



INLAND REVENUE BOARD OF MALAYSIA

ACCELERATED CAPITAL ALLOWANCE

PUBLIC RULING NO.x/2026

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CONTENTS	Page
1. Objective	1
2. Relevant Provisions of the Law	1
3. Interpretation	2
4. Application of the Law	2
5. Introduction	3
6. Qualifying Expenditure	3
7. Income Tax Rules	3
8. Steps to Claim Accelerated Capital Allowance	31
9. Qualifying Period	33
10. Disposal of Assets Within Two Years	34
11. Non-Application	35
12. Claim Procedure	37
13. Summary of Income Tax Rules and Rates of Allowances	37
14. Updates and Amendments	39
15. Disclaimer	42

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 on qualifying plant and machinery for the purpose of claiming Accelerated Capital Allowances (ACA) or the prescribed rates in determining the statutory income from a business.

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 paragraph 154(1)(b), Schedule 3, Schedule 7A and Schedule 7B.
- 2.3 Relevant subsidiary laws referred to in this PR are:
- (a) Income Tax (Qualifying Plant Allowances) Rules 1997 [P.U. (A) 265/1997];
 - (b) Income Tax (Qualifying Plant Initial Allowances) Rules 1998 [P.U. (A) 294/1998];
 - (c) Income Tax (Qualifying Plant Allowances) (Control Equipment) Rules 1998 [P.U. (A) 295/1998];
 - (d) Income Tax (Accelerated Capital Allowances) (Recycling of Wastes) Rules 2000 [P.U. (A) 505/2000];
 - (e) Income Tax (Accelerated Capital Allowances) (Reinvestment in a Qualifying Project) Rules 2000 [P.U. (A) 506/2000];
 - (f) Income Tax (Accelerated Capital Allowance) (Power Quality Equipment) Rules 2005 [P.U. (A) 87/2005];
 - (g) Income Tax (Accelerated Capital Allowances) (Mould for the Production of Industrialised Buildings System Component) Rules 2006 [P.U. (A) 249/2006];
 - (h) Income Tax (Accelerated Capital Allowance) (Automation Equipment) Rules 2017 (Amendment) 2020 [P.U.(A) 173/2020] and Income Tax (Accelerated Capital Allowance) (Automation Equipment) Rules 2017 [P.U. (A) 252/2017];
 - (i) Income Tax (Exemption) (No. 8) Order 2017 [P.U. (A) 253/2017] (Amendment) 2020 [P.U.(A) 172/2020] and Income Tax (Exemption) (No. 8) Order 2017 [P.U. (A) 253/2017]
 - (j) Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2024 [P.U. (A) 328/2024] and Income Tax (Accelerated Capital Allowance) (Information And Communication Technology Equipment) Rules 2018 [P.U. (A) 156/2018];
 - (k) Income Tax (Accelerated Capital Allowance) (Machinery and Equipment including Information And Communication Technology

Equipment) Rules 2021 [P.U. (A) 268/2021];

- (l) Income Tax Income Tax (Accelerated Capital Allowance) (Excursion Bus) (Amendment) Rules 2022 [P.U.(A) 9/2022; (Accelerated Capital Allowance) (Excursion Bus) Rules 2021 [P.U. (A) 291/2021]
- (m) Income Tax (Accelerated Capital Allowance) (Speed Limitation Device) Rules 2025 [P.U. (A) 476/2025];and
- (n) Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment for the Implementation of Electronic Invoicing) Rules 2026 [P.U.(A) 162/2026]

3. Interpretation

The words used in this PR have the following meaning:

- 3.1 "Assets" means plant or machinery used for the purpose of a business on which qualifying plant expenditure has been incurred.
- 3.2 "Disposed of" means an asset is sold, discarded or destroyed or it ceased to be used for the purposes of the business.
- 3.3 "Person" includes a company, a body of persons, a limited liability partnership and a corporation sole.
- 3.4 "Qualifying expenditure" means capital expenditure incurred on the provision, construction or purchase of plant or machinery used for the purpose of a business other than assets that have an expected life span of less than two (2) years.
- 3.5 "Agriculture" means any form of cultivation of crops, animal farming, aquaculture, inland fishing and any other agricultural or pastoral pursuit, including the reafforestation of timber.

