

INCOME OF INDIVIDUALS**1. Official Emoluments of Rulers and Consorts of Rulers and Former Rulers or Consorts of Former Rulers**

Official emoluments of Rulers or Ruling Chiefs as defined in S. 76 of the Income Tax Act 1967 (ITA 1967) and consorts of rulers and former rulers or consorts of former rulers (Sch 6 Para 1A, 1B, 2).

2. Income and Official Emoluments of Diplomatic and Consular Staff

Income and official emoluments of diplomatic and consular staff by virtue of laws relating to diplomatic and consular privileges (Sch 6 Para 3, 4).

3. Wound and Disability Pensions

Wound and disability pensions granted to persons in respect of service in various armed and defence forces in Malaysia or in a Commonwealth country and pensions granted to wives or dependent relatives of members of any of the forces (Sch 6 Para 7).

4. Disability Pensions for War Injuries

Disability pensions granted in respect of war service injuries to members of civil defence organisations in any territory comprised in Malaysia on 1.1.1968 (Sch 6 Para 8).

5. Bounties to Reserve Forces

Bounties paid out of funds provided by Parliament to members of the Royal Malaysian Naval Volunteer Reserve, Malaysian Territorial Army and Royal Malaysian Air Force Volunteer Reserve (Sch 6 Para 9).

6. Emoluments of Members of Armed Forces or Civil Servants of Commonwealth Countries

Emoluments of members of armed forces or civil servants of Commonwealth countries performing duties in Malaysia where the emoluments are payable out of the public funds of and subject to foreign tax of that Commonwealth country (Sch 6 Para 10).

7. Dividends Distributed by Co-operative Societies to Members (Sch 6 Para 12A)**8. Death Gratuities**

Sums received by way of death gratuities or as consolidated compensation for death or injuries (Sch 6 Para 14).

9. Compensation for Loss of Employment and Payments for Restrictive Covenants

Compensation for loss of employment or in consideration for any covenant entered into by the employee restricting his right to take up a similar employment is exempt as follows:

- (a) whole sum of compensation if due to ill health; or
- (b) RM6,000 (RM4,000 for Y/A 2002 and before) for every completed year of service with the same employer or with companies in the same group if it is not due to ill health (Sch 6 Para 15).

10. Pensions to Widows and Children

Pensions granted or paid under any written law relating to widows' and orphans' pensions or under an approved scheme to or for the benefit of the widow, child or children of a deceased contributor to the scheme (Sch 6 Para 16).

11. Income Derived from Trading in Commodities through Consignees by Non-Residents

Income derived by non-resident from trading in Malaysia through consignees in commodities (rubber, copra, pepper, tin, tin ore, gambier, sago flour or cloves) produced outside Malaysia (Sch 6 Para 18).

12. Interest on Government Securities or Bonds

- (a) Interest or discount paid or credited to any individual in respect of Bon Simpanan Malaysia issued by Bank Negara Malaysia or in respect of any savings certificates or security or bond issued or guaranteed by the Government (Sch 6 Para 19, 35).
- (b) Interest accrued in respect of bonds issued under the Bon Simpanan Malaysia Siri Kedua (BSM 2) by Bank Simpanan Nasional (PU (A) 473).

13. Interest on Corporate Bonds Issued by KLSE Companies

With effect from Y/A 1992, interest income earned by individuals from corporate bonds issued by public companies listed on the Kuala Lumpur Stock Exchange other than interest from loan stocks that can be converted into equity shares is exempt from tax (Sch 6 Para 35).

This exemption has been revoked and replaced with exemption in item 15 with effect from Y/A 2003.

14. Interest on Corporate Bonds Issued by a Company Rated by Rating Agency Malaysia Berhad or Malaysian Rating Corporation Berhad

With effect from Y/A 1993, interest income earned by individuals from corporate bonds issued by companies rated by Rating Agency Malaysia Berhad or Malaysian Rating Corporation Berhad is exempt from tax (Sch 6 Para 35).

This exemption is abolished with effect from Y/A 2003.

15. Interest on Debentures, other than Convertible Loan Stock

With effect from Y/A 2003, interest income earned by individuals from debentures other than convertible loan stock approved by the Securities Commission is exempt from tax (Sch 6 Para 35). With effect from Y/A 2006, the exemption is extended to discount received.

16. Income from Employment Exercised in Malaysia Not Exceeding 60 Days

Income derived by a non-resident in exercising an employment in Malaysia:

- (a) for less than 60 days in the basis year for a year of assessment; or
- (b) for a continuous period not exceeding 60 days which overlaps the basis years for 2 successive years of assessment; or
- (c) for a continuous period which overlaps 2 successive basis years and which together with another period, does not exceed 60 days (Sch 6 Para 21).

17. Education Allowances

Education allowances paid to designated officers under the overseas service agreements of North Borneo or Sarawak (Sch 6 Para 23).

18. Scholarships

Sums received by an individual in the nature of a scholarship or other similar grant or allowance whether or not it is in connection with an employment of that individual (Sch 6 Para 24).

19. Retirement Gratuities

Retirement gratuities paid due to ill health or on or after reaching the retiring age of 55 or other compulsory age of retirement specified under any written law from an employment which had lasted ten years with the same employer or with companies in the same group (Sch 6 Para 25).

