



INLAND REVENUE BOARD OF MALAYSIA

TAX INCENTIVES FOR BIONEXUS STATUS COMPANIES

PUBLIC RULING NO. 8/2018

Translation from the original Bahasa Malaysia text

DATE OF PUBLICATION: 9 OCTOBER 2018



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INLAND REVENUE BOARD OF MALAYSIA Date of Publication: 9 October 2018

Published by

Inland Revenue Board of Malaysia

First edition

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DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 [ITA] provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General of Inland Revenue in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**

1. Objective

The objective of this Public Ruling (PR) is to explain the tax treatment in respect of tax incentives for a BioNexus Status Company (BSC) in Malaysia.

2. Relevant Provisions of the Law

- 2.1 This PR takes into account laws which are in force as at the date this PR is published.
- 2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 2 and 8.
- 2.3 The relevant subsidiary legislations referred to in this PR are as follows:-
 - 2.3.1 Income Tax (Exemption) (No. 17) Order 2007 [P.U. (A) 371/2007];
 - 2.3.2 Income Tax (Exemption) (No. 18) Order 2007 [P.U. (A) 372/2007];
 - 2.3.3 Income Tax (Exemption) (No. 2) Order 2009 [P.U. (A) 156/2009]; and
 - 2.3.4 Income Tax (Industrial Building Allowance) (BioNexus Status Company) Rules 2007 [P.U. (A) 374/2007].

3. Interpretation

The words used in this PR have the following meaning:

- 3.1 "Resident" means resident in Malaysia for the basis year for a year of assessment by virtue of section 8 of the ITA.
- 3.2 "Chargeable income" in relation to a person and a year of assessment (YA), means chargeable income ascertained in accordance with the ITA.
- 3.3 "Statutory income" in relation to a person, a source and a year of assessment, means statutory income ascertained in accordance with the ITA.
- 3.4 "Adjusted income" in relation to a source and a basis period, means the adjusted income ascertained in accordance with the ITA.
- 3.5 "Qualifying Building Expenditure" (QBE) means capital expenditure incurred on the construction or purchase of a building under paragraph 3 of Schedule 3 of the ITA but does not include capital expenditure incurred on buildings used for storage or as living accommodation which are provided wholly or partly for

the use of a director or an individual who is a member of the management, administrative or clerical staff.

3.6 "Qualifying Capital Expenditure" (QCE) means capital expenditure incurred on an asset used in Malaysia for the purpose of a new business or an expansion project, as the case may be:-

- a) in relation to manufacturing or manufacturing based research, a factory, a building used for activity of research and development, plant and machinery; or
- b) in relation to agriculture or agriculture based research, the clearing and preparation of land, the planting of crops (first planting or planting of trial crops), the provision of irrigation or drainage system, the provision of plant and machinery, the purchase or construction of a building used for the activity of research and development, or the activity of agriculture (including those provided for the welfare or living accommodation of persons who are working in the farm), construction of access roads, bridge and any permanent structure improvement on land which formed as part of the land used for the business:

Provided that such qualifying capital expenditure shall not include capital expenditure incurred on buildings used as living accommodation, plant and machinery which are provided wholly or partly for the use of a director or an individual who is a member of the management, administrative or clerical staff.

3.7 "New business" means the first approved business undertaken by a BioNexus company.

3.8 "Expansion project" means a project undertaken by a BSC in expanding its existing approved business and that business:-

- a) has not been granted (or, for the purposes of P.U. (A) 374/2007, has been granted) exemption under Income Tax (Exemption) (No. 17) Order 2007 [P.U. (A) 371/2007] or Income Tax (Exemption) (No. 18) Order 2007 [P.U. (A) 372/2007]; and
- b) involves new investment.

3.9 "Life sciences" mean any of several branches of science, 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.

3.10 "BioNexus Status Company" (BSC) means a company incorporated under the Companies Act 2016 which is engaged in a business of life sciences.

4. Introduction

The National Biotechnology Policy for sustainable biotechnology development in Malaysia was launched in 2005. Malaysian Bioeconomy Development Corporation Sdn Bhd (Bioeconomy Corporation), which was formerly known as Malaysian Biotechnology Corporation Sdn Bhd, was established as a specialized and professional implementing agency to:–

- (a) oversee the development of the Malaysian biotechnology industry, under the jurisdiction of the Ministry of Science, Technology and Innovation;
- (b) focus on attracting investments, seeking partnership opportunities and supporting local biotechnology entrepreneurs in setting up their businesses; and
- (c) provide funding to BioNexus status companies under its Biotechnology Commercialisation Fund Facility Programme.

5. BioNexus Status Companies

5.1 BioNexus status

BioNexus status is a special status awarded to qualified international and domestic biotechnology companies undertaking value-added biotechnology or life sciences activities. A company which has been awarded the BioNexus status would be able to enjoy fiscal incentives, funding assistance and other benefits to assist the growth of the company.

5.2 Application for BioNexus status and tax incentives

All applications for the BioNexus Status and tax incentives must be submitted to Bioeconomy Corporation. Bioeconomy Corporation has been entrusted to assess and certify applications for tax incentives for BSC in accordance with the relevant income tax rules and exemption orders. The BioNexus status and tax exemption incentive is subject to the approval of the Minister of Finance.

For further information on Bioeconomy Corporation and the Guidelines for BSC Registration, please refer to the Malaysian Bioeconomy Development Corporation Sdn Bhd website at www.bioeconomycorporation.my.

5.3 Incentives for BSC

- (a) Tax exemption for an approved BSC

A company resident in Malaysia which has been approved as a BSC is exempted from the payment of tax, in relation to a new business or an expansion project either in respect of its:–

- (i) statutory income under the Income Tax (Exemption)(No. 17) Order 2007 [P.U. (A) 371/2007]; or
- (ii) statutory income equivalent to an allowance of 100% of the qualifying capital expenditure (QCE) incurred under the Income Tax (Exemption)(No. 18) Order 2007 [P.U. (A) 372/2007]

for a specified number of years of assessment (YAs) in accordance with the relevant above-mentioned Income Tax (Exemption) Orders.

(b) Further exemption

After the exempt YAs as mentioned in paragraph 5.3 (a) above has ended, the approved BSC may be granted a further tax exemption on its statutory income from an approved business for a period of 10 consecutive YAs under the Income Tax (Exemption)(No. 2) Order 2009. The statutory income that is exempted is computed based on a formula.

