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# Taxavvy

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## ***Guidelines on Application for Automation Capital Allowance Expenditure***

Further to [TaXavvy Issue 9-2015](#), the Malaysian Investment Development Authority (MIDA) has recently issued the guideline on Application for Automation Capital Allowance Expenditure (Automation CA).

The following are some changes/ additions not previously included in the Annex 1 to the Ministry of International Trade and Industry's Media Release dated 6 April 2015, announcing this incentive:

<b>Item</b>	<b>Summary of changes / additions</b>
<b>Eligible criteria</b>	<p><u>Automation equipment</u></p> <ul style="list-style-type: none"> <li>SIRIM is to verify that the automation equipment enhances the productivity.</li> <li>The words “(ix). Acquiring similar type of machine and equipment is permissible in 2 years of acquiring the existing machine and equipment (only for SMEs – based on the definition in Income Tax Act, ITA 1967)” have been removed.</li> </ul> <p><u>Mutual exclusion with reinvestment allowance (RA)</u></p> <ul style="list-style-type: none"> <li>A company can opt to claim the Automation CA provided RA is not claimed in the same year of assessment (YA).</li> <li>The existing RA period will continue to run and the incentive period under the Automation CA will form part of the 15 year RA incentive period.</li> <li>A company must fully utilise the Automation CA before the company can continue to claim RA.</li> </ul>
<b>Mechanism</b>	<ul style="list-style-type: none"> <li><b>The first 100%</b> automation CA will be given by way of gazetted rules under Section 154 of the Income Tax Act 1967 (ITA).</li> <li><b>The second 100%</b> automation CA will be given by way of gazetted Income Tax Exemption Order under Section 127(3)(b) of the ITA.</li> </ul>
<b>Application</b>	<p><u>Required documents</u></p> <ul style="list-style-type: none"> <li>Application form ML-Automation CA replaces form ICA 2.</li> <li>Valid business licence now refers to manufacturing license, if applicable.</li> </ul>

A copy of the guidelines and form can be downloaded from MIDA's website [www.mida.gov.my](http://www.mida.gov.my) (Home > Resources > Forms and Guidelines > New incentive under the 2015 Budget).

## **Income tax return for companies (Form C) - Year of assessment 2015**

The Inland Revenue Board (IRB) has recently published sample income tax return form for companies (Form C) for year of assessment (YA) 2015 on their website. We have made a comparison between the Form C for YA 2015 against YA 2014 and wish to highlight the following salient points:

<b>Page</b>	<b>Item</b>	<b>Comments</b>
Page 1	Item VII – Date of commencement of operations	<b>New item</b> To insert the date of commencement of operations.
Page 6	Item J1 – Income of preceding year not declared	<b>Amended</b> Information on “type of income” and “year of assessment” of the undeclared income has been added.
Page 7	Item L1A – Type of business activity	<b>New item</b> To specify the main business activity of the company.
	Item L14A – Directors’ fees	<b>New item</b> To insert the amount of directors’ fees as claimed in the income statement.
Page 12	Item P18 – Total loan to directors	<b>New item</b> To insert the total loan to the respective directors
	Item P19 – Total loan from directors	<b>New item</b> To insert the total loan from the respective directors
Page 14	Item R5 – Control by other companies Item R5a – Ultimate holding company	<b>New item</b> To insert the name of ultimate holding company.  <i>Ultimate holding company – A company which has one or more subsidiary companies and any one or more such subsidiary companies also has one or more subsidiary companies but that ultimate holding company is not a subsidiary of any company</i>
	Item R5b – Immediate holding company	To insert the name of immediate holding company  <i>Immediate holding company – A company which maintains the controlling interest in a different company despite the fact that the company itself is held by another entity. The controlling company may also be the subsidiary of a third company, which would be the ultimate holding company</i>

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### ***Guidelines on Handling Single-tier Dividend and Investments in Deferred Annuity Scheme in the Actuarial Surplus Transferred from Life Fund to Shareholders' Fund***

The IRB is recently issued the above guideline dated 5 May 2015, which replaces the *Guidelines on Handling Single-tier Dividend in the Actuarial Surplus Transferred from Life Fund to Shareholders' Fund* dated 27 July 2012.

The guidelines can be downloaded from [www.hasil.gov.my](http://www.hasil.gov.my) (Laws and Regulations > Technical guidelines).

### ***Tax Audit Framework***

The revised tax audit framework dated 1 February 2015 previously highlighted in our [\*TaXavvy Issue 5-2015\*](#), is now available in the English language.

The framework can be downloaded from [www.hasil.gov.my](http://www.hasil.gov.my) (Laws and Regulations > IRBM Tax Audit Framework).

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