INCOME OF INDIVIDUALS (CONT'D)

With effect from Y/A 2003, tax exemption on retirement gratuities up to RM6,000 per completed year of service is given if the retirement takes place on reaching the compulsory age of retirement pursuant to a contract of employment or collective agreement at the age of 50 but before 55 and that employment has lasted for 10 years with the same employer or with companies in the same group (Sch 6 Para 25)

20. Retirement Gratuities and Payments in Lieu of Leave of Government Servants

Retirement gratuities or payment in lieu of leave paid out of public funds on retirement from an employment under any written law or on termination of a contract of employment (Sch 6 Para 25A, 25B).

21. Interest Paid to Non-Residents

- (a) Interest derived from Malaysia by non-residents on any approved loan. An approved loan is any loan or credit made by a non-resident person to the Government, State Government, local authority or statutory body or any loan or credit guaranteed by the Government or State Government or any loan or credit exceeding RM250 million (Sch 6 Para 27).

For loan or credit exceeding RM250 million, interest is only exempt if the application is received prior to 25.10.1996.

- (b) Interest derived from Malaysia by non-residents and paid or credited by any person carrying on the business of banking or finance (Y/A 1995 and prior – banking only) in Malaysia and licensed under the Banking and Financial Institutions Act 1989 (Sch 6 Para 33).

22. Foreign Income of Non-Residents

Income arising from sources outside Malaysia and received in Malaysia by any person who is not resident in Malaysia (Sch 6 Para 28).

23. Pensions

Pensions derived from Malaysia received by an individual who has reached the age of 55 or compulsory age of retirement from employment specified under any written law or due to ill health. The pension must be in respect of exercising a former employment in Malaysia and where the pension is paid other than under any written law, it must be from an approved pension or provident fund, scheme or society (Sch 6 Para 30).

24. Gratuities or Pensions Paid to Politicians

Gratuity or pension derived from Malaysia and paid to a resident person under any law applicable to the President or Deputy President of the Senate, Speaker or Deputy Speaker of the House of Representatives, Speaker of the State Legislative Assembly, Member of the Senate, Member of the House of Representatives or Member of the State Legislative Assembly provided the person has attained the age of 55 or has ceased to hold office due to ill health. This exemption applies to the higher or highest pension only where the person is eligible for exemption under Para 30 and Para 30A of Sch 6 (Sch 6 Para 30A).

25. Royalties on Literary and Artistic Work

Royalties for a year of assessment received by an individual resident in Malaysia in respect of:

	Y/A 1991 and prior RM	Y/A 1992 to Y/A 1993 RM	Y/A 1994 onwards RM
(a) publication of, or the use of or the right to use, any literary work or any original painting (Sch 6 Para 32B)	6,000	12,000	20,000

INCOME OF INDIVIDUALS (CONT'D)

	Y/A 1991 and prior RM	Y/A 1992 to Y/A 2005 RM	Y/A 2006 onwards RM
(b) publication of, or the use of or the right to use, any artistic work (Sch 6 Para 32)	6,000	6,000	10,000
(c) recording discs or tapes (Sch 6 Para 32)	6,000	6,000	10,000

26. Income from Musical Composition or Translation

Income of up to RM20,000 (Y/A 1994 to Y/A 2000 (pyb) – 12,000, Y/A 1992 and Y/A 1993 – RM6,000, Y/A 1991 and prior – RM3,000) for a year of assessment received by an individual resident in Malaysia in respect of any musical composition or any translation of books or literary work at the specific request of any agency of the Ministry of Education or the Attorney General's Chambers (Sch 6 Para 32A and 32D).

27. Fees from Meetings and Conferences

Fees received from meetings and conferences to increase knowledge in the sciences and in the humanities and presentation of working papers at seminars and conferences in Bahasa Malaysia (1994 Budget).

The proposal has not been gazetted.

28. Income from Employment on Board a Malaysian Ship

Income of an individual derived from exercising an employment on board a Malaysian ship as defined in S. 54A(6) of ITA 1967 (Sch 6 Para 34).

29. Interest from Financial Institutions

- (a) interest from any savings account with Bank Simpanan Nasional (PU (A) 64).
- (b) interest or bonus from money deposited with Bank Simpanan Nasional under the "Save As You Earn" scheme (PU (A) 64).
- (c) interest from deposits of up to RM100,000 (Y/A 1993 to 1995 – RM50,000; Y/A 1992 and prior – RM10,000) in any savings account with a registered co-operative society, Bank Pertanian Malaysia, Malaysia Building Society Berhad, Borneo Housing Mortgage Finance Berhad or with any approved institution (PU (A) 64).
- (d) bonus from money deposited in any savings account with the Lembaga Urusan dan Tabung Haji (PU (A) 64).
- (e) interest from deposits of up to RM100,000 (Y/A 1993 to 1995 – RM50,000; Y/A 1992 and prior – RM5,000) in any savings account with a bank or finance company licensed under the Banking and Financial Institutions Act 1989 (PU (A) 64).
- (f) interest from fixed deposits or negotiable certificates of deposits for a period exceeding 12 months placed with Bank Pertanian Malaysia, Bank Kerjasama Rakyat Malaysia Berhad, Bank Simpanan Nasional, Borneo Housing Mortgage Finance Berhad, Malaysia Building Society Berhad; or a bank or finance company licensed under the Banking and Financial Institutions Act 1989 (PU (A) 64).
- (g) interest from deposits or negotiable certificates of deposits of up to RM100,000 in any fixed deposit account for a period of less than 12 months with Bank Pertanian Malaysia, Bank Kerjasama Rakyat Malaysia Berhad, Bank Simpanan Nasional, Borneo Housing Mortgage Finance Berhad, Malaysia Building Society Berhad or a bank or finance company licensed under the Banking and Financial Institutions Act 1989 (PU (A) 64).