(c) Industrial building allowance

A BSC may claim industrial building allowance for buildings used solely for qualifying activities at the rate of 10% annually under the Income Tax (Industrial Building Allowance) (BioNexus Status Company) Rules 2007.

6. Tax Incentives

6.1 Tax Exemption on Statutory Income

A company resident in Malaysia which is engaged in the business of life sciences and approved as a BSC may enjoy a tax exemption in relation to:-

- (a) a new business, for a period of ten consecutive YAs, in respect of the statutory income commencing from the first year of assessment (YA) in which the company derived statutory income from the new business; or
 - (b) an expansion project, for a period of five consecutive YAs, in respect of the statutory income from its existing approved business and expansion project, commencing from the first YA in which the company derived the statutory income from the existing approved business and the expansion project, and that first YA shall not be earlier than the YA in respect of the basis period in which the date of approval from the Minister falls.
-

However, the exemption for the expansion project is only granted if the company has not been granted an exemption for its existing approved business under the Income Tax (Exemption)(No. 18) Order 2007 [P.U. (A) 372/2007] and that business involves new investment.

(the ten consecutive YAs or five consecutive YAs is referred to as “the exempt YAs”).

For the purpose of this PR, "new investment" means additional capital investment for existing biotechnology activities that will increase existing production capacity or produce related products in the same industry.

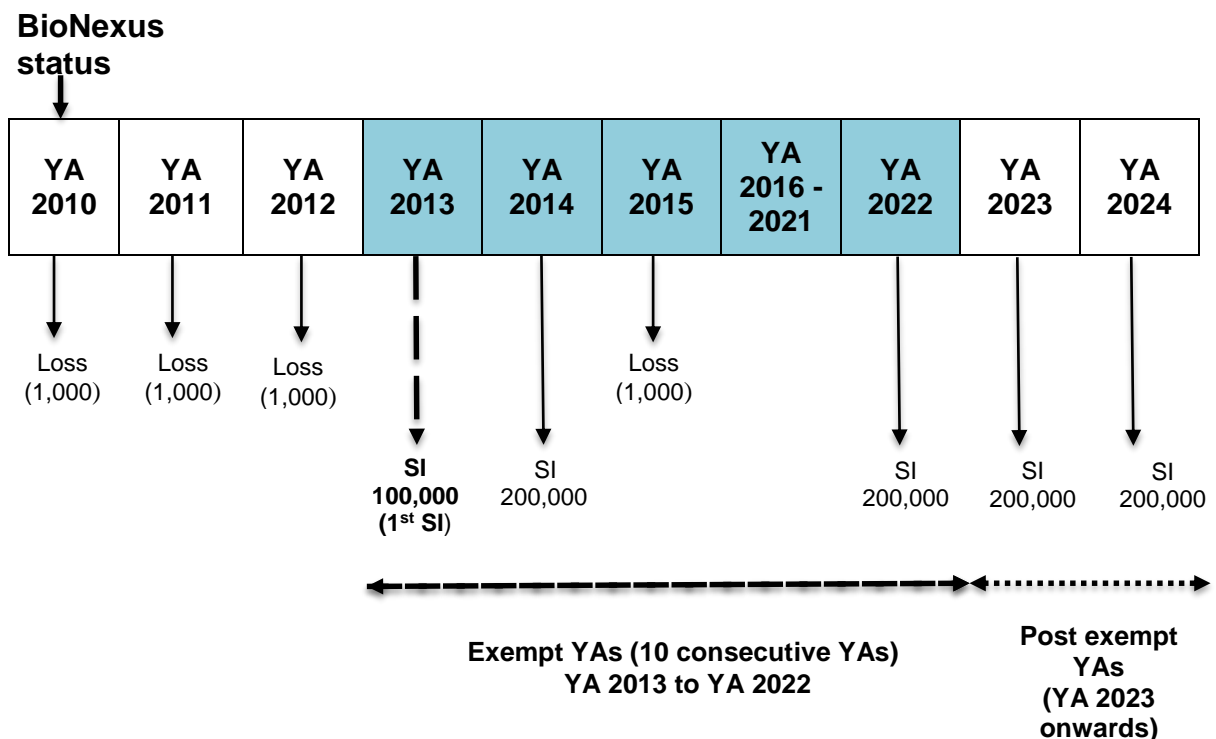
For more information, please refer to the Guidelines on Incentives Accorded to the BSC issued by Bioeconomy Corporation.

A. New Business Scenarios

Example 1: Company commences business

XLR8 Agro Sdn Bhd commenced its business in 2010 and was engaged in an approved biotechnology activity. The company was granted BioNexus Status in the YA 2010 and derived its first statutory income (SI) in YA 2013. The company’s financial year ends on 31 December annually.

