



INLAND REVENUE BOARD OF MALAYSIA

SPECIAL ALLOWANCES FOR SMALL VALUE ASSETS

PUBLIC RULING NO. 4/2026

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DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 (ITA) provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General in respect of the particular tax law and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**

1. Objective

The objective of this Public Ruling (PR) is to explain the tax treatment in relation to the special allowances claimed as capital allowance on small value assets.

2. Relevant Provisions of The Law

- 2.1 This PR takes into account laws which are in force as at the date this PR is published.
- 2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are subsections 2(1) and (9), paragraphs 8(1)(b) and (c), section 60F, section 82A, paragraphs 10, 15, 19A, 35, 37, 46 and 61 of Schedule 3.

3. Interpretation

The words used in this PR have the following meaning:

- 3.1 “Resident” means resident in Malaysia for the basis year for a year of assessment by virtue of section 8 of the ITA.
- 3.2 “Balancing charge” refers to the difference where the disposal value of a small value asset exceeds the residual expenditure on the date of the disposal.
- 3.3 “Body of persons” means an unincorporated body of persons (not being a company) including a Hindu Joint Family but excluding a partnership.
- 3.4 “Disposed” means a small value asset is sold, discarded or destroyed or it ceased to be used for the purposes of the business.
- 3.5 “Person” includes a company, a body of persons, a limited liability partnership and a corporation sole.
- 3.6 “Tax computation” means the working sheets, statements, schedules, calculations and other supporting documents forming the basis upon which an income tax return is made which are required to be maintained by the person making the return.
- 3.7 “Qualifying plant expenditure” means capital expenditure incurred on the purchase of small value assets used for the purpose of a business other than assets that have an expected life span less than two (2) years.
- 3.8 “Limited liability partnership” (LLP) means an LLP registered under the Limited Liability Partnership Act 2012 (LLPA) [Act 743].
- 3.9 “Source” means a source of income.

- 3.10 “Company” means a body corporate and includes any body of persons established with a separate legal identity by or under the laws of a territory outside Malaysia and a business trust.
- 3.11 “Related company” in relation to a company referred to in subparagraph 19A(3) of Schedule 3 of the ITA, means a company with paid-up capital of ordinary shares exceeding RM2.5 million at the beginning of the basis period for a year of assessment.

4. Introduction

Special allowances rates for small value assets have been introduced from the year of assessment (YA) 2006. A person is eligible to claim the special allowance if qualifying plant expenditure (QPE) has been incurred on such assets which are used for the purposes of his business. From YA 2006 to YA 2020, there have been changes in the value of the assets referred to as a small value assets. In addition, the limitation in respect of the maximum amount of QPE that can be claimed as special allowances for small value assets in a YA have also been amended. However, such limitations are not applicable for certain companies depending on the paid-up capital of the ordinary shares, the gross income from a business and the indirect or direct shareholding of the relevant company.

5. Application of the Relevant Provisions of The Law

- 5.1 Paragraph 19A of Schedule 3 of the ITA provides a special rate of allowance to be given to small value assets instead of the normal rates of capital allowance as provided under paragraphs 10 and 15 of Schedule 3 of the ITA.
- 5.2 The special allowance rates for each of this small value asset is 100% which is equivalent to the amount of QPE incurred on the small value asset.
- 5.3 In order for a person to qualify for the special allowances under paragraph 19A of Schedule 3 of the ITA, the general requirements regarding the claim for capital allowances as provided under Schedule 3 of the ITA has to be complied with.

6. Option to Claim Special Allowances for Small Value Assets

- 6.1 A person is given an option to either make a claim for special allowances for small value assets under paragraph 19A of Schedule 3 of the ITA or to claim normal capital allowances under paragraphs 10 and 15 of Schedule 3 of the ITA.
- 6.2 However, once an election has been made to claim capital allowances under paragraphs 10 and 15 of Schedule 3 of the ITA, then the person has to consistently apply the said provisions of the ITA until the total QPE is fully absorbed.

- 6.3 If a person has claimed special allowances for small value assets under paragraph 19A of Schedule 3 of the ITA, that person will not be entitled to claim capital allowances under paragraphs 10 and 15 of Schedule 3 of the ITA in respect of the said assets.
- 6.4 A person is deemed to have elected for special allowances on small value assets if he computes the allowance for small value assets using the special allowances rate under paragraph 19A of Schedule 3 of the ITA in his tax computation.

