

# REINVESTMENT ALLOWANCE (RA)

- w.e.f. YA 1998
- Given to Co
- ≠ qualifying project
- No need prior approval from IRB/MIDA

*Eg 47- 51 PR 10/2022,*

**RA**

Mutually  
exclusive

**PS/IAA/ITA/Sch 4A (Expenditure  
on approved agricultural project)**

**Malaysian resident  
company not falling  
under the excluded  
activities in Appendix  
A**

**Agro - based co-operative society  
+ Area/Federal/State Farmer's Asso.  
+ Area/National/State Fishermen's Asso.**

w.e.f.  
YA1999

**Agricultural sector**

*Eg 1 -3 PR 10/2022*

**In operation  
36 months**

**No**

**≠ RA**

**Yes**

**Incur QCE  
on**

**HP = capital portion  
P & M = capable of being used ie date of  
commencement of the commercial  
production ie after trial run  
B = Date of completion / purchase**

**Yes**

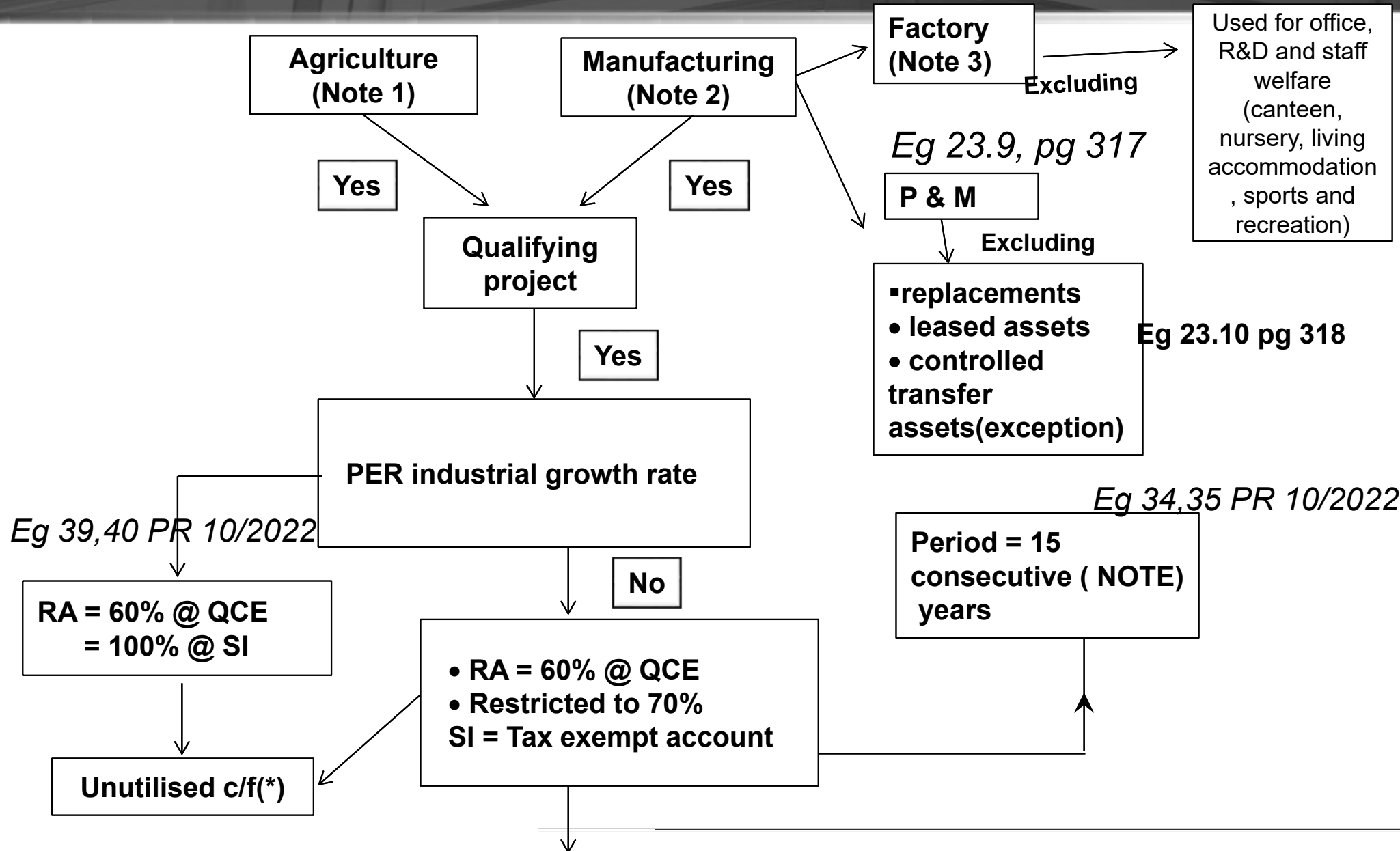
**Agriculture**

**Yes**

**Manufacturing**

*Eg 27-29 PR 10/2022*

# REINVESTMENT ALLOWANCE (RA) (Cont'd)



(\*) Next Slide

# Special RA

<b>YA in which the existing 15 consecutive YAs incentive period ended</b>	<b>YA in which the capital expenditure is incurred that qualifies for the Special RA claim ( PENJANA)</b>
<b>YA 2019 or prior YAs</b>	<b>YAs 2020 to YA 2024</b>
<b>YA 2020</b>	<b>YAs 2021 to YA 2024</b>
<b>YA 2021</b>	<b>YA 2022 to 2024</b>
<b>YA 2022</b>	<b>YA 2023 to 2024</b>
<b>YA2023</b>	<b>YA2024</b>

