

Leasing

1

Leasing Companies (Cont'd)

Note 1:

$$\text{Total lease rental receivable} \times \frac{\text{No of months / days in that basis period}}{\text{Total no of months / days of the lease term}}$$

= Lease payments are very lop-sided; or
Lessor + lessee are related parties

Eg 24.2, 24.3 pg 267

Recent deciding orders:
DL Sdn Bhd v DGIR
SL Sdn Bhd v DGIR

2

2

Leasing

LEASE TRANSACTION = DEEMED SALE TRANSACTION

If lessee has:

- Option to purchase
- Beneficial ownership of the asset e.g. Sale + leaseback
- Acquisition of asset < market value (eg through a subsidiary co. or connected person)

IRB: Market value = 80% of TWDV

- Special purpose asset
 - ↳ Custom made asset
 - ↳ Structurally incorporated into a building
eg: elevators; escalators
- eg: "Common-user" type (Eg: printing press, service station)
- Claim CA prior to the lease
- Right to sell / dispose the asset

} Need major alteration
before being used by
another user

3

3

Deemed Sale Transaction

Tax implication for the lessor

Total rental
income = sales

Cost of asset =
cost of sales

≠ CA

Lessee to
claim CA

4