4. Application of the Law

- 4.1 The ACA is an allowable allowance specifically allowed to a person who has incurred qualifying expenditure (QE) on assets used for business purposes.
- 4.2 The ACA rate provided in the Income Tax Rules (ITR) is in accordance with the powers conferred by paragraph 154(1)(b), and paragraphs 10 and 15 of Schedule 3 of the ITA.
- 4.3 The conditions that must be fulfilled by a person to qualify for an initial allowance (IA) and an annual allowance (AA) are the same as the conditions to claim capital allowances at the normal rate (normal capital allowances) under Schedule 3 of the ITA. For more information, please refer to the PR No. 5/2014 titled "Ownership And Use Of Asset For The Purpose Of Claiming Capital Allowances"

5. Introduction

The rate for ACA is a rate hike for either the IA or the AA. It allows a capital allowance at a higher rate than the normal capital allowance in a year of assessment and hence the total capital allowances can be fully claimed within a shorter period. However, a person is given an option of whether to claim the capital allowance for plant and machinery as provided under the ITR or the normal capital allowances as provided under paragraphs 10 and 15, Schedule 3 of the ITA. The option made should be consistent until the capital allowance is fully absorbed. **This option for higher rates is also subject to the eligibility conditions specified in the ITR.** The option to claim capital allowance is subject whether an asset is a plant and machinery eligible for claiming capital allowances under Schedule 3 of the ITA.

6. Qualifying Expenditure

- 6.1 The interpretation of QE for each ITR varies according to the type of plant or machinery that qualifies for ACA. However, the interpretation of the QE generally applies to all ITR i.e. the capital expenditure which is incurred under paragraph 2, Schedule 3 of the ITA. For more information, please refer to the PR No. 6/2015 titled "Qualifying Expenditure And Computation Of Capital Allowances".
- 6.2 For the purchase of plant and machinery on hire purchase, QE for ACA is based on capital instalment payments in a year of assessment. Please refer to paragraph 10, "Hire Purchase Asset" in the PR No. 5/2014 titled "Ownership And Use Of Asset For The Purpose Of Claiming Capital Allowances".
- 6.3 QE in respect of the capital instalments must be incurred within the period stipulated in the ITR. Where the capital instalment payments under a hire-purchase agreement are not made within the QE period specified in the ITR, or where only a portion of the capital instalment payments is made within that period, the plant or machinery shall not qualify for ACA under the ITR.

7. Income Tax Rules

Paragraph 154(1)(b) and paragraphs 10 and 15 of Schedule 3 of the ITA empowers the Minister of Finance to determine the ACA of plant and machinery through the ITR. The ITR for plant and machinery which are still in force are as follows:

7.1 Buses using natural gas and natural gas refuelling equipment – ITR (Qualifying Plant Allowances) 1997 [P.U. (A) 265/1997]

- 7.1.1 Effective 1 January 1997, ACA is given on QE which is incurred by-

- (a) a public transport company on the provision of buses using natural gas for the purpose of the business of public transportation;
- (b) a person on the provision of natural gas refuelling equipment used at a “natural gas refuelling outlet”.

7.1.2 “Natural gas refuelling outlet” includes a natural gas refuelling outlet which is made available for public or private use. A private natural gas refuelling outlet is natural gas that is not made available to the public but is only made available for specific vehicle types based at depot or factory premises.

7.1.3 A company or a person is entitled to claim 40% for IA and 20% for AA.

Example 1

Super Express Sdn Bhd (SESB) carries on the business of Economic Express Bus. SESB has been registered with the Companies Commission of Malaysia (CCM) and is also the holder of a public service vehicle license issued by the Commercial Vehicle Licensing Board 1987. On 2.1.2024, SESB bought a new bus that uses natural gas for the purposes of its public transportation business.