30. Gains or Profits from Financial Institutions under Interest Free Banking Scheme

- (a) gains or profits from any savings account under the Interest-Free Banking Scheme of up to RM100,000 (Y/A 1990 to 1995 – RM50,000; Y/A 1989 and prior – RM5,000) with a bank or finance company licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 (PU (A) 65) or with Bank Simpanan Nasional (PU (A) 155).
- (b) gains or profits from deposits placed in any investment account of up to RM100,000 (Y/A 1993 to 1995 – RM50,000) for a period of less than 12 months with a bank or finance company licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 (PU (A) 65).
- (c) gains or profits from deposits placed in any investment account under the Interest-Free Banking Scheme for a period exceeding 12 months with a bank or finance company licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 (PU (A) 65) or with Bank Simpanan Nasional (PU (A) 155).

31. Dividends from Unit Trusts

Dividends not exceeding RM5,000 received from approved unit trusts (revoked with effect from Y/A 1992).

32. Prize Monies Received by Professional Sportsmen and Sportswomen

Prize monies received by professional sportsmen and sportswomen (individuals who are engaged in sport for a livelihood) from participation in a sports tournament (w.e.f. Y/A 1990) (PU (A) 428).

33. Income Derived from Employment in Labuan

- (a) Tax exemption up to the equivalent of 50% of gross income of a non-citizen derived from an employment in a managerial capacity with an offshore company in Labuan for the Y/A 1992 to 2004 (PU (A) 382 and PU (A) 100/2000).
- (b) Tax exemption up to the equivalent of 50% of gross income of a non-citizen individual derived from exercising an employment in Labuan in a managerial capacity in a trust company from Y/A 1998 to Y/A 2001 (PU (A) 102/2000) and Y/A 2002 to Y/A 2005 (PU(A) 405/2004).
- (c) Tax exemption on fees received by a non-citizen individual in his capacity as a director of an offshore company in Labuan for the Y/A 2002 to 2006 (PU (A) 260/2003).
- (d) Tax exemption of 50% on the gross housing and Labuan Territory allowances received by a citizen from exercising an employment in Labuan with the Federal or State Government, a statutory body or an offshore company. from the year of assessment 1998 until the year of assessment 2001 (PU (A) 307/2000).
- (e) Tax exemption of 50% of the gross housing and Labuan Territory allowances received by a citizen from exercising an employment in Labuan with the Federal or State Government, a statutory body or an offshore company from the year of assessment 2002 until the year of assessment 2005 (PU (A) 406/2004).

34. Occupation of Residential Premises by Owner

An individual is given exemption of S.11 income for a residence owned and occupied by him in a basis period to which the relevant year of assessment relates (S.128 of the ITA 1967). Premises not occupied for business purposes will be taxed under S.11 ITA 1967 at an amount equivalent to the rateable value or the economic rent of the premises.

Revoked with effect from Y/A 2003 by Act 624

35. Dividend Income Declared from Tax Exempt Accounts

Dividends received by an individual paid out from an Exempt Account under the Promotion of Investments Act 1986 (PIA) or under Sch 7A(5) of the ITA 1967.

- 36. Income from Offshore Companies or Trusts**
- (a) Dividends received from an offshore company distributed out of income derived from an offshore business activity or income exempt from tax.
 - (b) Distributions received from an offshore trust by the beneficiaries.
 - (c) Royalties received from an offshore company by non-resident persons.
 - (d) Interest received from an offshore company by resident and non-resident persons (other than persons licensed to carry on banking and insurance business).
 - (e) Amounts received from an offshore company by non-resident persons in consideration of services, advice or assistance specified in S. 4A (i) and (ii) of the ITA 1967 (PU (A) 161).
- 37. Cash Awards Received by Scientists, Writers and Artists**
- With effect from Y/A 1993, all cash awards received from the Government, State Government or a local authority by scientists, writers and artists by profession (PU (A) 223/93).
- 38. Pension or Gratuity Paid to a Judge**
- Any pension or gratuity paid or payable to any person who has been appointed a judge from among members of the public service and which payment is paid or payable in respect of his services in the public service prior to his appointment as a judge (PU (A) 336/93).
- 39. Grants of Remembrance Allowance**
- A grant of remembrance allowance granted under S. 3 and a grant to next of kin of recipient under S. 5 and 6 payable pursuant to the Seri Pahlawan Gagah Perkasa (Remembrance Allowance) Act 1990 (PU (A) 196/94).
- 40. Annuities**
- Sums received by way of annuities granted under annuity contracts issued by Malaysian life insurers (whose ownership or membership are held in majority by Malaysian citizens) from Y/A 1995 onwards (Sch 6 Para 36).
- 41. Income from a Resident Company Engaged in Sea Transport Business**
- Income received by a non-resident under an agreement or arrangement for participation in a pool from a company resident in Malaysia engaged in the business of transporting passengers or cargoes by sea (PU (A) 322).
- 42. Income of Non-Resident Lecturers and Speakers**
- Income tax exemption of 50% for Y/A 1997 to 2000 on gross income derived by non-resident individuals in undertaking an employment relating to teaching or lecturing in any approved field at any approved institution (PU (A) 199).
- 43. Dividends Declared by Closed-End Funds**
- Dividends declared out of the exempt income of closed-end funds received by shareholders (S.60H ITA 1967).
- 44. Income from Cultural Performances**
- Income (other than emoluments in the exercise of his official duties) of an individual resident in Malaysia derived from his performances in cultural performances approved by the Minister (Sch 6 Para 32C).
- 45. Income from Provision of Qualifying Professional Services in Labuan**
- Income tax exemption of up to 65% of the statutory income for each year of assessment for Y/A 2000 to Y/A 2004 from a source consisting of provision of qualifying professional services (legal, accounting, financial or secretarial service and services provided by a "trust company") rendered in Labuan to an offshore company (PU (A) 103/2005).

