



**SECTION 21C OF THE PROMOTION OF  
INVESTMENT ACT 1986**

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**MERIMEN ONLINE SDN BHD  
V.  
DIRECTOR GENERAL OF INLAND REVENUE  
WA-14-17-06/2020**

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 **HIGH COURT KUALA LUMPUR**

 **YA DATO' AMARJEET SINGH A/L SERJIT SINGH**

 **12 JANUARY 2023**

The Taxpayer has been granted Multimedia Super Corridor Malaysia (“MSC”) status with pioneer status for 5 years under Section 6(1AB) Promotion of Investment Act

1986 (“PIA 1986”) effective from 31.07.2008 until 30.07.2013. The Taxpayer has been in operation prior to the grant of the pioneer status.

However, the pioneer status of the Taxpayer has been extended for another 5 years from 31.03.2013 until 30.07.2018.

The Taxpayer requested a ruling from the DGIR to confirm that the Taxpayer’s statutory income during the pioneer period is exempted from income tax pursuant to Section 21C PIA 1986.

In reply, the DGIR clearly mentioned that Section 21C (2A) PIA 1986 is to be read together with the proviso of Section 21C (2) PIA 1986 as the difference between statutory income and value added income is subject to income tax.

The SCIT dismissed the Taxpayer’s appeal. The Taxpayer filed an appeal to the High Court.

The Taxpayer maintained their contention that Ministry of International Trade & Industry has granted 100% tax exemption to the Taxpayer. The Taxpayer further argued that subsection 21C (2) PIA 1986 must be read together with the Bill of Guarantees (“BOG”) as stated in the MSC Malaysia Status Certificate. The Taxpayer claimed that the provisions of PIA 1986 are ambiguous and uncertain.

The DGIR argued that the Taxpayer’s interpretation of the Opening Words of Section 21C (2) PIA 1986 is misconstrued as the provision is referring to a pioneer certificate issued under Section 7 PIA 1986 and not the BOG as stated in the MSC Malaysia Status Certificate.

The proviso to subsection 21C (2) PIA 1986 only exempts the value-added income during the pioneer period as the Taxpayer is already operating in Malaysia prior to the date of application for the pioneer status. Therefore, the calculation of the Taxpayer’s exempted income shall be calculated in accordance with the formula defined under subsection 21C(2A) PIA 1986 and not 100% as alleged by the Taxpayer.

The High Court had on 12.01.2023 dismissed the Taxpayer’s appeal with costs.