# Unabsorbed RA b/f (\*)

Must utilize within a period of 7 consecutive YAs ,Eg  
41-42, PR10/2022

<b>RA 15 consecutive YA expired in</b>	<b>YA in which unutilised RA will be disregarded</b>
Up to YA2018	2026
2019	2027
2020	2028
2021	2029
2022	2030

# Unabsorbed RA b/f (\*)

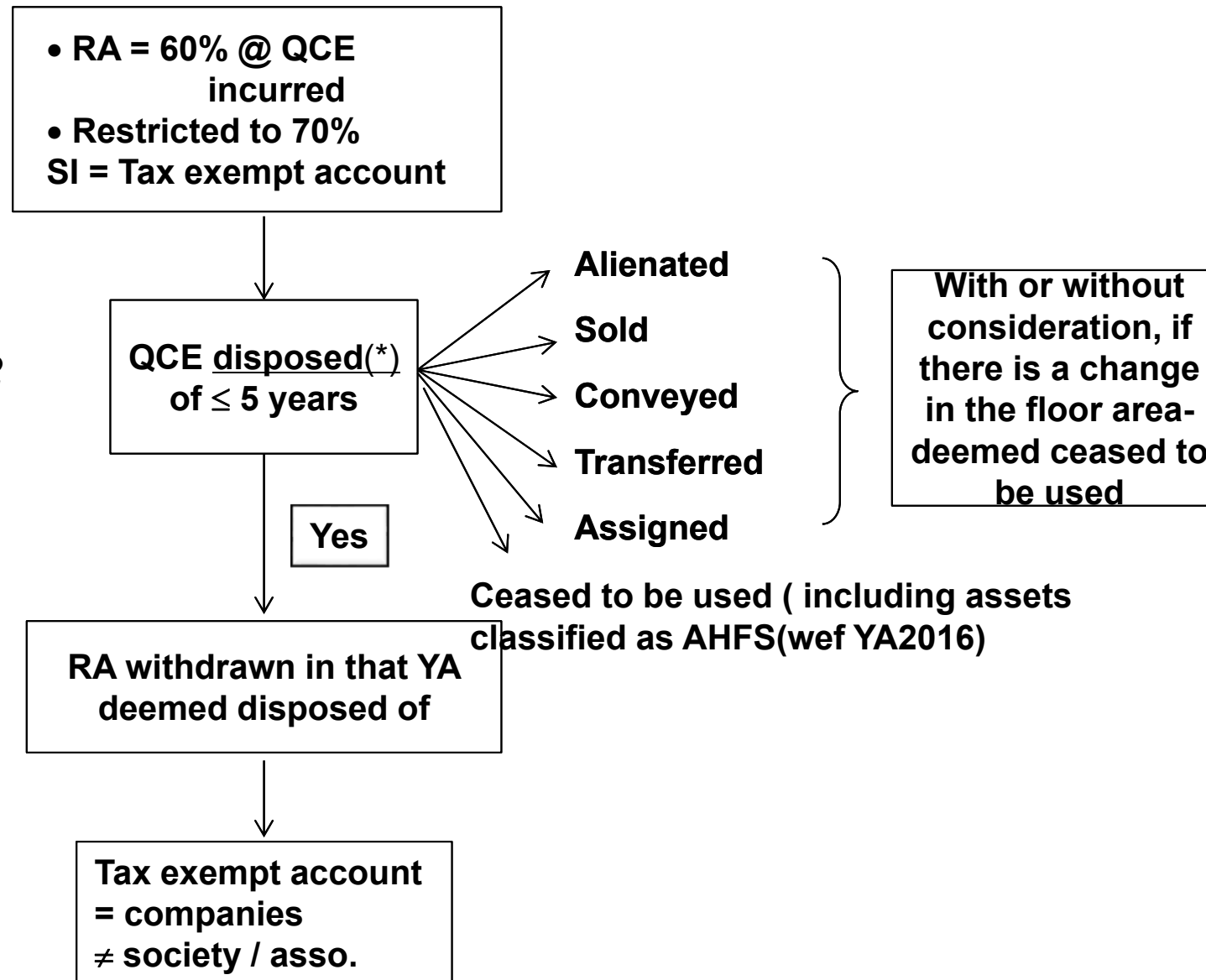
Must utilize within a period of 7 consecutive YAs ,Eg  
41-42, PR10/2022

