RSM Tax Consultants (Malaysia) Sdn Bhd (283706-D)

eNewsletter 10/2021

- Accelerated Capital Allowance for Machinery and Equipment Including Information and Communication Technology Equipment
- Tax deduction for personal protective equipment expenditure

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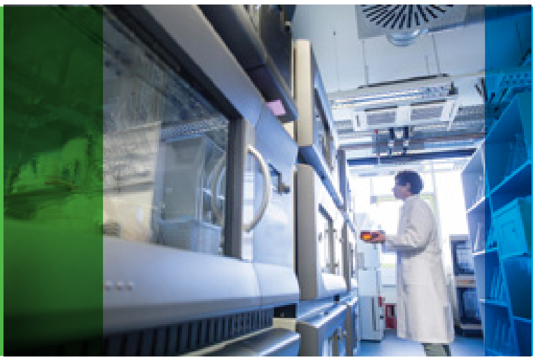


Accelerated Capital Allowance for Machinery and Equipment Including Information and Communication Technology Equipment

The Income Tax (Accelerated Capital Allowance) (Machinery and Equipment Including Information and Communication Technology Equipment) Rules 2021 [P.U.(A) 268/2021] dated 15 June 2021 has been gazetted by the Government.

The Accelerated Capital Allowance (ACA) was first announced under the Economic Stimulus Package in February 2020 to aid businesses that are affected by the impact of COVID-19 and the incentive period was announced to expire on 31 December 2020. It was extended to 31 December 2021 under the PENJANA Package announced in June 2020.

The Rules which are effective from Year of Assessment (YA) 2020, is applicable to a person who has incurred qualifying plant expenditure on machinery and equipment including information and communication technology (ICT) equipment (as specified below) in the basis period for a year of assessment from **1 March 2020 until 31 December 2021** and used for the purpose of his business subject to the prescribed conditions.

Qualifying plant expenditure for the purpose of the Rules means a capital expenditure incurred under paragraph 2 of Schedule 3 to the Income Tax Act 1967 (ITA) in relation to provision of machinery and equipment including ICT equipment but excluding motor vehicle.

The list of qualifying ICT equipment under the Rules is as follows:

1. Access control system
2. Banking systems
3. Barcode equipment
4. Bursters / decollators
5. Cables and connectors
6. Computer Assisted Design (CAD)
7. Computer Assisted Manufacturing (CAM)
8. Computer Assisted Engineering (CAE)
9. Card readers
10. Computers and components
11. Central Processing Units (CPU)
12. Storages
13. Screens
14. Printers
15. Scanners / readers
16. Accessories
17. Communications and networks

The person who incurred the qualifying plant expenditure within the above qualifying period may claim the ACA which is fully claimed within a 2-year period, i.e., initial allowance at 20% and annual allowance at 40% which is generally at a faster rate than regular capital allowance rates.

A person who incurred qualifying plant expenditure under a hire purchase agreement shall be deemed to be the owner of that asset if the asset is used for the purpose of his business.

The qualifying plant expenditure incurred by that person in the basis period for a year of assessment is the capital portion of installment payments or the aggregate of payments (where there are more than one installment payments) that have been made in that basis period based on the terms and conditions of the hire purchase agreement.

The Rules shall not apply to a person who has made a claim in relation to the same qualifying plant expenditure under :-

(a) Income Tax (Accelerated Capital Allowance) (Automation Equipment) Rules 2017 [P.U.(A) 252/2017]; or

(b) Income Tax (Exemption) (No. 8) Order 2017 [P.U.(A) 253/2017].

RSM's comment

A taxpayer who filed its Tax Return for YA 2020 may consider to revise its income tax computation and submit a revised Tax Return in order to claim the accelerated capital allowance (ACA) rate of 40% on the qualifying plant expenditure incurred. The revision must be made within five years after the end of the year the ACA Rules are gazetted, i.e. by 31 December 2026.

Tax deduction for personal protective equipment expenditure

The Income Tax (Deduction for Expenses in Relation to the Cost of Personal Protective Equipment) Rules 2021 [P.U.(A) 269/2021] dated 15 June 2021 has been gazetted by the Government.

This deduction was first announced under the Economic Stimulus Package in February 2020.

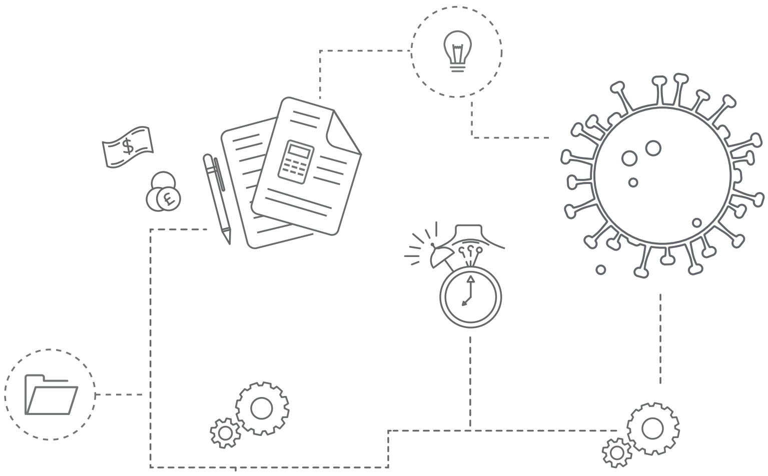
The Rules which are effective from YA 2020, allow tax deduction to an employer on the cost of personal protective equipment (PPE) incurred in its business from **1 March 2020**.

For the purpose of these Rules, unless the context otherwise requires, "cost of PPE" is defined as expenditure incurred by the employer for the purpose of prevention and protection of its workers from Coronavirus Disease 2019 (COVID-19).

The Rules shall not apply to an employer which has made a claim in relation to the cost of PPE under :-

(a) capital allowances for qualifying expenditure under Schedule 3 of the ITA; or

(b) ACA under Income Tax (Accelerated Capital Allowance) (Machinery and Equipment Including Information and Communication Technology Equipment) Rules 2021 [P.U.(A) 268/2021].



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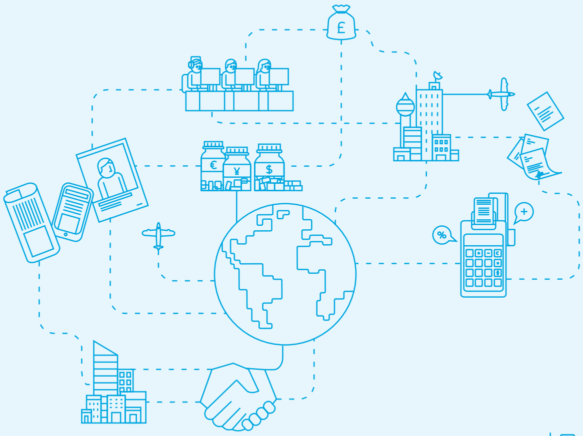

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