INCOME OF INDIVIDUALS (CONT'D)

46. Income from Business at Kuala Lumpur Commodity Exchange

Income tax exemption of up to 70% of the adjusted income for each year of assessment from Y/A 1996 to Y/A 2000 from the income derived from carrying on a business at the Kuala Lumpur Commodity Exchange (PU (A) 216).

47. Income from Business at Kuala Lumpur Options and Financial Futures Exchange

Income tax exemption of up to 70% of the adjusted income for each year of assessment from Y/A 1996 to Y/A 2000 from the income derived from carrying on a business at the Kuala Lumpur Options and Financial Futures Exchange (PU (A) 486).

48. Income Received in Malaysia from Outside Malaysia

Income, other than income accrued in or derived from Malaysia, of an individual resident in Malaysia where such income is received in Malaysia from outside Malaysia provided that such income is remitted by him to Malaysia during the period from 20.5.1998 to 31.12.1998 and has been granted approval for exemption by the Minister (PU (A) 271/98).

49. Income of Non-Resident Performers or Participants

Income tax exemption from 23.10.1998 to 31.12.2000 on income earned by non-residents from performing in arts and cultural shows or participating in exhibitions, games and sports (PU (A) 502/2000).

50. Income Earned by Drivers from Car and Motorcycle Racing Events of International Standard

Income tax exemption from Y/A 1999 on income earned by drivers from car and motorcycle racing events of international standard (PU (A) 501/2000).

51. Dividends from Domestic Companies Paid out of Dividends from Offshore Companies

Income tax exemption for dividends received by shareholders of domestic companies which are paid out of the dividends received from offshore companies (PU (A) 99/2000).

52. Income of Malaysian Experts Remitted from Overseas into Malaysia

Income of Malaysian experts or their spouses approved by the special committee arising from a source outside Malaysia and remitted into Malaysia within 2 years from the date of their return from abroad to serve the nation (PU (A) 67/2001).

53. Value of Benefit for Personal Computer Received by Employees

The value of benefit of one new personal computer received by an employee from his employer for the duration of the basis periods from Y/A 2001 until Y/A 2003 (PU (A) 503/2000).

54. Income from Export of Qualifying Services

Income tax exemption equivalent to 10% of the value of increased exports of qualifying services provided in or from Malaysia to foreign clients but not exceeding 70% of the statutory income for a year of assessment effective Y/A 1999 or Y/A 2001 depending on the type of qualifying services provided (PU (A) 154/2001).

The income tax exemption will be increased to 50% of the value of increased exports with effect from Y/A 2002 (PU (A) 57/2002).

55. Interest from Bonds and Securities Issued by Pengurusan Danaharta Nasional Bhd

Tax exemption (including withholding tax) on interest received from such bonds and securities issued within and outside Malaysia effective from Y/A 1999 (PU (A) 220/2001).

INCOME OF INDIVIDUALS (CONT'D)

56. Grant or subsidy received from Federal and State Government

Statutory income of any person in relation to a source of income derived from the allocations given by the Federal and State Government in the form of grant or subsidy effective from Y/A 2002 (PU (A) 33/2003).

57. Discount or profit received from Bonds or Securities Issued by Pengurusan Danaharta Nasional Bhd

Tax exemption (including withholding tax) on discount or profit received from sale of bonds or securities issued within and outside Malaysia effective from Y/A 1999 (PU (A) 153/2003).

58. Remittance of Foreign Source Income to Malaysia

Tax exemption on income remitted to Malaysia extended to include resident individual, a trust body, a co-operative and a Hindu joint family with effect from Y/A 2004 (Sch 6 Para 28(1)).

59. Fees or Honorarium received by Lecturers/Experts from the National Accreditation Board (LAN)

Income tax exemption on fee or honorarium (other than emoluments in the exercise of his official duties) received by an individual for services which have been verified by the National Accreditation Board (LAN) for purposes of validation, moderation or accreditation of franchised education programmes in higher educational institutions with effect from Y/A 2004 (Sch 6 Para 32E) .

60. Income received by Researchers from Commercialisation of Research Findings

Income tax exemption of 50% of the statutory income for a period of 5 years commencing from the date of first payment received by an individual from the commercialisation of scientific research which has been verified by the Ministry of Science, Technology and Environment with effect from Y/A 2004 (PU (A) 94/2004).