SESB is eligible to claim ACA i.e the ‘Qualifying Plant Allowances’ for the capital expenditure on the new bus.

7.2 Machinery or plant used in certain industries – ITR (Qualifying Plant Initial Allowances) 1998 [P.U. (A) 294/1998]

7.2.1 Effective from the year of assessment (YA) 1998, **ACA in the form of IA** is given on QE for machinery or plant used for the purposes of a business of a person carried on in Malaysia, which consists of—

- (a) Building and construction -

The construction of any works, roads, structures and buildings.

- (a) Timber –

The extraction of timber from a forest.

- (b) Tin mining –

The working of a mine for getting tin-ore or extracting or dressing tin concentrates.

7.2.2 Machinery or plant in this ITR excludes an imported heavy machinery. The IA and AA rates for imported heavy machineries are lower than the normal allowances. Please refer to the Income Tax (Qualifying Plant Allowances) (No. 2) Rules 1997 [P.U. (A) 474/1997] in respect of imported heavy machinery that is used in certain industries.

7.2.3 A person who carries on his business in Malaysia and incurred QE for machinery or plant used for the purposes of industries listed in paragraph 7.2.1 of this PR, is eligible to claim ACA at the following rates –

Industry	IA (%)	AA (%)	
		Machinery	Plant
Building and construction	30	20	14
Timber	60	20	14
Tin mining	60	20	14

Example 2

Kinta Sdn Bhd (ASB) runs a tin mining industry in Perak Kinta Valley area. On 5.2.2024, KASB bought a tin ore storage plant for purification of tin which was done using water pressure.

KASB conducts one of the tin mining activities i.e. dressing tin concentrates that are eligible for ACA. However, KASB does not want the ACA rate to be used and has chosen the normal capital allowance i.e the IA rate of 20% and the AA of 14% for the YA 2024.

Example 3

Same facts as in Example 2 except that KASB chose to claim ACA on the plant at a rate of 60% for IA and 14% for AA. The ACA rate for the tin mining industry can be referred to in the Table in paragraph 7.2.3 of this PR.

7.3 Control Equipment – ITR (Qualifying Plant Allowances) (Control Equipment) 1998 [P.U. (A) 295/1998]

7.3.1 Control equipment includes equipment and facility used for collecting wastes, for limiting pollution of the environment, for indicating or recording or warning of excessive pollution and for securing more efficient use of the equipment.

7.3.2 Effective from the YA 1996, ACA is given on QE which is incurred

on the provision of control equipment as follows –

(a) Sewage and Industrial Effluent Treatment Plant Facilities

- (i) Mixing Tank
- (ii) Sedimentation Tank
- (iii) Filter Press
- (iv) Neutralization Tank
- (v) Variable Speed Decanter Centrifuge
- (vi) Aerators/Aeration Facility
- (vii) Automatic Level Control Submersible Pump
- (viii) Ultrasonic Flowmeter
- (ix) Automatic pH-Controlled Pump
- (x) Drums for Sludge Storage
- (xi) Effluent Drainage System
- (xii) Clarifying Tanks/Precipitation Tanks
- (xiii) Sludge Holding Tank
- (xiv) Treatment Chemicals
- (xv) Wastewater Recycle Equipment
- (xvi) Carbon Filter

(b) Air Pollution Control Equipment

- (i) Electrostatic Precipitator
- (ii) Cyclone
- (iii) Bag Filter
- (iv) Water Scrubber
- (v) Black Smoke Density Recorder
- (vi) Black Smoke Alarm Equipment
- (vii) Chimney/Gas Stack Sampling Equipment
- (viii) Water Sprinkler
- (ix) Incinerator
- (x) Carbon Filter
- (xi) Gas Absorption Materials
- (xii) Packing Material for Water Scrubber

