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TaXavvy

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Public Ruling 6/2015 –
Qualifying Expenditure and
Computation of Capital
Allowances



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Public Ruling 6/2015 – Qualifying Expenditure and Computation of Capital Allowances

The IRB has issued *Public Ruling 6/2015 – Qualifying Expenditure and Computation of Capital Allowances* (“PR 6/2015”) dated 27 August 2015. PR 6/2015 replaces Public Ruling 2/2001 – Computation of Initial & Annual Allowances in Respect of Plant & Machinery.

The following are the salient changes:

1. Qualifying expenditure (“QE”) for motor vehicles.

- Road tax, insurance and hire purchase interest do not qualify for capital allowance but are recurring expenses deductible under section 33(1) of the Income Tax Act 1967.
- QE for motor vehicles includes the cost of basic accessories but not optional accessories.
- “New” vehicle for the purposes of determining the amount of QE under the proviso to Paragraph 2 of Schedule 3, excludes reconditioned vehicle.

2. Asset that has been used

- Explanation is provided on the application of paragraph 2A of Schedule 3 (assets previously used for non-business purposes) and paragraph 2C of Schedule 3 (assets previously used for a business outside Malaysia).
- Paragraph 2C shall only involve a branch or headquarters in Malaysia which brings in the plant or machinery from its branch or headquarters outside Malaysia. The asset must be owned by the same person.

3. Withholding tax (“WHT”)

- Payment made to non-residents for installation services or operation of plant and machinery which form part of the capital expenditure for plant and machinery is eligible for capital allowance provided the WHT has been remitted to IRB.
- Explanation and examples are given on the tax implications on the capital allowance claim where WHT is not remitted and the subsequent tax adjustments when WHT is settled.

4. Cost of dismantling and removing asset and site restoration

- The tax treatment on capital allowance claim on such cost is explained.

5. Foreign exchange differences

- Foreign exchange differences arising from foreign loans taken to fund the purchase of plant and machinery to be used in business and the settlement of the said foreign loans will be regarded as QE for capital allowances purposes. The tax adjustment to be made to the QE or residual expenditure for foreign exchange gain or loss is explained.

The public ruling is available on IRB’s website www.hasil.gov.my (Laws and Regulations > Public Ruling).

Upcoming events

Building resilience PwC Budget Seminar 2015

Kuala Lumpur

Date: 4 November 2015

Venue: Shangri-La Kuala Lumpur

Contact: Shahliza Rafiq
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Penang

Date: 12 November 2015

Venue: Equatorial Penang

Contact: Ann Yee
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Johor Bahru

Date: 12 November 2015

Venue: Renaissance Johor Bahru

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Building resilience PwC Budget Seminar 2015

Hear from our PwC tax specialists and guest speakers at this interactive seminar, as they tackle emerging issues in the tax landscape and outcomes of Budget 2016. Join us for a day of dialogue and networking.



For more information / to register, please visit PwC's website at:
<http://www.pwc.com/my/en/theacademy/public-programmes.html>

GST Workshop Series: Getting compliance right

A series of one (1) day and two (2) days workshops are being offered from **October to December 2015**. The workshops aim to provide participants with an understanding of GST rules and equip them with the knowledge to be able to deal with common GST errors and issues in complying with the GST law.

For further details, please refer to <http://www.pwc.com/my/en/theacademy/public-programmes.jhtml>

GST customised workshops

You may already be confident in certain aspects of GST knowledge within your organisation. If you would like a GST course which addresses specific parts of the legislation or your business, we would be happy to customise a course that addresses your specific requirements.

For further details, please contact:

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