



SECTION 60AA & SUBSECTION 33(1)

INCOME TAX ACT 1967

EFTB

V.

DIRECTOR GENERAL OF INLAND REVENUE

MOF.PKCP.700-7/1/846



SPECIAL COMMISSIONERS OF INCOME TAX



PUAN ZAHIDA BINTI ZAKARIA



25 SEPTEMBER 2026

The Taxpayer is a takaful company operating in Malaysia. The Taxpayer disagreed with the Director General of Inland Revenue's ("DGIR") decision to disallow the

Perbadanan Insurance Deposit Malaysia (PIDM) expenses incurred by the Shareholders' Fund in connection with the Family Takaful Fund and General Takaful Fund as deductions under Section 33(1) of the Income Tax Act 1967 ("ITA 1967") for the Years of Assessment ("YA") 2014.

The Taxpayer contended that the PIDM expenses were deductible under Income Tax (Deduction for Payment of Premium to Malaysia Deposit Insurance Corporation) Rules 2013 [P.U.(A) 131/2013] and, alternatively, under subsection 33(1) ITA 1967 as the expenses were wholly and exclusively incurred in the production of the Taxpayer's gross income. The Taxpayer further maintained that section 60AA ITA 1967 did not expressly exclude the application of subsection 33(1) ITA 1967.

The DGIR submitted that section 60AA ITA 1967 constitutes a specific statutory regime governing the computation of a takaful operator's Family Takaful Fund, General Takaful Fund and Shareholders' Fund. Applying the principle of *generalia specialibus non derogant*, the DGIR argued that the specific deductions prescribed under paragraph 60AA(9)(b) ITA 1967 prevail over the general deduction provision in subsection 33(1) ITA 1967. The DGIR further contended that, although the P.U.(A) 131/2013 allowed a deduction for PIDM premiums, it did not specify the fund against which the deduction should be claimed. Subsequently, the Ministry of Finance, through its letter dated 27.07.2017, clarified that such deduction could be claimed under the Shareholders' Fund only for YA 2015 to YA 2017. As the present appeal concerns YA 2014, the said clarification did not apply to the Taxpayer's case. The DGIR nevertheless allowed the PIDM premiums on a concessionary basis under the Family Takaful Fund and General Takaful Fund. The DGIR also maintained that the 45% penalty was validly imposed for the filing of an incorrect return.

On 25.09.2026, the Special Commissioners of Income Tax ("SCIT") held that the Taxpayer had successfully discharged its burden of proof under Paragraph 13, Schedule 5 ITA 1967. Accordingly, the SCIT allowed the appeal and set aside the Notice of Additional Assessment for YA 2014.

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.