7.3.3 ACA is given at the rate of 40% for IA and 20% for AA.

7.4 Recycling of Wastes – ITR (Accelerated Capital Allowances) (Recycling of Wastes) 2000 [P.U. (A) 505/2000]

- 7.4.1 Effective from the YA 2001, ACA is given to a manufacturing company which has incurred QE for the purposes of its business on plant and machinery which are used –
- (a) exclusively or otherwise for recycling of wastes; or
 - (b) for further processing of the wastes into a finished product.
- 7.4.2 Manufacturing companies are eligible to claim ACA at 40% for IA and 20% for AA.
- 7.4.3 Manufacturing companies are not eligible to claim ACA under this ITR if for the current period, the company-
- (a) has been granted any incentives (except for deductions for promotion of exports) under the Promotion of Investments Act 1986 (PIA) [Act 327];; or
 - (b) has been given reinvestment allowance (RA) under Schedule 7A of the ITA.
- 7.4.4 If a person does not choose to claim RA even if it is eligible to do so, the person is eligible to claim ACA.

Example 4

Smart Sdn Bhd (SSB) is a waste recycling manufacturing company. On 15.5.2024, SSB purchased a series of plant and machinery for processing paddy straw to be used as tableware. SSB closes its accounts on 31 May each year. SSB has incurred QE on plant and machinery that are used to process wastes (paddy straw) into finished products (tableware). Therefore, SSB is eligible to claim ACA for the 2024.

7.5 Reinvestment in a Qualifying Project – ITR (Accelerated Capital Allowances) (Reinvestment in a Qualifying Project) 2000 [P.U. (A) 506/2000]

- 7.5.1 This ITR is effective from the YA 2001 and applies in respect of QE incurred on the provision of plant or machinery for the purposes of a qualifying project and used for the purpose of the business in respect of –
- (a) a promoted activity; or
 - (b) a promoted product; or
 - (c) an agricultural project.

-
- 7.5.2 Promoted activity or promoted product means any activity or product promoted under section 4 of the PIA [Act 327];.
- 7.5.3 Agricultural project has the meaning as defined under paragraph 8(c) in respect of activities listed under paragraph 9 (aa) until (ff) of Schedule 7A of the ITA.
- 7.5.4 Qualifying project has the meaning as defined under paragraph 8(a) of Schedule 7A of the ITA.
- 7.5.5 ACA is given at the rate of 40% for IA and 20% for AA.
- 7.5.6 This ITR shall not apply for the period a company -
- (a) has been granted RA under Schedule 7A of the ITA.
 - (b) has been granted pioneer status or investment tax allowance under the PIA [Act 327]; in respect of the same promoted activity or promoted product.
 - (c) fails to submit a copy of the letter from the Malaysian Industrial Development Authority confirming the promoted activity or promoted product undertaken in respect of a qualifying project for a year of assessment.

If a person does not choose to claim RA even if it is eligible to do so, the person is eligible to claim ACA.

Example 5

Zea Mays Sdn Bhd (ZMSB) undertakes a qualifying agricultural project to expand its corn business activity in Tanah Rata, Cameron Highlands. On 3.3.2024, ZMSB incurred QE amounting to RM500,000 to buy two corn cultivation machinery.

The agricultural project is a qualifying project as defined under paragraph 8(c) of Schedule 7A of the ITA. ZMSB has chosen not to claim RA even though the company is eligible to do so.

As ZMSB has not claimed RA on the QE, ZMSB is eligible to claim ACA for the YA 2024.

7.6 Power Quality Equipment – ITR (Accelerated Capital Allowances) (Power Quality Equipment) 2005 [P.U. (A) 87/2005]

- 7.6.1 This ITR is effective from the YA 2005 and applies on QE incurred by a company in the basis period for a year of assessment on -
- (a) the provision of equipment as certified by the Ministry of Energy, Water and Communications, Malaysia; and
 - (b) the equipment is used by the company for its own business exclusively for the control of electric power quality.

