

# FINANCE BILL 2015

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A BILL

*i n t i t u l e d*

An Act to amend the Income Tax Act 1967, the Petroleum (Income Tax) Act 1967, the Real Property Gains Tax Act 1976, the Labuan Business Activity Tax Act 1990, the Goods and Services Tax Act 2014 and the Promotion of Investments Act 1986.

[ ]

**ENACTED** by the Parliament of Malaysia as follows:

CHAPTER I

PRELIMINARY

**Short title**

1. This Act may be cited as the Finance Act 2015.

**Amendment of Acts**

2. The Income Tax Act 1967 [*Act 53*], the Petroleum (Income Tax) Act 1967 [*Act 543*], the Real Property Gains Tax Act 1976 [*Act 169*], the Labuan Business Activity Tax Act 1990 [*Act 445*], the Goods and Services Tax Act 2014 [*Act 762*] and the Promotion of Investments Act 1986 [*Act 327*] are amended in the manner specified in Chapters II, III, IV, V, VI and VII respectively.

## CHAPTER II

## PART I

## AMENDMENTS TO THE INCOME TAX ACT 1967

**Commencement of amendments to the Income Tax Act 1967**

3. (1) Subparagraphs 4(a)(i) and (ii), paragraphs 10(a), (b) and (c) in respect of paragraphs 39(1)(o) and (p) of the Income Tax Act 1967, section 17, paragraphs 25(a) and (e), paragraph 28(a) and section 29 have effect for the year of assessment 2015 and subsequent years of assessment.

(2) Sections 5, 6, 7, 8, 9 and 11, paragraphs 12(a), (b), (c) and (d) in respect of paragraph 46(1)(n) of the Income Tax Act 1967, sections 13, 14, 16, 18, 22 and 24, paragraphs 25(b), (c) and (d), paragraph 26(a), section 27 and paragraph 28(c) have effect for the year of assessment 2016 and subsequent years of assessment.

(3) Subparagraph 4(a)(iii), paragraph 4(b), sections 15, 19, 20, 21 and 23, and paragraphs 26(b), (c) and (d), and Part II come into operation on the coming into operation of this Act.

(4) Paragraph 28(b) has effect for the year of assessment 2016, 2017 and 2018.

(5) Paragraph 10(c) in respect of paragraph 39(1)(q) of the Income Tax Act 1967, comes into operation on 1 January 2016.

(6) Paragraph 12(d) in respect of paragraph 46(1)(o) of the Income Tax Act 1967, has effect for the year of assessment 2016 until the year of assessment 2020.

**Amendment of section 2**

4. Section 2 of the Income Tax Act 1967, which is referred to as the “principal Act” in this Chapter, is amended—

(a) in subsection (1)—

(i) by inserting after the definition of “Inland Revenue Board of Malaysia” the following definition:

‘ “input tax” has the same meaning assigned to it in the Goods and Services Tax Act 2014 [Act 762];’;

- (ii) by inserting after the definition of “Minister” the following definition:

“output tax” has the same meaning assigned to it in the Goods and Services Tax Act 2014;’;  
and

- (iii) by inserting after the definition of “stock in trade” the following definition:

“sukuk” has the same meaning assigned to it in the Capital Markets and Services Act 2007;’; and

(b) in subsection (8)—

- (i) by deleting the words “the Securities Commission,” and
- (ii) by inserting after the words “Malaysia Co-operative Societies Commission” the words “, or approved or authorized by, or lodged with, the Securities Commission,”.

### **Amendment of section 6**

**5.** Paragraph 6(1)(i) of the principal Act is amended by substituting for the words “five years from the year of assessment 2012 and in respect of subparagraph (b) of that Part for a period of five years commencing from the year of assessment 2007” the words “four years from the year of assessment 2016 and in respect of subparagraph (b) of that Part for the year of assessment 2016 and subsequent years of assessment”.

### **Amendment of section 24**

**6.** Section 24 of the principal Act is amended—

(a) in paragraph (1)—

- (i) in paragraph (b), by inserting after the word “rendered” the words “or to be rendered”; and

(ii) in paragraph (c), by inserting after the word “dealt” the words “or to be dealt”; and

(b) by inserting after subsection (1) the following subsection:

“(1A) Except where subsection (1) applies, where in the relevant period, any sum is received by a relevant person in the course of carrying on a business in respect of any services to be rendered or the use or enjoyment of any property to be dealt with in the relevant period or in any following basis period, the sum shall be treated as the gross income of the relevant person from the business for the relevant period the sum is received notwithstanding that no debt is owing to a relevant person in respect of such services or such use or enjoyment.”.

### **Amendment of section 25**

7. Section 25 of the principal Act is amended—

(a) by substituting for subsection (1) the following subsection:

“(1) Subject to this section, where gross income from an employment is receivable in respect of any particular period, it shall when received in the relevant period be treated as the gross income of the relevant person for the relevant period.”;

(b) by deleting subsections (2), (2A), (3), (4) and (5); and

(c) in subsection (6), by substituting for the words “for the basis period for the year of assessment following the relevant year shall be treated as receivable” the words “for the basis period for the relevant year or for the basis period for the year of assessment following the relevant year, shall be treated as deemed to have been received”.



**Amendment of section 33**

8. Section 33 of the principal Act is amended by inserting after subsection (4) the following subsection:

“(5) For the purpose of subsection (4), where any sum payable for a basis period for a year of assessment is due to be paid in any following year of assessment—

- (a) a person shall notify the Director General in writing for deduction in respect of the sum not later than twelve months from the end of the basis period for the year of assessment when the sum is due to be paid; and
- (b) upon receipt of the notice, the Director General may reduce the assessment that has been made in respect of such sum.”.

**Amendment of section 34**

9. Section 34 of the principal Act is amended by inserting after subsection (7) the following subsection:

“(7A) Where in the basis period for a year of assessment an amount in respect of any sum received by the relevant person which is treated as part of the gross income of the relevant person in accordance with subsection 24(1A) is refunded, such amount shall be deducted from the relevant gross income of the relevant person for the basis period for that year of assessment.”.

**Amendment of section 39**

10. Subsection 39(1) of the principal Act is amended—

- (a) by deleting the word “or” at the end of paragraph (m);
- (b) by substituting for the full stop at the end of paragraph (n) a semicolon; and

(c) by inserting after paragraph (n) the following paragraphs:

- “(o) any amount paid or to be paid in respect of goods and services tax as input tax by the person if he is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under that Act to credit that amount as input tax;
- (p) any amount of output tax paid or to be paid under the Goods and Services Tax Act 2014 which is borne by the person if he is registered or liable to be registered under that Act; or
- (q) any remuneration or other income in respect of services performed or rendered in Malaysia by a public entertainer from which tax is deductible under section 109A, if tax has not been deducted therefrom and paid to the Director General in accordance with that section:

Provided that—

- (i) this paragraph shall not apply if the payer has paid the amount of tax and the increased sum due from him to the Government in accordance with subsection 109(2); and
- (ii) where such amount of tax and the increased sum are paid after the due date for the furnishing of a return for a year of assessment that relates to such tax and the increased sum, the amount of tax and the increased sum so paid shall not prejudice the imposition of penalty under subsection 113(2) if a deduction on such payment is made in such return or is claimed in the information given to the Director General in arriving at the adjusted income of the payer.”.

**Amendment of section 45A**

**11.** Section 45A of the principal Act is amended by substituting for the words “three thousand ringgit” the words “four thousand ringgit”.

**Amendment of section 46**

**12.** Subsection 46(1) of the principal Act is amended—

- (a) in paragraph (f), by substituting for the word “five” the word “seven”;
- (b) by deleting the word “and” at the end of paragraph (l);
- (c) by substituting for the full stop at the end of paragraph (m) a semicolon; and
- (d) by inserting after paragraph (m) the following paragraphs:

“(n) an amount limited to a maximum of two hundred and fifty ringgit in respect of a contribution made or suffered in that basis year by that individual to the Social Security Organization pursuant to the Employees’ Social Security Act 1969; and

(o) an amount of one thousand five hundred ringgit for each of the parent of that individual—

- (i) who is a resident and, at any time in that basis year, aged sixty years and above; and
- (ii) whose annual income does not exceed twenty-four thousand ringgit for that year of assessment:

Provided that—

- (a) the deduction under this paragraph shall be allowed for a maximum of two parents;

- (b) the deduction under this paragraph shall not be allowed for an individual who has made a claim under paragraph 46(1)(c) for the same basis year; and
- (c) where two or more individuals are each entitled to claim a deduction for a year of assessment under this paragraph in respect of the same parent, there shall be allowed to each of those individuals, in place of the whole deduction which would otherwise be allowed under this paragraph, an amount of the whole deduction equally apportioned according to the number of the individuals making the claim.”.

**Amendment of section 47**

**13.** Section 47 of the principal Act is amended—

- (a) in subparagraph 1(a), by substituting for the word “three” the word “four”; and
- (b) in subsection (3), by substituting for the word “three” the word “four”.

**Amendment of section 48**

**14.** Section 48 of the principal Act is amended—

- (a) in paragraph (2)(a), by substituting for the word “one” the word “two”;
- (b) in subparagraph (3)(a)(i), by substituting for the word “six” the word “four”; and
- (c) in subparagraph (3)(a)(ii), by substituting for the word “six” the word “eight”.

