INLAND REVENUE BOARD OF MALAYSIA

ACCELERATED CAPITAL ALLOWANCE

PUBLIC RULING NO. 7/2018

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CONTENTS

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 explain the tax treatment on qualifying plant and machinery for the purpose of claiming Accelerated Capital Allowances (ACA) or the prescribed rates in determining the statutory income from a business.

2. Relevant Provisions of the Law

2.1 This PR takes into account laws which are in force as at the date this PR is published.

2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are paragraph 154(1)*(b)* and Schedule 3.

2.3 Relevant subsidiary laws referred to in this PR are the Income Tax Rules (ITR) as listed in paragraph 13.

3. Interpretation

The words used in this PR have the following meaning:

3.1 "Assets" means plant or machinery used for the purpose of a business on which qualifying plant expenditure has been incurred.

3.2 “Disposed of” means an asset is sold, discarded or destroyed or it ceased to be used for the purposes of the business.

3.3 “Person” includes a company, a body of persons, a limited liability partnership and a corporation sole.

3.4 “Qualifying expenditure” means capital expenditure incurred on the provision, construction or purchase of plant or machinery used for the purpose of a business other than assets that have an expected life span of less than two (2) years.

3.5 “Agriculture” means any form of cultivation of crops, animal farming, aquaculture, inland fishing and any other agricultural or pastoral pursuit, including the reafforestation of timber.

4. Application of the Law

4.1 The ACA is an allowable allowance specifically allowed to a person who has incurred qualifying expenditure (QE) on assets used for business purposes.

4.2 The ACA rate provided in the ITR is in accordance with the powers conferred by paragraph 154(1)*(b)*, and paragraphs 10 and 15 of Schedule 3 of the ITA.

4.3 The conditions that must be fulfilled by a person to qualify for an initial allowance (IA) and an annual allowance (AA) are the same as the conditions to claim capital allowances at the normal rate under Schedule 3 of the ITA. For more information, please refer to the PR No. 5/2014 titled "Ownership And Use Of Asset For The Purpose Of Claiming Capital Allowances".

5. Introduction

The rate for ACA is a rate hike for either the initial allowance (IA) or the annual allowance (AA). It allows for higher allowances than normal allowances in a year of assessment and hence the total capital allowances can be fully claimed within a shorter period. However, a person is given an option whether to claim the capital allowance for plant and machinery as provided under the ITR or the normal capital allowances as provided under paragraphs 10 and 15, Schedule 3 of the ITA. This option for higher rates is also subject to the eligibility conditions as specified in the ITR.

6. Qualifying Expenditure

6.1 The interpretation of QE for each ITR varies according to the type of plant or machinery that qualifies for ACA. However, the interpretation of the QE generally applies to all ITR i.e. the capital expenditure which is incurred under paragraph 2, Schedule 3 of the ITA. For more information, please refer to the PR No. 6/2015 titled "Qualifying Expenditure And Computation Of Capital Allowances".

6.2 For the purchase of plant and machinery on hire purchase, QE for ACA is based on capital instalment payments in a year of assessment. Please refer to paragraph 10, "Hire Purchase Asset" in the PR No. 5/2014 titled "Ownership And Use Of Asset For The Purpose Of Claiming Capital Allowances".

7. Income Tax Rules

Paragraph 154(1)*(b)* and paragraphs 10 and 15 of Schedule 3 of the ITA empowers the Minister of Finance to determine the ACA of plant and machinery through the ITR. The ITR for plant and machinery which are still in force are as follows:

7.1 Buses using natural gas and natural gas refuelling equipment – Income Tax (Qualifying Plant Allowances) Rules 1997 [P.U. (A) 265/1997]

7.1.1 Effective 1 January 1997, ACA is given on QE which is incurred by -

(a) a public transport company on the provision of buses using natural gas for the purpose of the business of public transportation;

(b) a person on the provision of natural gas refuelling equipment used at a natural gas refuelling outlet.

7.1.2 "Natural gas refuelling outlet" includes a natural gas refuelling outlet which is made available for public or private use. A private natural gas refuelling outlet is natural gas that is not made available to the public but only made available for specific vehicle types based at a depot or factory premises.