- 7.6.2 ACA is given at the rate of 20% for IA and 40% for AA.
- 7.6.3 This ITR shall not apply to a company for the period during which the company -
- (a) has been granted any incentives except for deductions for promotion of exports under the PIA [Act 327]; or
 - (b) has been given RA under Schedule 7A of the ITA.
- 7.6.4 If a person does not choose to claim RA even if it is eligible to do so, the person is eligible to claim ACA.

Example 6

On 1.3.2024 Dairy Global Sdn Bhd (account ending 31 March) purchased a machinery that is certified by the Ministry of Energy, Water and Communications, Malaysia as an equipment for controlling the quality of electric power in its business. The company has claimed capital allowances on the machinery for the YA 2024 as provided under the ITR.

The Company is not eligible for any incentive but is entitled to RA. However, the company has chosen to not claim RA. Therefore, the company is eligible to claim ACA for the YA 2024.

7.7 Mould for the Production of Industrialised Buildings System Component – ITR (Accelerated Capital Allowances) (Mould for the Production of Industrialised Buildings System Component) 2006 [P.U. (A) 249/2006]

- 7.7.1 Effective from the YA 2006, ACA is given on QE incurred in the basis period for a year of assessment on the purchase of **mould** used in the production of an Industrialized Building System component (**IBS**) for the purposes of the business of -
- (a) a manufacturing company; or
 - (b) a construction company
- 7.7.2 IBS is also known as prefabricated building construction. **IBS** means a construction system in which the components are manufactured under controlled conditions such as in a factory or on-site, transported, and assembled into a structure using a minimum of workers on the construction site. Therefore, the system can save construction costs and time.
- 7.7.3 This **mould** means precast concrete mould or ready-cast concrete mould that is poured first on the construction site or made in the factory. Examples are precast concrete components such as moulds for columns, beams, floor slabs, and wall panels that can

be used repeatedly. This mould is also the basic component of IBS used to manufacture IBS components. These moulds are usually made of plastic, fiberglass, steel, aluminum, and other metal materials.

7.7.4 ACA is given at the rate of 40% for IA and 20% for AA.

Example 7

Bina Kukuh Sdn Bhd (BKSB) is a building construction company for terrace houses. On 15.1.2022, SSB purchased a mould made of steel for wall panels for RM80,000. These moulds are used by BKSB to produce the IBS components which is the steel framing system and the formwork system. BKSB closes its accounts on 31 March each year.

BKSB has incurred QE on moulds that are used to manufacture IBS components for its business purposes. Therefore, BKSB is eligible to claim ACA with the following computations:

	RM	RM
Year of assessment 2022		
Qualifying capital expenditure		80,000
Initial Allowance (40% x RM80,000)	32,000	
Annual Allowance (20% x RM80,000)	16,000	48,000
Residual expenditure		32,000
Year of assessment 2023		
Annual Allowance (20%)		16,000
Residual expenditure		16,000
Year of assessment 2024		
Annual Allowance (20%)		16,000
Residual expenditure		NIL

7.8 Information And Communication Technology Equipment - ITR (Accelerated Capital Allowance) (Information and Communication Technology Equipment) 2024 [P.U.(A) 328/2024] and ITR (Accelerated Capital Allowance) (Information and Communication Technology Equipment) 2018 [P.U. (A) 156/2018]