**Amendment of section 60i**

**15.** Section 60i of the principal Act is amended—

(a) in subsection (1), by substituting for the words “Islamic securities” wherever appearing the word “sukuk”; and

(b) in subsection (4)—

(i) by deleting the definition of “Islamic securities”; and

(ii) in the definition of “special purpose vehicle”—

(A) by substituting for the words “Islamic securities” the word “sukuk”; and

(B) by substituting for the words “approved by the Securities Commission or Labuan Financial Services Authority” the words “lodged with the Securities Commission or approved by the Labuan Financial Services Authority.”.

**Amendment of section 83**

**16.** Section 83 of the principal Act is amended by inserting after subsection (1A) the following subsection:

“(1B) Where the employer is a company, the return referred to in subsection (1) shall be furnished on an electronic medium or by way of electronic transmission in accordance with section 152A.”.

**Amendment of section 91**

**17.** Section 91 of the principal Act is amended by inserting after subsection (5) the following subsection:

“(6) Notwithstanding the provisions of this Act, where in a basis period for a year of assessment, an adjustment is made in respect of the input tax paid or to be paid under the Goods and

Services Tax Act 2014, the Director General may at any time, as may be necessary to give effect to such adjustment, make an assessment or a reduced assessment for the year of assessment to which the adjustment relates, or if the year of assessment to which the adjustment relates cannot be ascertained, for the year of assessment in which the Director General discovers the adjustment.”.

### **Amendment of section 107C**

**18.** Section 107C of the principal Act is amended by inserting after subsection (7) the following subsection:

“(7A) For the purposes of subsections (1) and (7), a company shall furnish the estimate or revised estimate of its tax payable on an electronic medium or by way of electronic transmission in accordance with section 152A.”.

### **Amendment of section 112**

**19.** Section 112 of the principal Act is amended—

(a) in subsection (1), by inserting after the words “77A(1)” the words “in respect of any one year of assessment”;

(b) by inserting after subsection (1) the following subsection:

“(1A) Any person who makes default in furnishing a return in accordance with subsection 77(1) or 77A(1) in respect of any year of assessment for two years or more shall, if he does so without reasonable excuse, be guilty of an offence and shall, on conviction, be liable to—

(a) a fine of not less than one thousand ringgit and not more than twenty thousand ringgit or to imprisonment for a term not exceeding six months or to both; and

- (b) a special penalty equal to treble the amount which the Director General may, according to the best of his judgment, determine as the tax charged on the chargeable income of that person for those years of assessment.”;
- (c) in subsection (2), by substituting for the words “subsection (1)” the words “subsections (1) and (1A)”; and
- (d) in subsection (3), by inserting after the words “subsection (1)” the words “or (1A)”.

### **Amendment of section 120**

**20.** Subsection 120(1) of the principal Act is amended—

- (a) by deleting the word “or” at the end of paragraph (e);
- (b) by substituting for the comma at the end of paragraph (f) the word “; or”; and
- (c) by inserting after paragraph (g) the following paragraph:
  - “(h) fails to furnish the correct particulars as required by the Director General under paragraph 77(4)(b) or 77A(3)(b),”.

### **Amendment of section 125**

**21.** Subsection 125(1) of the principal Act is amended by inserting after the word “subsection” the words “112(1A),”.

### **Amendment of section 152A**

**22.** Section 152A of the principal Act is amended by substituting for subsection (1) the following subsection:

- “(1) Any person or class of persons—
  - (a) shall, if so required under this Act; or
  - (b) may, if so allowed by the Director General,

furnish any form prescribed under this Act on an electronic medium or by way of an electronic transmission.”.

### **Amendment of section 154**

**23.** Paragraph 154(1)(c) of the principal Act is amended by substituting for the words “or 132A” the words “, 132A or 132B”.

### **Amendment of Schedule 1**

**24.** Schedule 1 to the principal Act is amended—

(a) in Part 1—

(i) by substituting for paragraph 1 the following paragraph:

“**1.** Except where paragraphs 1A, 2, 2A, 2D, 3 and 4 provide otherwise, income tax shall be charged for a year of assessment upon the chargeable income of every person at the following rates:

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of Income Tax</i>
For every ringgit of the first	5,000	0 per cent
For every ringgit of the next	15,000	1 per cent
For every ringgit of the next	15,000	5 per cent
For every ringgit of the next	15,000	10 per cent
For every ringgit of the next	20,000	16 per cent
For every ringgit of the next	30,000	21 per cent
For every ringgit of the next	150,000	24 percent
For every ringgit of the next	150,000	24.5 per cent



<i>Chargeable income</i>	<i>RM</i>	<i>Rate of Income Tax</i>
For every ringgit of the next	200,000	25 per cent
For every ringgit of the next	400,000	26 per cent
For every ringgit exceeding	1,000,000	28 per cent"; and

(ii) in paragraph 1A, by substituting for the words "25 per cent" the words "28 per cent"; and

(b) in Part X in subparagraph 1(b), by substituting for the words "26% of gross for the year of assessment 2008 and 25% of gross for the subsequent years of assessment" the words "24% of gross for the year of assessment 2016 and subsequent years of assessment".

### **Amendment of Schedule 3**

**25.** Schedule 3 to the principal Act is amended—

(a) by inserting after paragraph 2D the following paragraph:

**"2E.** For the purposes of paragraph 1, the qualifying expenditure incurred by a person shall not include any amount paid or to be paid in respect of goods and services tax as input tax by the person if he is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under that Act to credit that amount as input tax.";

(b) by inserting after paragraph 16A the following paragraph:

**"16B.** Notwithstanding any other provision of this Schedule, no allowance shall be made to a person under paragraphs 12 and 16 for a year of assessment in respect of any expenditure incurred in relation to paragraphs 37A, 37B, 37C, 37E, 37F, 37G, 37H, 42A and 42B of this Schedule relating to industrial building where the building or part thereof is used by that person for the purpose of letting of property including the business of letting of such property.";

(c) in subparagraph 19A(3), by inserting after the word “resident” the words “and incorporated”;

(d) by inserting after paragraph 61A the following paragraph:

“**61B.** (1) Notwithstanding any other provision of this Schedule, where any part of an asset of a person from a business ceases to be used for purposes of a business of his in a basis period for a year of assessment due to replacement with a new part and that new part is depreciated separately in accordance with the generally accepted accounting principles, that part of an asset is deemed to have been disposed of in that basis period for that year of assessment.

(2) The qualifying expenditure of the part of the asset disposed shall be taken to be the amount as determined in accordance with the generally accepted accounting principles.

(3) The residual expenditure under paragraph 68 in respect of the part of the asset disposed shall be the qualifying expenditure of the part of an asset disposed reduced by the amount of allowance that have been made or would have been made under this Schedule to that person prior to the disposal of that part of the asset.

(4) The provisions of this Schedule shall apply to the new part of an asset referred to in subparagraphs (1) and (2).”;

(e) by inserting after paragraph 67C the following paragraph:

“**67D.** (1) Where in the basis period for a year of assessment a person has incurred qualifying plant expenditure, qualifying building expenditure, qualifying agriculture expenditure or qualifying forest expenditure, in relation to an asset and the input tax on the asset is subject to any adjustment made under the Goods and Services Tax Act 2014, the amount of such qualifying expenditure in relation to that asset shall be adjusted in the basis period for a year of assessment in which the period of adjustment relating to the asset as provided under the Goods and Services Tax Act 2014 ends.

(2) In the event the adjustment of the amount of the qualifying expenditure made under subparagraph (1) results in—

(a) an additional amount, such amount shall be deemed to be part of the qualifying expenditure incurred, and the residual expenditure under paragraph 68 in relation to the asset shall include that additional amount; or

(b) a reduced amount, the qualifying expenditure incurred and the residual expenditure under paragraph 68 shall be reduced by such amount, and if the amount of the allowance made or ought to have been made under this Schedule exceeds the residual expenditure, the excess shall be part of the statutory income of that person from a source consisting of a business in the basis period the adjustment is made.

(3) The excess amount referred to in subsubparagraph (2)(b) shall not exceed the total amount of allowances given under this Schedule.

(4) Notwithstanding subparagraph (1), where a person has incurred the qualifying plant expenditure, qualifying building expenditure, qualifying agriculture expenditure or qualifying forest expenditure in relation to an asset, and the asset is disposed of at any time during the period of adjustment specified under the Goods and Services Tax Act 2014, the adjustment to such qualifying expenditure shall be made in the basis period for the year of assessment in which the disposal is made.

(5) Paragraphs 39 and 40 shall apply for the purpose of the adjustment referred to in subparagraph (4).”.

## **Amendment of Schedule 6**

### **26. Schedule 6 to the principal Act is amended—**

(a) by inserting after paragraph 25c the following paragraph:

“**25d.** Sums received by way of gratuity on retirement from an employment under any written law or termination of a contract of employment other than when paragraph 25, 25A, 25B or 30A applies:

Provided that the sums shall not exceed an amount ascertained by multiplying the sum of one thousand ringgit by the number of completed year of service of that individual.”;

(b) in subparagraph 33A(b)—

(i) by substituting for the words “Islamic securities” the word “sukuk”; and

(ii) by substituting for the words “approved by the Securities Commission” the words “approved or authorized by, or lodged with, the Securities Commission”;

(c) in paragraph 33B—

- (i) by substituting for the words “Islamic securities” the word “sukuk”; and
- (ii) by substituting for subparagraph (b) the following subparagraph:

“(b) approved or authorized by, or lodged with, the Securities Commission, or approved by the Labuan Financial Services Authority.”; and

(d) in subparagraph 35(b)—

- (i) by substituting for the words “Islamic securities” the word “sukuk”; and
- (ii) by substituting for the words “approved by the Securities Commission” the words “approved or authorized by, or lodged with, the Securities Commission”.