7.1.3 A company or a person is entitled to claim 40% for IA and 20% for AA.

Example 1

Super Express Sdn Bhd (SESB) carries on the business of Economic Express Bus. SESB has been registered with the Companies Commission of Malaysia (CCM) and is also the holder of a public service vehicle license issued by the Commercial Vehicle Licensing Board 1987. On 2.1.2018 SESB bought a new bus that uses natural gas for the purposes of its public transportation business.

SESB is eligible to claim ACA i.e the 'Qualifying Plant Allowances" for the capital expenditure on the new bus.

7.2 **Machinery or plant used in certain industries – Income Tax (Qualifying Plant Initial Allowances) Rules 1998 [P.U. (A) 294/1998]**

7.2.1 Effective year of assessment 1998, **ACA in the form of IA** is given on QE for machinery or plant used for the purposes of a business of a person carried on in Malaysia, which consists of -

(a) Building and construction -

The construction of any works, roads, structures and buildings.

(b) Timber –

The extraction of timber from a forest.

(c) Tin mining –

The working of a mine for getting tin-ore or extracting or dressing tin concentrates.

7.2.2 Machinery or plant in this ITR excludes an imported heavy machinery. The IA and AA rates for imported heavy machineries are lower than the normal allowances. Please refer to the Income Tax (Qualifying Plant Allowances) (No. 2) Rules 1997 [P.U. (A) 474/1997] in respect of imported heavy machinery that is used in certain industries.

7.2.3 A person who carries on his business in Malaysia and incurred QE for machinery or plant used for the purposes of industries listed in paragraph 7.2.1 of this PR, is eligible to claim ACA at the following rates -

Industry	**ACA/** IA (%)	AA (%)	
		Machinery	Plant
Building and construction	30	20	14
Timber	60	20	14
Tin mining	60	20	14

Example 2

Kinta Sdn Bhd (ASB) runs a tin mining industry in Perak Kinta Valley area. On 5.2.2018, KASB bought a tin ore storage plant for purification of tin which was done using water pressure.

KASB conducts one of the tin mining activities i.e. dressing tin concentrates that are eligible for ACA. However, KASB does not want the ACA rate to be used and has chosen the IA rate of 20% and the AA of 14% for the year of assessment 2018.

Example 3

Same facts as in Example 2 except that KASB chose to claim ACA on the plant at a rate of 60% for IA and 14% for AA.

7.3 **Control Equipment – Income Tax (Qualifying Plant Allowances) (Control Equipment) Rules 1998 [P.U. (A) 295/1998]**

7.3.1 Control equipment includes equipment and facility used for collecting wastes, for limiting pollution of the environment, for indicating or recording or warning of excessive pollution and for securing more efficient use of the equipment.

7.3.2 Effective year of assessment 1996, ACA is given on QE which is incurred on the provision of control equipment as follows -

(a) Sewage and Industrial Effluent Treatment Plant Facilities

(i) Mixing Tank

(ii) Sedimentation Tank

(iii) Filter Press

(iv) Neutralization Tank

(v) Variable Speed Decanter Centrifuge

(vi) Aerators/Aeration Facility

(vii) Automatic Level Control Submersible Pump

(viii) Ultrasonic Flowmeter

(ix) Automatic pH-Controlled Pump

(x) Drums for Sludge Storage

(xi) Effluent Drainage System

(xii) Clarifying Tanks/Precipitation Tanks

(xiii) Sludge Holding Tank

(xiv) Treatment Chemicals

(xv) Wastewater Recycle Equipment

(xvi) Carbon Filter

(b) Air Pollution Control Equipment

(i) Electrostatic Precipitator

(ii) Cyclone

(iii) Bag Filter

(iv) Water Scrubber

(v) Black Smoke Density Recorder

(vi) Black Smoke Alarm Equipment

(vii) Chimney/Gas Stack Sampling Equipment

(viii) Water Sprinkler

(ix) Incinerator

(x) Carbon Filter

(xi) Gas Absorption Materials

(xii) Packing Material for Water Scrubber

7.3.3 ACA is given at the rate of 40% for IA and 20% for AA.

7.4 **Recycling of Wastes – Income Tax (Accelerated Capital Allowances) (Recycling of Wastes) Rules [P.U. (A) 505/2000]**

7.4.1 Effective year of assessment 2001, ACA is given to a manufacturing company which has incurred QE for the purposes of its business on plant and machinery which are used -

(a) exclusively or otherwise for recycling of wastes; or

(b) for further processing of the wastes into a finished product.

