



## SECTION 4(a) INCOME TAX ACT 1967

CGLCSB

V.

**DIRECTOR GENERAL OF INLAND REVENUE**  
**MOF.PKCP.700-7/1/1801**

 SPECIAL COMMISSIONERS OF INCOME TAX

 TUAN SHAZRILL BIN GHAZALI

 22 AUGUST 2025

This was an appeal by the Taxpayer against the Notice of Additional Assessment for the year of assessment (YA) 2017. The Taxpayer was a registered moneylender under the Money Lenders Act 1951 and in the business of money

lending including receiving loans from the creditors and giving out loans to the debtors. Pursuant to an audit exercise, the Director General of Inland Revenue (DGIR) had made a finding that an interest income arose from the interest-free loans given out by the Taxpayer and further treated the interest income as the business income under Section 4(a) of the Income Tax Act 1967 (ITA 1967). Dissatisfied with the DGIR's treatment, the Taxpayer filed an appeal to the Special Commissioners of Income Tax (SCIT).

The Taxpayer contended that the interest-free loans related to non-trading loans and hence, did not generate any income. Further, the Taxpayer also contended that the provisions under the ITA 1967 did not provide for the DGIR to deem the giving out on non-trading loans as a transaction that would have an interest income.

In response, the DGIR submitted that in failing to declare the interest income from the interest-free loans had resulted in an understatement of income by the Taxpayer for YA 2017. From the facts have shown that the Taxpayer had segregated two (2) types of loans given namely, (a) interest-bearing loans as Trade Receivables and (b) interest-free loans as Other Receivables. However, the amount of interest-free loans given out was substantially higher than the other. Hence, the Taxpayer's contention that the interest-free loans were non-trading loans which generated no interest income must be substantiated or supported with the relevant documentation.

The SCIT on 22.08.2025 had allowed the Taxpayer's appeal and held that the Taxpayer had successfully proved its case as required under Paragraph 13, Schedule 5, ITA 1967. .

### ***Editorial Note:***

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