### **Amendment of Schedule 7**

**27.** Schedule 7 to the principal Act is amended—

- (a) in paragraph 3, by substituting for the words “subsection 25(4)” the words “paragraph 3A”; and
- (b) by inserting after paragraph 3 the following paragraph:

“**3A.** (1) For the purposes of paragraph 3, where a foreign income is receivable in respect of a period which overlaps the basis period (which is referred to in this paragraph as the overlapping period), that foreign income when received shall be apportioned between the part of the overlapping period which overlaps the basis period and the remaining part of the overlapping period.

(2) The apportionment under subparagraph (1) shall be made in the proportion that the number of days of the overlapping period that fall into the basis period bears to the total number of days of the overlapping period, unless the Director General, having regard to the facts of any particular case, otherwise directs.

(3) So much of that foreign income as is apportioned to the overlapping part of the overlapping period shall be treated as foreign income of the person for the basis period.”.

**Amendment of Schedule 7A****28.** Schedule 7A to the principal Act is amended—

(a) by inserting after paragraph 1C the following paragraph:

**“1D.** (1) For the purposes of paragraphs 1 and 1A, the capital expenditure incurred by a company shall not include any amount paid or to be paid in respect of goods and services tax as input tax by a company if the company is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if the company is entitled under that Act to credit that amount as input tax.

(2) Where in the basis period for a year of assessment a company has incurred capital expenditure under this Schedule in relation to an asset and the input tax on the asset is subject to any adjustment made under the Goods and Services Tax Act 2014, the amount of such expenditure in relation to that asset shall be adjusted in the basis period for a year of assessment in which the period of adjustment relating to the asset as provided under the Goods and Services Tax Act 2014 ends.

(3) In the event the adjustment of the amount of the capital expenditure made under subparagraph (2) results in—

(a) an additional amount, such amount shall be deemed to be part of the capital expenditure incurred, and subject to paragraphs 1 and 1A, there shall be given to the company for a year of assessment an allowance in respect of such additional amount; or

(b) a reduced amount, any amount of allowance that ought not to have been given under this Schedule in consequence of such reduction shall be part of the statutory income of that person from a source consisting of a business in the basis period the adjustment is made.

(4) Notwithstanding subparagraph (2), where a person has incurred the capital expenditure in relation to an asset, and the asset is disposed of at any time during the period of adjustment specified under the Goods and Services Tax Act 2014, the adjustment to such expenditure shall be made in the basis period for the year of assessment in which the disposal is made.

(5) Paragraph 1B shall apply for the purpose of the adjustment referred to in subparagraph (4).”; and

(b) by inserting after paragraph 2A the following paragraph:

“**2B.** Subject to this Schedule and notwithstanding paragraph 2, where a company has first made a claim for an allowance under this Schedule in the return of its income and the period for fifteen consecutive years of assessment referred to in paragraph 2—

- (a) ended in the year of assessment 2015 or in any other preceding year of assessment, an allowance under paragraph 1 or 1A shall be given in respect of capital expenditure incurred by the company in the basis period for the years of assessment 2016, 2017 and 2018;
- (b) ends in the year of assessment 2016, an allowance under paragraph 1 or 1A shall be given in respect of capital expenditure incurred by the company in the basis period for the years of assessment 2017 and 2018; or
- (c) ends in the year of assessment 2017, an allowance under paragraph 1 or 1A shall be given in respect of capital expenditure incurred by the company in the basis period for the year of assessment 2018.”; and

(c) in paragraph 9—

(i) by inserting before the definition of “capital expenditure” the following definition:

‘ “ automating” refers to a process whereby manual operations are substituted by mechanical operations with minimal or reduced human intervention;’;

(ii) by inserting after the definition of “capital expenditure” the following definition:

‘ “ceased to be used” in relation to an asset includes an asset classified as held for sale under paragraph 61A of Schedule 3;’;

(iii) in the definition of “disposed of”, by inserting after the words “assigned,” the words “ceased to be used”;

- (iv) by inserting after the definition of “disposed of” the following definitions:

‘ “diversifying” means to enlarge or vary the range of product of a company related to the same industry;

“expanding” refers to an increase of a product capacity or expansion of factory area;’;

- (v) in the definition of “manufacturing”, by deleting the words “size, shape,”;

- (vi) by inserting after the definition of “manufacturing” the following definitions:

‘ “machinery” means a device or apparatus consisting of fixed and moving parts that work together to perform function in respect of a manufacturing activity, which is directly used in carrying out that activity in a factory’;

“modernizing” means an upgrading of manufacturing equipment and process;’;

- (vii) by inserting after the definition of “operation” the following definition:

‘ “plant” means an apparatus used in respect of a manufacturing activity, which is directly used in carrying out that activity in a factory;’; and

- (viii) by substituting for the definition of “simple” the following definition:

‘ “simple” generally describes an activity which does not need special skills, special machines, special apparatus or special equipments especially produced or installed for carrying out that activity.’.

## **Amendment of Schedule 7B**

**29.** Schedule 7B to the principal Act is amended by inserting after paragraph 1 the following paragraph:

“ **1A.** (1) For the purposes of paragraph 1, the capital expenditure incurred by a company shall not include any amount paid or to be paid in respect of goods and services tax as input tax by a company if the company is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if the company is entitled under that Act to credit that amount as input tax.

(2) Where in the basis period for a year of assessment a company has incurred capital expenditure under this Schedule in relation to an asset and the input tax on the asset is subject to any adjustment made under the Goods and Services Tax Act 2014, the amount of such expenditure in relation to that asset shall be adjusted in the basis period for the year of assessment in which the period of adjustment relating to the asset as provided under the Goods and Services Tax Act 2014 ends.

(3) In the event the adjustment of the amount of the capital expenditure made under subparagraph (2) results in—

- (a) an additional amount, such amount shall be deemed to be part of the capital expenditure incurred, and subject to paragraph 1, there shall be given to the company for a year of assessment an allowance in respect of such additional amount; or
- (b) a reduced amount, any amount of allowance that ought not to have been given under this Schedule in consequence of such reduction shall be part of the statutory income of that person from a source consisting of a business in the basis period the adjustment is made.

(4) Notwithstanding subparagraph (2), where a person has incurred capital expenditure in relation to an asset, and the asset is disposed of at any time during the period of adjustment specified under the Goods and Services Tax Act 2014, the adjustment to such expenditure shall be made in the basis period for a year of assessment in which the disposal is made.

## PART II

### SAVING AND TRANSITIONAL

#### **Application of this Part**

**30.** (1) The principal Act shall apply for the purposes of this Part unless otherwise provided.

(2) For the purposes of this Part, the 108 balance refers to—

- (a) the amount of the balance for the credit of a company at the end of the basis period for a year of assessment 2007 ascertained under subsection 108(8) of the principal Act prior to the coming into operation of the Finance Act 2007 [*Act 683*];
- (b) the amount of the balance for the credit of that company ascertained under section 23 of the Income Tax (Amendment) Act 2000 [*Act A1093*] as at 31 December 2007; and



- (c) where the basis period of the company for the year of assessment 2007 ends—
- (i) on a day other than 31 December 2007, any tax paid during the period from the first day of the basis period of that company for the year of assessment 2008 to 31 December 2007; or
  - (ii) on 31 December 2007, the final instalment paid under section 107C of the principal Act in respect of that basis period.

(3) Where there is any inconsistency between any provision of this Part and any provision of the principal Act, that provision of the principal Act shall be void to the extent of the inconsistency.

### **108 balance**

**31.** Where in the basis period for a year of assessment 2016 or any subsequent basis period—

- (a) the tax charged on the chargeable income of a company for the year of assessment 2000 on a current year basis and prior year of assessment is discharged or remitted; or
- (b) any amount of tax paid by that company which has been taken into account for the purpose of computing the 108 balance is refunded,

the 108 balance of the company, shall on the day the tax is discharged, remitted or refunded, be reduced by such amount of tax discharged, remitted or refunded (hereinafter referred to as the “revised 108 balance”).

### **Amount in excess of 108 balance**

**32.** (1) Where the amount of the revised 108 balance exceeds the 108 balance, or revised 108 balance as at 31 December 2013, the Director General shall serve on the company a written requisition in the prescribed form calling upon the company to

pay an amount equal to that excess and that amount shall be a debt due from the company to the Government and that debt shall be payable immediately to the Director General upon the service of the requisition.

(2) Where any excess due and payable by a company has not been paid within thirty days after the service of the requisition referred to under subsection (3), so much of the amount of excess as is unpaid shall without any further notice being served be increased by an amount equal to ten per cent of the excess so unpaid, and the amount unpaid and the increase on the amount unpaid shall be a debt due to the Government and that debt shall be payable immediately to the Director General.

### CHAPTER III

#### AMENDMENTS TO THE PETROLEUM (INCOME TAX) ACT 1967

#### **Commencement of amendments to the Petroleum (Income Tax) Act 1967**

**33.** (1) Section 34, paragraph 35(a), sections 36 and 37 and paragraphs 33(a) and (c) have effect for the year of assessment 2015 and subsequent years of assessment.

(2) Paragraphs 35(b) and 38(b) have effect for the year of assessment 2016 and subsequent years of assessment.