<b>Special RA 5 consecutive YA expired in ( PENJANA)</b>	<b>YA in which unutilised RA will be disregarded</b>
YA 2024	YA 2032

# Controlled Transfer assets( Exception)

	Disposer	Acquirer	
1	Not for the purpose of a qualifying project	Qualifying capital expenditure for RA is the <i>market value of the asset on the date of acquisition.</i>	
2	acquires an asset for a qualifying project but does not claim RA on the qualifying capital expenditure as the company chooses to claim a mutually exclusive incentive	The qualifying capital expenditure for the acquirer is <i>the residual expenditure of the asset</i>	(Eg 32 PR 10/2022)
3	an asset is acquired from related parties located overseas	QCE for RA = prevailing mkt price	

# REINVESTMENT ALLOWANCE (RA) (Cont'd)

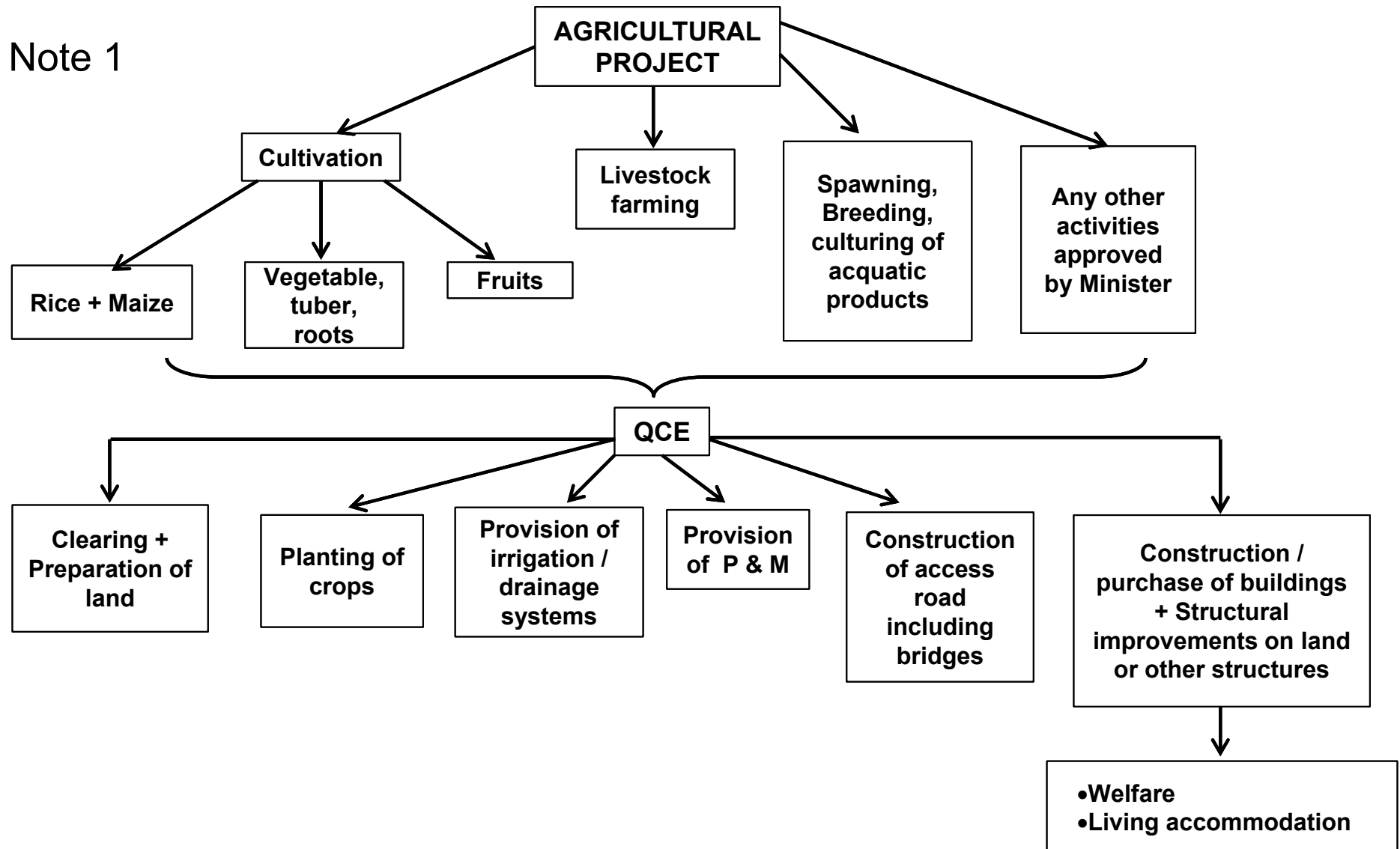


Eg 30, 31 PR 10/2022

(\*) does not include destruction by fire, flood or any other such disasters. RA claimed for the assets which are destroyed under such circumstances would not be withdrawn.