Exempt YAs and Post Exempt YAs

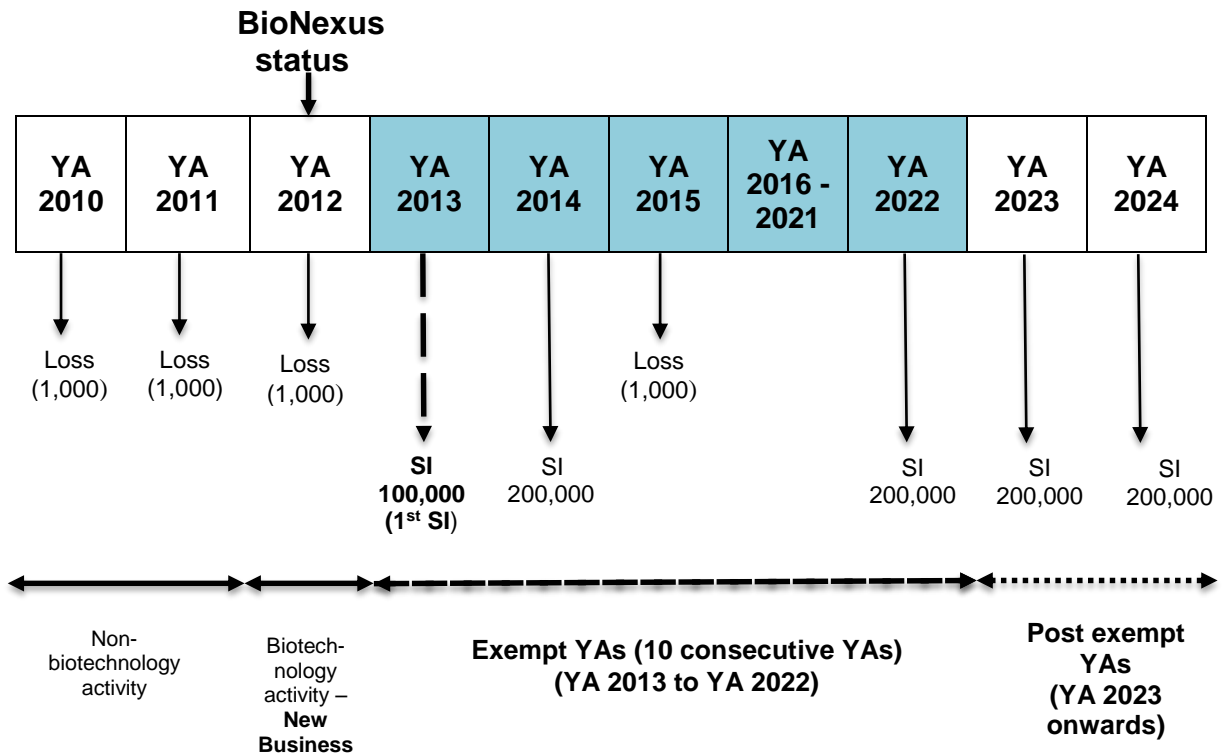


As XLR8 Agro Sdn Bhd derived its SI from its new business for the first time in the YA 2013, the 10 consecutive exempt YAs commences from YA 2013 to YA 2022. The post exempt YA is from YA 2023 onwards.

Example 2: Company commences a non-biotechnology business and subsequently undertakes research and development in an approved biotechnology activity

Same facts as in Example 1 except that XLR8 Agro Sdn Bhd was not engaged in any approved biotechnology activity. In 2011, the company undertook research and development of an approved biotechnology activity and applied for BioNexus status which was granted in the YA 2012. The approved biotechnology activity would qualify as a new business and the company derived its first SI in YA 2013.

Exempt YAs and Post Exempt YAs

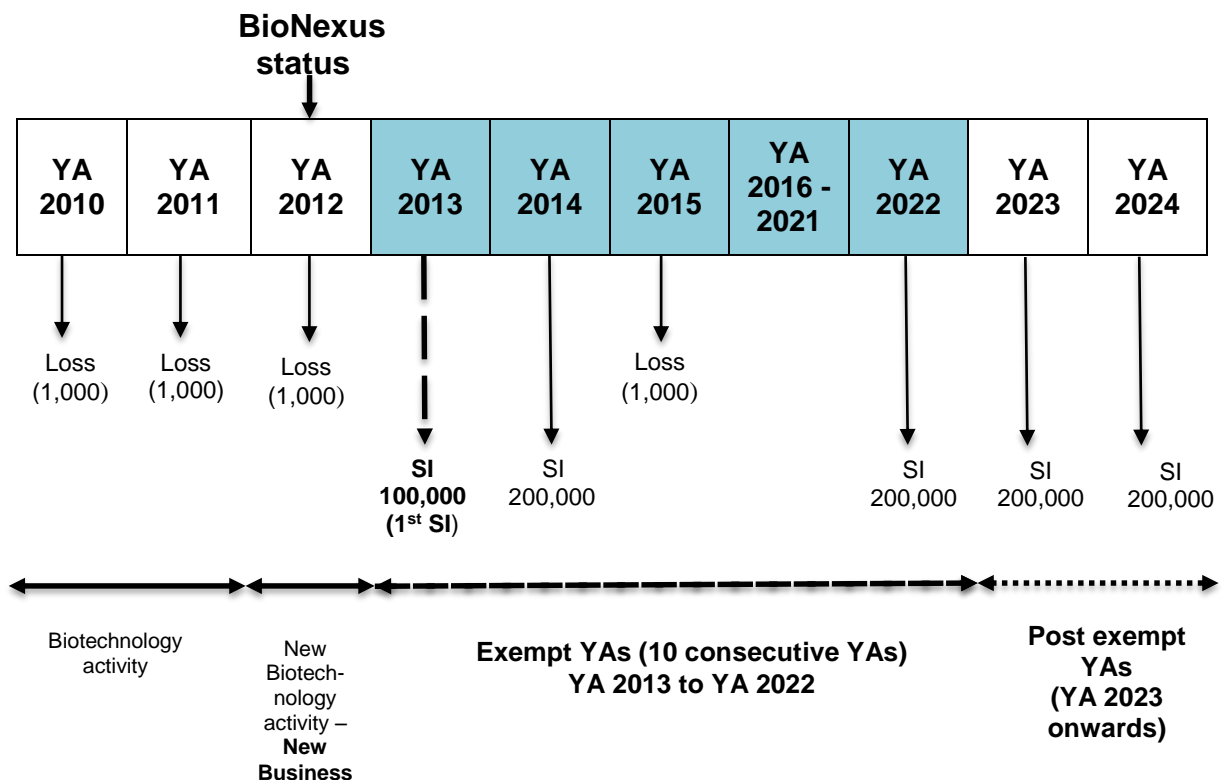


As XLR8 Agro Sdn Bhd derived its SI from its new biotechnology business for the first time in the YA 2013, therefore the 10 consecutive YAs commences from YA 2013 to YA 2022. The post exempt YAs is from YA 2023 onwards.

Example 3: Company commences an approved biotechnology activity and subsequently undertakes a new additional approved biotechnology activity

Same facts as in Example 1 except that XLR8 Agro Sdn Bhd was not granted BioNexus status in 2010 as it did not apply for the status. In 2012, the company carried out a new additional biotechnology activity and applied for BioNexus status. The company was granted the BioNexus status in the same year. The new additional biotechnology activity which is not related to the existing biotechnology activity constitutes the first approved business and qualifies as a new business. The company derived its first SI in YA 2013.