7.4.2 Manufacturing companies are eligible to claim ACA at 40% for IA and 20% for AA.

7.4.3 Manufacturing companies are not eligible to claim ACA under this ITR if for the current period, the company-

(a) has been granted any incentives (except for deductions for promotion of exports) under the Promotion of Investments Act 1986 (PIA); or

(b) has been given reinvestment allowance (RA) under Schedule 7A of the ITA.

7.4.4 If a person does not choose to claim RA even if it is eligible to do so, the person is eligible to claim ACA.

Example 4

Smart Sdn Bhd (SSB) is a waste recycling manufacturing company. On 15.5.2018, SSB purchased a series of plant and machinery for processing paddy straw to be used as tableware. SSB closes its accounts on 31 May each year.

SSB has incurred QE on plant and machinery that are used to process wastes (paddy straw) into finished products (tableware). Therefore, SSB is eligible to claim ACA for the year of assessment 2018.

7.5 **Reinvestment in a Qualifying Project – Income Tax (Accelerated Capital Allowances) (Reinvestment in a Qualifying Project) Rules [P.U. (A) 506/2000]**

7.5.1 This ITR is effective from the year of assessment 2001 and applies in respect of QE incurred on the provision of plant or machinery for the purposes of a qualifying project and used for the purpose of the business in respect of -

(a) a promoted activity;

(b) a promoted product; or

(c) an agricultural project.

7.5.2 Promoted activity or promoted product means any activity or product promoted under section 4 of the PIA.

7.5.3 Agricultural project has the meaning as defined under paragraph 8*(c)* in respect of activities listed under paragraph 9 *(aa)* until *(ff)* of Schedule 7A of the ITA.

7.5.4 Qualifying project has the meaning as defined under paragraph 8*(a)* of Schedule 7A of the ITA.

7.5.5 ACA is given at the rate of 40% for IA and 20% for AA.

7.5.6 This ITR shall not apply for the period a company -

(a) has been granted RA under Schedule 7A of the ITA.

(b) has been granted pioneer status or investment tax allowance under the PIA in respect of the same promoted activity or promoted product.

(c) fails to submit a copy of the letter from the Malaysian Industrial Development Authority confirming the promoted activity or promoted product undertaken in respect of a qualifying project for a year of assessment.

7.5.7 If a person does not choose to claim RA even if it is eligible to do so, the a person is eligible to claim ACA.

Example 5

Zea Mays Sdn Bhd (ZMSB) undertakes a qualifying agricultural project to expand its corn business activity in Tanah Rata, Cameron Highlands. On 3.3.2018, ZMSB incurred QE amounting to RM500,000 to buy two corn cultivation machinery.

The agricultural project is a qualifying project as defined under paragraph 8*(c)* of Schedule 7A of the ITA. ZMSB has chosen not to claim RA even though the company is eligible to do so.

As ZMSB has not claimed RA on the QE, ZMSB is eligible to claim ACA for the year of assessment 2018.

7.6 Power Quality Equipment – Income Tax (Accelerated Capital Allowances) (Power Quality Equipment) Rules [P.U. (A) 87/2005]

7.6.1 This ITR is effective from the year of assessment 2005 and applies on QE incurred by a company in the basis period for a year of assessment on -

(a) the provision of equipment as certified by the Ministry of Energy, Water and Communications, Malaysia; and

(b) the equipment is used by the company for its own business exclusively for the control of electric power quality.

7.6.2 ACA is given at the rate of 20% for IA and 40% for AA.

7.6.3 This ITR shall not apply to a company for the period during which the company -

(a) has been granted any incentives except for deductions for promotion of exports under the PIA; or

(b) has been given RA under Schedule 7A of the ITA.

7.6.4 If a person does not choose to claim RA even if it is eligible to do so, the person is eligible to claim ACA.

Example 6

On 1.3.2018 Dairy Global Sdn Bhd (account ending 31 March) purchased a machinery that is certified by the Ministry of Energy, Water and Communications, Malaysia as an equipment for controlling the quality of electric power in its business. The company has claimed capital allowances on the machinery for the year of assessment 2018 as provided under the ITR.

