- 3.6 "Securities Commission of Malaysia" means the Securities Commission of Malaysia established under section 3 of the Securities Commission of Malaysia Act 1993 [Act 498].
- 3.7 "Special Purpose Vehicle" means any entity that issues ABS and meets all criteria set forth in the guidelines published by the SC.

## **4. Asset-Backed Securities**

### **4.1 Introduction**

Generally, asset securitisation involves the transfer of assets or risks to a third party (usually a SPV) where the transfer is financed through the issuance of high-yield debt securities to investors. This transfer is typically structured as a sale to ensure that legal ownership of the assets is transferred to the SPV. The SPV then will directly own the assets and can use them as collateral to issue ABS.

The issued ABS will be offered to investors in the capital market. The investors purchase these securities based on their risk appetite and desired return profile. The ABS in Malaysia can be purchased by institutional investors, asset managers, or retail investors, depending on the structure and risk characteristics. Payments to investors in relation to the debt securities are essentially obtained, directly or indirectly, from the cash flows of the underlying assets. Therefore, the credit rating of these debt securities is derived from the quality of the underlying assets rather than the credit rating of the original owner of the assets (commonly known as the Originator), as is the case with debt securities issued by the SPV itself.

## 4.2 ABS Structure

The ABS structure in Malaysia typically follows a clear process that involves several components as follows:

- a) **Originator:** This is the entity that initiates and/or owns the assets to be securitised. In Malaysia, the Originator can consist of financial institutions such as banks, companies, or other entities that hold assets such as loans, receivables, or leases.
- b) **Asset Pooling:** The Originator selects a pool of assets that possess similar types and characteristics for example, residential loans, auto loans, credit card receivables with similar risk profiles. These assets generate cash flows that will support the securities to be issued.
- c) **SPV:** SPV is established solely to facilitate the securitisation transaction. It is a separate legal entity created to hold the securitised assets and issue ABS securities. The SPV ensures that the securitised assets are isolated from the Originator's balance sheet and bankruptcy risks.
- d) **Asset Transfer:** The Originator transfers the selected pool of assets to the SPV. This transfer is usually structured as a sale to ensure legal ownership of the assets is transferred to the SPV. The SPV then directly owns the assets and can use them as collateral to issue securities.
- e) **Securitisation Process:** SPV issues securities supported by cash flows from the underlying assets. These securities are structured into different tranches with varying levels of risk and return profiles. Common tranches include senior tranches (lower risk) and subordinate tranches (higher risk but potentially higher returns).

- f) **Credit Enhancement:** To improve the credit quality of the securities, various forms of credit enhancement can be used. These include excess collateral (if the value of the assets exceeds the value of the issued securities), cash reserves, guarantees, or insurances.
- g) **Investor Participation:** ABS securities are offered to investors in the capital market. Investors purchase these securities based on their risk level and desired return profile. ABS securities in Malaysia can be purchased by institutional investors, asset managers or retail investors depending on the structure and risk characteristics.
- h) **Cash Flows and Servicing:** Cash flows from the underlying assets (for example, loan repayments) are collected by a service provider appointed by the SPV. The service provider manages the collection and distribution of these cash flows to investors according to the terms specified in the ABS transaction documents.
- i) **Regulatory Monitoring:** The SC monitors ABS transactions to ensure compliance with regulatory requirements and to protect the interests of investors. ABS transactions in Malaysia are regulated by the Capital Markets and Services Act 2007 (CMSA 2007) and other related regulations. SCM has issued specific guidelines regarding the issuance of ABS, including disclosure requirements, credit ratings and ongoing reporting obligations known as Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework which can be accessed on the SCM website.
- j) **Exit Mechanism:** ABS transactions may have a call option for the repurchase or redemption of securities before maturity under certain conditions. This can occur under certain circumstances, such as a favorable interest rate environment or changes in the market conditions. This mechanism helps manage risk and provides flexibility to both the Originator and the investors. The terms for early redemption, including premium element or penalties, are outlined in the ABS transaction documents.

Generally, the ABS structure in Malaysia is designed to provide a transparent and regulated framework for converting non-liquid assets into tradable securities, in order to enhance liquidity in the financial market and diversify investment opportunities.