7. Tax Treatment Prior to The Year of Assessment 2020

Subparagraphs 19A(1) and (3) of Schedule 3 of the ITA provide the value of each small value assets and the maximum total QPE that can be claimed as a special allowance by Micro, Small and Medium Company (**MSMC**), **non-MSMC** and **LLP** for the relevant YA as follows:

Tax Treatment \ YA	YA 2006 – YA 2008	YA 2009 – YA 2014	YA 2015 – YA 2019
The value of each small value asset can be claimed by MSMC ¹ , non-MSMC and LLP (RM).	Not exceeding 1,000		Not exceeding 1,300
The total maximum QPE of special allowance can be claimed by MSMC ¹ for each YA (RM).	Limited to 10,000	Unlimited	
The total maximum QPE of special allowance can be claimed by non-MSMC and LLP for each YA (RM).	Limited to 10,000		Limited to 13,000

¹**Note** : Prior to the YA 2020, **MSMC** for the purpose of this PR means a resident company which is incorporated in Malaysia which have a paid-up capital in respect of ordinary shares not exceeding RM2.5 million at the beginning of the basis period for a year of assessment.

8. Tax Treatment Effective from The Year of Assessment 2020

Effective from the YA 2020, subparagraphs 19A(1) and (3) of Schedule 3 of the ITA have been amended as follows:

- 8.1 Subparagraph 19A(1) of Schedule 3 of the ITA provides that -
- (i) the value of each small value assets **does not exceed RM2,000**; and

- (ii) the maximum QPE for special allowances that can be claimed by MSMC and LLP is **limited to RM20,000** for each YA.

- 8.2 Pursuant to subparagraph 19A(3) of Schedule 3 of the ITA, an **MSMC** is eligible to claim special allowance on small value assets **without any limit** if the company is a resident, incorporated in Malaysia and fulfills the criteria of MSMC. To determine whether a company qualifies as an MSMC, reference can be made to PR No. 8/2025 titled Tax Treatment for Micro, Small and Medium Companies. PR No. 8/2025 can be downloaded from the Inland Revenue Board of Malaysia's official portal at www.hasil.gov.my.
- 8.3 Effective from the YA 2020, the value of each small value assets and the maximum total QPE that can be claimed as a special allowance by **MSMC, non-MSMC and LLP** can be summarized as follows:

Tax Treatment	Effective from YA 2020
The value of each small value asset can be claimed by MSMC, non-MSMC and LLP (RM)	Not exceeding 2,000
The total maximum QPE of special allowance can be claimed by MSMC for each YA (RM)	Unlimited
The total maximum QPE of special allowance can be claimed by non-MSMC and LLP for each YA (RM)	Limited to 20,000

Effective from the YA 2024, subparagraph 19A(4)(d), Schedule 3 of the ITA has been inserted in regards of the ownership conditions for the determination of MSMC. Reference regarding the additional additional conditions for ownership of MSMC can be made to subparagraph 5.3.3(b) PR No. 8/2025 titled Tax Treatment for Micro, Small and Medium Companies.

- 8.4 For the purposes of paragraph 8.2 of this PR, generally, the gross income from a business source for a basis period is the full amount of income arising from that source for that basis period before any deduction.
- 8.5 In relation to the criteria in paragraph 8.2, a company is not eligible for the tax treatment under subparagraph 19A(3), Schedule 3 of the ITA if –
- (i) The company is deemed to have no gross income from a business source such as investment holding company that are not listed on Bursa Malaysia. For more information, please refer to Example 3 of this PR;

- (ii) does not have gross income from a business source under paragraph 4(a) of the ITA 1967 but have other income such as interest and rent under paragraphs 4(c) and (d) of the ITA. This does not include a company carrying on business but does not receive any gross business income due to current loss; and
- (iii) the company is a dormant company and do not have gross income from a business source and this does not include a company that does not receive any gross business income due to a temporary cessation of business operation.