Exempt YAs and Post Exempt YAs



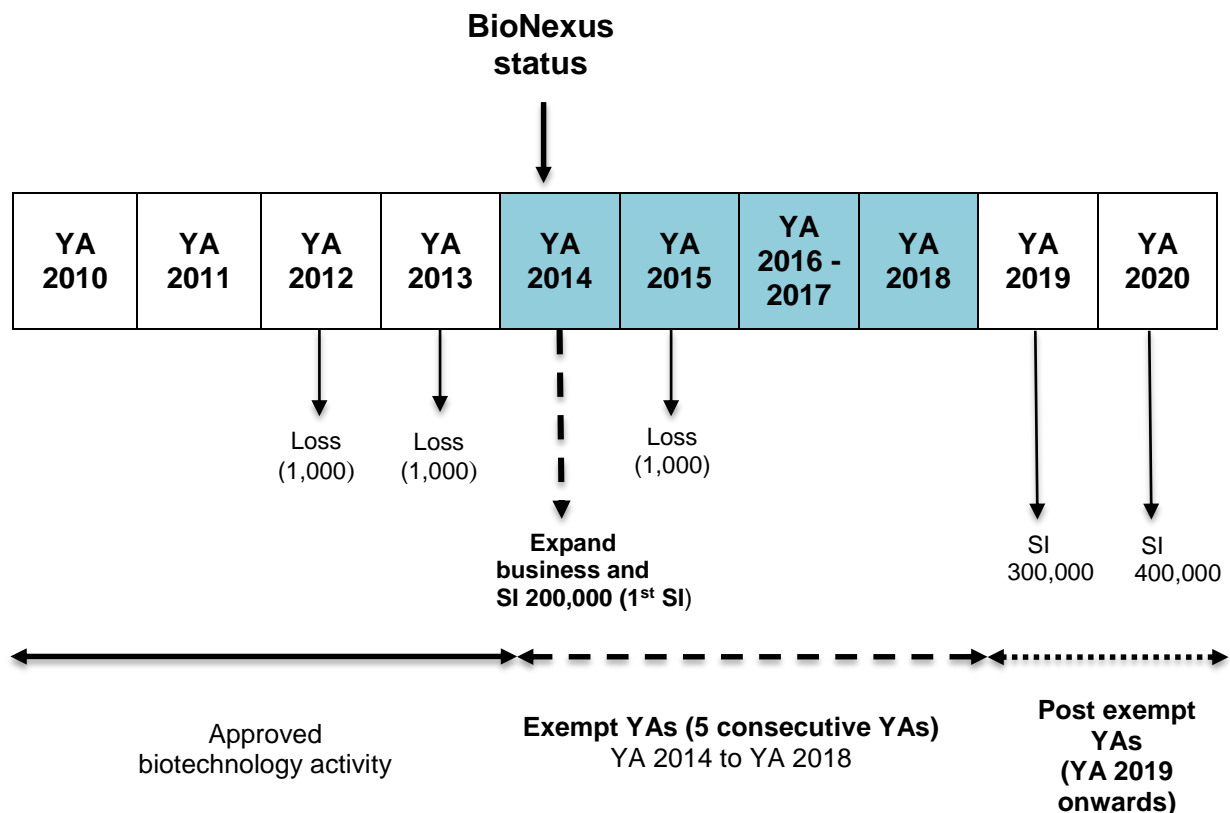
As XLR8 Agro Sdn Bhd, a BSC derived its SI from its new biotechnology business for the first time in the YA 2013, the 10 consecutive YAs commences from YA 2013 to YA 2022. The post exempt YAs is from YA 2023 onwards.

B. Expansion Project Scenario

Example 4: Company commences an approved biotechnology activity and subsequently expands its existing biotechnology activity

Chromos Industries Sdn Bhd commenced its business in 2010 and was engaged in an approved biotechnology activity. In 2014, the company expanded its biotechnology activity and applied for BioNexus status. The company was granted BioNexus status in the same year. The expansion of the existing biotechnology activity constitutes an expansion project and qualifies for exemption in respect of SI from its existing approved business and expansion project. The company's financial year ends on 31 December annually. The company derived its first SI in YA 2014.

Exempt YAs and Post Exempt YAs



As the company derived its SI from the existing approved business and the expansion project from the YA 2014, therefore the 5 consecutive YAs commences from YA 2014 to YA 2018. The post exempt YA is from YA 2019 onwards.

6.2 Tax Exemption on Statutory Income Equivalent to an Allowance of 100% of the Qualifying Capital Expenditure

A company resident in Malaysia which is engaged in the business of biotechnology activities and approved as a BSC may enjoy a tax exemption in respect of its statutory income from a new business or an expansion project, which is equivalent to an allowance of 100% of QCE incurred in the basis period for a YA within a period of five years.

The date of commencement of the exemption period is determined by Bioeconomy Corporation and in relation to:–

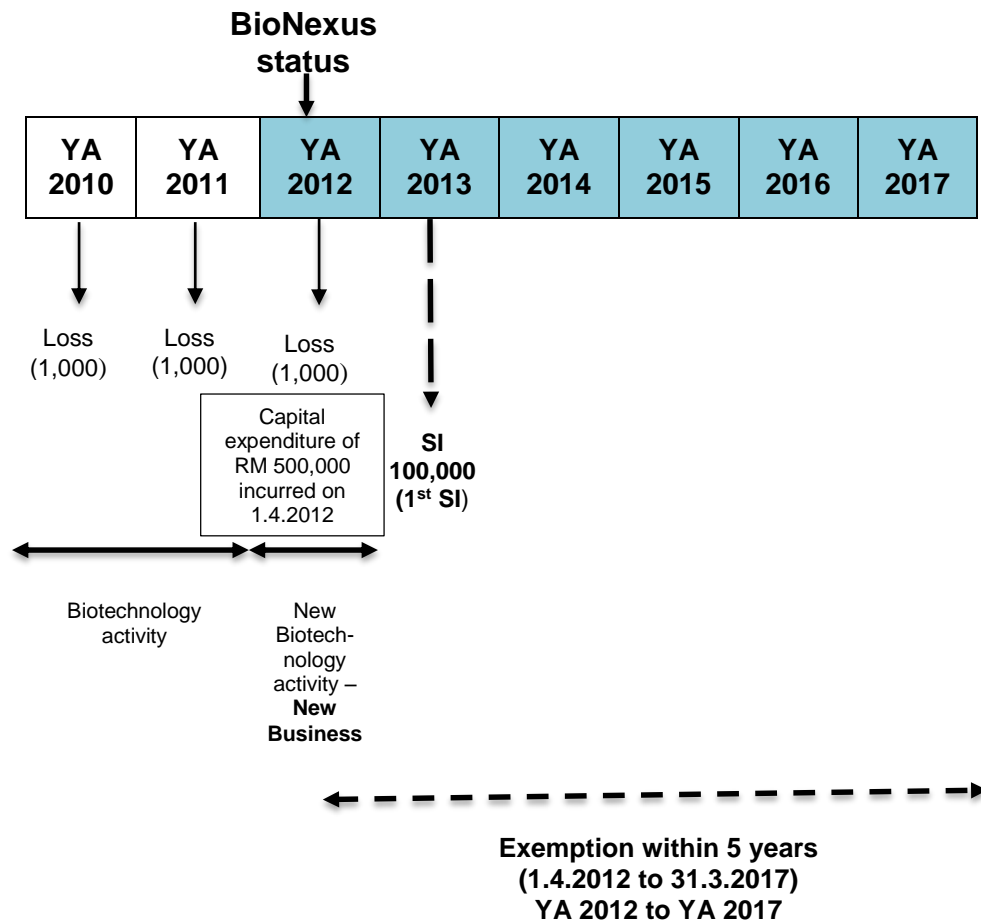
- (a) a new business, the date the first QCE has been incurred and that date is:-
 - (i) not earlier than 1.5.2005; or
 - (ii) three years from the date of approval as a BSCwhichever is later; or
- (b) an expansion project, on the date the first qualifying capital expenditure has been incurred and that date is not earlier than the date of application received by Bioeconomy Corporation.