61. Interest from Merdeka Bonds issued by the Central Bank of Malaysia.

Tax exemption on interest received from such bonds with effect from Y/A 2004 (Sch 6 Para 34A).

62. Employment income from Operational Headquarters and Regional Offices

Income tax exemption on a portion of a non-citizen individual's income derived from an employment with an operational headquarters company or a regional office, to be computed in accordance with the formula provided in the Gazette Order.

(PU (A) 382/2003).

63. Income received by non-resident individuals who train Malaysians in performing arts

Income tax exemption for a period of 5 years from 1 Oct 2005 on income received by non-resident individuals who train Malaysians in performing arts and the production of crafts and related technical areas.

(2006 Budget proposal)

INCOME OF COMPANIES, CLUBS AND OTHER ORGANISATIONS

1. Income of the Government or a State Government or a Local Authority (Sch 6 Para 5, 6)

2. Income of Co-operative Societies

(a) In respect of the first five years commencing from the date of registration; and

(b) Thereafter, where the members' funds of such co-operative society as at the first day of the basis period for a year of assessment is less than RM750,000 (Y/A 1996 and prior – RM500,000) (Sch 6 Para 12).

INCOME OF COMPANIES, CLUBS AND OTHER ORGANISATIONS (CONT'D)

3. Income of Charitable Institutions and Trust Bodies

- (a) Income (other than dividend income) of a charitable institution, trust body of any trust or body of persons established in Malaysia for charitable purposes only and approved by the Director General (until Y/A 2002).
- (b) Income (other than dividend income) of an institution or organisation approved under S. 44(6) or non-profit religious institutions or organisations established in Malaysia (Sch 6 Para 13).

4. Income of Trade Union

Income (other than gains or profits from a business and dividend income) of trade unions registered under any written law relating to trade unions (Sch 6 Para 17).

5. Income Derived from Trading in Commodities

Income of foreign companies derived from trading in Malaysia through consignees in commodities (rubber, copra, pepper, tin, tin ore, gambier, sago flour or cloves) produced outside Malaysia (Sch 6 Para 18).

6. Income of Approved Schemes

Income of approved schemes arising in or outside Malaysia (Sch 6 Para 20).

7. Income of National and State Amateur Sports Organisations

Income (other than dividend income) of national and State amateur sports organisations certified by the President and Secretary of the Olympic Council of Malaysia (Sch 6 Para 26).

8. Income from Group Inclusive Inbound Tours

Income derived from the business of operating group inclusive tours by companies resident in Malaysia and registered with the Tourist Development Corporation of Malaysia in carrying on an inbound tour operating business for Y/A 1986 to 2006. To qualify for this exemption, the total number of inbound tourists on group inclusive tours from outside Malaysia shall not be less than 500 in the basis period for a year of assessment (PU (A) 256/1991, PU (A) 101, PU (A) 68/2000 and PU (A) 59/2002).

9. Income from Overseas Construction Projects

Income of an amount equivalent to 70% (Prior to Y/A 1994 – 50%) of the income remitted and declared by a company resident in Malaysia, derived from construction projects carried on by the company outside Malaysia. The projects must commence after 21 October 1988 and income therefrom be remitted to Malaysia from the date of the commencement of the project (PU (A) 295/1989).

10. Income from Professional Services in Labuan

Exemption up to 50% of the adjusted income of a person derived from a source consisting of the provision of qualifying professional service rendered in Labuan by that person or his employees to an offshore company from the Y/A 1992 to Y/A 1997 (PU (A) 158/1991). "Qualifying professional service" means legal, accounting, financial or secretarial service and includes the services provided by a "trust company" (PU (A) 158). Effective for Y/A 1997 to Y/A 2004, tax exemption of up to 65% of statutory income from this source will be given (PU (A) 29/1997 and PU (A) 101/2000).

11. Income from Business which Relates to Qualifying Assets or the Letting of Qualifying Assets in Labuan

Exemption up to 50% of the adjusted income of a person, derived from carrying on a business which relates to a qualifying asset (road, drainage, telecommunication facility, school, hospital, office, port or airport facility, hotel, any public utility or amenity or any recreational facility) or the letting of a

INCOME OF COMPANIES, CLUBS AND OTHER ORGANISATIONS (CONT'D)

qualifying asset in Labuan where the person has either undertaken construction of or purchased the qualifying asset. The exemption shall be for the year of assessment in which the adjusted income first arises from that source and for four subsequent years of assessment. In the case where the qualifying asset is purchased, the exemption shall not exceed five years of assessment commencing from the year of assessment in which the adjusted income first arose from the source. The construction project of a qualifying asset must commence within a period of 6 years from 1.10.1990 (PU (A) 355).

12. Income of Offshore Companies

- (a) Income of offshore companies derived from non-trading activities, such as investment and real estate management, are fully exempt from tax.
- (b) Income of offshore companies derived from trading activities like banking, insurance and trust and fund management will be taxed at either 3% on net profit or a lump sum of RM20,000 for each year of assessment (S. 2, 4, 7, 8, 9 Labuan Offshore Business Activity Tax Act 1990).
- (c) Dividends received.
- (d) Royalties and interest received from another offshore company.
- (e) Amounts received from another offshore company in consideration of services, advice or assistance specified in S. 4A(i) and (ii) ITA 1967 (PU (A) 161/1991).