8.6 If a person has incurred QPE on small value assets exceeding RM20,000 in a YA, then the excess amount of QPE in respect of the asset is not subject to the special allowances rate but would be eligible for the normal capital allowance rate provided under paragraphs 10 and 15 of Schedule 3 of the ITA.

9. Steps to Claim Special Allowances

The steps that can be followed to facilitate the understanding of claiming special allowances for small value assets are as follows:

Step 1

Identify the value of each small value assets not exceeding RM2,000 and not acquired on hire purchase.

Step 2

Identify these small value assets which do not include assets that have an expected life span of not more than 2 years.

Step 3

Determine the total amount of QPE for small value assets that can be claimed as follows:

- (a) For **MSMC**, there is **no limit** for each YA;
- (b) **non-MSMC and LLP**, **limited to** a maximum amount of **RM20,000** per YA.

Step 4

Claim normal capital allowances under paragraphs 10 and 15, of Schedule 3 of the ITA on-

- (a) assets with value of more than RM2,000 each; and

- (b) assets that are removed to ensure that the total amount of QPE does not exceed RM20,000 if the company is a non-MSMC.

Step 5

Claim a special allowance for small value assets under paragraph 19A of Schedule 3 of the ITA.

10. Tax Treatment in relation to the Special Allowances for Micro, Small and Medium Companies

Subparagraph 19A(3) of Schedule 3 of the ITA provides that an MSMC is entitled to claim special allowances for small value assets without any limitation on the total QPE for a YA. The MSMC which is eligible to claim the special allowance must be a company that is resident and incorporated in Malaysia that fulfils the criteria mentioned in paragraph 5.3 of PR No 8/2025. However, the value for each small value assets of MSMC should not exceed RM2,000. Please refer to paragraph 8.3 of this PR.

Example 1

In the YA 2025, Smarts Kitchen Sdn Bhd (SKSB) purchased 13 small value assets and used them in its restaurant and catering business in the basis period for the YA 2025. The total gross income from both the restaurant and catering business sources in the YA 2025 was RM1.5 million. At the beginning of the basis period for the YA 2025, SKSB has a paid up capital in respect of ordinary shares of RM800,000. SKSB is an MSMC as it fulfils the criteria as mentioned in paragraph 8.2 of this PR.

SKSB would like to claim special allowances for the following list of assets for the YA 2025.

Bil.	Asset	Asset Value (RM) [1]	Total QPE (RM) [2]	Special Allowances Claimed (100%) (RM) [3]
(i)	Dish cabinet	2,000	2,000	2,000
(ii)	Microwave oven	1,800	1,800	1,800
(iii)	Convection oven - 1	1,850	1,850	1,850
(iv)	Convection oven - 2	3,000	Removed	Removed
(v)	Chairs – set 1	1,950	1,950	1,950
(vi)	Chairs – set 2	1,850	1,850	1,850

(vii)	Table – set 1	2,000	2,000	2,000
(viii)	Table – set 2	1,900	1,900	1,900
(ix)	Air conditioner - 1	2,000	2,000	2,000
(x)	Air conditioner - 2	1,900	1,900	1,900
(xi)	Vacuum cleaner	1,850	1,850	1,850
(xii)	Dish dryer	1,950	1,950	1,950
(xiii)	Crockery set	2,000	Removed ²	Removed ²
TOTAL ASSETS		26,050	21,050	21,050

Step 1

In column 1, there is one asset worth more than RM2,000 which is convection oven - 2. It is also identified that a small value asset not exceeding RM2,000 is not a hire purchase asset.

Step 2

Crockery² set is not a small value asset as it has a life span of less than two (2) years. Thus, the crockery set is removed from column 2.

²**Note:** Expenditure incurred on the crockery asset is to be dealt with on a replacement basis. In the application of replacement basis, the original cost or cost of purchase for the first time the asset is purchased is not allowable as a tax deduction. If the replacement cost of the asset is for the second time of purchase, then it is allowed as a deductible expenditure under paragraph 33(1)(c) of the ITA in determining the adjusted income of the business.

Step 3

SKSB is eligible to claim special allowances equivalent to QPE incurred on small value assets amounting to RM21,050 as indicated in column 2 because subparagraph 19A(3) of Schedule 3 of the ITA allows an MSMC to claim special allowance for small value assets without any maximum limits.