However, the exemption for the expansion project is only granted if the company has not been granted an exemption for its existing approved business under the Income Tax (Exemption)(No. 17) Order 2007 [P.U. (A) 371/2007] and that business involves new investment.

Example 5: New business incurred capital expenditure

Same facts as in Example 3 but XLR8 Agro Sdn Bhd did not apply and was not granted a tax exemption under the Income Tax (Exemption)(No. 17) Order 2007 [P.U. (A) 371/2007]. The company incurred capital expenditure amounting to RM500,000 on 1.4.2012. The company applied for BioNexus status and a tax exemption under the Income Tax (Exemption)(No. 18) Order 2007 [P.U.(A) 372/2007] on 15.4.2012 and was approved on 1.5.2012. Bioeconomy Corporation determined the date of the first QCE incurred is on 1.4.2012.

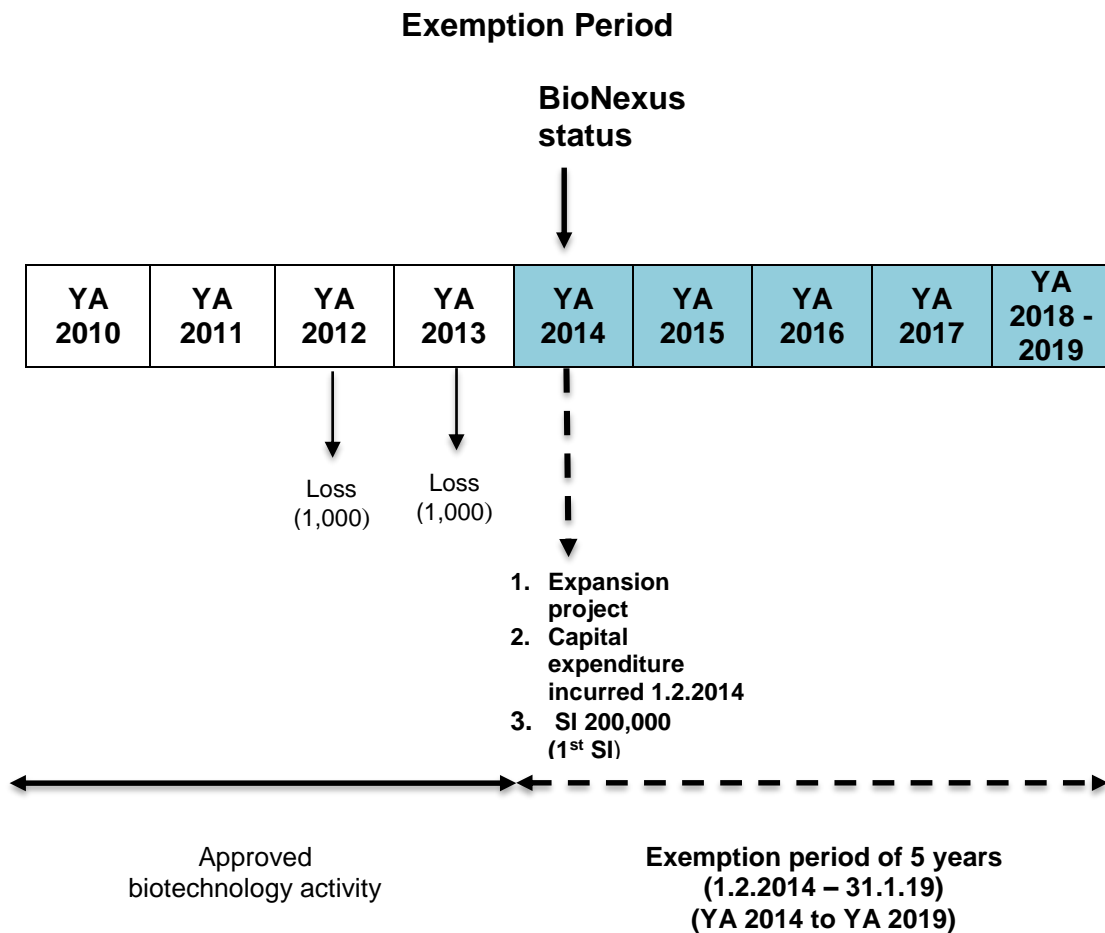
Exemption Period



As Bioeconomy Corporation has determined the date of the first QCE incurred is 1.4.2012, the allowance of 100% of the QCE against the statutory income is granted for a five year period i.e. from 1.4.2012 to 31.3.2017. As 1.4.2012 falls in the basis period for the YA 2012, therefore the exemption period falls within YA 2012 to 2017.

Example 6: Expansion project

Same facts as in Example 4 but Chromos Industries Sdn Bhd was not granted an exemption under the Income Tax (Exemption)(No. 17) Order 2007 [P.U. (A) 371/2007]. The company applied for a tax exemption under the Income Tax (Exemption)(No. 18) Order 2007 [P.U.(A) 372/2007] on 15.2.2012 and was approved on 1.3.2012. The company incurred capital expenditure amounting to RM600,000 on 1.2.2014. Bioeconomy Corporation determined the date of the first QCE incurred is on 1.2.2014.



As Bioeconomy Corporation has determined the date of the first QCE incurred is 1.2.2014, the allowance of 100% of the QCE against the statutory income is granted for a five year period i.e. from 1.2.2014 to 31.1.2019. As 1.2.2014 falls in the basis period for the YA 2014, therefore the exemption period falls within YA 2014 to 2019.