## **5. Tax Treatment**

This PR aims to explain the tax treatment under the Income Tax Regulations (Asset-Backed Securitisation) 2014 [*P.U.(A) 170/2014*] specifically for SPV established solely for the issuance of bonds or asset-backed sukuk, and related Originators. *P.U.(A) 170/2014* applies to the Originators and SPVs in ABS transactions authorized by the SC starting from 1 January 2013. *P.U.(A) 170/2014* should be read in conjunction with the Capital Markets and Services Act 2007, including guidelines issued by the SC under that Act in relation to ABS.

In essence, although both bonds and sukuk serve the same purpose of raising capital for companies, bonds and sukuk differ in terms of structure and compliance. A bond is a conventional debt instrument with fixed interest payments, while sukuk is structured to yield returns based on the performance of underlying assets that comply with Shariah principles.

The tax treatment of sukuk on the profits and gains received and expenses incurred by Originator and SPV is the same as interest on bonds issuances. The income received and expenses incurred in sukuk transactions are considered similar to the tax treatment on interest in bond financing arrangements.

### **5.1 Tax Treatment for Originators**

#### **5.1.1 Revenue or gains from the disposal of trade receivable or stock in trade**

Gross income for the Originator from a business source can be determined when—

- a) any revenue from the disposal of any trade receivable or stock in trade of the Originator related to a securitisation transaction; or
- b) if the trade receivable or stock in trade related to that source have been recognized in the Originator's account, any profits from the disposal of the trade receivable or stock in trade,

is/ deemed to have accrued during the period of the securitisation transaction and shall be counted as gross income of the Originator from that source in the basis period of a year of assessment (YA) related to the period of the securitisation transaction.

The gross income amount of the Originator in the basis period of a YA shall be determined in accordance with the following formula:

$$\frac{A \times C}{B}$$

- where
- A is the number of days in the basis period of a YA that falls within the period of the securitisation transaction;
  - B is the total number of days within the period of the securitisation transaction; and
  - C is the total revenue or profit from the disposal of the trade receivable or stock in trade of the Originator.

#### **5.1.2 Losses from disposal of trade receivable or stock in trade**

If the trade receivable or stock in trade of the Originator related to a source consisting of a business have been recognized in the Originator's accounts, any losses from the disposal of those trade receivable or stock in trade according to a securitisation transaction shall be deemed to have occurred during the period of the securitisation transaction and shall be allowed as a deduction in determining the Originator's adjusted income from that source in the basis period of a YA related to the period of the securitisation transaction.

The amount of losses from the disposal of trade receivable or stock in trade according to the securitisation transaction as an allowable deduction in the basis period of a YA shall be determined using the following formula:

$$\frac{D \times F}{E}$$

- where
- D is the number of days in the basis period of a YA that falls within the period of the securitisation transaction;

E is the total number of days in the period of the securitisation transaction; and

F is the amount of the loss from the disposal of the trade receivable or stock in trade of the Originator.

### 5.1.3 Call options for buyback

If the Originator, in the case of a property development business, has a call option to repurchase the stock in trade that have been disposed of by the Originator in accordance with a securitisation transaction:

a) the revenue or profit from the disposal of those stock in trade shall be counted as gross income for the Originator; and

b) losses from the disposal of those stock in trade shall be allowed as a deduction in determining the Originator's adjusted income,

from that business within any basis period of a YA in which the call option expires.

### 5.1.4 Disposal of fixed assets

In determining the statutory income of the Originator from the disposal of fixed assets according to the securitisation transaction, any balancing charges or allowances under Schedule 3 of the ITA arising from that disposal shall be deemed to have been made to the Originator within the basis period of a YA related to the securitisation transaction.

The amount of balancing charges or allowances made in the basis period of a YA shall be determined using the following formula:

$$\frac{G \times I}{H}$$

where G is the number of days in the basis period of a YA that fall within the period of the securitisation transaction;

H is the total number of days in the period of the securitisation transaction; and

I is the amount of balancing charge or allowance from the disposal of fixed assets by the Originator.

The disposal value for fixed assets shall be equal to the fair value based on the valuation report by an independent valuer, as submitted to the SC regarding the ABS.

Paragraphs 38 and 71 of Schedule 3 of the ITA do not apply to the disposal of these fixed assets.

An independent valuer shall be appointed by the Originator and approved by the SC.