Step 4

Claim normal capital allowance under paragraphs 10 and 15 of Schedule 3 of the ITA in respect of the asset removed i.e. the convection oven - 2 as the value of the asset exceeds RM2,000. The QPE for normal capital allowance for convection oven - 2 is RM3,000.

Step 5

Therefore, SKSB is eligible to claim a special allowance for small value assets under subparagraph 19A(3) of Schedule 3 of the ITA amounting to **RM21,050** as indicated in column 3.

11. Tax Treatment in relation to the Special Allowances for Non-Micro, Small and Medium Companies and Limited Liability Partnerships

If a company does not meet the criterias as mentioned in paragraph 8.2 of this PR, the company is not eligible to claim special allowances for small value assets without limits for a YA. This is because the company is not an MSMC for the purposes of this PR. However, **non-MSMC and LLP** are still eligible to claim special allowances for small value assets but the **total amount of QPE is limited** to a maximum amount of **RM20,000** for each YA.

Example 2

Same facts as in **Example 1** except that SKSB is a **non-MSMC**. For the purpose of claiming special allowances for small value assets for the YA 2025, SKSB has to identify and take the following actions:

Steps 1 and 2 are the same as in Example 1.

Step 3

The total amount of QPE for small value assets in column 2 is RM21,050, exceeding RM20,000. Thus, SKSB has chosen a microwave oven worth RM1,800 to be removed so that the total amount of QPE claim does not exceed RM20,000.

Step 4

Claim normal capital allowances under paragraphs 10 and 15 of Schedule 3 of the ITA in respect of the removed asset as follows:

(i) Convection oven - 2	RM3,000
(ii) Microwave oven	RM1,800
QPE for normal capital allowances	<u>RM4,800</u>

Step 5

Claim a special allowances for small value assets under subparagraph 19A of Schedule 3 of the ITA.

Total small value assets as indicated in column 2 (Convection oven - 2 removed)	RM21,050
Less :	
Microwave oven	<u>RM 1,800</u>
QPE for special allowances claim	<u>RM19,250</u>

Therefore, SKSB is eligible to claim special allowances for small value assets but the total amount of **QPE is limited to RM19,250** for the YA 2025.

Example 3

Syarikat Wira Sdn Bhd (SWSB) is an Investment Holding Company (IHC) not listed on Bursa Malaysia, has paid-up capital in respect of ordinary shares of RM2.5 million and less at the beginning of the basis period for the YA 2025. SWSB has a gross income of RM1.5 million derived from interest, dividend, rental (non-business) and rental (business of holding of an investment). SWSB would like to claim special allowances for small value assets for the YA 2025.

Subject to section 60F³ of the ITA, SWSB is deemed to have **no gross income from a business source**. As SWSB does not meet any of the criteria as mentioned in paragraph 8.2 of this PR, SWSB is not an MSMC and is not eligible to claim special allowance under subparagraph 19A(3) of Schedule 3 of the ITA for small value assets in the basis period for the YA 2025.

SWSB also does not comply with the general requirement in respect of capital allowances as provided under Schedule 3 of the ITA. Please refer to paragraph 5.3 of this PR and paragraph 10 in PR No. 2/2024 titled Investment Holding Company that can be downloaded from the Inland Revenue Board of Malaysia's official portal at www.hasil.gov.my.

³**Note :** Any income derived from the holding of investments [interest, dividend, rental (non-business) and rental (business of holding of an investment)] is treated as a non-business source. Whereas income other than income from the holding of investments is treated as a source of income under paragraph 4(f) of the ITA. Please refer to paragraph 8 in the PR No.2/2024

12. Person Not Eligible to Claim Special Allowances

A person is not eligible to claim the special allowances if the person-

- (a) is a business trust or a special purpose vehicle which is established for the purpose of asset-backed securitization in a securitization transaction approved by the Securities Commission; or
- (b) has made an election to claim capital allowances under paragraphs 10 and 15 of Schedule 3 of the ITA. For more information, please refer to paragraph 6 of this PR.

13. Hire Purchase of Small Value Assets

The special allowances under paragraph 19A of Schedule 3 of the ITA are not applicable to small value assets acquired on hire purchase. A person can make the normal capital allowance claim under paragraphs 10 and 15 of Schedule 3 of the ITA in respect of such small value assets.