13. Income from Offshore Companies or Trusts

- (a) Dividends received from an offshore company distributed out of income derived from an offshore business activity or income exempt from tax.
- (b) Distributions received from an offshore trust by the beneficiaries.
- (c) Royalties received from an offshore company by non-resident persons.
- (d) Interest received from an offshore company by resident and non-resident persons (other than persons licensed to carry on banking and insurance business).
- (e) Amounts received from an offshore company by non-resident persons in consideration of services, advice or assistance specified in S. 4A (i) and (ii) ITA 1967 (PU (A) 161).

14. Income of Companies Granted Incentives under the Promotion of Investments Act 1986

- (a) Pioneer status — See Chapter B16 — Tax Incentives of this book
- (b) Investment tax allowance — See Chapter B16 — Tax Incentives of this book
- (c) Abatement of adjusted income — See Chapter B16 — Tax Incentives of this book
- (d) Abatement of adjusted income for exports — See Chapter B16 — Tax Incentives of this book
- (e) Industrial Adjustment Allowance — See Chapter B16 — Tax Incentives of this book

15. Statutory Income of Companies Carrying on Shipping Business

- (a) Statutory income of companies resident in Malaysia derived from carrying on the business of transporting passengers or cargo by sea on a Malaysian ship registered under the Merchant Shipping Ordinance 1952 (S. 54A ITA 1967).
- (b) Statutory income of companies derived from letting out on charter a Malaysian ship owned by them on a voyage or time charter (S. 54A ITA 1967 and PU (A) 473).

16. Income of Research Companies and New Technology-Based Firms

Please refer to Chapter B16 — Tax Incentives of this book.

17. Gains of Unit Trusts

Gains from the realisation of investments such as shares and properties by unit trusts (but still subject to RPGT Act 1976) (S. 61(1)(b) ITA 1967) [Note: The Real Property Gains Tax (Exemption) (No. 20

INCOME OF COMPANIES, CLUBS AND OTHER ORGANISATIONS (CONT'D)

Order 2003 exempted any person (including a unit trust) from the payment of real property gains tax in respect of chargeable gains accruing on the disposal of any chargeable asset from 1 June, 2003 until 31 May, 2004]

18. Disposal of Shares by Venture Capital Companies

Gains arising from the disposal of shares in a venture company provided the shares are disposed of within 3 years (Y/A 1991 and prior – 2 years) after the date on which they are listed for quotation on a stock exchange in Malaysia (S. 60D(1) ITA 1967). This exemption was withdrawn with effect from Y/A 2000 (cyb) and re-introduced under item 40 of this section.

19. Interest Paid to Non-Residents by Banks

Interest derived from Malaysia by non-residents and paid or credited by any person carrying on the business of banking or finance (Y/A 1995 and prior – banking only) in Malaysia and licensed under the Banking and Financial Institutions Act 1989 (Sch 6 Para 33).

20. Interest income from bonds received by non-resident companies

Interest income derived by non-resident companies from the following:

- (a) ringgit-denominated Islamic securities and debentures, other than convertible loan stocks, approved by the Securities Commission; or
- (b) securities issued by the Government.

(Schedule 6, Para 33A)

20. Interest on Government Savings Certificates

Interest received in respect of any savings certificates issued by the Government (Sch 6 Para 19).

21. Income Arising from Sources Outside Malaysia

Income arising from sources outside Malaysia and received in Malaysia by a resident company (other than a company carrying on the business of banking, insurance, shipping and air transport) with effect from Y/A 1995 to Y/A 1997 (S. 3C ITA 1967) and from Y/A 1998 onwards (PU (A) 469).

Income arising from sources outside Malaysia and received in Malaysia by any person (other than a resident company carrying on the business of banking, insurance, shipping and air transport) effective from Y/A 2004 (Sch 6 Para 28).

22. Interest Paid to Unit Trusts and Listed Closed-End Funds

Interest paid to unit trusts and listed closed-end funds in respect of:

- (a) securities or bonds issued or guaranteed by the Government; or
- (b) bonds, other than convertible loan stock, approved by the Securities Commission; or
- (c) Bon Simpanan Malaysia issued by the Central Bank of Malaysia (Sch 6 Para 35).

23. Interest Paid to Unit Trusts and Closed-End Funds

Interest derived from bonds (other than convertible loan stock) paid or credited by any company listed on the Malaysian Exchange of Securities Dealing and Automated Quotation Berhad (MESDAQ) (PU (A) 310/2001).

24. Income from Export of Services Outside Malaysia

Income of a company resident in Malaysia derived from export of services carried on by the company outside Malaysia for projects undertaken by non-resident company shall be exempted from income tax in the following manner:

INCOME OF COMPANIES, CLUBS AND OTHER ORGANISATIONS (CONT'D)

- (a) 50% of the income remitted and declared by the company in its return for the Y/A 1993; and
- (b) 70% of the income remitted and declared by the company in its return for the Y/A 1994.

“Export of services” covers drilling rig services of oil and gas wells outside Malaysia, transportation of oil and gas offshore structures and pipelines, and chartering of marine vessels for offshore oil and gas activities (PU (A) 138/1995).

Also, refer further to the exemption of income arising from sources outside Malaysia in item 23 above.