## 5.2 Tax Treatment on SPV

### 5.2.1 Gross income

Any income of the SPV from all sources shall be counted as the gross income of that SPV from a single source that consists of business within the basis period of a YA.

### 5.2.2 Adjusted income

Any expenses incurred by the SPV for the acquisition of trade receivables or stock in trade according to a securitisation transaction that can be deducted under the ITA shall be deemed to have been incurred throughout the period of that securitisation transaction and shall be allowed as a deduction in determining the adjusted income of the SPV within the basis period for the YA relating to the period of that securitisation transaction.

The amount of expenses incurred by the SPV that is permitted as a deduction within the basis period for the YA shall be determined according to the following formula:

$$\frac{J \times L}{K}$$

where: J is the number of days in the basis period for that assessment year that falls within the period of the securitisation transaction;

- K is the total number of days within the period of the securitisation transaction; and
- L is the amount of expenses incurred by the SPV for the acquisition of trade receivables or stock in trade that can be deducted under the ITA.

If the Originator has a call option to repurchase the stock in trade, any expenses incurred by the SPV for the acquisition of that stock in trade which can be deducted under the ITA shall be allowed as a deduction in determining the adjusted income of the SPV during the basis period for the YA in which the call option expires.

### 5.3 Tax Treatment for ABS Issuance Expenses

In general, any expenditure incurred for the issuance of a financial instrument to raise funds is capital in nature. However, to encourage the development of the capital market, particularly the issuance of ABS, special tax treatment has been provided through several subsidiary legislation so that the issuance costs borne by companies in relation to ABS issuance are allowed as tax deductions.

The subsidiary legislation are as follows:

- (i) Income Tax (Deduction for Expenditure on Issuance of Asset-Backed Securities) Rules 2003 [*P.U.(A) 473/2003*], which came into effect from the year of assessment 2003 until 2 July 2004; and
- (ii) Income Tax (Deduction for Expenditure on Issuance of Asset-Backed Securities) Rules 2005 [*P.U.(A) 321/2005*], which came into effect from 3 July 2004 until the year of assessment 2007.

Based on the ABS principle (please refer to Public Ruling No. 8/2023 on tax treatment between asset-based sukuk and asset-backed sukuk), the SPV is the qualifying party for tax deductions under the Income Tax (Deduction for Expenditure on Issuance of Sukuk and Retail Sukuk Structured pursuant to the Principle of Wakalah) Rules 2021 [*P.U.(A) 5/2021*] since the assets have been transferred to the SPV.

#### 5.4 Tax Exemption for ABS Investors

There are several provisions under Schedule 6 of the ITA that exempt interest income paid or credited to ABS investors as follows:

5.4.1 Paragraph 33A provides a tax exemption on interest received by non-resident companies in relation to—

- a) securities issued by the Government; or
- b) Sukuk or debentures issued in Malaysian Ringgit, other than convertible loan stocks, that are approved or certified by, or deposited with, the SC.

5.4.2 However, this income tax exemption does not apply to non-resident companies receiving—

- a) interest income from related companies within the same group in Malaysia, or
- b) interest income, regarding sukuk or debentures structured under ABS, paid or credited starting from January 1, 2022, by the SPV where both the non-resident company and the SPV are in the same group of companies.

5.4.3 Paragraph 33B provides a tax exemption on interest from sukuk received by any person (other than convertible loan stocks) originating from Malaysia, issued in foreign currency, and approved or certified by, or deposited with, the SC.

5.4.4 However, this exemption does not apply to—

- a) interest paid or credited to associated companies within the same group in Malaysia; and
- b) interest paid or credited to—
  - i. a licensed bank under the Financial Services Act 2013;
  - ii. an Islamic bank and financial institution licensed under the

Islamic Financial Services Act 2013; or

iii. a designated development finance institution under the Development Financial Institutions Act 2002.

c) interest paid or credited, regarding sukuk or debentures structured under ABS, starting from January 1, 2022, by the SPV to a company where both the company and the SPV are in the same group of companies.

5.4.5 Paragraph 35 provides an exemption for any individual, unit trust, and listed closed-end fund on interest or discounts received from:

a) securities or bonds issued or guaranteed by the Government; or

b) debentures or sukuk, other than convertible loan stocks, that are approved or certified by, or deposited with, the SCM.