#### **Amendment of section 2**

**34.** Subsection 2(1) of the Petroleum (Income Tax) Act 1967, which is referred to as the “principal Act” in this Chapter, is amended—

(a) by inserting after the definition of “Inland Revenue Board of Malaysia” the following definition:

‘ “input tax” has the meaning assigned to it in the Goods and Services Tax Act 2014 [Act 762];’; and

(b) by inserting after the definition of “option” the following definition:

‘ “output tax” has the meaning assigned to it in the Goods and Services Tax Act 2014;’.

**Amendment of section 18**

**35.** Section 18 of the principal Act is amended—

(a) in subsection (1)—

- (i) in the proviso to paragraph (n), by deleting the word “or”;
- (ii) by substituting for the full stop at the end of paragraph (o) a semicolon; and
- (iii) by inserting after paragraph (o) the following paragraphs:

“(p) any amount paid or to be paid in respect of goods and services as input tax by the chargeable person if he is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under that Act to credit that amount as input tax; or

(q) any amount of output tax paid or to be paid under the Goods and Services Tax Act 2014 which is borne by the chargeable person if he is registered or liable to be registered under that Act.”; and

(b) by inserting after subsection (1) the following subsection:

“(1A) Notwithstanding any other provisions of this Act, where a person is required under section 34 to furnish to the Director General any information within the time specified in a notice or such other time as may be allowed by the Director General, and that information concerns wholly or in part a deduction claimed by that person in arriving at the adjusted income of that person from any source for the basis period for a year of assessment, no deduction from the gross income from that source for that period shall be allowed in respect of such claim if the person fails to provide such information within the time specified in that notice or such extended time as may be allowed by the Director General.”.

**Amendment of section 39**

**36.** Section 39 of the principal Act is amended by inserting after subsection (5) the following subsection:

“(6) Notwithstanding any other provisions of this Act, where in a basis period for a year of assessment, an adjustment is made in respect of the input tax paid or to be paid under the Goods and Services Tax Act 2014, the Director General may at any time, as may be necessary to give effect to such adjustment, make an assessment or a reduced assessment for the year of assessment to which the adjustment relates, or if the year of assessment to which the adjustment relates cannot be ascertained, for the year of assessment in which the Director General discovers the adjustment.”.

**Amendment of First Schedule**

**37.** The First Schedule to the principal Act is amended—

(a) by inserting after paragraph 1 the following paragraph:

“**1A.** For the purposes of paragraph 1, the qualifying exploration expenditure incurred by a chargeable person shall not include any amount paid or to be paid in respect of goods and services tax as input tax by the chargeable person if he is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under that Act to credit that amount as input tax.”; and

(b) by inserting after paragraph 13 the following paragraph:

“**13A.** (1) Where in the basis period for a year of assessment a chargeable person has incurred qualifying exploration expenditure in relation to an asset and the input tax on the asset is subject to any adjustment made under the Goods and Services Tax Act 2014, the amount of such expenditure in relation to that asset shall be adjusted in the basis period for the year of assessment in which the period of adjustment relating to the asset as provided under the Goods and Services Tax Act 2014 ends.

(2) In the event the adjustment of the amount of the qualifying exploration expenditure made under subparagraph (1) results in—

(a) an additional amount, such amount shall be deemed to be part of the qualifying exploration expenditure incurred, and the residual expenditure under paragraph 46 of the Second Schedule in relation to the asset shall include that additional amount; or

(b) a reduced amount, the qualifying exploration expenditure incurred and the residual expenditure under paragraph 46 of the Second Schedule shall be reduced by such amount, and if the amount of the allowance made or ought to have been made under this Schedule exceeds the residual expenditure the excess shall be part of the statutory income of that person from a source consisting of a business in the basis period the adjustment is made.

(3) The excess amount referred to in subsubparagraph (2)(b) shall not exceed the total amount of allowances given under this Schedule.

(4) Notwithstanding subparagraph (1), where a chargeable person has incurred the qualifying exploration expenditure in relation to an asset, and the asset is disposed of at any time during the period of adjustment specified under the Goods and Services Tax Act 2014, the adjustment to such expenditure shall be made in the basis period for the year of assessment in which the disposal is made.

(5) Paragraph 13 shall apply for the purpose of the adjustment referred to in subparagraph (4).”.

## **Amendment of Second Schedule**

**38.** The Second Schedule to the principal Act is amended—

(a) by inserting after paragraph 2A the following paragraph:

“**2B.** For the purposes of paragraph 1, the qualifying expenditure incurred by a chargeable person shall not include any amount paid or to be paid in respect of goods and services tax as input tax by a chargeable person if the chargeable person is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if the company is entitled under that Act to credit that amount as input tax.”;

(b) by inserting after paragraph 40 the following paragraph:

“**40A.** (1) Notwithstanding any other provisions of this Schedule, where any part of an asset of a chargeable person from a business ceases to be used for purposes of a business of his in a basis period for a year of assessment due to replacement with a new part and that new part is depreciated separately in accordance with the generally accepted accounting principles, that part of an asset is deemed to have been disposed of in that basis period for that year of assessment.

(2) The qualifying expenditure of the part of the asset disposed shall be taken to be the amount determined for the new part being depreciated separately in accordance with the generally accepted accounting principles.

(3) The residual expenditure under paragraph 46 in respect of the part of the asset disposed shall be the qualifying expenditure of the part of an asset disposed reduced by the amount of allowance that have been made or would have been made under this Schedule to that person prior to the disposal of that part of the asset.

(4) The provisions of this Schedule shall apply to the new part of an asset referred to under subparagraphs (1) and (2).”;

(c) by inserting after paragraph 45 the following paragraph:

“**45A.** (1) Where in the basis period for a year of assessment a person has incurred qualifying expenditure in relation to an asset and the input tax on the asset is subject to any adjustment made under the Goods and Services Tax Act 2014, the amount of such expenditure in relation to that asset shall be adjusted in the basis period for the year of assessment in which the period of adjustment relating to the asset as provided under the Goods and Services Tax Act 2014 ends.

(2) In the event the adjustment of the amount of the qualifying expenditure made under subparagraph (1) results in—

(a) an additional amount, such amount shall be deemed to be part of the qualifying expenditure incurred, and the residual expenditure under paragraph 46 in relation to the asset shall include that additional amount; or

(b) a reduced amount, the qualifying expenditure incurred and the residual expenditure under paragraph 46 shall be reduced by such amount, and if the amount of the allowance made or ought to have been made under this Schedule exceeds the residual expenditure, the excess shall be part of the statutory income of that person from a source consisting of a business in the basis period the adjustment is made.

(3) The excess amount referred to in subsubparagraph 2(b) shall not exceed the total amount of allowances given under this Schedule.

(4) Notwithstanding subparagraph (2), where a chargeable person has incurred the qualifying expenditure in relation to an asset, and the asset is disposed of at any time during the period of adjustment specified under the Goods and Services Tax Act 2014, the adjustment to such expenditure shall be made in the basis period for the year of assessment in which the disposal is made.

(5) Paragraphs 22 and 23 shall apply for the purpose of the adjustment referred to in subparagraph (4).”.

## CHAPTER IV

### AMENDMENTS TO THE REAL PROPERTY GAINS TAX ACT 1976

#### **Commencement of amendments to the Real Property Gains Tax Act 1976**

**39.** (1) Sections 40 and 42 have effect for the year of assessment 2015 and subsequent years of assessment.

(2) Sections 41 and 43 come into operation on the coming into operation of this Act.

#### **Amendment of section 2**

**40.** Subsection 2(1) of the Real Property Gains Tax Act 1976, which is referred to as the “principal Act” in this Chapter, is amended—

(a) by inserting after the definition of “Inland Revenue Board of Malaysia” the following definition:

‘ “input tax” has the meaning assigned to it in the Goods and Services Tax Act 2014 [Act 762];’; and

(b) by inserting after the definition of “option” the following definition:

‘ “output tax” has the meaning assigned to it in the Goods and Services Tax Act 2014;’.

**Amendment of section 29**

**41.** Section 29 of the principal Act is amended by inserting after subsection (4) the following subsection:

“(5) The Director General may require any person to pay an additional amount of penalty in accordance with subsection (3) in respect of any additional tax which is payable by that person for a year of assessment.”.

**Amendment of Schedule 2**

**42.** Schedule 2 of the principal Act is amended—

(a) in subparagraph 6(1)—

- (i) by deleting the word “and” at the end of subparagraph (c);
- (ii) by substituting for the full stop at the end of subparagraph (d) the words “; and”; and
- (iii) by inserting after subparagraph (d) the following subparagraph:

“(e) any amount paid or to be paid in respect of goods and services tax by the disposer if he is not liable to be registered under the Goods and Services Tax Act 2014 or if he is a registered person and is not entitled under that Act to credit that amount as input tax.”; and

(b) in paragraph 7—

- (i) by deleting the word “and” at the end of subparagraph (b);
- (ii) by substituting for the full stop at the end of subparagraph (c) a semicolon; and



(iii) by inserting after subparagraph (c) the following subparagraphs:

“(d) any amount paid or to be paid in respect of goods and services tax as input tax by the disposer if he is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under that Act to credit that amount as input tax; and

(e) any amount of output tax paid or to be paid under the Goods and Services Tax Act 2014 which is borne by the disposer if he is registered or liable to be registered under that Act.”.