Example 7

ABJZ Sdn Bhd (ABJZ) undertakes an approved biotechnology activity by acquiring plant & machinery on 1.4.2012. ABJZ applied for a Bionexus status on 2.1.2014. The company obtained approval as a BSC and a tax exemption under the Income Tax (Exemption) (No. 18) Order 2007 [P.U. (A) 372/2007] on 1.6.2014. The company's financial year ends on 31 December annually. Bioeconomy Corporation determined the company's business commencement date on 1.3.2014 and the date of the first QCE incurred is on 1.4.2012.

ABJZ incurred capital expenditure as follows:

	Details	YA 2012 RM	YA 2013 RM	YA 2014 RM
a.	Plant & Machinery	2,100,000	3,000,000	2,000,000
b.	Furniture & Fittings	100,000	50,000	20,000
c.	Motor Vehicles	300,000	250,000	200,000
	Total	2,500,000	3,300,000	2,220,000

ABJZ's adjusted income are as follows:

Details	YA 2014 RM	YA 2015 RM	YA 2016 RM
Adjusted income /(loss)	(2,500,000)	6,250,000	7,000,000
Capital allowance	364,000	580,000	324,000

Computation of Chargeable Income

	RM	YA 2014 RM	YA 2015 RM	YA 2016 RM
Adjusted income /(loss)		(2,500,000)	6,250,000	7,000,000
Capital allowance – b/f		-	364,000	-
- current		-	580,000	324,000
Statutory income(SI)		-	5,306,000	6,676,000
(-) Qualifying capital expenditure(QCE) for exemption purposes(*)			5,306,000	1,794,000
SI/Chargeable income		-	-	4,882,000
Tax payable @ 24%		-	-	1,171,680
(*) Computation of QCE				
Balance b/f			7,100,000	1,794,000
1. P&M (2012)*	2,100,000			
2. P&M (2013)*	3,000,000	5,100,000	-	-
(+) current year				
1. P&M (2014)		2,000,000		
(-) absorbed		-	5,306,000	1,794,000
Balance c/f		7,100,000	1,794,000	-

Note: (*) – qualifying capital expenditure is deemed incurred in YA 2014 (business commenced).

As Bioeconomy Corporation has determined the date of the first QCE incurred is 1.4.2012, the allowance of 100% of the QCE against the statutory income is granted for a five year period i.e. from 1.4.2012 to 31.3.2017. As 1.4.2012 falls in the basis period for the YA 2012, therefore the exemption period falls within YA 2012 to 2017.

6.3 Further Tax Exemption on Statutory Income

A BSC that has enjoyed either an exemption of statutory income or statutory income equivalent to an allowance of 100% of the qualifying capital expenditure incurred during the period of exemption may enjoy a further incentive. The BSC may be further exempted from the payment of income tax by being subject to tax at a rate equivalent to 20% in respect of statutory income derived from an approved business (new business or expansion project) for a period of ten (10) consecutive YAs after the end of the period of exemption. The exempted statutory income is determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

Where:

- A is the amount of tax charged on the chargeable income of the approved company from qualifying activities at the prevailing tax rate reduced by the amount of tax charged on such chargeable income at the rate of twenty per cent;
- B is the amount of tax charged on such chargeable income from qualifying activities at the prevailing tax rate; and
- C is the amount of such chargeable income from qualifying activities.

Exempted statutory income is determined after deducting allowances which fall to be made under Schedule 3 of the ITA although no claim for such allowance has been made.

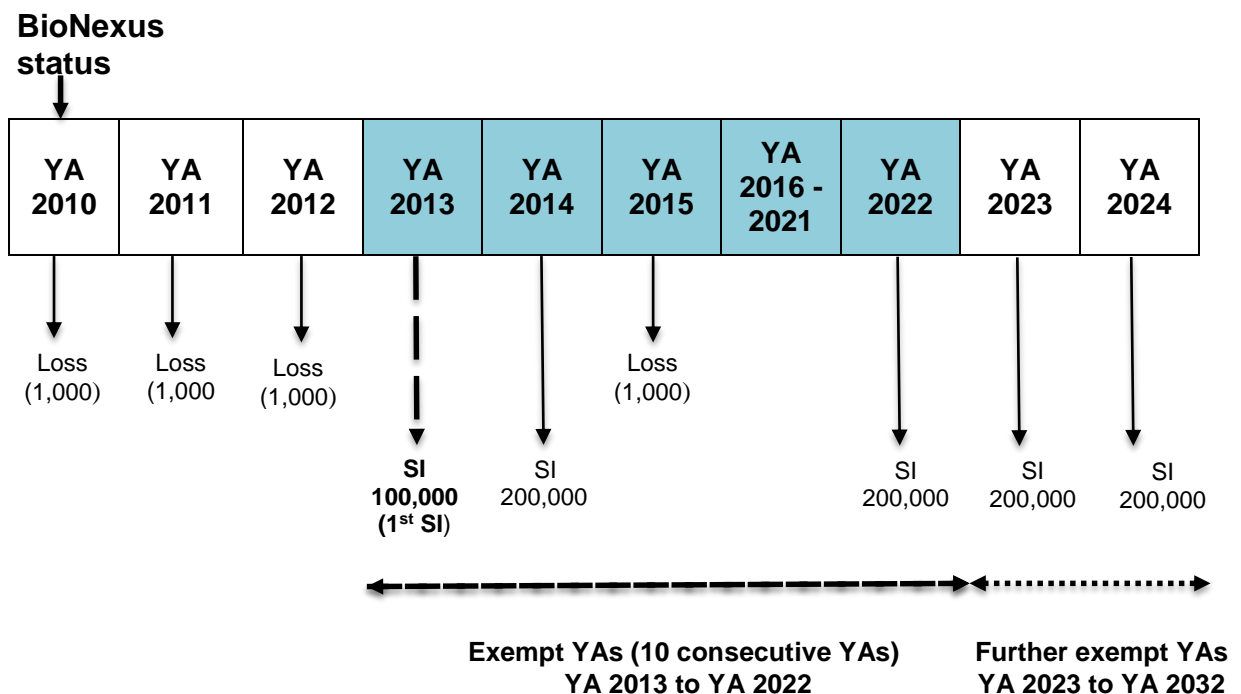
Where an asset used for the purpose of a qualifying activity is also used for the purpose of a business other than the qualifying activity, then the allowances which fall to be made under Schedule 3 of the ITA shall be deducted as is reasonable having regard to the extent to which the asset is used for the purpose of the approved business.