The Company is not eligible for any incentive but is entitled to RA. However, the company has chosen to not claim RA. Therefore, the company is eligible to claim ACA for the year of assessment 2018.

7.7 Automation Equipment – Income Tax (Accelerated Capital Allowance) (Automation Equipment) Rules 2017 [P.U. (A) 252/2017] and Income Tax (Exemption) (No. 8) Order 2017 [P.U. (A) 253/2017]

7.7.1 P.U. (A) 252/2017 and P.U. (A) 253/2017 provide tax incentives to the manufacturing sector on the purchase of automation equipment.

7.7.2 Automation is a process of automating. Automating refers to a process whereby manual operations are substituted by mechanical operations with minimal or reduced human intervention.

7.7.3 Both P.U. (A) 252/2017 and P.U. (A) 253/2017 are effective from the year of assessment 2015 and apply to companies that incur qualifying capital expenditure (QCE) on the purchase of automation equipment.

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

7.7.5 Qualifying project means a project undertaken by a qualifying company for **modernizing or automating its existing manufacturing activity of a product**.

7.7.6 The following are two categories of companies that are eligible to claim ACA and Automation Equipment Allowance (AEA) -

	First category	Second category
Qualifying project	Labor Intensive Industry relating to rubber products, plastics, wood, furniture and textiles.	Industry other than First Category.
ACA	IA - 20% of the first four million ringgit. AA - 80% of the first four million ringgit.	IA - 20% of the first two million ringgit. AA - 80% of the first two million ringgit.
AEA	IA - 20% of the first four million ringgit. AA - 80% of the first four million ringgit.	IA - 20% of the first two million ringgit. AA - 80% of the first two million ringgit.
The QCE is incurred in the basis period for:	Year of assessment 2015 - year of assessment 2017.	Year of assessment 2015 - year of assessment 2020.
Applications must be submitted to the Malaysian Investment Development Authority (MIDA) in the period:	1.1.2015 – 31.12.2017.	1.1.2015 – 31.12.2020.

	First category	Second category
[1]Purchase of an automation equipment under a hire purchase.	QCE is claimed on the installment of the capital paid in a year of assessment.	

[1]Note:

Only applies to P.U. (A) 252/2017.

7.7.7 P.U. (A) 252/2017 and P.U. (A) 253/2017 applies to a qualifying company that fulfills the following requirements:

(a) a manufacturing company which is incorporated under the Companies Act 2016 [*Act 777*] and resident in Malaysia;

(b) engages in a manufacturing activity in compliance with the Industrial Co-ordination Act 1975 [*Akta 156*];

(c) has a business license issued by the relevant local authority;

(d) has carried on a qualifying project for a period of at least thirty-six (36) months;

(e) the automation equipment is certified by the Director General of the Standards and Industrial Research Institute of Malaysia as adopting a "technology that is more advanced"[2] than the current technology.

[2]Note:

"Technology that is more advanced" means advanced technology that can increase the amount of production and reduce dependence on labor.

7.7.8 P.U. (A) 252/2017 shall not apply to a qualifying company if in the basis period for a year of assessment, the company has -

(a) been granted any incentive under the PIA [*Act 327*];

(b) claimed RA under Schedule 7A of the ITA or investment allowance for service sector under Schedule 7B of the ITA;

(c) been granted any exemption under section 127 of the ITA **except** P.U. (A) 253/2017; or

(d) claimed for deduction under any other rules made under section 154 of the ITA **except** -

(i) the rules in relation to allowance under Schedule 3 of the ITA;

(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*].

7.7.9 The above non-application also applies to P.U. (A) 253/2017 except that there is a difference in paragraph 7.7.8(c) and an addition to paragraph 7.7.8(d) as follows:

(a) has been granted any exemption under section 127 of the ITA;

(b) has claimed for deduction under any other rules made under section 154 of the ITA **except** -

(v) P.U. (A) 252/2017.

7.7.10 Exemptions under section 127 of the ITA specified in the P.U. (A) 252/2017 refers to paragraph 127(3)*(b)* or 127(3A) of the ITA. For more information, please refer to the Practice Note No. 2/2018 in the Official Portal of Inland Revenue of Board Malaysia (IRBM).