- 7.8.1 ACA for information and communication technology equipment under the Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2018 [P.U.(A) 156/2018] was introduced in Budget 2018, effective from the YA 2017.
- 7.8.2 ACA is granted at the rate of 20% for IA and 20% for AA.
- 7.8.3 Via Budget 2024, in line with current technological developments and the increasingly shorter lifecycle of information and communication technology equipment, this tax incentive has been extended under the Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2024 [P.U.(A) 328/2024], allowing the ACA to be claimed over a period of three (3) years.
- 7.8.4 ACA is granted at the rate of 40% for IA and 20% for AA.
- 7.8.5 This ITR is effective from the YA 2024 and applies on QE incurred by a resident in Malaysia in the basis period for a year of assessment for –
- (a) Purchase of any “information and communication technology equipment”; includes
 - (b) Installation of such “information and communication technology equipment”
- 7.8.6 “Information and communication technology equipment” which is eligible to claim ACA by a resident in Malaysia for his business purposes is as follows:
- (a) Access control system
 - (b) Banking system
 - (c) Bar code equipment
 - (d) Busters or decollator
 - (e) Cables and connector
 - (f) Computer - aided design
 - (g) Computer - aided manufacturing
 - (h) Computer - aided engineering
 - (i) Card reader

- (j) Computers and component
- (k) Central Processing Units
- (l) Storage
- (m) Screen
- (n) Printer
- (o) Scanner or reader
- (p) Accessories
- (q) Communication and network
- (r) Software system or software package

7.8.7 A resident is not eligible to claim ACA under this ITR if, for the current period, the resident has claimed information and communication technology equipment with the following tax incentives:

- (a) investment tax allowance under the PIA [Act 327];
- (b) RA under Schedule 7A of ITA;
- (c) Investment allowance for the service sector under Schedule 7B of ITA;
- (d) ACA under the rules made under section 154 of the ITA; or
- (e) tax exemption under paragraph 127(3)(b) or subsection 127(3A) of the ITA.

7.9 Automation Equipment

- **ITR (Accelerated Capital Allowance) (Automation Equipment) 2020 [P.U. (A) 173/2020] and ITR (Accelerated Capital Allowance) (Automation Equipment) 2017 [P.U. (A) 252/2017]**
- **Income Tax (Exemption) (No. 8) 2017 (Amendment) Order 2020 [P.U. (A) 172/2020] and Income Tax (Exemption) (No. 8) Order 2017 [P.U. (A) 253/2017]**

Tax incentives for automation were introduced in Budget 2015 for the YA 2015 to YA 2017 for First Category (Industry relating to Rubber Products, Plastics, Wood, Furniture and Textiles) and for YA 2015 to YA 2020 for Second Category (Industry other than First Category). The incentive for First Category was subsequently extended in Budget 2018 from YA 2018 to YA 2020. Via Budget 2020, the incentive for both categories have been extended from YA 2021 to YA 2023. Such tax incentives can be claimed in the form of an ACA and an exemption of statutory income. For the purpose of this PR 'exempt statutory income' will be referred to as **Automation Equipment Allowance (AEA)**.

The ACA that can be claimed is equivalent to 100% of eligible qualifying

capital expenditure (QCE) on the purchase of automation equipment. While, the **AEA** is equivalent to the amount of ACA ascertained based on 100% of the QCE of the automation equipment but must **not exceed 70% of the statutory income of that qualifying project**.

Both of the tax incentives are given through P.U. (A) 252/2017 and P.U. (A) 253/2017 respectively.

- 7.9.1 **P.U. (A) 252/2017** is referred to as "**principal rules**" in P.U. (A) 173/2020 while **P.U. (A) 253/2017** is referred to as "**principal order**" in P.U. (A) 172/2020.
- 7.9.2 "**Principle rules**" [P.U. (A) 252/2017] and "**Principle order**" [P.U. (A) 253/2017] is deemed to have come into operation from the YA 2018 and applies to companies that incur QCE on the purchase of automation equipment.
- 7.9.3 QCE means a capital expenditure relating to automation equipment used in Malaysia solely for the purpose of carrying on a qualifying project
- 7.9.4 Qualifying project means a project undertaken by a qualifying company for modernizing or automating its existing manufacturing activity of a product.
- 7.9.5 Automation equipment refers to plant or machinery used directly in a qualifying project which adopts **technology that is more advanced** than the current technology used by a qualifying company. This automation equipment must be certified by the Director General of the Standards and Industrial Research Institute of Malaysia.
- 7.9.6 "**Technology that is more advanced**" means advanced technology that can increase the amount of production and reduce dependence on labor.
- 7.9.7 A qualifying company which has fulfilled all the conditions as stated in paragraph 7.9.8. of this PR may be granted ACA by virtue of paragraph 154(1)(b) of the ITA through Malaysian Investment Development Authority (MIDA).
- 7.9.8 P.U. (A) 252/2017 and P.U. (A) 253/2017 apply to a qualifying company that fulfills the following requirements:
- (a) incorporated under the Companies Act 2016 [Act 777] and resident in Malaysia;
 - (b) engages in a manufacturing activity in compliance with the Industrial Co-ordination Act 1975 [Akta 156];

