



## SECTION 24(1) INCOME TAX ACT 1967

GLDVSB

V.

DIRECTOR GENERAL OF INLAND REVENUE

PKCP (R) 329-335/2018

 SPECIAL COMMISSIONERS OF INCOME TAX

 PUAN FAJRUL SHIHAR BINTI ABU SAMAH

 30<sup>TH</sup> MAY 2025

The Taxpayer entered into the Sale and Purchase Agreements (SPAs) between 2010 until 2013 to sell lands which were supposed to be subdivided.

The Taxpayer claimed to have only received deposits payment from the sale of lands. The Taxpayer had declared and paid tax for the Year of Assessments (YAs) 2011 until 2015. Upon audit, the Director General of Inland Revenue (DGIR) discovered that the income declared by the Taxpayer was incorrect as it was not based on the full disposal price as stated in the SPAs. The DGIR then raised additional assessments based on the audit findings.

The Taxpayer argued that the phrase ‘debt owing’ and sale of ‘stock in trade’ in Section 24(1)(a) of the Income Tax Act 1967 (ITA 1967) was only applicable to determine the date of accrual of gross income. As the master title was yet to be subdivided, the SPAs did not come into force until all conditions precedent were fulfilled.

In response, the DGIR asserted that Section 24(1) ITA 1967 was a specific provision which dealt with the disposal of stock in trade even when the disposal price was not paid in full under the SPAs. It was further contended that the unpaid balance of the purchase price by the purchasers was considered as “debt owing” to the Taxpayer under the ITA 1967. Therefore, the principle of “condition precedent” adopted by the Taxpayer in determining the relevant years of assessment that ought to be taxed was wrong in law.

The Special Commissioners of Income Tax (SCIT) had on 30.05.2025 dismissed the Taxpayer’s appeal and held that the Taxpayer failed to discharge the burden of proof under Paragraph 13, Schedule 5 ITA 1967. However, the SCIT also held that the DGIR had no legal basis for imposing penalty under Section 113 (2) ITA 1967 against the Taxpayer.

### Editorial Note:

- *The Taxpayer has the right to file an appeal against the decision by the SCIT within 21 days from the date of the decision.*