25. Grant from Industrial Technical Assistance Fund (ITAF)

Monies received by way of grant from the Industrial Technical Assistance Fund (ITAF) subject to a maximum of RM580,000 for small and medium scale companies (with shareholders' funds not exceeding RM500,000 for small scale companies and RM2,500,000 for medium scale companies) effective from 1.8.1990 (PU (A) 213/1995).

26. Income Arising from Transactions Made under a Securities Borrowing and Lending Agreement

Income (other than dividends, lending fees, interest-earned on collateral and rebate) accruing to a borrower and a lender arising from a loan of securities listed on the Kuala Lumpur Stock Exchange and the return of the same or equivalent securities and, the corresponding exchange of collateral, in respect of a securities borrowing and lending transaction made under a Securities Borrowing and Lending Agreement (PU (A) 430/1995).

27. Income of Trade Associations

Income received by a trade association is exempted from tax up to 50% of the statutory income for each year of assessment:

- (a) from Y/A 1996 to Y/A 2000 (pyb) if the trade association was established before 1.1.1996; and
- (b) for a maximum period of 5 years commencing from the year of assessment in which the trade association was established if it was established on or after 1.1.1996 until 31.12.2001 (PU (A) 56/2002).

With effect from Y/A 2002, tax exemption will be allowed on the statutory income from members' subscription fees derived according to the specified formula (PU (A) 55/2002). Where a trade association has claimed an exemption under the exemption order PU (A) 55/2002, it cannot also claim the same under exemption order of PU (A) 56/2002.

With effect from Y/A 2005, the exemption of members' subscription fees will be based on the attributable method by taking into consideration actual expenditure incurred (PU (A) 190/2005).

28. Income of Non-Resident Company or Organisation from the Provision of Lecturing Services

Income tax exemption of 50% for Y/A 1997 to Y/A 2000 on adjusted income derived by a non-resident company or organisation from a source consisting of the provision of lecturing services in any approved field or any approved institution (PU (A) 200).

29. Gains Arising from Investments by Closed-End Fund Company

Gains from realisation of investments by a closed-end fund company with effect from Y/A 1997 (S. 60H ITA 1967).

30. Interest Received by a Unit Trust

Interest derived by a unit trust from Malaysia and paid or credited by any bank or financial institution licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 (Sch 6 Para 35A).

31. Income Arising from Sources Outside Malaysia for Unit Trusts

Income derived from sources outside Malaysia and received in Malaysia by a unit trust with effect from Y/A 1998 (PU (A) 469).

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The aforementioned exemption order has been revoked. With effect from Y/A 2004, income arising from sources outside Malaysia and received in Malaysia by a unit trust is exempt from tax (Sch 6 Para 28).

32. Income of Organisers of Sports, Shows, Exhibitions and Festivals

Income tax exemption of 50% from 23.10.1998 to 31.12.2000 on income earned by promoters from organising sports, cultural and art shows, exhibitions and festivals involving foreign participation (PU (A) 502/2000).

33. Income Earned by Organisers of Car and Motorcycle Racing Events

Income tax exemption of 50% from Y/A 1999 on income earned by promoters of car and motorcycle racing events of international standard held in Malaysia (PU (A) 501/2000).

34. Income from Organising Domestic Tour Packages

Income of companies derived from operating domestic tours with at least 1,200 local tourists per year will be exempted from tax from Y/A 1999 to Y/A 2006 (PU (A) 67 and PU (A) 58/2002).

35. Dividend Received by a Resident Company from Foreign Income Remittances

Dividend distributed from income arising from sources outside Malaysia and received in Malaysia by a resident company (other than a company carrying on the business of banking, insurance, shipping and air transport) (PU (A) 450/1995 and (PU (A) 469). The aforementioned exemption orders have been revoked. The exemption is now provided for under Sch 6 Para 28. Refer further to item 23 above.

36. Income of Non-Residents Arising from Use of Movable Property in Leasing Business in Labuan

Withholding tax exemption with effect from 25.10.1997 on income of a non-resident person arising from the use of any movable property by an offshore company licensed under the Offshore Banking Act 1990 or approved by the Labuan Offshore Financial Services Authority (LOFSA) to carry out leasing business in Labuan (PU (A) 69/98).

37. Income of Unit Trusts Sponsored by Federal and State Governments

All income of unit trusts sponsored by Federal and State Governments are exempted from tax for Y/A 2000 (cyb) and Y/A 2001 (PU (A) 48/2000).

38. Income of Venture Capital Companies

Income tax exemption of income from all sources of up to 10 years or equivalent to the life span of the fund, whichever is lesser, with effect from Y/A 2000 (cyb) (PU (A) 211/2001). Interest income arising from savings or fixed deposits and profits from syariah-based deposits has been excluded with effect from Y/A 2003 (PU (A) 75/2005).

39. Tax Credit for Banks/Insurance Companies/Stockbroking Firms Undergoing Mergers

Tax credit of a sum equivalent to half of the losses suffered by the acquired bank/insurance company/stockbroking firm at prevailing income tax rate be given to the acquiring bank/insurance company/stockbroking firm against tax suffered for 2 years of assessment immediately following the year of assessment in which the merger is completed (2000 Budget).

