

Special Allowances for Small Value Assets in Malaysia

Special allowances for small value assets (hereinafter referred to as “SVA”) have been available since the Year of Assessment (“YA”) 2006. A person may claim the allowance where qualifying plant expenditure (“QPE”) is incurred on such assets, and the assets are used for the purposes of his business.

The amount of QPE that can be claimed in a YA is capped, where certain companies are exempted from this limit, depending on Micro, Small and Medium Companies (hereinafter referred to as “MSMC”) status.

1. Legal Basis and Eligibility Requirements

(1) Legal Basis

Paragraph 19A of Schedule 3 of the Income Tax Act 1967 (hereinafter referred to as “the Act”) provides a special rate of allowance for SVAs, in place of the normal capital allowances under paragraphs 10 and 15 of Schedule 3. The special allowance rate is 100% of the QPE incurred on each small value asset.

To be eligible for claiming the special allowance for SVAs, a person must also meet the general requirements for claiming capital allowances under Schedule 3 of the Act.

(2) Option to Claim

A person may choose to claim either special allowances for SVA or normal capital allowance under Paragraph 10 and 15 of Schedule 3 of the Act. The person is deemed to have elected for special allowances if that person computes the allowance for SVA using the special allowance rate in his tax computation.

If a person has already claimed special allowance for SVA, that person will not be eligible to claim normal capital allowance in respect of the said asset. The person has to consistently apply the capital allowance rate until the total QPE is fully absorbed.

SHENZHEN 深圳

Rooms 1203-06, 12/F.
Di Wang Commercial Centre
5002 Shennan Road East
Luohu District, Shenzhen, China
中國深圳市羅湖區深南東路5002號
地王商業中心12樓1203-06室
T: +86 755 8268 4480

SHANGHAI 上海

Room 1201, 12/F., Tower A
Guangqi Culture Plaza
2899A Xietu Road, Xuhui District
Shanghai, China
中國上海市徐匯區斜土路2899甲號
光啟文化廣場A座12樓1201室
T: +86 21 6439 4114

BEIJING 北京

Room 303, 3/F.
Interchina Commercial Building
33 Dengshikou Street
Dongcheng District, Beijing, China
中國北京市東城區燈市口大街33號
國中商業大廈3樓303室
T: +86 10 6210 1890

TAIPEI 台北

Rooms 7F-702, 7/F., 188 Section 5
Nanjing East Road
Songshan District, Taipei
Taiwan 105411
台灣台北市松山區南京東路五段
188號7樓7F-702室
郵編: 105411
T: +886 2 2711 1324

TOKYO 東京

Rooms 502-03, 5/F.,
Lions Mansion Matsugaya
1-4-6 Matsugaya, Taito, Tokyo
Japan 111-0036
日本東京都台東區松谷1-4-6
獅子大廈5樓502-03室
郵編: 111-0036
T: +81 3 5776 2637

SINGAPORE 新加坡

138 Cecil Street, #13-02 Cecil Court
Singapore 069538
T: +65 6438 0116

KUALA LUMPUR 吉隆坡

Menara Suezcap, Tower 2
E-13A-3A, No. 2 Jalan Kerinchi
Gerbang Kerinchi Lestari
59200 Kuala Lumpur, Malaysia
T: +60 19 2177 344

NEW YORK 紐約

202 Canal Street, Suite 303, 3/F.
New York, NY 10013, USA
T: +1 646 850 5888

LONDON 倫敦

Room 5, 2/F., 39-41 High Street
New Malden, Surrey
KT3 4BY, UK
T: +44 20 3910 8392

(3) Eligibility to Claim SVA

The following persons are not eligible to claim special allowances for small value assets:

- (a) a business trust, or a special purpose vehicle established for asset-backed securitization in a securitization transaction approved by Securities Commission.
- (b) a person who has elected to claim normal capital allowances under Paragraphs 10 and 15 of Schedule 3 of the Act

2. Tax Treatment

Under paragraph 19A(1) and 19A(3) of Schedule 3 of the Act, each SVA must not exceed RM2,000. The total QPE claimed as special allowances in a YA depends on the type of taxpayer:

Tax Treatment	Value of each asset	Maximum QPE per YA
Micro, small and medium company (MSMC)	Not exceeding RM2,000	Unlimited
Non-MSMC and Limited Liability Partnership (LLP)	Not exceeding RM2,000	RM20,000

(1) Micro, Small and Medium Companies

Under subparagraph 19A(3), an MSMC may claim special allowances without any limit on total QPE in a YA. The company must be resident and incorporated in Malaysia and must meet the MSMC criteria. From YA2024, the additional ownership conditions in subparagraph 19A(4)(d) also apply. For more information on MSMC, also referred to as MSME, criteria, kindly refer to our previous publication at <https://www.kaizencpa.com/Knowledge/info/id/2049.html>.

For this purpose, gross income from a business source for a basis period is the full amount of income from that source before any deduction. A company does not qualify for the unlimited claim if it:

- (a) is deemed to have no gross income from a business source, such as an investment holding company that is not listed on Bursa Malaysia;
- (b) has no gross income from a business source under Section 4(a) of the Act but has other income, such as interest and rent under Section 4(c) and 4(d); or
- (c) is a dormant company with no gross income from a business source.

A company that carries on business but receives no gross business income because of a current loss or because of a temporary cessation of operations, is not affected by these exclusions.

(2) Non-MSMC and Limited Liability Partnership (LLP)

Non-MSMCs and LLPs that do not meet the MSMC criteria may still claim special allowances on small value assets, but total QPE is capped at RM20,000 per YA. QPE exceeding RM20,000 does not qualify for the special rate and is eligible for normal capital allowances instead.

3. Assets Acquired on Hire Purchase and Disposal

(1) Hire Purchase

The special allowance is not applicable where the SVA is acquired on hire purchase. However, taxpayers are still able to claim normal capital allowance on assets acquired on hire purchase.

(2) Disposal Of An Asset That Has Received The Special Allowance

Where the SVA has been given the special allowance and is disposed of in the basis period for a YA, a balancing charge can be made if the disposal value is more than the residual expenditure at the date of disposal in accordance to Paragraph 35, Schedule 3 of the Act.

The balancing charge cannot exceed the total capital allowance claimed on the SVA, in accordance to Paragraph 37 Schedule 3 of the Act.

(3) SVA Written Off

Where a SVA has become obsolete or damaged and can neither be repaired nor sold, it is written off and its market value is taken to be nil.

4. Record Keeping

Taxpayers are required to maintain proper records to distinguish which assets have claimed normal capital allowances and which asset has claimed special allowances under SVA and under Section 82A of the Act, such records and documentation must be kept for seven (7) years from the end of the YA in which the Income Tax Return Form is furnished.

For further information, please visit the official website of the Inland Revenue Board of Malaysia at <https://www.hasil.gov.my/en>

KAIZEN Group, together with its associate firms in Malaysia, can help the clients to perform these compliances formalities so as to maintain the Malaysia company in good standing. Please call and talk to our professional accountants in Kaizen for further clarification.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

Email: info@kaizencpa.com

Tel: +852 2341 1444

Mobile : +852 5616 4140, +86 152 1943 4614

WhatsApp/ Line/ Wechat: +852 5616 4140

Skype: kaizencpa