Chargeable income in relation to a qualifying activity for a YA is the statutory income after deducting loss brought forward in relation to that activity [subsection 43(2) of the ITA].

Example 8

CPCB Sdn Bhd (CPCB) is a BSC and its exemption period under the Income Tax (Exemption) (No. 17) Order 2007 [PU (A) 371/2007] ends in the YA 2022. CPCB has obtained a further tax exemption i.e. a concessionary tax rate under Income Tax (Exemption) (No. 2) Order 2009 [PU (A) 156/2009] from the Minister of Finance with effect from the YA 2023.

Exempt YAs and Further Exempt YAs



CPCB's adjusted income is as follows:

Details	YA 2023 RM	YA 2024 RM	YA 2025 RM
Adjusted income	2,500,000	3,250,000	5,000,000
Capital allowance	100,000	250,000	200,000

Computation of Chargeable Income

Details	YA 2023 RM	YA 2024 RM	YA 2025 RM
Adjusted income	2,500,000	3,250,000	5,000,000
Capital allowance	100,000	250,000	200,000
Statutory income	2,400,000	3,000,000	4,800,000
Tax exemption *	400,000	500,000	800,000
Chargeable income	2,000,000	2,500,000	4,000,000
Tax payable @ 24%	480,000	600,000	960,000

Note (*) [Current tax rate is 24%]:

a) YA 2023

$$\frac{[(RM2.4mil \times 24\%) - (RM2.4mil \times 20\%)]}{RM2.4mil \times 24\%} \times RM2.4mil = RM400,000$$

b) YA 2024

$$\frac{[(RM3.0mil \times 24\%) - (RM3.0mil \times 20\%)]}{RM3.0mil \times 24\%} \times RM3.0mil = RM500,000$$

c) YA 2025

$$\frac{[(RM4.8mil \times 24\%) - (RM4.8mil \times 20\%)]}{RM4.8mil \times 24\%} \times RM4.8mil = RM800,000$$

7. Capital Allowances / Industrial Building Allowances

7.1 Capital allowances

The statutory income of a new business or an expansion project in the basis period for each of the exempt YA is to be determined after deducting capital allowances notwithstanding that no claim for such allowances have been made.

Where an asset used for the purpose of the new business or the expansion project, as the case may be, is also used for the purpose of a business other than that new business or expansion project, then the capital allowances shall be deducted as is reasonable having regard to the extent to which the asset

is used for the purpose of the first-mentioned new business or expansion project.

In the absence or lack of adjusted income for a YA, the amount of unabsorbed allowance may be carried forward and deducted in:

- (a) the first subsequent YA the company has statutory income from that new business or expansion project; and
- (b) the subsequent YAs until that total amount is fully utilized.

7.2 Industrial building allowance

A BSC may also claim an industrial building allowance (IBA) at the rate of 10% on the qualifying building expenditures incurred in the basis period for a YA [Income Tax (Industrial Building Allowance) (BioNexus Status Company) Rules 2007 (P.U. (A) 374/2007)].

If a qualifying building expenditure is incurred before the commencement of a new business or a new expansion project, it shall be deemed to have been incurred on the date of commencement of the project.

The date of the first qualifying building expenditure incurred is determined by Bioeconomy Corporation and the date shall not be earlier than 2.9.2006.

Where the BSC's qualifying capital expenditure is incurred on assets or industrial building which are used for purpose of a new business or expansion project and the assets are disposed of at any time within two years from the date of acquisition of the asset, the amount of allowance allowed for such assets or industrial building would be withdrawn in the year of disposal.

Example 9

On 15.04.2015, Ingrid Research Sdn Bhd (IRSB) had been granted an incentive as a BSC and the date of commencement of business for IRSB was on 19.10.2015. On 20.01.2014, IRSB purchased a completed laboratory building with equipment worth RM3.5 million for full use in research and development activities. IRSB accounts are closed on 31st December annually. On 31.12.2016, IRSB disposed the building for RM5.0 million.

The computation of industrial building allowance is from the YA 2015 (year of business commenced) of RM350,000 (10% x RM3.5 million). The qualifying building expenditure is deemed to have been incurred in the YA 2015 when the business commenced.

For YA 2016, IRSB is not eligible to claim the IBA. The IBA allowed in YA 2015 is withdrawn and taxed as part of IRSB's statutory income (by imposing a balancing charge in the YA 2016, that is the year when the building was disposed of).

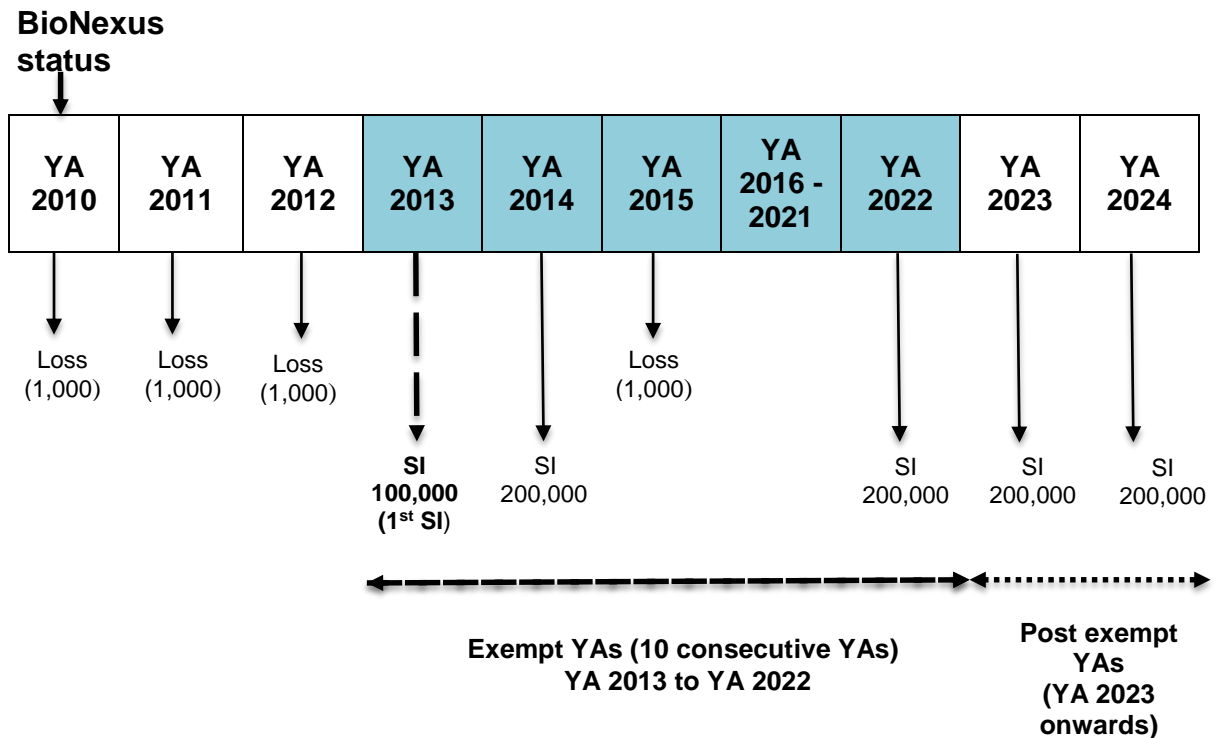
8. Treatment on Losses Incurred by a Bionexus Status Company