## **6. Formula under Accounting Standards**

IRBM may allow the Originator and SPV to adopt formulas other than the above stated formulas for the purpose of determining the gross income amount of the Originator and SPV and the allowable losses as deductions.

The formula to be adopted by the Originator and SPV as permitted by IRBM must—

a) comply with the applicable accounting standards or practices during the relevant basis period in relation to the securitisation transaction;

b) reflect gross income or losses that are proper and reasonable; and

c) be applied consistently throughout the period of the securitisation transaction.

## **7. Examples of ABS Transactions**

### **7.1 Tax treatment on income and expenses of related companies to the Originator**

KDSB has received a turnkey contract from a government agency to develop the 1000-acre land as the Southport Free Zone project. KDSB has established three companies on 27.04.2014, 1.12.2015, and 21.2.2016 for the purpose of issuing ABS.

The ABS issuance expenses, ABS interest expenses and interest income related to ABS incurred and received by the three related companies (ABS Originator or SPV) have been reported as KDSB's income and expenses starting from 2014.

The provisions of section 60I of the ITA is not applicable to the ABS transactions as all three subsidiaries of KDSB are entities that fall outside the definition of SPV under subsection 60I(4) of the ITA. Therefore, the tax principle under P.U.(A) 170/2014 is applicable. Each related company (SPV) shall be taxed on taxable income and allowed any business expenses incurred. KDSB cannot treat the income and expenses of SPV as KDSB's income and expenses.

### **7.2 Tax treatment on the sale of plantation assets from the Originator to SPV**

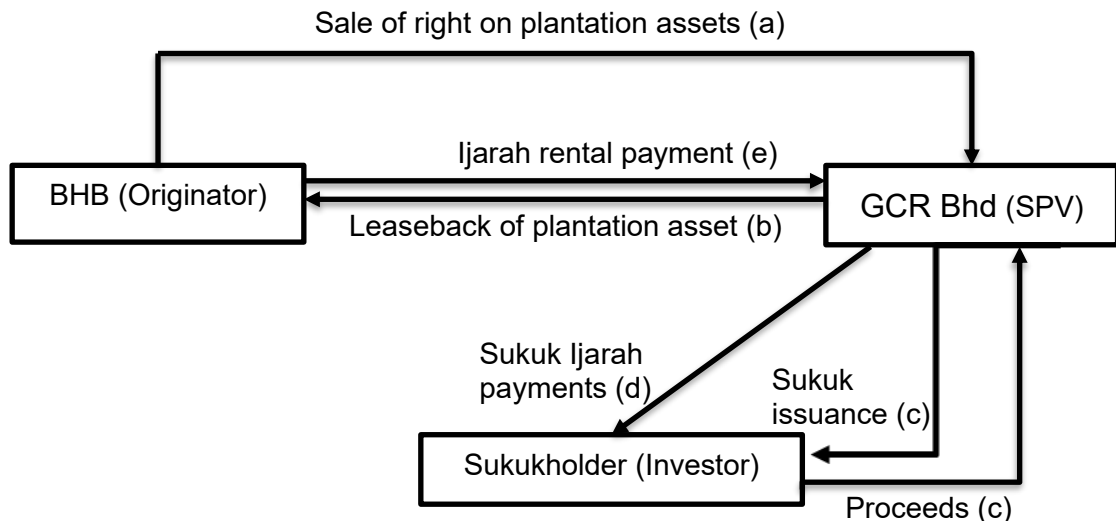
BHB Holding Group (BHB) [Originator] carries out securitisation transactions within its group that involve the sale and leaseback of certain identified plantation assets, including plants and machinery to finance part of the group's bank loan repayments and working capital.

The transaction generally involves the following:

- a) On 1st July 2024, the Originator establishes GCR Bhd (SPV) where the Originator sells its rights and beneficial interest in the plantation assets to the SPV amounting RM100 million (acquisition cost of RM50 million).
- b) Subsequently, the SPV leases back the plantation assets to the Originator for an agreed lease term of 10 years.
- c) The acquisition of plantation assets from the Originator by the SPV is

financed through the issuance of Sukuk Al-Ijarah (Sukuk) amounting to RM100 million to investors (Sukukholders).