40. Interest or Profits from the Banking/Leasing Business or both in Excess of 8% Annual Growth by Banking Institutions

Income tax exemption on adjusted income for licensed banks and finance companies in respect of interest or profit from the banking or leasing business or both derived within the period 1.1.2000 to 31.12.2000 in excess of an 8% annual growth in the year 2000 (PU (A) 420/2003).

INCOME OF COMPANIES, CLUBS AND OTHER ORGANISATIONS (CONT'D)

41. Income Derived from Promotion of Conferences Held in Malaysia

Tax exemption on the statutory income of resident conference promoters derived from organising conferences held in Malaysia with at least 500 foreign participants with effect from Y/A 1997 (PU (A) 500/2000).

42. Income from Export of Qualifying Services

Income tax exemption equivalent to 10% of the value of increased export of qualifying services provided in or from Malaysia to foreign clients but not exceeding 70% of the statutory income for a year of assessment effective from Y/A 1999 or Y/A 2001 depending on the type of qualifying services provided (PU (A) 154/2001).

The income tax exemption will be increased to 50% of the value of increased exports with effect from Y/A 2002 (PU (A) 57/2002).

43. Interest from Bonds and Securities Issued by Pengurusan Danaharta Nasional Bhd

Tax exemption (including withholding tax) on interest received from such bonds and securities issued within and outside Malaysia effective from Y/A 1999 (PU (A) 220/2001).

44. Royalty Income of Non-Resident Franchisors

Royalty income received by non-resident franchisors from private institutions of higher learning for franchised education schemes approved by the Ministry of Education is exempt from tax effective from 20.10.2001 (PU (A) 135/2002).

45. Income Derived from Organising International Trade Exhibitions in Malaysia

Income tax exemption on income derived from organising international trade exhibitions approved by MATRADE held in Malaysia and the organiser brings in at least 500 foreign visitors per year with effect from Y/A 2002 (PU (A) 113/2002).

46. Income of Non-Residents from Rental of ISO Containers

Income from rental of ISO containers received by non-residents from shipping companies in Malaysia is exempt from tax with effect from 20.10.2001 (PU (A) 210/2002).

47. Grant or subsidy received from Federal and State Government

Statutory income of any person in relation to a source of income derived from the allocations given by the Federal and State Government in the form of grant or subsidy effective from Y/A 2002 (PU (A) 33/2003).

48. Exemption on income derived by an approved offshore trading company

Income tax exemption on approved offshore trading company in respect of the chargeable income derived from offshore trading in accordance with a formula for a period of five (5) consecutive years of assessment commencing from the year of assessment in which the approval is given. Effective from 20 October 2001 (PU (A) 152/2003).

49. Discount or profit received from Bonds or Securities Issued by Pengurusan Danaharta Nasional Bhd or Danaharta Urus Sendirian Berhad

Tax exemption (including withholding tax) on discount or profit received from sale of bonds or securities issued at a discount and without interest payable within and outside Malaysia effective from Y/A 1999 (PU (A) 153/2003).

50. Income of a Malaysian International Trading Company (MITC) approved by the Malaysia External Trade Development Corporation

Income tax exemption equivalent to 10% for the year of assessment 2002 of the value of increased export derived from export sales (but not exceeding 70% of the statutory income) for 5 (five)

INCOME OF COMPANIES, CLUBS AND OTHER ORGANISATIONS (CONT'D)

consecutive years of assessment starting from the year of assessment in which the MITC first qualifies for the exemption (PU (A) 60/2002). With effect from the year of assessment 2003, the rate of 10% has been increased to 20% (PU (A) 181/2003).

51. Income of Venture Capital Management Companies

Income tax exemption on income arising from profit sharing agreements with a venture capital company effective from Y/A 2003 (PU (A) 77/2005).

52. Certain income of specific insurance and Takaful operators

Income tax exemption in respect of the statutory income of selected insurance companies (as specified in the Gazette Order) in relation to their sources of income derived from the Employees Provident Fund Annuity Scheme Fund which is managed by them. The exemption order is effective from 1 July 2000 (PU (A) 288/2005).

53. Income from cemeterial grounds, columbarium, etc

Income tax exemption to qualifying persons in respect of the statutory income in relation to its income received or derived from managing public cemeterial ground. This exemption order is effective from Y/A 2004 (PU (A) 266/2005).

54. Income arising from the provision of Qualifying Services by Operational Headquarters (OHQ) in Malaysia

Full tax exemption on income arising from qualifying services rendered to its related companies overseas for 10 years effective from Y/A 2003 onwards. In addition, tax exemption is given to income from qualifying services rendered to related companies in Malaysia provided that the income does not exceed 20% of the total income from qualifying services (PU (A) 307/2005).

55. Income of Regional Distribution Centres (RDC) and International Procurement Centres (IPC)

Income tax exemption given to RDCs and IPCs for 10 years. This exemption order is effective from Y/A2003 onwards (PU (A) 308/2005 and PU (A) 309/2005).

56. Income received from an approved MSC status company by a non-resident company

Income tax exemption given to a non-resident company which receives the following types of income from an approved MSC status company:

- a) payment for technical advice or technical services;
- b) licensing fees in relation to technology development; and
- c) interest on loans for technology development.

This exemption order is effective from 1 October 2002 (PU (A) 102/2005).

Note: All references to Sch 6 in this section on “Income exempt from taxes” refer to Sch 6 of the ITA 1967. “cyb” refers to current year basis and “pyb” refers to preceding year basis.