Any loss incurred before the exempt YA commences (i.e. after the commencement of a new business or expansion project) and within the period of exemption, may be carried forward to the YA after the exempt period ends and is to be deducted from the statutory income of the new business or expansion project until it is fully absorbed.

The treatment of brought forward losses under Section 43(2) and current year losses under Section 44(2) of the ITA shall not apply to BSC with regard to the losses that have been deducted.

Example 10

Exempt YAs and Post Exempt YAs



Same facts as in Example 1. Accumulated losses of RM3,000 (YA 2010 to YA 2012) before the exempt YA and the loss of RM1,000 (YA 2015) incurred during the exempt YA may be carried forward to the post exempt YA. The accumulated losses of RM4,000 is to be deducted against the statutory income from YA 2023.

9. Deductions for Promotion of Export

Any revenue expenditure under section 33 of the ITA incurred in relation to promotion of export under section 41 of the Promotion of Investment Act, 1986 (PIA) is eligible for deduction and shall be claimed in the YA the expenditure is incurred.

For the purpose of BSC tax incentives, revenue expenditure under section 33 of the ITA in relation to the promotion of exports listed under section 41 of the PIA is eligible for additional deduction and shall be accumulated to be absorbed in the YA after the exempt period ends.

Example 11

Alexis Sdn Bhd has been granted BioNexus status for a new business on 1.1.2014. The 10 year tax exemption period starts in the YA 2014 and will expire in the YA 2023. The company qualifies for deduction for export promotion under Section 41 of PIA as follows:-

YA	RM
2015	25,000
2017	50,000
2021	15,000
Total	90,000

The company is allowed to deduct the above amounts under section 33 of the ITA in the relevant YA. The accumulated amount of additional deduction of RM90,000 may be utilised in the YA 2024, the first YA after the exempt YA and the subsequent YAs until the amount is fully absorbed.

10. Deductions for Research and Development Expenditure

Any research expenditure incurred in relation to research and development (R&D) activities approved by the Minister of Finance under section 34A of the ITA is entitled for double deduction and shall be claimed in the YA the expenditure was incurred.

For the BSC tax incentive purposes, deductions for R&D expenditures shall be accumulated and be eligible for deduction in the YA after the exempt period ends. This is to ensure that the benefits of tax deduction can be enjoyed by BSC as the deduction given in the YA after the exemption expires will reduce the adjusted income for the YA. However, the amount of eligible expenditure deductible is equal to the amount of research expenditure incurred.

Example 12

Binbai Sdn Bhd was granted BioNexus status on 1.1.2013. The exempt YAs starts from the YA 2013 and will expire in the YA 2022. The company had incurred the following expenditure for R&D activities approved by the Minister:-

YA	RM
2015	35,000
2017	10,000
2021	15,000
Total	60,000

The company is not allowed to claim the above amounts in the relevant YA. The accumulated amount of RM60,000 may be used in the YA 2023, the first YA after the exempt YA and the subsequent YA.

11. Non-application

The tax incentive under P.U. (A) 371/2007 and P.U. (A) 372/2007 shall not apply to:-

- (a) a new business or an expansion project, as the case may be, that commences after one year from the date of approval or after such extended period approved by the Minister;
- (b) a company in the basis period for a year of assessment which has been granted:-
 - i. deduction under the Income Tax (Allowance for Increased Exports) Rules 1999 [P.U. (A) 128/1999];
 - ii. deduction under the Income tax (Deduction for Cost on Acquisition of a Foreign Owned Company) Rules 2003 [P.U. (A) 310/2003];
 - iii. deduction under the Income Tax (Deduction for Investment in an Approved Food Production Project) Rules 2006 [P.U. (A) 55/2006];
 - iv. exemption on the value of increased exports under the Income Tax (Exemption) (No. 17) Order 2005 [P.U. (A) 158/2005];
 - v. reinvestment allowance under Schedule 7A of the Act;
 - vi. any incentives (except deductions for promotion of exports) under the Promotion of Investments Act 1986;
 - vii. exemption for an approved food production project under the Income Tax (Exemption) (No. 10) Order 2006 [P.U. (A) 51/2006];

- viii. exemption under the Income Tax (Exemption) (No. 40) Order 2005 [P.U. (A) 307/2005];
- ix. exemption under the Income Tax (Exemption) (No. 41) Order 2005 [P.U. (A) 308/2005];
- x. exemption under the Income Tax (Exemption) (No. 42) Order 2005 [P.U. (A) 309/2005];
- xi. exemption for venture capital company under the Income Tax (Exemption) (No. 11) Order 2005 [P.U. (A) 75/2005];
- xii. deduction under the Income Tax (Deduction for Investment in a Venture Company) Rules 2005 [P.U. (A) 76/2005]; or
- xiii. deduction under the Income Tax (Deduction for Investment in a BioNexus Status Company) Rules 2007 [P.U. (A) 373/2007].

12. Withdrawal of Tax Incentives

If a BSC fails to comply with the stipulated conditions, the Minister of Finance reserves the right to withdraw all income tax exemptions that have been granted.

13. Compliance of the Income Tax Act 1967

The approved company is not absolved from complying with any requirement to submit any return or statement of accounts or to furnish any other information under the provision of the ITA.

14. Disclaimer

The examples in this PR are for illustration purposes only and are not exhaustive.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia**

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