#### **Amendment of Schedule 4**

**43.** Schedule 4 of the principal Act is amended in paragraph 2 by substituting for the formula the following formula:

“ $\frac{A \times C}{B}$

Where A is part of the area of the chargeable asset disposed;

B is the total area of the chargeable asset;

C is ten thousand;

or the ten percent of the chargeable gain, whichever is greater”.

#### **CHAPTER V**

##### **AMENDMENT TO THE LABUAN BUSINESS ACTIVITY TAX ACT 1990**

#### **Commencement of amendment to the Labuan Business Activity Tax Act 1990**

**44.** This Chapter comes into operation on the coming into operation of this Act.

**Amendment of section 22**

**45.** The Labuan Business Activity Tax Act 1990, which is referred to as the “principal Act” in this Chapter, is amended in subsection 22(1)—

- (a) by substituting for the word “or” appearing after the words “double taxation arrangements” a comma; and
- (b) by inserting after the words “tax information exchange arrangements” the words “or mutual administrative assistance arrangement”.

**Amendment of section 22A**

**46.** Section 22A of the principal Act is amended—

- (a) in paragraph (1)(a)—
  - (i) by substituting for the word “or” appearing after the words “double taxation arrangements” a comma; and
  - (ii) by inserting after the words “tax information exchange arrangements” the words “or mutual administrative assistance arrangement”; and
- (b) in subsection (2), by inserting after the definition of “double taxation arrangement” the following definition:

‘ “mutual administrative assistance arrangement” means an arrangement between the Government of Malaysia with the Government of any territory outside Malaysia with a view to the mutual administrative assistance in tax matters which includes simultaneous tax examinations, automatic exchange of information or tax administrations abroad under section 132B of the Income Tax Act 1967;’.

## CHAPTER VI

## AMENDMENTS TO THE GOODS AND SERVICES TAX ACT 2014

**Commencement of amendments to the Goods and Services Tax Act 2014**

**47.** This Chapter comes into operation on 1 January 2016.

**Amendment of section 13**

**48.** The Goods and Services Tax Act 2014, which is referred to as the “principal Act” in this Chapter, is amended in section 13 by substituting for subsection (4) the following subsection:

“(4) Notwithstanding section 11 and for the purposes of subsection (1), the time of supply of imported services shall be treated to have been made at the earlier of the following dates:

- (a) the date when any payment is made by the recipient; or
- (b) the date when any invoice is issued by the supplier who belongs in a country other than Malaysia or who carries on business outside Malaysia.”.

**Amendment of section 41**

**49.** Section 41 of the principal Act is amended by inserting after subsection (7) the following subsections:

“(8) Where any tax due and payable is not paid by any taxable person after the last day on which it is due and payable under subsection (4) and no prosecution is instituted, the taxable person shall pay—

- (a) for the first thirty days period that the tax is not paid after the expiry of the period specified under subsection (4), a penalty of five percent of the amount of tax due and payable;

(b) for the second thirty days period that the tax is not paid after the expiry of the period specified under subsection (4), an additional penalty of ten percent of the amount of tax due and payable; and

(c) for the third thirty days period that the tax is not paid after the expiry of the period specified under subsection (4), an additional penalty of ten percent of the amount of tax due and payable, subject to a maximum penalty of twenty-five percent of the amount of tax due and payable.

(9) Subject to subsection (11), prosecution for the offence under subsection (7) may be instituted after the expiry of the period specified in paragraph (8)(c).

(10) The court may order that any taxable person who is convicted for the offence under subsection (7) shall pay the penalty as specified in subsection (8).

(11) No prosecution for the offence under subsection (7) shall be instituted against the taxable person who has paid the amount of tax due and payable and the penalty specified under subsection (8) within the period specified in subsection (8).”.

### **Amendment of section 43**

**50.** Section 43 of the principal Act is amended—

(a) in subsection (1), by inserting after the words “the amount of tax” the words “and the penalty under subsection 41(8), if any,”; and

(b) in subsection (8), by inserting after the words “the amount of tax” the words “and penalty, if any,”.

**Amendment of section 51**

**51.** Section 51 of the principal Act is amended by inserting after subsection (1) the following subsection:

“(1A) Where the tax is allowed to be paid by instalments, the penalty under subsection 41(8) shall be ceased to be calculated from the date the Director General allows the payment by instalments.”.

**Amendment of section 69**

**52.** Subparagraph 69(5)(c)(ii) of the principal Act is amended in the English language text, by substituting for the word “venturer” the words “venture operator”.

**Amendment of section 70**

**53.** Section 70 of the principal Act is amended by substituting for subsection (1) the following subsection:

“(1) In relation to goods that have been imported and deposited in the warehouse and for which tax would be chargeable on the imported goods, there shall be a scheme to be known as the “Warehousing Scheme” which allows—

- (a) tax chargeable on the imported goods to be suspended when the imported goods are deposited in the warehouse;
- (b) supplies of goods made between the warehouses to be disregarded; and
- (c) supplies of goods made within the warehouses to be disregarded except for the last of supplies of goods which are removed before the duty point.”.

**Amendment of section 86**

**54.** Subsection 86(2) of the principal Act is amended by substituting for the words “112(1)” the words “105(2)”.

**Amendment of section 94**

**55.** Paragraph 94(b) of the principal Act is amended by inserting after the words “to collect any tax” the words “or penalty”.

**Amendment of section 122**

**56.** Subsection 122(1) of the principal Act is amended—

- (a) by inserting after the words “amount of tax” the words “or any penalty”; and
- (b) by inserting after the words “and the tax” the words “or penalty”.

## CHAPTER VII

## AMENDMENTS TO THE PROMOTION OF INVESTMENTS ACT 1986

**Commencement of amendments to the Promotion of Investments Act 1986**

**57.** This Chapter has effect for the year of assessment 2015 and subsequent years of assessment.

**Amendment of section 2**

**58.** Section 2 of the Promotion of Investments Act 1986, which is referred to as the “principal Act” in this Chapter, is amended—

- (a) by inserting after the definition of “industrial linkage programme” the following definition:

‘ “input tax” has the meaning assigned to it in the Goods and Services Tax Act 2014 [Act 762];’; and

- (b) by inserting after the definition of “Minister” the following definition:

‘ “output tax” has the meaning assigned to it in the Goods and Services Tax Act 2014;’.

**New sections 29P and 29Q**

**59.** The principal Act is amended by inserting after section 29O the following sections:

**“Determination of capital expenditure in respect of promoted activity or promoted product subject to goods and services tax for investment tax allowance**

**29P.** Where a company which has been granted approval under section 27, 27A, 27C, 27D, 27E, 27F, 27G, 27I, 27J, 27K, 27M or 27N has incurred in the basis period for a year of assessment capital expenditure in respect of promoted activity or promoted product for the period specified under paragraph 29(2)(b), (c) or (d), 29A(3)(b), (c) or (d), 29AA(3)(b), 29B(2)(b), 29D(2)(b), 29E(2)(b), 29F(2)(b), 29G(2)(b), 29H(2)(b), 29J(2)(b), 29K(2)(b), 29L(2)(a)(ii), 29L(3)(a)(ii), 29L(4)(a)(ii), 29L(5)(a)(ii), 29L(6)(a)(ii), 29N(3)(b) or 29O(3)(b), the capital expenditure incurred by the company shall not include any amount paid or payable in respect of goods and services tax by that company if the company is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if the company is entitled to credit that amount as input tax under that Act.

**Adjustment of capital expenditure incurred which is subject to goods and services tax**

**29Q.** (1) Where in the basis period for a year of assessment a company has incurred capital expenditure under this Act and such capital expenditure is subject to any adjustment made in respect of input tax for a period specified under the Goods and Services Tax Act 2014, the amount of such expenditure for that asset shall be adjusted in the basis period for the year of assessment in which the period of adjustment relating to the asset as provided under the Goods and Services Tax Act 2014 ends.

(2) In the event the adjustment of the amount of the capital expenditure made under subsection (1) results in—

- (a) an additional amount, such amount shall be deemed to be part of the capital expenditure incurred for the purpose of this Act, and subject to sections 29, 29A, 29B, 29D,

29E, 29F, 29G, 29H, 29J, 29K, 29L and 29O, there shall be given to the company for a year of assessment an allowance in respect of such additional amount; or

- (b) a reduced amount, any amount of allowance that ought not to have been given under this Act in consequence of such reduction shall be part of the statutory income of that company from a source consisting of a business in the basis period the adjustment is made.

(3) Notwithstanding subsection (1), where a company has incurred capital expenditure in relation to an asset, and the asset is disposed of at any time in the period of adjustment specified under the Goods and Services Tax Act 2014, the adjustment to such expenditure shall be made in the basis period for the year of assessment in which the disposal is made.

(4) Where an adjustment is made in respect of the input tax under the Goods and Services Tax Act 2014, the Director General may make a computation or recomputation of any allowance made under this Act or the amount of statutory income of a company for a year of assessment in the similar manner as provided under this section, in the basis period for the year of assessment the adjustment is made or at any time as may be necessary to give effect to such adjustment.”.

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#### EXPLANATORY STATEMENT

This Bill seeks to amend the Income Tax Act 1967 (“Act 53”), the Petroleum (Income) Tax Act 1967 (“Act 543”), the Real Property Gains Tax Act 1976 (“Act 169”), the Labuan Business Activity Tax Act 1990 (“Act 445”), the Goods and Services Tax Act 2014 (“Act 762”) and the Promotion of Investments Act 1986 (“Act 327”).

