



## **Public Ruling 10/2018 – Tax Incentives for Investment in BioNexus Status Company**

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*The Inland Revenue Board (IRB) has issued the Public Ruling 10/2018 - Tax Incentives for Investment in BioNexus Status Company (BSC) dated 4 December 2018. This public ruling seeks to explain the incentive for investments made in a BSC and is to be read together with the Public Ruling 8/2018 - Tax Incentives for BioNexus Status Companies dated 9 October 2018 as covered in our TaXavvy 9/2018.*

A BSC is a company granted BioNexus status and is engaged in a business of value-added biotechnology or life sciences activities such as biology, medicine, anthropology or ecology, that deal with living organisms and their organisation, life processes, and relationships to each other and their environment. An investor investing in a BSC is given tax incentives for the investment under the following tax rules:

- Income Tax (Deduction for Investment in a BioNexus Status Company) Rules 2016 (“2016 Rules”)
- Income Tax (Deduction for Investment in a BioNexus Status Company) Rules 2007 (“2007 Rules”) which were replaced by the 2016 Rules with effect from year of assessment 2016

<i>Tax incentive</i>	<ul style="list-style-type: none"> <li>• Deduction of an amount equivalent to the actual value of investment made by an investor in a BSC.</li> <li>• Deduction is to be offset against the investor's income from a business source.</li> <li>• Investor may be a company or an individual.</li> </ul>
<i>General conditions</i>	<p>An investor who wishes to make an investment in BSC must submit an application to the Minister of Finance (MOF) through Bioeconomy Corporation from 1 January 2016.</p> <p>The investment by the investor has to be made:</p> <ul style="list-style-type: none"> <li>• during the period from 1 January 2016 to 31 December 2020;</li> <li>• for the value as approved by MOF; and</li> <li>• for the sole purpose of financing activities at the initiation of commercialization stage of a new business approved by MOF.</li> </ul> <p>Any investment made by the investor prior to the commencement of a new business is deemed to be made on the date the new business commences as determined by Bioeconomy Corporation.</p> <p>The holding period for the investment in shares is 5 years from the date of the last investment. If there is any disposal of shares within the 5 year period, the consideration for the disposal has to be added back.</p>
<i>Corporate investor</i>	<ul style="list-style-type: none"> <li>• A company incorporated under the Companies Act 2016 or Companies Act 1965.</li> <li>• Its related company has not been allowed the deduction under the 2016 Rules or 2007 Rules.</li> </ul>
<i>Individual investor</i>	<ul style="list-style-type: none"> <li>• A Malaysian citizen, resident and has business income source,</li> <li>• Only three applications per individual are allowed for the purpose of approval of deductions under the 2016 Rules,</li> <li>• Each approval would be granted in respect of an investment made in three different activities of a new business which are agriculture, healthcare or industrial; and</li> <li>• The investments are to be made in a BSC which any of its paid-up capital is not owned by:             <ol style="list-style-type: none"> <li>a spouse of the individual;</li> <li>brother or sister, of the individual or of the spouse of the individual;</li> <li>parent, of the individual or of the spouse of the individual;</li> <li>a child, including a step child or child adopted in accordance with any law, of the individual;</li> <li>grandparent or grandchild, of the individual or of the spouse of the individual;</li> <li>spouse of any of the individual referred to in (b); or</li> <li>uncle, aunt or cousin, of the individual or of the spouse of the individual.</li> </ol> </li> </ul>

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