# REINVESTMENT ALLOWANCE (RA) (Cont'd)

Note 1





# REINVESTMENT ALLOWANCE (RA) (Cont'd)

## ◆ Note 1 ( Cont'd)

*The activities described above are to promote the production of food. Hence,*

*-spawning, breeding or culturing of ornamental fish, culturing of pearls and cultivation of flowers are not included and do not qualify for RA.*

*-Cultivation of oil palm, coffee, cocoa, coconut and other similar crops are not included as cultivation of fruits and therefore are not eligible for RA.*

# Definition of factory building

- ◆ capital expenditure incurred on a building or an extension of the building used for the purposes of qualifying project if it is used to place plant or machinery or to store any raw material, or goods or materials manufactured prior to sale;
- ◆ where part of the building or extension is used for the storage of raw material, goods or materials, the part of the building or extension used for such storage must not be more than one-tenth of the total area of extension to the building used for the purpose of the qualifying project

*(Refer Diagram 1 to 3 , pg 14-16 PR 10/2022)*

# Manufacturing (Note 2)

Paragraph 9 of Schedule 7A of the ITA 1967 defines manufacturing as :-

- a) **Conversion - manual/mechanical means - organic/inorganic materials → a new product - changing the size, shape- ( deleted wef YA2016) , composition, nature /quality of such materials;**
- b) **Assembly of parts → a piece of machinery or products; or**
- c) **Mixing of materials - chemical reaction process including biochemical process - changes the structure of a molecule – the breaking of the intra molecular bonds or by altering the spatial arrangement of atom in the molecule, but does not include :-**
  - i. **Installation of machinery/equipment – purpose of construction;**
  - ii. **Simple\* *packaging* operations e.g. bottling, placing in boxes, bags & cases;**
  - iii. **Simple\* fixing;**
  - iv. **Simple\* mixing of any products;**
  - v. **Simple\* assembly of parts;**

# Manufacturing (Cont'd)

**Paragraph 9 of Schedule 7A of the ITA 1967 defines manufacturing as :-**

- c) vi. Any activity – ensure the preservation of products in good condition during transportation & storage**
- vii. Any activity to facilitate shipment & transportation;**
- viii. Any activity of packaging/presenting goods for sale; or**
- ix. Any activity that may be prescribed by the Minister, notwithstanding the above interpretation.**

*\*simple = activity which does not need special skills, special machines, special apparatus, or special equipment especially produced or installed for carrying out the activity ( as defined in the Act wef YA2016)*

*Eg 4 & 5 PR 10/2022*

# Manufacturing (Cont'd)

WEF YA2016, the following terms have been defined in the Act as follows:

Term	Definition
Automating	A process whereby manual operations are substituted by mechanical operations with minimal or reduced human intervention
Diversifying	To enlarge or vary the range of product of a company related to the same industry
Expanding	An increase of a product capacity or expansion of factory areas
Machinery	A device or apparatus consisting of fixed and moving parts that work together to perform function iro a manufacturing activity, which is <u>directly used in carrying out that activity in a factory</u> <b>(Note)</b> ( <i>Consider completed once the finished product can be identified</i> ) <i>EG 6,PR 10/2022</i>
Modernizing	An upgrading of manufacturing equipment and process
Plant	An apparatus used iro a manufacturing activity which is <u>directly used in carrying out that activity in a factory</u>

# Manufacturing (Cont'd)

## **Note:**

Directly used in carrying out that activity in a factory

- (i) effect a change in material to form a product to be sold;
- (ii) have an active or necessary role in the manufacture of the product for sale;
- (iii) be used in handling, storage, or conveyance of materials or the product to be sold; or
- (iv) be used to package the product for sale.