#### AMENDMENTS TO THE INCOME TAX ACT 1967

Chapter II of this Bill seeks to amend the Income Tax Act 1967.

1. *Clause 4* seeks to amend section 2 of Act 53.

*Paragraphs 4(a)(i) and (ii)* seek to amend subsection 2(1) of Act 53 to introduce the definitions of “input tax” and “output tax” into Act 53 as a consequence of the amendments to subsection 39(1), paragraph 67D of Schedule 3, paragraph 1D of Schedule 7A and paragraph 1A of Schedule 7B of Act 53 in relation to the Goods and Services Tax Act 2014.



These amendments have effect for the year of assessment 2015 and subsequent years of assessment.

*Paragraph 4(a)(iii)* seeks to amend subsection 2(1) of Act 53 to introduce the definition of “sukuk” into Act 53 as a consequence of the amendments to subsection 60I(4), subparagraphs 33A(b) and 35(b), and paragraph 33B of Schedule 6 of Act 53 in relation to the Capital Markets and Services Act 2007.

*Subclause 4(b)* seeks to amend subsection 2(8) of Act 53 to exclude any disposal of property under the scheme of financing in accordance with the principle of syariah approved or authorized by, or lodged with, the Securities Commission from reference of disposal under the Act.

These amendments come into operation on the coming into operation of this Act.

2. *Clause 5* seeks to amend paragraph 6(1)(i) of Act 53 to extend the tax rate of ten per cent on any income distributed by a unit trust to a unit holder which is a foreign institutional investor and a unit holder who is not a resident for a period of three years from the year of assessment 2016.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

3. *Clause 6* seeks to amend section 24 of Act 53.

*Paragraph 6(a)(i)* seeks to amend paragraphs 24(1)(b) and (c) of Act 53. With this amendment, a debt owing to a person that arises in respect of services which are to be rendered shall be treated as the gross income of that person from a business. Further, with the amendment, a debt owing to a person that arises in respect of the use or enjoyment of any property to be dealt with shall be treated as the gross income of that person from a business.

*Subclause 6(b)* seeks to introduce a new subsection 24(1A) into Act 53 to provide that where any sum received by a person in a relevant period in the course of carrying on a business from any services to be rendered or the use or enjoyment of any property to be dealt with subsequent to that relevant period, the sum shall be treated as the gross income of that person from the business in the relevant period that the sum is received. Whether or not there is any debt owing in respect of that services or property.

These amendments have effect for the year of assessment 2016 and subsequent years of assessment.

4. *Clause 7* seeks to amend section 25 of Act 53.

*Subclause 7(a)* seeks to amend subsection 25(1) of Act 53. With the amendment, any gross income from an employment which is receivable in any year of assessment is taxed in the year it is received.

*Subclause 7(b)* seeks to delete subsections 25(2), (2A), (3), (4) and (5) of Act 53 as a consequence to the amendment of subsection 25(1) of Act 53.

*Subclause 7(c)* seeks to amend subsection 25(6) of Act 53 to provide that any income receivable by an employee who will be leaving Malaysia is deemed to have been received for the period before the employee leaves Malaysia.

These amendments have effect for the year of assessment 2016 and subsequent years of assessment.

5. *Clause 8* seeks to amend section 33 of Act 53. With the amendment, any claim for deduction in respect of any sum payable for a basis period for a year of assessment which is due to be paid in any following year of assessment is to be made not later than twelve months from the end of the basis period for the year of assessment the sum is due to be paid.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

6. *Clause 9* seeks to introduce a new subsection 34(7A) into Act 53 to provide that where any sum received under subsection 24(1A) which is taxed pursuant to that subsection is refunded in a basis period for a year of assessment that amount shall be deducted from the relevant gross income of the relevant person in the basis period for that year of assessment.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

7. *Clause 10* seeks to amend section 39 of Act 53.

*Subclause 10(c)* seeks to insert a new paragraph 39(1)(o) into Act 53 to provide that any amount paid or to be paid in respect of goods and services tax by a person is not allowed as a deduction under Act 53 if he is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under that Act to credit that amount of tax as input tax.

*Subclause 10(c)* further seeks to insert a new paragraph 39(1)(p) into Act 53 to provide that any amount of output tax paid or to be paid under the Goods and Services Tax Act 2014 which is borne by a person who is registered or liable to be registered under that Act is not allowed as deduction under Act 53.

These amendments have effect for the year of assessment 2015 and subsequent years of assessment.

*Subclause 10(c)* further seeks to insert a new paragraph 39(1)(q) into Act 53 to provide that no deduction is allowed under Act 53 on any expense in relation to any remuneration or other income in respect of services performed or rendered in Malaysia by a public entertainer who is subject to withholding tax under section 109A of Act 53, if tax has not been deducted pursuant to that section.

This amendment comes into operation on 1 January 2016.

8. *Clause 11* seeks to amend section 45A of Act 53 to increase the deduction from three thousand ringgit to four thousand ringgit for the wife pursuant to that section.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

9. *Clause 12* seeks to amend section 46 of Act 53.

*Subclause 12(a)* seeks to amend paragraph 46(1)(f) of Act 53 to increase the personal deduction for an individual from a maximum of five thousand ringgit to seven thousand ringgit in respect of fees expended for any course of study in Malaysia up to tertiary level other than a degree at Masters or Doctorate level, for the purpose of acquiring law, accounting, Islamic financing, technical, vocational, industrial, scientific or technological skills or qualifications, and for any course of study for a degree at Masters or Doctorate level undertaken for the purpose of acquiring any skill or qualification.

*Subclause 12(d)* seeks to insert a new paragraph 46(1)(n) into Act 53 to introduce a new personal deduction up to a maximum amount of two hundred and fifty ringgit in respect of contribution made or suffered by an individual to the Social Security Organization pursuant to the Employees' Social Security Act 1969.

These amendments have effect for the year of assessment 2016 and subsequent years of assessment.

*Subclause 12(d)* further seeks to insert a new paragraph 46(1)(o) into Act 53 to introduce a new personal deduction for an individual for an amount of one thousand and five hundred ringgit for each of his parent subject to the conditions as specified under that paragraph.

This amendment has effect for the year of assessment 2016 until the year of assessment 2020.

10. *Clause 13* seeks to amend section 47 of Act 53 to increase the amount of deduction for a wife and total amount of deduction for a wife and former wife from three thousand ringgit to four thousand ringgit.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

11. *Clause 14* seeks to amend section 48 of Act 53.

*Subclause 14(a)* seeks to amend paragraph 48(2)(a) of Act 53 to increase the amount of deduction in respect of an unmarried child under that section, other than a child which is physically or mentally disabled, from one thousand ringgit to two thousand ringgit.

*Subclauses 14(b) and (c)* seek to amend paragraph 48(3)(a) of Act 53. This amendment provides for an increase in deduction from six thousand ringgit to eight thousand ringgit to an individual who has an unmarried child above the age of eighteen years and an increase of additional deduction from six thousand ringgit to eight thousand ringgit to an individual who has a disabled child. The amendment applies to that individual if that child is pursuing an education at any educational establishment approved by the relevant government authority or serving under articles or indentures with a view to qualifying in a trade or profession.

These amendments have effect for the year of assessment 2016 and subsequent years of assessment.

12. *Clause 15* seeks to amend section 60I of Act 53.

*Subclause 15(a)* seeks to amend subsection 60I(1) of Act 53 with the amendment, the application of section 60I of Act 53 is only applicable to a company which establishes a special purpose vehicle for the issuance of sukuk only.

*Paragraph 15(b)(i)* seeks to amend subsection 60I(4) of Act 53 by deleting the definition of “Islamic securities” as a consequence of the introduction of the definition of “sukuk” in section 2 of Act 53.

*Paragraph 15(b)(ii)* seeks to amend the definition of “special purpose vehicle” in subsection 60I(4) of Act 53.

These amendments come into operation on the coming into operation of this Act.

13. *Clause 16* seeks to insert a new subsection 83(1B) into Act 53 to provide that a company must furnish its return under section 83 of Act 53 by way of an electronic medium or electronic transmission.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

14. *Clause 17* seeks to insert a new subsection 91(6) into Act 53 to empower the Director General to make assesment or reduced assesment at any time with regard to adjustment made on the input tax paid or to be paid under the Goods and Services Tax Act 2014. The assessment is made for the basis period for the year of assessment the adjustment relates or for the basis period the Director General discovers the adjustment.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

15. *Clause 18* seeks to insert a new subsection 107C(7A) into Act 53 to provide that a company must furnish its estimate or revised estimate of its tax payable by way of an electronic medium or electronic transmission.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

16. *Clause 19* seeks to amend section 112 of Act 53.

*Subclause 19(a)* seeks to amend subsection 112(1) of Act 53. With the amendment, failure to furnish a return in accordance with subsection 77(1) or 77A(1) for any one year of assessment shall be an offence under Act 53.

*Subclause 19(b)* seeks to insert a new subsection 112(1A) into Act 53 to provide that failure to furnish returns under subsection 77(1) or 77A(1) for two years of assessment or more is a criminal offence under the new provision and on conviction be liable to a fine of not less one thousand ringgit and not more than twenty thousand ringgit or imprisonment for a term not exceeding six months or both and a special penalty treble the amount of tax charged on the chargeable income of a tax payer as determined by the Director General to the best of his judgment.