- d) During the sukuk period, the SPV distributes the lease payments received from the Originator to Sukukholders as periodic income distributions (sukuk payments) in proportion to their sukuk holdings until the sukuk's maturity.
- e) The Originator pays lease rentals to the SPV as in lieu of interest in accordance with the financing transaction based on Shariah principles. The repayment of the sukuk's principal amount is through proceeds from the repurchase of the plantation assets.



The tax treatment concerning the related matters is as follows:

- a) Sale of plantation assets from the Originator to SPV

The tax treatment of the securitisation transaction carried out by the Originator is based on the provisions under P.U.(A) 170/2014. The Originator is not eligible to claim capital allowance, agricultural allowance and Reinvestment Allowance (RA) because those assets have been sold to SPV. Any balancing charge or allowance under Schedule 3 of the ITA arising from sale of those assets, shall be deemed to have been made to the Originator in the basis period for a YA that relates to the period of the securitisation transaction.

Profit from sale of plantation assets by the Originator to SPV:  
 RM100 million - RM50 million = RM50 million

Securitisation period (days) : 365 days x 10 years = 3650 days

The Originator's annual gross income as follows:

<b>Year of Assessment</b>	<b>Number of days</b>	<b>Annual gross income</b>
2024	184	184/3650 x RM50 million = RM2.52 million
2025 – 2033	365 per year	365/3650 x RM50 million = RM5 million per year
2034	181	181/3650 x RM50 million = RM2.48 million

b) Leaseback of plantation assets

The SPV is subject to tax on the lease rental income received from the Originator, which is considered as income under paragraph 4(a) of the ITA. All income of the SPV from all sources including the lease rental income and any other income such as interest income and dividends (if applicable) are considered as the SPV's gross income from a single source consisting of business under subsection 4(a) of the ITA.

c) Repurchase of plantation assets from SPV

This ABS securitisation transaction is exempt from the imposition of Real Property Gains Tax (RPGT) under the Real Property Gains Tax (Exemption) Order 2001 [P.U.(A) 227/2001].

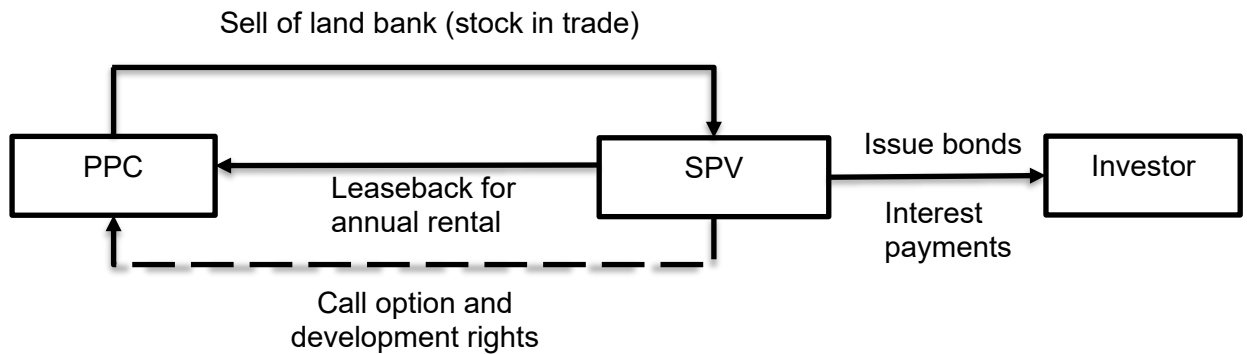
d) Legal ownership of the plantation assets upon transfer of the assets to SPV

The SPV is eligible to claim allowable revenue expenses under subsection 33(1) of the ITA. The SPV is also eligible to claim industrial building allowances and capital allowances if qualifying expenditure is incurred in relation to the lease rental income received by the SPV, which is considered business income under subsection 4(a) of the ITA.

**7.3 Tax treatment for the Originator regarding the sale & leaseback of land for development (stock in trade) where the Originator has a call option to repurchase the stock in trade**

PPC Development Sdn. Bhd. (PPC) is a property development company. The PPC has raised funds through the issuance of ABS, and an SPV has been created. The issuance of this SBA is for 10 years and is through the concept of “sale and leaseback” where the asset used as security is land for development which is PPC’s stock in trade. On 1<sup>st</sup> January 2024, PPC has sold the land to SPV at a market value of RM300 million (acquisition cost of RM100 million) and leased back the land from SPV for 10 years with a lease payment of RM5 million per year.