8. Steps to Claim Accelerated Capital Allowance

The steps that can be followed to facilitate the understanding of claiming ACA are as follows:

(a) Identify the eligibility of each fixed asset of the business with the ITR that are still in force;

(b) Choose the rate to be used i.e. either the normal allowance rate or the rate specified in the ITR;

(c) If the rate selected is according to the ITR, determine whether the QE complies with the 'application' rule and other rules in the ITR; and

(d) Choose the applicable rates for each asset.

The capital allowance for each fixed asset of the business can be claimed at the appropriate rate in the year of assessment. The rate chosen should be applied to the asset until the QE is fully absorbed. This means that each asset only qualifies for one type of rate.

If a company has 10 types of fixed assets that qualify for capital allowances, the company can make a selection of varying rates for the 10 assets.

Example 7

Macro Sdn Bhd (MSB) is **a new company** which started its activity of lobster farming in freshwater ponds. On 2.1.2018, MSB bought two ventilators i.e. a windmill and an air blower for the growth of the lobsters. Both of these equipments have been determined by the Minister of Finance as equipments used for the purpose of its agriculture business. The equipment was first used in MSB's business on 3.4.2018.

MSB wants to make a claim for ACA on the machinery and seeks clarification on the following provisions of the ITR that can be applied:

Num.	Type of Plant and Machinery	ITR P.U.(A) / Year	%	
			IA	AA
1.	Plant or machinery for a qualifying project in respect of a promoted activity or a promoted product or an agricultural project.	506/2000 Effective YA 2001	40	20
2.	Machinery and equipment used for the purpose of its agriculture sector but excluding forest plantation.	188/2005 Effective YA 2005	20	40

Step (a):

MSB has identified the machinery that qualifies under the ITR which is still in force i.e. as mentioned in the table above.

Step (b):

As the normal capital allowance rate for machinery is lower than the ACA rate, MSB chooses the ACA rate which is relevant to its business.

Step (c):

As MSB is a new company, P.U. (A) 506/2000 cannot be used because the agricultural project carried out by MSB does not fall under **a qualifying project** as defined under paragraph 8*(a)* of Schedule 7A of the ITA.

Step (d):

Thus, the capital allowance rate applicable to MSB is as provided in P.U. (A) 188/2005 i.e. 20% for IA and 40% for AA.

9. Qualifying Period

9.1 A person is eligible to claim ACA at the rates prescribed according to the effective period as stipulated in the relevant ITR. Therefore, capital allowances are not claimable before or after the effective period.

Example 8

Kiko Sdn Bhd (KSB), a resident in Malaysia was incorporated under the Companies Act 1965 [*Act 125*] and closes its account on 30 June each year. On 5.12.2017, KSB purchased an anti-theft alarm system amounting to RM25,000 as an effort to increase the security level at its business premises. KSB makes a claim for ACA under P.U.(A) 4/2013.

KSB is not eligible to claim ACA in the year of assessment 2017 as the effective period for P.U. (A) 4/2013 has expired in the year of assessment 2015.

9.2 Asset purchased before a person commences business qualifies for ACA when the business commences.

Example 9

Harum Sdn Bhd (HSB) carries out the activity of guava cultivation. On 5.12.2017, HSB bought an agricultural machinery but only commenced business operations on 2.1.2018. HSB closes its account on 31 December each year.

HSB is eligible to claim ACA as provided under P.U. (A) 188/2005 in the year of assessment 2018 when HSB has commenced business operations.

9.3 A person is eligible to claim ACA when the asset is capable of being used for the purposes of the business.

Example 10

Shine Ecology Sdn. Bhd. (SESB) is a manufacturing company that processes food waste and plant residues into organic fertilizers. Organic fertilizers that are produced are fruit-bearing and flower-booster types. SESB closes its accounts on 30 September each year.

On 8.1.2017, SESB has purchased a series of plant and machinery for processing the waste to be used as organic fertilizers. Plant and machinery only began to be installed and were ready to be used in SESB's business on 15.10.2017 (for the basis period 1.10.2017 - 30.9.2018).

SEBB is eligible for the ACA as provided under P.U. (A) 505/2000 from the year of assessment 2018.

