



SECTION 33(1) INCOME TAX ACT 1967

IESB

V.

DIRECTOR GENERAL OF INLAND REVENUE
MOF.PKCP.700-7/1/858

 SPECIAL COMMISSIONERS OF INCOME TAX

 PUAN MASTURA BINTI HUSAIN

 19th SEPTEMBER 2025

The Taxpayer appealed against the Notice of Additional Assessment for the year of assessment (YA) 2017. The Taxpayer claimed a deduction for the payment made to

Pulau Pinang State Government under Section 33(1) of the Income Tax Act 1967 (ITA 1967) but was disallowed by the Director General of Inland Revenue (DGIR) as it was to secure an exemption granted by the Pulau Pinang State Government from the obligation to construct and sell low-cost units.

The DGIR argued that the payment was capital in nature. The Taxpayer has chosen not to build low-medium cost houses (original source of income) and instead opted to build commercial units (new source of income) and hence, creating a new source of income. This exemption conferred an enduring benefit, thereby enhancing the Taxpayer's overall profitability and profit margins by selling commercial units.

On 19.09.2025, the Special Commissioners of Income Tax (SCIT) dismissed the Taxpayer's appeal and held that the Taxpayer had failed to prove its case as required under Paragraph 13, Schedule 5 ITA 1967. The SCIT concluded that the DGIR had both legal and factual basis to raise the additional assessment for YA 2017. The SCIT further held that the DGIR was justified in 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 of the SCIT within 21 days from the date of the decision.*