*EG 23 – 25, PR 10/2022*

Additional or replacement of plant and machinery

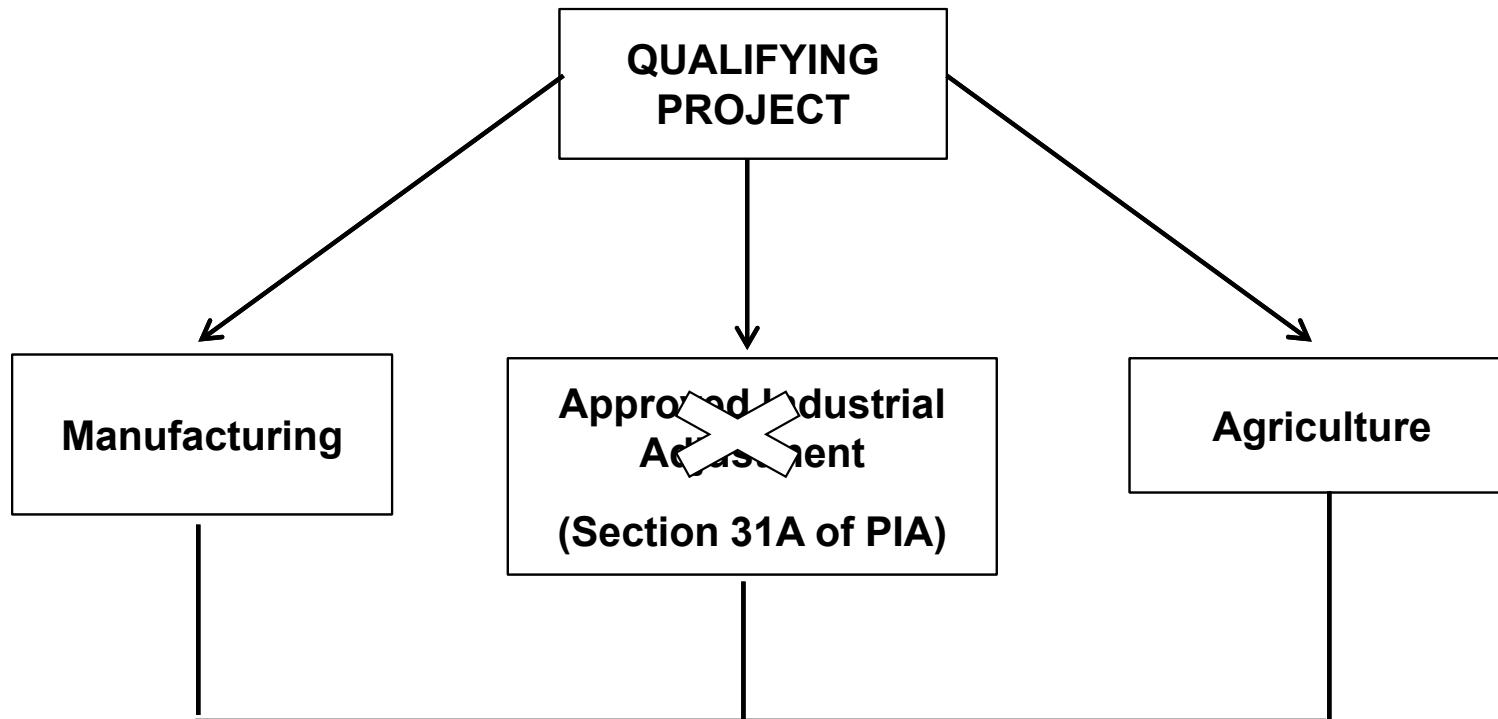
Not eligible for RA if not incurred for a qualifying project  
Eg 26, PR 10/2022

# Treatment of waste for reuse

Purpose	RA	Example in PR 10/2022
use in the same manufacturing activity	/	8
To treat the waste material before discharging from the factory	x	7 & 9
Conversion of waste material and by-product	/	Qualify as a diversification

# REINVESTMENT ALLOWANCE (RA) (Cont'd)

## - Qualifying Project



- a) Expansion production capacity (*including backward integration*)
- b) Modernisation of production facilities
- c) Diversification into related products
- d) Automating existing biz of manufacturing / processing



Existing biz



# Diversification

**The following are also regarded as diversification, per PR 10/2022 :-**

- **Manufacturing of by-products ( *EG 16,PR 10/2022*)**
- **Manufacturing of wastes into a related product ( *EG 15 PR 10/2022*)**
- **Forward integration refers to moving from existing production of raw materials/intermediate products to the production of downstream products such as another intermediate product or an end product ( *EG 14, PR 10/2022*)**