*Subclauses 19(c) and (d)* seeks to amend subsections 112(2) and (3) of Act 53 as a consequence of the introduction of the new subsection 112(1A) into Act 53.

These amendments come into operation on the coming into operation of this Act.

17. *Subclause 20(c)* seeks to insert a new paragraph 120(1)(h) into Act 53 to provide that the failure to furnish correct particulars as required by the Director General under paragraph 77(4)(b) or 77A(3)(b) of Act 53 shall be an offence under that section.

This amendment comes into operation on the coming into operation of this Act.

18. *Clause 21* seeks to amend subsection 125(1) of Act 53. With the amendment, special penalties imposed under subsection 112(1A) shall be recoverable as fine imposed on conviction.

This amendment comes into operation on the coming into operation of this Act.

19. *Clause 22* seeks to amend subsection 152A(1) to provide that any person or class of persons shall, if so required under this Act, or may, if so allowed by the Director General, furnish any form prescribed under this Act on an electronic medium or by way of an electronic transmission.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

20. *Clause 23* seeks to amend section 154 of Act 53. With the amendment, the Minister is empowered to make rules to implement or facilitate any arrangement made pursuant to an order under section 132B of Act 53 with a view to a mutual administrative assistance in a tax matters.

This amendment comes into operation on the coming into operation of this Act.

21. *Clause 24* seeks to amend Schedule 1 to Act 53.

*Paragraph 24(a)(i)* seeks to provide a new rate of tax which shall be charged for a year of assessment on the chargeable income of a person other than those mentioned in paragraphs 1A, 2, 2A, 2D, 3 and 4 of Part I of Schedule 1 to Act 53 at the rate of twenty-five per cent for every ringgit exceeding four hundred thousand ringgit of the chargeable income, twenty-six per cent for every ringgit exceeding six hundred thousand ringgit of the chargeable income and twenty-eight per cent for every ringgit exceeding one million ringgit of the chargeable income.

*Paragraph 24(a)(ii)* seeks to amend paragraph 1A of that Schedule to provide a new rate of tax which is to be imposed on the chargeable income of a person (other than a company) who is not a resident.

*Subclause 24(b)* seeks to amend Part X of Schedule 1 to Act 53 to provide that the tax rate on any income distributed by a unit trust to a unit holder which is a non-resident company is reduced from twenty-six per cent for the year of assessment 2008 and twenty-five per cent for the subsequent years of assessment to twenty-four per cent for the year of assessment 2016 and subsequent years of assessment.

These amendments have effect for the year of assessment 2016 and subsequent years of assessment.

22. *Clause 25* seeks to amend Schedule 3 to Act 53.

*Subclause 25(a)* seeks to introduce a new paragraph 2E into Schedule 3 to provide that the qualifying plant expenditure or building expenditure incurred by a person does not include any amount paid or to be paid in respect of goods and services tax by a person who is liable to be registered under the Goods and Services Tax Act 2014 but has failed to do so, or if the person is entitled to credit the amount of tax as an input tax under that Act.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

*Subclause 25(b)* seeks to introduce a new paragraph 16B into Schedule 3 to provide that allowances under paragraphs 12 and 16 of that Schedule shall be allowed to a person who owns a building under paragraphs 37A, 37B, 37C, 37E, 37F, 37G, 37H, 42A and 42B of Schedule 3 of Act 53 and uses it for purposes of his business as an industrial building.

*Subclause 25(c)* further seeks to amend subparagraph 19A(3) of Schedule 3 to clarify that the total qualifying plant expenditure of small value assets only applies to a company resident and incorporated in Malaysia which has a paid up capital in respect of ordinary shares of two million five hundred thousand ringgit and less.

*Subclause 25(d)* seeks to introduce a new paragraph 61B into Schedule 3 of Act 53 to provide that any part of an asset which ceases to be used for purposes of a business due to its replacement with a new part of an asset shall be deemed to have been disposed of under the Schedule if the part is depreciated separately in accordance with generally accepted accounting principles. The qualifying expenditure of the part shall be determined in accordance with the generally accepted accounting principles and the residual expenditure shall be reduced by the amount of initial allowance and annual allowance made prior to disposal of that part of asset.

These amendments have effect for the year of assessment 2016 and subsequent years of assessment.

*Subclause 25(e)* seeks to introduce a new paragraph 67D into Schedule 3 of Act 53 to provide that any adjustment to the qualifying expenditure of an asset due to any adjustment required to be made on the total input tax under the Goods and Services Tax Act 2014 shall only be made at the end of the period of adjustment as allowed under that Act except in the case of a disposal of the asset. In that situation, the adjustment shall be made in the year of assessment the disposal has been made.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

23. *Clause 26* seeks to amend Schedule 6 to Act 53.

*Subclause 26(a)* seeks to introduce a new paragraph 25D into Schedule 6 to extend the exemption under that Schedule to any sum received by way of gratuity on retirement from an employment under any written law or termination of a contract of employment other than under paragraphs 25, 25A, 25B or 30A of that Schedule.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

*Subclauses 26(b), (c) and (d)* seeks to amend subparagraphs 33A(b) and 35(b), and paragraph 33B of Schedule 6 to substitute for the words “Islamic securities” the word “sukuk” in relation to the Capital Markets and Services Act 2007. Sukuk referred to in those paragraphs are sukuk approved or authorized by, or lodged with, the Securities Commission.

These amendments come into operation on the coming into operation of this Act.

24. *Clause 27* seeks to introduce a new paragraph 3A into Schedule 7 to Act 53 in consequence to the deletion of subsection 25(4) of Act 53. With the amendment, the manner of apportionment referred to in paragraph 3 of that Schedule shall be in accordance with the new paragraph 3A.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

25. *Clause 28* seeks to amend Schedule 7A to Act 53.

*Subclause 28(a)* seeks to introduce a new paragraph 1D into Schedule 7A to Act 53. With the amendment, the capital expenditure incurred by a person does not include any amount paid or to be paid in respect of goods and services tax by a person who is liable to be registered under the Goods and Services Tax Act 2014 but has failed to do so, or if the person is entitled to credit the amount of tax as an input tax under that Act. Any adjustment to the capital expenditure of an asset due to any adjustment required to be made on the total input tax under the Goods and Services Tax Act 2014 shall only be made at the end of the period of adjustment as allowed under that Act except in the case of a disposal of the asset. In that situation, the adjustment shall be made in the year of assessment the disposal has been made.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

*Subclause 28(b)* seeks to introduce a new paragraph 2B into Schedule 7A of Act 53 to provide that if a company has made a claim for reinvestment allowance for a period of fifteen consecutive years of assessment and the claim ends either in the year prior to year of assessment 2015, the year of assessment 2015, 2016 or 2017, the company is entitled to make a further claim for reinvestment allowance until the year of assessment 2018.

This amendment has effect for the year of assessment 2016, 2017 and 2018.

*Subclause 28(c)* seeks to amend paragraph 9 of Schedule 7A to Act 53 to introduce definitions for “automating”, “ceased to be used”, “diversifying”, “expanding”, “machinery”, “modernizing” and “plant” into Act 53, and to amend the definition of “disposed of” and “simple”.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

26. *Clause 29* seeks to amend Schedule 7B to Act 53 to introduce a new paragraph 1A into Schedule 7B to Act 53. With the amendment, the capital expenditure incurred by a person does not include any amount paid or to be paid in respect of goods and services tax by a person who is liable to be registered under the Goods and Services Tax Act 2014 but has failed to do so, or if the person is entitled to credit the amount of tax as an input tax under the Act. Any adjustment to the capital expenditure of an asset due to any adjustment required to be made on the total input tax under the Goods and Services Tax Act 2014 shall only be made at the end of the period of adjustment as allowed under that Act except in the case of a disposal of the asset. In that situation, the adjustment shall be made in the year of assessment the disposal has been made.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

27. Part II of this Bill contains saving and transitional provisions.



## AMENDMENTS TO THE PETROLEUM (INCOME TAX) ACT 1967

Chapter III of this Bill seeks to amend the Petroleum (Income Tax) Act 1967.

28. *Clause 34* seeks to amend subsection 2(1) of Act 543 to introduce definitions of “input tax” and “output tax” into Act 543 as a consequence of the amendments to subsection 18(1) of Act 543 and the introduction of paragraphs 1<sub>A</sub> and 13<sub>A</sub> into the First Schedule and paragraphs 2<sub>B</sub> and 45<sub>A</sub> into the Second Schedule, in relation to the Goods and Services Tax Act 2014.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

29. *Clause 35* seeks to amend section 18 of Act 543.

*Paragraph 35(a)(iii)* seeks to insert a new paragraph 18(1)(p) into Act 543 to provide that any amount paid or to be paid in respect of goods and services tax by a chargeable person is not allowed as a deduction under Act 543 if he is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under the Goods and Services Tax Act 2014 to credit that amount of tax as input tax.

*Paragraph 35(a)(iii)* further seeks to insert a new paragraph 18(1)(q) into Act 543 to provide that any amount of output tax paid or to be paid under the Goods and Services Tax Act 2014 which is borne by a chargeable person is not allowed as deduction under Act 543 if he is registered or liable to be registered under the Goods and Services Tax Act 2014.

These amendments have effect for the year of assessment 2015 and subsequent years of assessment.

