



SECTION 127(3A) INCOME TAX ACT 1967

SACSB

v.

KETUA PENGARAH HASIL DALAM NEGERI
MOF.PKCP.700-7/1/688

 SPECIAL COMMISSIONERS OF INCOME TAX

 PUAN ZAHIDA BINTI ZAKARIA

 19 DECEMBER 2025

In 2013, the Taxpayer has entered into a Lease Agreement to lease 41 acres of land (“the Land”) to HMSB. Under the Lease Agreement, HMSB is also entitled for an option to

lease to the land adjacent to the 41 acres of land and is required to pay an option fee of RM1,400,000.00 to the Taxpayer. The Taxpayer is prohibited from leasing the adjacent land to a third party for a period of two years from the date of the Lease Agreement. However, the adjacent land was never leased to HMSB and payment for option fee of RM1,400,000.00 is made to the Taxpayer in 2016.

In 2016, the Taxpayer has been granted an exemption under Section 127(3A) of the Income Tax Act 1967 (“ITA 1967”) by the Minister of Finance on income received from the disposal of rights over the adjacent land provided that the adjacent land has an added value for the Years of Assessment (“YA”) 2014 to YA 2020. The Taxpayer has not declared the option fee as taxable income in YA 2016. In 2019, the amendment to the 2016 exemption under section 127(3A) of ITA 1967 has been issued by the Minister of Finance. The Director General of Inland Revenue (“DGIR”) has subsequently issued a Notice of Additional Assessment on the grounds that the option fee fails to meet the requirements under the exemption.

The Taxpayer contended that the option fee fulfilled the exemption requirements that has been granted in 2016.

The DGIR has argued that there is no disposal of rights in respect of the adjacent land.

On 19.12.2025, the Special Commissioners of Income Tax (“SCIT”) has allowed the Taxpayer’s appeal.

Editorial Note:

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