14. Disposal of Small Value Asset

14.1 Balancing Charge

If a small value asset is disposed of in the basis period for a YA and that small value asset has been given the special allowances, then a balancing charge can be made in relation to that small value asset if its disposal value exceeds the residual expenditure at the date of disposal. This is in accordance with the provision of paragraph 35 Schedule 3 of the ITA.

The amount of balancing charge cannot exceed the total amount of capital allowances claimed on the asset as provided under paragraph 37 Schedule 3 of the ITA.

Example 4

Abraham Gym Sdn Bhd (accounts close on 31 May) purchased 9 small value assets of gym equipment on 2.2.2023 and claimed special allowances for small value assets under paragraph 19A of Schedule 3 of the ITA. Total amount of QPE incurred for the 9 small value assets for the YA 2023 was RM13,000. On 15.5.2025, a gym equipment (small value asset) worth RM1,300 was disposed of for RM800.00. Residual expenditure for the small value asset on 31.5.2024 was nil (0).

Computation of balancing charge for the small value asset is as follows:

Year of Assessment 2023 (1.6.2022 – 31.5.2023)	RM
QPE	1,300
Less:	
Special allowances (100% x RM1,300)	<u>1,300</u>
Residual expenditure on 31.5.2023	0
Year of Assessment 2024 (1.6.2023 – 31.5.2024)	
Residual expenditure on 31.5.2024	0
Year of Assessment 2025 (1.6.2024 – 31.5.2025)	
Disposal price	<u>800</u>
Balancing charge	<u>800</u>

14.2 Small value asset that is written off

In a situation where a small value asset is written off due to it being obsolete or damaged and the asset cannot be repaired or sold, its market value is considered to be zero.

15. Record Keeping

Taxpayers are required to keep proper records so as to distinguish assets given capital allowances under paragraphs 10 and 15 of Schedule 3 of the ITA from assets given special allowances under paragraph 19A of Schedule 3 of the ITA.

In accordance with section 82A of the ITA, taxpayers are required to keep those records for a period of seven (7) years from the end of the year of assessment in which the Income Tax Return Form is furnished.

16. Updates and Amendments

	Amendments																					
This PR is to replace the PR No. 3/2021 dated 21.7.2021.	The contents of this PR have been amended and updated as follows:																					
	<table> <tr> <th>Paragraph</th><th>Explanation</th></tr> <tr> <td>2</td><td>Subparagraph 2.2 is updated.</td></tr> <tr> <td>3</td><td>New subparagraph 3.8 is added.</td></tr> <tr> <td>4</td><td>Paragraph 4 is amended and updated.</td></tr> <tr> <td>7,8,9,10,and 11</td><td>"Small and Medium Companies (SMC)" is amended to "Micro, Small and Medium Company (MSMC)"</td></tr> <tr> <td>7</td><td>Paragraph 7 is amended and updated.</td></tr> <tr> <td>8</td><td>Subparagraphs 8.2, 8.3 and 8.5 are amended and updated.</td></tr> <tr> <td>11</td><td>Paragraph 11 is amended and updated.</td></tr> <tr> <td>12</td><td>This paragraph was removed.</td></tr> <tr> <td>13,14,and 15</td><td>These paragraphs as in previous PR are renumbered as Para.12, 13 and 14.</td></tr> <tr> <td>16</td><td>This paragraph as in previous PR is renumbered and updated as Para.15.</td></tr> </table>	Paragraph	Explanation	2	Subparagraph 2.2 is updated.	3	New subparagraph 3.8 is added.	4	Paragraph 4 is amended and updated.	7,8,9,10,and 11	"Small and Medium Companies (SMC)" is amended to "Micro, Small and Medium Company (MSMC)"	7	Paragraph 7 is amended and updated.	8	Subparagraphs 8.2, 8.3 and 8.5 are amended and updated.	11	Paragraph 11 is amended and updated.	12	This paragraph was removed.	13,14,and 15	These paragraphs as in previous PR are renumbered as Para.12, 13 and 14.	16
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17. Disclaimer

The examples in this PR are for illustration purposes only and are not exhaustive.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**