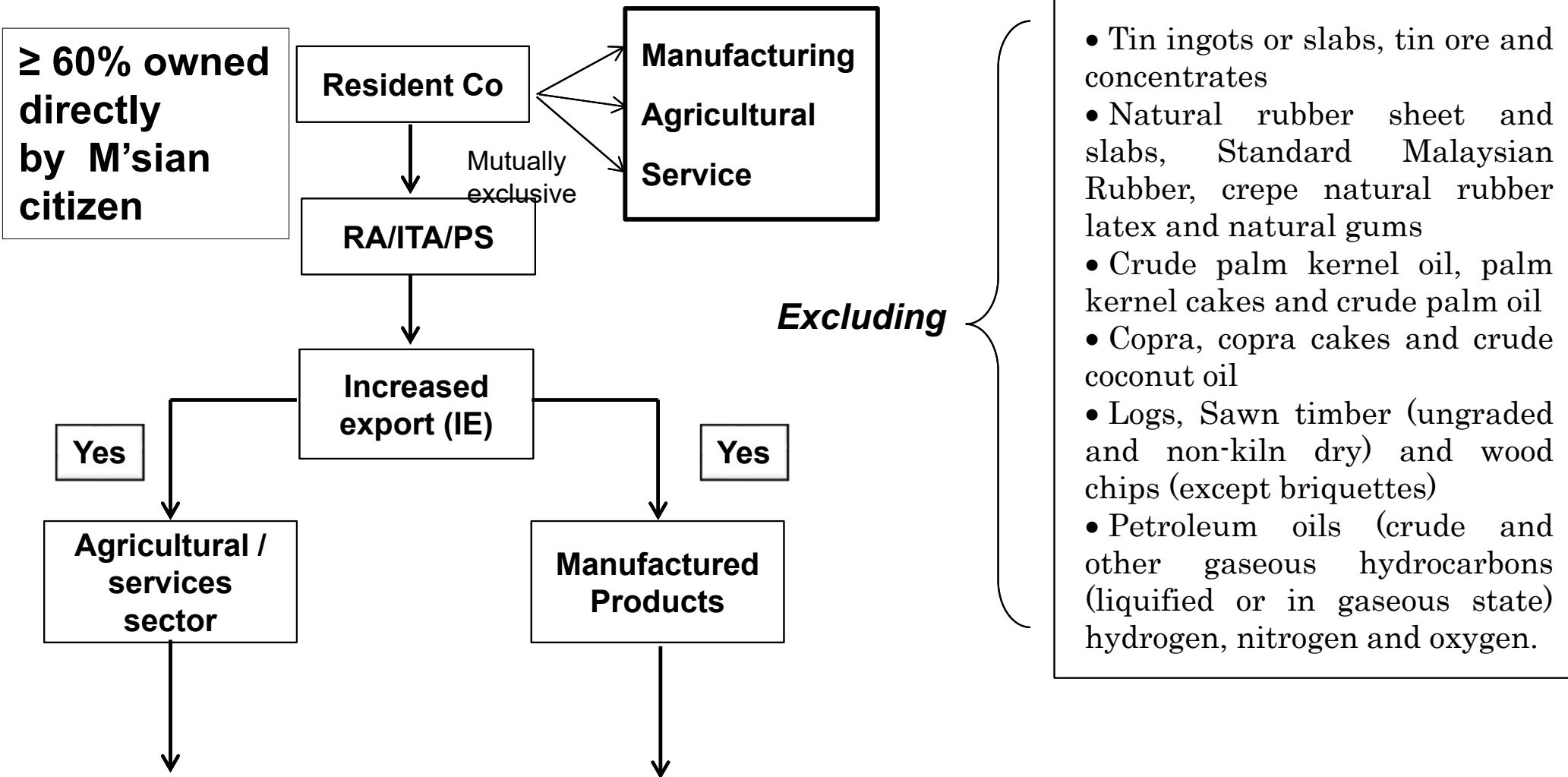
# REINVESTMENT ALLOWANCE (RA)

## ◆ Conditions:

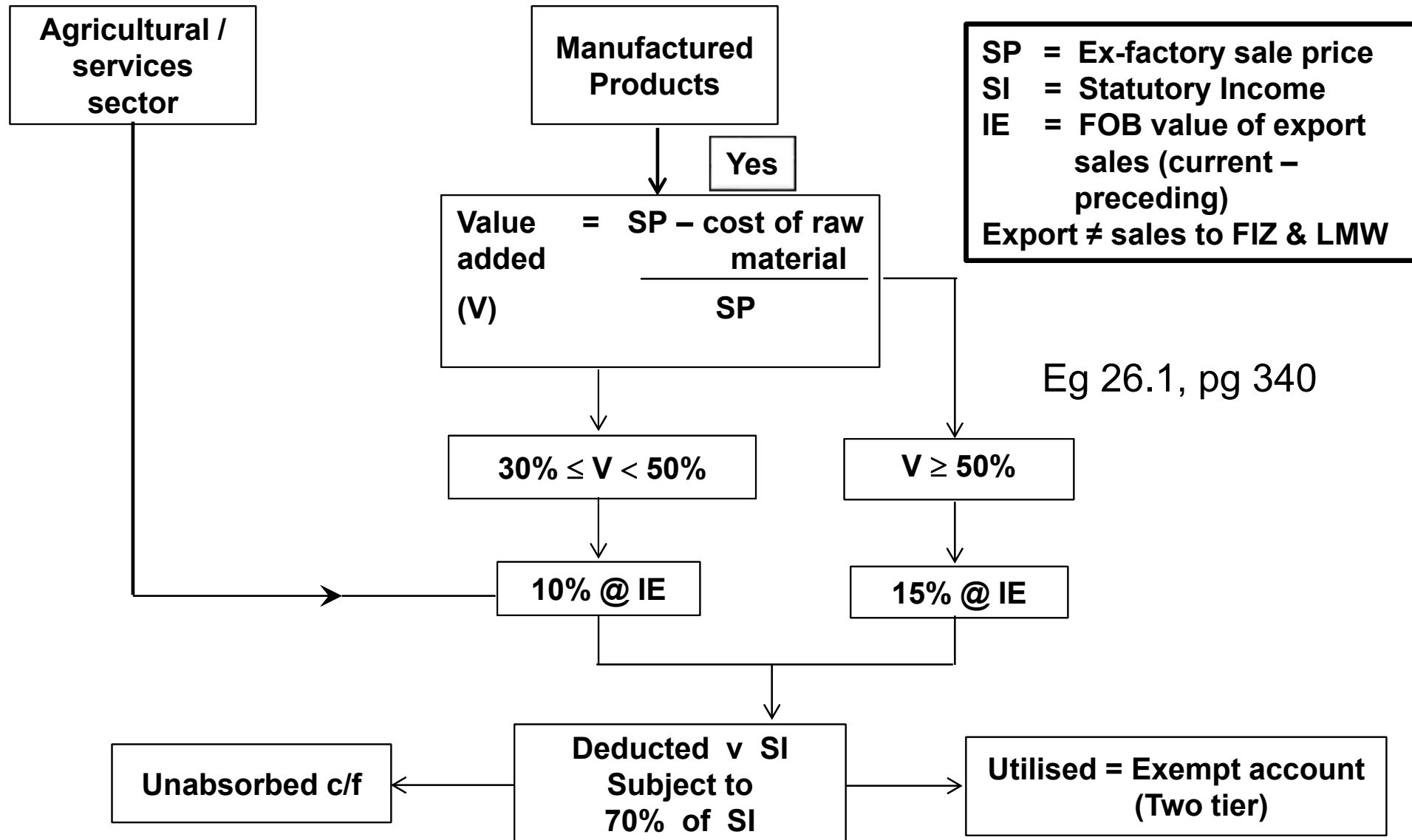
- ✓ Tax resident company
- ✓ Have been in operation for  $\geq$  36 months
- ✓ Incurred capital expenditure on factory, P & M in the basis period for YA
- ✓ Such assets must be in used in Malaysia
- ✓ For the purpose of a qualifying project for expansion, modernization, diversification or automating its existing business
- ✓ Doesn't not claim any other tax incentives and thus not falling under the mutually exclusive tax incentives