10. **Disposal of Assets Within Two Years**

10.1 Where a person has incurred QE in respect of an asset and the asset is owned by that person for a period of less than two years[3], paragraph 71 of Schedule 3 of the ITA applies [except by reason of the death of that person or any other reasons that are acceptable by the Director General of Inland Revenue (DGIR)]. The DGIR may direct that –

(i) any capital allowance would fall to be made to that person should not be made; and

(ii) any capital allowance that has been made should be withdrawn and a balancing charge should be made for the year of assessment in the basis period in which the asset was disposed of.

[3]Note:

"Two years" refers to two calendar years based on the exact number of days.

10.2 The balancing charge is limited to capital allowances that have been given in the years of assessment before the basis period the plant or machinery is disposed of.

10.3 Capital allowances will not be withdrawn if the disposal of an asset is made with a valid *(bona fide*) commercial reason. For example, the disposal is due to damage to an asset, non-suitability for use or it is no longer needed in the business. Balancing charge or balancing allowance should be made on a disposer.

10.4 For more information, please refer to paragraph 8.3, ‘Disposal of asset that is owned for less than two years’ in the PR No. 7/2017 titled “Disposal Of Plant Or Machinery Part I - Other Than Controlled Sales”.

Example 11

Green Agro Co., Ltd. (GASB) carries on a business of planting organic vegetables and its account closes on 31 October each year. On 1.6.2017, an agricultural machinery was bought for RM66,000 for its business use. The machinery was disposed of on 31.1.2018 at a price of RM56,000 as the machine was unable to cater to the increasing customer demands. To increase the agricultural production capacity, a new machinery was purchased by GASB.

Computation of ACA according to the rate as provided under P.U. (A) 188/2005 is as follows:

	RM	RM
Cost of agricultural machinery		66,000
Year of Assessment 2017 (1.11.2016 – 31.10.2017)		
Less:		
IA (66,000 X 20%)	13,200	
AA (66,000 X 40%)	26,400	39,600
Residual expenditure		26,400
Year of Assessment 2018 (1.11.2017 – 31.10.2018)		
Less:		
Disposal price		56,000
Balancing charge		29,600

The DGIR considers the disposal of the machine as a *bona fide* disposal. Thus, paragraph 71 of Schedule 3 of the ITA does not apply and the ACA which has been allowed in the year of assessment 2017 need not be withdrawn.

11. Non-Application

11.1 The "Non-application" provision in each ITR for ACA is to prevent a person from claiming the relevant capital allowance if in the same year of assessment that person also enjoys other incentives as set out in the ITR.

11.2 The other incentives are as follows:

(a) Investment tax allowance under the PIA;

(b) RA under Schedule 7A of ITA;

(c) Investment allowance for the service sector under Schedule 7B of ITA;

(d) Tax exemption under section 127 of ITA; or

(e) ACA with an allowance at a higher rates under the ITA or any other ITR made under section 154 of the ITA.

11.3 Exemptions under section 127 of the ITA specified in the ITR refers to paragraph 127(3)*(b)* or subsection 127(3A) of the ITA.

11.4 If a person has been given such incentives as listed in paragraph 11.2 of this PR or any of the other incentives listed in the 'Non-application Rule' of an ITR and at the same time ACA is claimed, then the tax incentives provided will be maintained. The ACA claimed will be withdrawn and capital allowances at the normal rates as prescribed in Schedule 3 of the ITA or the capital allowance rate in ITR (Qualifying Plant Annual Allowances) 2000 [P.U. (A) 52/2000] shall be allowed. This is because such incentives and ACA are mutually exclusive.

Example 12

Same facts as in **Example 6** except that the company has claimed RA for the year of assessment 2018.

The "Non-application Rule" in ITR (Accelerated Capital Allowance) (Power Quality Equipment) 2005 [P.U. (A) 87/2005] is referred to. The company is not eligible to claim ACA as the company has enjoyed RA under Schedule 7A of ITA which is **mutually exclusive** to ACA. The ACA will be withdrawn and capital allowances at normal rates will be allowed.

12. Claim Procedure

A claim for ACA must be made in an Income Tax Return Form. All supporting documents are to be kept by the claimant for verification purposes when an audit is conducted by IRBM.