*Subclause 35(b)* seeks to insert a new subsection 18(1A) into Act 53. With the amendment, a chargeable person is required to furnish information as requested by the Director General to justify the person’s claim for deduction in arriving at its adjusted income. The notice is issued by the Director General in accordance with section 34 of Act 543 and the deduction claimed by such person shall not be allowed if that chargeable person fails to furnish the information requested within the time specified in the notice or such other period as may be allowed by the Director General.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

30. *Clause 36* seeks to insert a new subsection 39(6) into Act 543 to provide that the Director General is empowered to make a computation of the adjusted income of a chargeable person where it appears to him that any expenses incurred in respect of a goods and services tax has been adjusted under the Goods and Services Tax Act 2014.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

31. *Clause 37* seeks to amend the First Schedule to Act 543.

*Subclause 37(a)* seeks to introduce a new paragraph 1A into the First Schedule to Act 543 to provide that the qualifying exploration expenditure incurred by a chargeable person does not include any amount paid or to be paid in respect of goods and services tax by a chargeable person who is liable to be registered under the Goods and Services Tax Act 2014 but has failed to do so, or if the chargeable person is entitled to credit the amount of tax as an input tax under the Act.

*Subclause 37(b)* seeks to introduce a new paragraph 13A into the First Schedule to Act 543 to provide that any adjustment to qualifying exploration expenditure of an asset due to any adjustment required to be made on the total input tax under the Goods and Services Tax Act 2014 shall only be made at the end of the period of adjustment as allowed under that Act except in the case of a disposal of the asset. In that situation, the adjustment shall be made in the year of assessment the disposal has been made.

These amendments have effect for the year of assessment 2015 and subsequent years of assessment.

32. *Clause 38* seeks to amend Second Schedule to Act 543.

*Subclause 38(a)* seeks to introduce a new paragraph 2B into the Second Schedule to Act 543 to provide that the qualifying expenditure incurred by a chargeable person does not include any amount paid or to be paid in respect of goods and services tax by a chargeable person who is liable to be registered under the Goods and Services Tax Act 2014 but has failed to do so, or if the chargeable person is entitled to credit the amount of tax as an input tax under that Act.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

*Subclause 38(b)* seeks to introduce a new paragraph 40A into the Second Schedule to Act 543 to provide that any part of an asset which ceases to be used for purposes of a business due to its replacement with a new part of an asset shall be deemed to have been disposed of under the Schedule if the part is depreciated separately in accordance with generally accepted accounting principles. The qualifying expenditure of the part shall be determined in accordance with the generally accepted accounting principles and the residual expenditure shall be reduced by the amount of initial allowance and annual allowance made prior to the disposal of that part of asset.

This amendment has effect for the year of assessment 2016 and subsequent years of assessment.

*Subclause 38(c)* seeks to introduce a new paragraph 45A into the Second Schedule to Act 543 to provide that any adjustment to qualifying expenditure of an asset due to any adjustment required to be made on the total

input tax under the Goods and Services Tax Act 2014 shall only be made at the end of the period of adjustment as allowed under that Act except in the case of a disposal of the asset. In that situation, the adjustment shall be made in the year of assessment the disposal has been made.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

#### AMENDMENTS TO THE REAL PROPERTY GAINS TAX ACT 1976

Chapter IV of this Bill seeks to amend the Real Property Gains Tax Act 1976.

33. *Clause 40* seeks to amend subsection 2(1) of Act 169 to introduce definitions of “input tax” and “output tax” into Act 169 as a consequence of the amendments to paragraphs 6 and 7 of Schedule 2 to Act 169 in relation to the Goods and Services Tax Act 2014.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

34. *Clause 41* seeks to introduce a new subsection 29(5) into Act 169 to clarify that the Director General is empowered to impose additional penalty under that section in respect of any additional tax payable for the year of assessment in the case where return has not been furnished by the tax payer.

This amendment comes into operation on the coming into operation of this Act.

35. *Clause 42* seeks to amend Schedule 2 to Act 169.

*Subclause 42(a)* seeks to introduce a new subparagraph 6(1)(e) into Schedule 2 to Act 169. With the amendment, any amount paid or to be paid, in respect of goods and services tax by a disposer who is not liable to be registered under the Goods and Services Tax Act 2014 or if he is registered person and not entitled under that Act to credit that amount of tax as input tax, shall be part of the incidental cost of acquisition or a disposal of an asset.

*Subclause 42(b)* seeks to introduce a new subparagraphs 7(d) and (e) into Schedule 2 to Act 169. With the amendment, any amount paid or to be paid, in respect of goods and services tax by a disposer who is liable to be registered under the Goods and Services Tax Act 2014 and has failed to do so, or if he is entitled under that Act to credit that amount of tax as input tax, shall be excluded from the cost of acquisition or a disposal of an asset. The amendment further seeks to exclude from the acquisition price or the disposal price of an asset, any amount of output tax paid or to be paid under the Goods and Services Tax Act 2014 by a person if he is registered or liable to be registered under that Act.

These amendments have effect for the year of assessment 2015 and subsequent years of assessment.

36. *Clause 43* seeks to amend paragraph 2 of Schedule 4 to Act 169. With this amendment, a person who disposes part of a chargeable asset may claim a portion of the exemption of ten thousand ringgit allowable under that paragraph proportionate to the part of the chargeable asset disposed of, as determined in accordance with the formula provided under that paragraph, or ten per cent of the chargeable gain from such disposal, whichever is greater.

This amendment comes into operation on the coming into operation of this Act.

#### AMENDMENT TO THE LABUAN BUSINESS ACTIVITY TAX ACT 1990

Chapter V of this Bill seeks to amend the Labuan Business Activity Tax Act 1990.

37. *Clauses 45 and 46* seek to amend sections 22 and 22A of Act 445 to extend the application of the provision for exchange of information to a mutual administrative assistance arrangement.

These amendments come into operation on the coming into operation of this Act.

#### AMENDMENTS TO THE GOODS AND SERVICES TAX ACT 2014

Chapter VI of this Bill seeks to amend the Goods and Services Tax Act 2014. This Chapter comes into operation on 1 January 2016.

38. *Clause 48* seeks to amend subsection 13(4) of Act 762 to expand the time of supply for imported services at the earlier of payment made by recipient or invoices issued by supplier.

39. *Clause 49* seeks to introduce new subsections 41(8), (9), (10) and (11) into Act 762 to impose a penalty if taxable person fails to make payment for the tax due and payable. The minimum penalty is five percent and up to a maximum penalty of twenty five percent from the amount of tax due and payable based on the numbers of days late.

40. *Clause 50* seeks to amend subsections 43(1) and 43(8) of Act 762 to empower the Director General to assess and recover the amount of tax due including penalty imposed under the new subsection 41(8).

41. *Clause 51* seeks to introduce a new subsection 51(1A) into Act 762 to provide that the amount of penalty imposed under the new subsection 41(8) will cease to be charged once the Director General gives his approval for the tax due and payable including penalty to be paid by instalments.

42. *Clause 52* seeks to amend subparagraph 69(5)(c)(ii) of Act 762 in the English language text, to enable the venture operator to claim input tax on taxable supplies acquired by him.

43. *Clause 53* seeks to amend subsection 70(1) of Act 762 to expand the scope of warehouse scheme to include suspending the tax on the imported goods when deposited in the warehouse and disregard supplies of goods made between the warehouses.

44. *Clause 54* seeks to amend subsection 86(2) of Act 762 to provide that any disposal must be supported by a certificate as stated in subsection 105(2) and not subsection 112(1).

45. *Clause 55* seeks to amend paragraph 94(b) of Act 762 to prevent any unauthorized person to collect penalty under the Act.

46. *Clause 56* seeks to amend section 122 of Act 762 to enable the court to order any person found guilty to pay the penalty imposed under new subsection 41(8) of the Act for defaulting instalment payment.

#### AMENDMENTS TO THE PROMOTION OF INVESTMENTS ACT 1986

Chapter VII of this Bill seeks to amend the Promotion of Investments Act 1986.

47. *Clause 59* seeks to amend subsection 2(1) of Act 327 to introduce definitions of “input tax” and “output tax” into Act 327 as a consequence of the introduction of new sections 29P and 29Q into Act 327 in relation to the Goods and Services Tax Act 2014.

This amendment has effect for the year of assessment 2015 and subsequent years of assessment.

48. *Clause 60* seeks to introduce a new section 29P into Act 327 to provide that the qualifying expenditure incurred by a company does not include any amount paid or to be paid in respect of goods and services tax by a company who is liable to be registered under the Goods and Services Tax Act 2014 but has failed to do so, or if the company is entitled to credit the amount of tax as an input tax under the Act.

*Clause 60* further seeks to introduce a new section 29Q into Act 327. With this amendment, the capital expenditure incurred by a company does not include any amount paid or to be paid in respect of goods and services tax by a company who is liable to be registered under the Goods and Services Tax Act 2014 but has failed to do so, or if the company is entitled to credit the amount of tax as an input tax under that Act. Any adjustment to the capital expenditure of an asset due to any adjustment required to be made on the total input tax under the Goods and Services Tax Act 2014 shall only be made at the end of the period of adjustment as allowed under that Act except in the case of a disposal of the asset. In that situation, the adjustment shall be made in the year of assessment the disposal has been made.

These amendments have effect for the year of assessment 2015 and subsequent years of assessment.

## GENERAL

49. Other amendments not specifically dealt with in this Statement are minor or consequential in nature.

*FINANCIAL IMPLICATIONS*

This Bill will not involve the Government in any extra financial expenditure.

[PN(U2)3011]