*Eg 23.13, pg 321, Eg23.15 pg324*

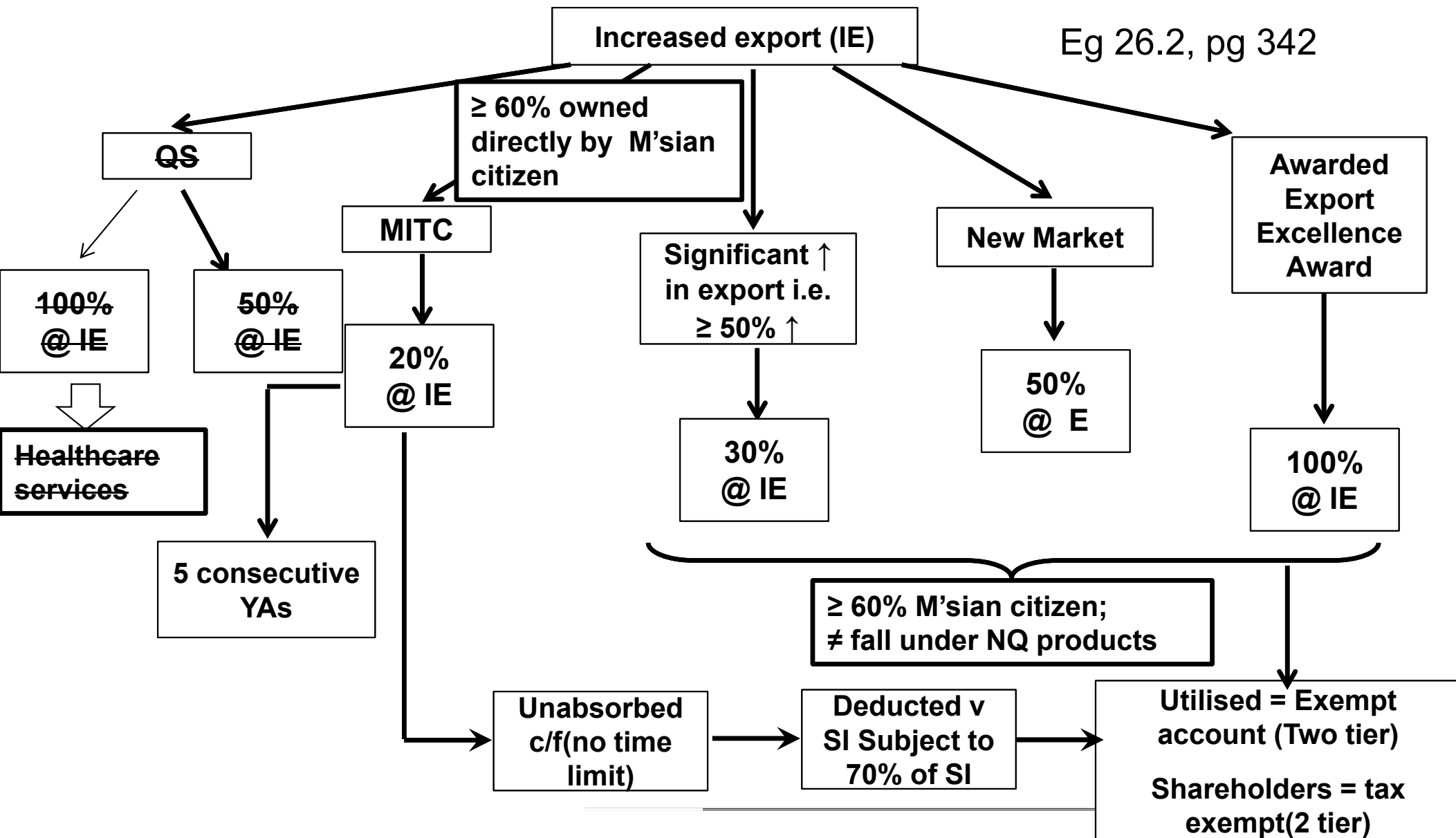
# ALLOWANCE FOR INCREASED EXPORTS



# ALLOWANCE FOR INCREASED EXPORTS (Cont'd)

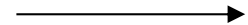
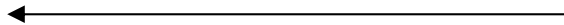