13. Summary of Income Tax Rules and Rates of Allowances For Plant and Machinery

Num.	Type of Plant and Machinery	ITR P.U.(A) / Year	Effective Period / From	%	
				IA	AA
1.	Buses using natural gas and natural gas refuelling equipment	265/1997	01.01.1997	40	20

Num.	Type of Plant and Machinery	ITR P.U.(A) / Year	Effective Period / From	%	
				IA	AA
2.	Machinery or plant used in industries– (i) Building and construction; (ii) Timber; and (iii) Tin mining.	294/1998	Y/A 1998	 30 60 60	 20/14 20/14 20/14
3.	Control Equipment	295/1998	Y/A 1996 (deemed)	40	20
4.	Plant and machinery for recycling of wastes or further processing of the wastes into a finished product.	505/2000	Y/A 2001	40	20
5.	Plant and machinery for a qualifying project in respect of a promoted activity or a promoted product or an agricultural project.	506/2000	Y/A 2001	40	20
6.	Equipment certified by the Ministry of Energy, Water and Communications, Malaysia as an equipment used for its own business to control the quality of electrical power.	87/2005	Y/A 2005	20	40
7.	Machinery and equipment used in the agricultural sector but excluding forest plantation.	188/2005	Y/A 2005	20	40

14. Updates and Amendments

The contents of PR No. 4/2013 titled "Accelerated Capital Allowance" dated 15 April 2013 has been updated and rearranged in this second edition PR with the following amendments:

Paragraph in this PR	Description
4.	New paragraph to replace paragraph 4 (Accelerated Capital Allowance) in PR No. 4/2013. Paragraph 4 in PR No. 4/2013 has been reworded and renumbered to paragraph 4.3 in this PR.
5.	New paragraph and the contents in paragraph 5 of PR No. 4/2013 are renumbered to paragraph 6 of this PR.
6.	Paragraph with new title and the contents of paragraph 6 in the PR No. 4/2013 are reworded.
6.1	This paragraph replaces paragraphs 5(a) to 5(e) in the PR No. 4/2013 as the information in this paragraph has been clarified in the PR No. 6/2015 titled "Qualifying Expenditure and Computation Of Capital Allowances".
6.2	This paragraph replaces paragraph 10 of the PR No. 4/2013 and is included in this paragraph as it is part of QE.
7.	This paragraph replaces paragraph 7 in the PR No. 4/2013 as the contents in this PR is related to ACA on plant and machinery. Therefore, it does not involve industrial building allowance and agricultural allowance as stated in the PR No. 4/2013 in the following paragraphs: 7.2 For further information on "Accelerated allowance or special rate of industrial building allowance", please refer to the PR No. 8/2016 titled “Industrial Buildings - Part I” and the PR No. 10/2016 titled “Industrial Buildings - Part II”. 7.3 For further information on "Accelerated Agriculture Allowance" please refer to the PR No. 1/2016 titled “Agricultural Allowances”.
8.	This paragraph replaces paragraph 8 in the PR No. 4/2013 with a new title. Paragraph 8 in PR No. 4/2013 is renumbered to paragraph 7 with the same title taking into account the ITR which are still in force at the time this PR is published.

Paragraph in this PR	Description
9.	Paragraph 13 in PR No. 4/2013 is renumbered to paragraph 9 in this PR. The contents in paragraph 13 have been reworded for further clarification. For further information on “Special Allowances for Small Value Assets” as mentioned in paragraph 9 of PR No. 4/2013, please refer to PR No. 10/2014.
10.	Paragraph 11 in PR No. 4/2013 is renumbered and reworded for further clarification. The examples in this paragraph have also been improved by stating the relevant ITR. For further information on "Plant or Machinery on Hire Purchase" as mentioned in paragraph 10 of the PR No. 4/2013, please refer to PR No. 5/2014 titled “Ownership and Use of Asset for the Purpose of Claiming Capital Allowances”.
11.	The original title of this paragraph is from paragraph 14 in the PR No. 4/2013. Paragraph 14 in the PR No. 4/2013 on “Non-Application” is renumbered to paragraph 11 in this PR and the explanations and examples have been improved by stating the relevant ITR.
12.	This paragraph replaces paragraph 12 of the PR No. 4/2013 as information on "Controlled Transfer" can be referred to in the PR No. 1/2018 titled "Disposal Of Plant And Machinery - Part II Controlled Sales".
13.	This paragraph replaces Appendix A in PR No. 4/2013.

15. Disclaimer

The examples in this PR are for illustration purposes only and are not exhaustive.

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