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Public Ruling 7/2016 – Basis
period for companies under
liquidation



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Public Ruling 7/2016 – Basis period for companies under liquidation

IRB has issued *Public Ruling 7/2016 – Basis period for companies under liquidation* (PR7/2016) dated 7 October 2016.

Determining the basis period for a company under liquidation

The determination of the basis period for a company under liquidation will be based on section 21A(3) of the Income Tax Act 1967 which provides for direction from the Director General of Inland Revenue (DGIR) where the accounts are not made up / closed for the normal 12 month period.

Where a company prepares its accounts for 12 months ending on any day in a year and fails to close its accounts on the same date in the following year ("the failure year"), the DGIR will determine the basis period for the year of assessment (YA) in which the failure occurs and the following YA. This applies irrespective of whether the accounts are closed on 31 December or any other date in the year.

The principles explained in *Public Ruling 8/2014 – Basis period of a company, limited liability partnership, trust body and co-operative society* will also apply to companies under liquidation.

PR 7/2016 provides examples illustrating how the basis period is determined in different situations for companies under liquidation.

- a) Where the accounts of the failure year ("new accounts") are closed in the same year as the accounts prior to liquidation, the accounting period for the new accounts is combined with the next accounting period (6 months)* to form the basis period for the YA in the failure year.

Summary of principles from examples illustrated in PR 7/2016

	Accounting period	Period	
	1.5.2013 – 30.4.2013	12 months	
Failure year	1.5.2014 – 24.9.2014	4 months 24 days	Basis period for YA 2015
	25.9.2014 – 24.3.2015	6 months	
	25.3.2015 – 24.9.2015	6 months	Basis period for YA 2016
	25.9.2015 – 24.3.2016	6 months	

* Companies under liquidation are required to prepare accounts on a 6 monthly basis upon appointment of the liquidator.

- b) Where the new accounts are closed in the following year, the accounting period for the new accounts is the basis period for the YA in the failure year.

	Accounting period	Period	
	1.1.2014 – 31.12.2014	12 months	
Failure year	1.1.2015 – 20.8.2015	7 months 20 days	Basis period for YA 2015
	21.8.2015 – 20.2.2016	6 months	
	21.2.2016 – 20.8.2016	6 months	Basis period for YA 2016
	21.8.2016 – 20.2.2017	6 months	
	21.2.2017 – 20.2.2017	6 months	Basis period for YA 2017

- c) Where the new accounts are prepared beyond one YA, the accounting period for the new accounts will be apportioned into 2 equal periods to form the basis periods for the first 2 YAs commencing from the failure year.

	Accounting period	Period	Accounting period apportioned as follows:	
	1.1.2013 – 31.12.2013	12 months		
Failure year	1.1.2014 – 5.2.2015	13 months 5 days	Basis period	YA
	6.2.2015 – 5.8.2015	6 months	1.1.2014 – 31.7.2014	2014
	6.8.2015 – 5.2.2016	6 months	1.8.2014 – 5.2.2015	2015
	6.2.2016 – 5.8.2017	6 months		
	6.8.2017 – 5.2.2017	6 months		

Basis period for YA 2016

Basis period for YA 2017

PR 7/2016 also provides examples of situations occurring prior to YA 2014, where more than one liquidator is appointed, and liquidation under court order.

Submission of income tax returns for companies under liquidation

PR 7/2016 also clarifies that companies under liquidation may submit their income tax returns based on Form 75 (liquidator's account of receipt and payment, and statement of position in winding up).

It also sets out a checklist of items to be submitted for a tax clearance application.

The public ruling is available on IRB's website www.hasil.gov.my (Internal Link > Public Rulings).

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