# ALLOWANCE FOR INCREASED EXPORTS



# Allowance for Increased Exports (AAIE)

	MITC  PU(A) 60/2002	General incentives for increased exports  PU(A) 162/2019	Special incentive for increased exports  PU(A) 162/2019
Applicable to	A company approved by MATRADE	<ul style="list-style-type: none"><li>• a company resident in Malaysia ; and</li><li>• carrying on activities of manufacturing or agriculture</li></ul>	<ul style="list-style-type: none"><li>• a company resident in Malaysia ; and</li><li>• carrying on activities of manufacturing or agriculture</li></ul>



# Allowance for Increased Exports (AAIE)

	MITC  PU(A) 60/2002	General incentives to increased exports  PU(A) 162/2019	Special incentive to increased exports  PU(A) 161/2019
Conditions	<ul style="list-style-type: none"> <li>• Incorporated in Malaysia and <math>\geq 60\%</math> Malaysian owned</li> <li>• Achieved annual sales of &gt; RM10m</li> </ul>	<ul style="list-style-type: none"> <li>• <b><math>\geq 60\%</math> owned directly by M'sian citizen</b></li> <li>• Agricultural produce consisting of fresh and dried fruits, fresh and dried flowers, ornamental plants and ornamental fish, frozen raw prawn or shrimp, frozen cooked and peeled prawn + frozen raw cuttlefish and squid</li> </ul>	<ul style="list-style-type: none"> <li>• <b><math>\geq 60\%</math> owned directly by M'sian citizen</b></li> <li>• Agricultural produce consisting of fresh and dried fruits, fresh and dried flowers, ornamental plants and ornamental fish, frozen raw prawn or shrimp, frozen cooked and peeled prawn + frozen raw cuttlefish and squid</li> </ul>

# Allowance for Increased Exports (AAIE)

	MITC  PU(A) 60/2002	General incentives to increased exports  PU(A) 162/2019	Special incentive to increased exports  PU(A) 161/2019
Conditions (Cont'd)	<ul style="list-style-type: none"> <li>• <math>\leq 20\%</math> of the Company's annual sales is derived from the trading of commodities</li> <li>• Uses local services for the purposes of banking, finance, insurance, uses local ports, airports</li> </ul>	<ul style="list-style-type: none"> <li>• Certain types of product are specifically excluded</li> </ul> <p><i>Eg 26.3, 26.4, 26.5 pg 344-348</i></p>	<ul style="list-style-type: none"> <li>• Certain types of product are specifically excluded</li> </ul>



	MITC	General incentives to increased exports	Special incentive to increased exports
	PU(A) 69/2002	PU(A) 161/2019	PU(A) 161/2019
Non application		<ul style="list-style-type: none"> <li>Any PIA tax incentives <del>(except for Double deduction for promotion of exports)</del></li> <li>Reinvestment allowance under Schedule 7A</li> <li>Granted exemption under 127(3)(b)/127(3A)</li> <li>Make a claim under Section 154 except for               <ul style="list-style-type: none"> <li>-&gt;audit fee</li> <li>-&gt;secretary/tax fee</li> <li>-&gt;CA</li> </ul> </li> <li>Export sales of products               <ul style="list-style-type: none"> <li>→ St prohibition of export</li> <li>→ Listed in the Schedule</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Any PIA tax incentives <del>(except for Double deduction for promotion of exports)</del></li> <li>Reinvestment allowance</li> <li>Exemption under Section 127(3)(b) or 127(3A)</li> <li>Make a claim under Section 154 except for               <ul style="list-style-type: none"> <li>-&gt;audit fee</li> <li>-&gt;secretary/tax fee</li> <li>-&gt;CA</li> </ul> </li> <li>Export sales of products               <ul style="list-style-type: none"> <li>→ St prohibition of export</li> <li>→ Listed in the Schedule</li> </ul> </li> </ul>

# RA vs AAIE

## - mutually exclusive

	RA	AAIE
Export s	×	√
Capital intensive	√	×
Tax exempt account (*)	depend on QCE incurred & utilised	depend on increase in exports & utilised
Unabsorbed CA (same business activity)	c/f until fully utilised	c/f until fully utilised
Unutilised RA / AAIE (same business activity)	c/f until fully utilized(limited to 7 consecutive Yas)	c/f until fully utilised