SPV has given PPC a call option (after 5 years of lease) to take back the development land. The SPV also gives PPC the right to develop the land for the development.



Tax treatment for PPC:

- a) The sale of the land, which constitutes PPC's stock in trade to the SPV, shall be taken into account in tax calculations under subsection 4(a) of the ITA. Therefore, the profit from the sale shall be deemed to have been accrued throughout the period of the securitisation transaction (10 years) and shall constitute the gross income of PPC in the basis period for a YA relating to the period of the securitisation transaction.

Profit from sale of land by PPC to SPV:

$$\text{RM300 million} - \text{RM100 million} = \text{RM200 million}$$

Since PPC has a call option, the profit from the sale to SPV should be recognised as PPC's gross income only in the basis period of a year of assessment when the call option expires.

If the call option is not exercised, the PPC's gross income of RM200 million should be recognised in the YA 2033, which is the YA in which the call option expires.

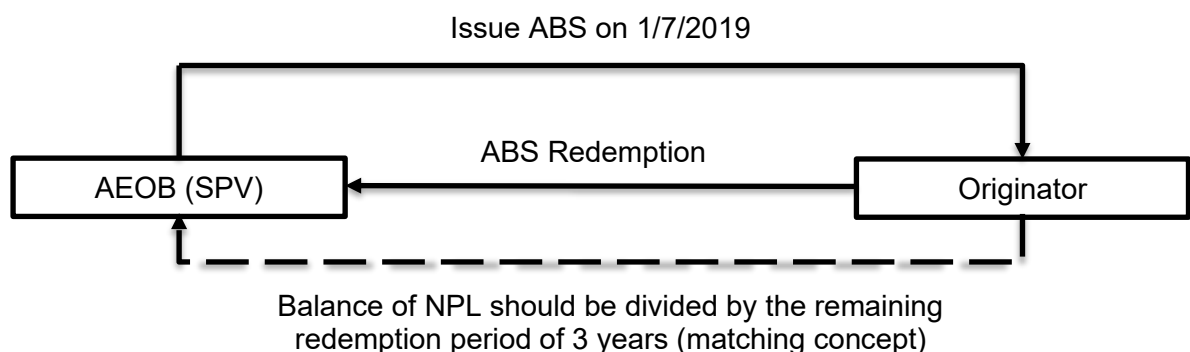
- b) If the call option is exercised within the call option period (for example in the year 2029), the profit is deemed to accrue throughout the period of the securitisation transaction until the date the call option is exercised. PPC's gross income of RM200 million should be recognised in the YA 2029, which is the YA in which the call option is exercised.
- c) For the annual lease payments of RM5 million made by PPC to SPV, these can be claimed as an allowable expense under subsection 33(1) of the ITA and can be deducted from the developer's business income (proceeds from property sales).

Tax treatment for SPV:

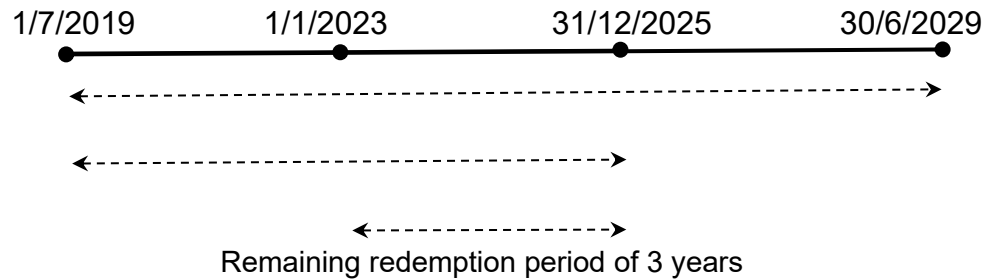
- a) The SPV will be taxed on the lease rental income received from PPC and this income is assessed under subsection 4(a) of the ITA.
- b) The SPV is entitled to claim allowable ancillary expenses under subsection 33(1) of the ITA.

#### **7.4 Tax treatment on early redemption of non-performing loans (NPL)**

AEO Berhad (AEOB) is an SPV company that issued ABS to acquire Originator's NPL on 1/7/2019 amounting to RM10 million. The redemption period for this ABS is 10 years. However, on 1/1/2023, AEOB expects to redeem the ABS on 31/12/2025 (before the original redemption period) because the NPL has been successfully collected earlier which is within 6.5 years as compared to the original period of 10 years. Therefore, the new redemption period is 6.5 years.



