

SECTION 4, SECTION 4B & SUBSECTION 24(5)  
INCOME TAX ACT 1967



COURTS (MALAYSIA) SDN. BHD.  
(DAHULUNYA DIKENALI SEBAGAI  
COURTS MAMMOTH SDN BHD)

v.

KETUA PENGARAH HASIL DALAM NEGERI  
WA-14-9-01/2024

 HIGH COURT OF KUALA LUMPUR

 YA PUAN ALICE LOKE YEE CHING

 17 MARCH 2026

The Taxpayer appealed against the Deciding Order issued by the Special Commissioners of Income Tax (“SCIT”) dated 4.3.2021 where it was decided that the Taxpayer’s interest income arising from service charges and late-payment interest is taxable under para. 4(c) of the

Income Tax Act 1967 (“ITA 1967”). The issue in the Taxpayer’s appeal is whether the Taxpayer’s interest income, comprising of service charges and late-payment interest, should be taxed under para. 4(a) or para. 4(c) of the ITA 1967.

The Taxpayer contended that the income derived from service charges, including late-payment interest, is income under para. 4(a) of the ITA 1967. The Taxpayer argued that its business involved the sale of specific products, and that the service charges were integrally connected to, or formed part of, the credit-sale transactions for those products. Accordingly, such charges constituted “profits or income arising from the Taxpayer’s business activities”.

On the other hand, The Director General of Inland Revenue (“DGIR”) submitted that the Taxpayer’s interest income could not be treated as business income under para. 4(a) of the ITA 1967, as such income does not fall within the scope of ‘other source’ contemplated under subsection 24(5) of the ITA 1967. The DGIR argued that the expression ‘debenture, mortgage or other source’ in the first limb of subsection 24(5) of the ITA 1967 ought to be construed in line with the established principles of statutory interpretation, specifically the *ejusdem generis* rule. Relying on that rule, the DGIR contended that the general term ‘other source’, which appears after the specific references to ‘mortgage’ and ‘debenture’, should not be interpreted broadly. Rather, its meaning must be limited to sources of the same class or nature as ‘mortgage’ and ‘debenture’.

The Taxpayer also contended that the learned SCIT failed to consider the legislative history of subsection 24(5) of the ITA 1967. The Taxpayer argued that prior to YA 2013, the DGIR had consistently assessed income from service charges, including late-payment interest as business income under para. 4(a) of the ITA 1967. However, following the amendments made in 2013, the DGIR changed its position and began assessing the Taxpayer’s interest income under para. 4(c) of the ITA 1967. The DGIR rejected this contention, maintaining that the shift in tax treatment arose not from the amendments to subsection 24(5) of the ITA 1967, but from the introduction of section 4B of the ITA 1967, which clarified that interest income, save for cases falling within subsection 24(5) of the ITA 1967, cannot be treated as business income.

On 17.3.2026, the Court allowed the Taxpayer’s appeal with no order as to costs.

**Editorial Note:**

- *The DGIR has the right to file an appeal to the Court of Appeal within 30 days from the date of this decision of the High Court.*