Timeline of ABS redemption:



For YA 2019 to 2022, AEOB has used a 10-year basis to allocate the acquisition expenses of the NPL. The AEOB requests to amend the security period to 6.5 years and amend the assessment for YA 2019 to 2022 because the claim amounts for each year have increased due to the shortened security period.

Since the remaining redemption period is only 3 years (1/1/2023 to 31/12/2025) and all amounts of NPL can be collected within these 3 years, the balance of NPL as at 1/1/2023 should be divided by the remaining redemption period, which is the total number of days in those 3 years (matching concept). This step also does not require AEOB to amend the assessment for YA 2019 to 2022.

The formula for calculating AEOB gross income used for the remaining period of the securitisation transaction is as follows:

$$\frac{\text{Number of days in the remaining basis period for one YA}}{\text{Total days in the remaining securitisation transaction period}} \times \text{Balance of NPL}$$

AEOB's annual gross income is as follows:

Original securitisation period (days): 365 days x 10 years = 3650 days

Remaining securitisation transaction period (days): 365 days x 3 years = 1095 days

NPL balance as at 1/1/2023 = RM10 million – RM3,504,110 (RM504,110<sup>1</sup> + RM3 million<sup>2</sup>) = RM6,495,890.

<b>Year of Assessment</b>	<b>Number of days</b>	<b>Annual gross income</b>
2019	184	$184/3650 \times \text{RM}10 \text{ million} = \text{RM}504,110$
2020 – 2022	365 per year	$365/3650 \times \text{RM}10 \text{ million} = \text{RM}1 \text{ million per year}$
2023 - 2025	365 per year	$365/1095 \times \text{RM}6,495,890 = \text{RM}2,165,297 \text{ per year}$

Therefore, the annual gross income amount for YA 2023 to 2025 is RM2,165,297 per year.

Note<sup>1</sup> : Gross income for YA 2019

Note<sup>2</sup> : Total gross income for YA 2020 to 2022 = RM1 million x 3 years  
= RM3 million

#### **7.5 Tax deduction on issuance costs for ABS issued outside the incentive period**

Transbowl Berhad (TB) is an SPV that has acquired properties under the ABS program approved by the SC. TB issued its first asset-backed notes through the Medium-Term Note (MTN) program to finance the acquisition of logistics properties and commercial/industrial warehouses in Malaysia on 12/2/2009. TB also bears issuance costs related to the MTN program as follows:

- a) Trustee and Administrator Fees;
- b) Program Trustee and Agency Fees;
- c) Facility Agent and Calculation Fees and Transaction Administration Fees;
- d) Valuation Monitoring Fees;
- e) Appraiser Fees and Other Extraordinary Expenses;
- f) Structuring and Advisory Fees; and
- g) Legal and Professional Fees Related to the Issuance.

TB commenced operations on 19/12/2008. The company has incurred professional service expenses in the financial year ending 31/12/2007. The execution of ABS program had to be delayed due to an economic recession and difficulties in documentation. TB received approval from the SC on 4/6/2008 for a 6-month extension of time. TB must bear additional issuance costs after 31/12/2007. TB requests to be allowed to claim the additional issuance costs.

The Income Tax (Deduction for Asset-Backed Securities Issuance Expenses) 2005 [P.U.(A) 321/2005] only allows deductions for expenses incurred from 3 July 2004 until the YA 2007. TB is not qualified for tax deductions under P.U.(A) 321/2005 for the ABS issuance costs incurred by the TB after the YA 2007.

#### **8. Basis Period**

If the basis period for a YA of the Originator or SPV overlaps with the basis period for the previous YA, the number of days related to the basis period mentioned in the formula stated above, does not include the number of days in a basis period for the YA that overlaps with the basis period for the previous YA.

#### **9. Non-Application**

Section 44A of the ITA is not applicable to the transfer of losses between the Originator and SPV. In addition, sections 60F and 60FA of the ITA also are not applicable to the SPV.

#### **10. Disclaimer**

The examples in this PR are for illustrative purposes only and are not comprehensive.

**Director General of Inland Revenue,  
Inland Revenue Board of Malaysia.**