- (c) has a business license issued by the relevant local authority;
- (d) has been in operation for a period of at least thirty-six months;
- (e) which has incurred QCE on two (2) manufacturing industry categories as in the following Table:

	<u>First Category</u> Industry relating to Rubber Products, Plastics, Wood, Furniture and Textiles.	<u>Second Category</u> Industry other than First Category (as determined by the Minister).
ACA P.U. (A) 252/2017	IA - 20% AA - 80%	
AEA P.U. (A) 253/2017	Equivalent to 100% of the eligible ACA amount but limited to 70% of statutory income	
Amount of QCE	100% of the first four million ringgit.	100% of the first two million ringgit.
The QCE is incurred in the basis period for:	YA 2015 - YA 2023	
Applications must be submitted to the Malaysian Investment Development Authority (MIDA) in the period:	1.1.2015 – 31.12.2023	

7.9.9 For further information on the application, please refer to the guidelines issued by MIDA titled Guidelines and Procedures for the Application of Automation Capital Allowance which is available at <https://www.mida.gov.my/forms-and-guidelines/>.

7.9.10 Purchase of Automation Equipment through a hire purchase agreement under P.U. (A) 252/2017

If the qualifying company incurs QCE under a hire purchase agreement for the purchase of any automation equipment for its business purposes, then:

- (i) Such qualifying company shall be treated to be the owner of such automation equipment; and
- (ii) QCE for ACA is based on capital installment payments in the basis period for a year of assessment.

For further information on the purchase of plant and machinery on a hire purchase basis, please refer to the paragraph 6 of this PR.

7.9.11 P.U. (A) 252/2017 shall not apply to a qualifying company if in the basis period for a year of assessment, the company has -

- (a) been granted any incentive under the PIA [Act 327];
- (b) claimed RA under Schedule 7A of the ITA or investment allowance for service sector under Schedule 7B of the ITA;
- (c) been granted any exemption under paragraph 127(3)(b) or subsection 127(3A) of the ITA **except** P.U. (A) 253/2017; or
- (d) claimed for deduction under any other rules made under section 154 of the ITA **except** -
 - (i) the rules in relation to allowance under Schedule 3 of the ITA;
 - (ii) the ITR (Deduction for Audit Expenditure) 2006 [P.U.(A)129/2006];
 - (iii) the ITR (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) (Amendment) 2021 [P.U. (A) 471/2021]; or
 - (iv) the ITR (Accelerated Capital Allowance) (Information and Communication Technology Equipment) 2018 [P.U. (A) 156/2018].

7.9.12 P.U. (A) 253/2017 also does not apply to a qualifying company if in the basis period for a year of assessment, the company has:

- (a) been granted any incentive under the PIA [Act 327];
- (b) claimed RA under Schedule 7A of the ITA or investment allowance for service sector under Schedule 7B of the ITA;
- (c) been granted any exemption under paragraph 127(3)(b) or subsection 127(3A) of the ITA; or

- (d) claimed for deduction under any other rules made under section 154 of the ITA except –
- (i) the rules in relation to allowance under Schedule 3 of the ITA;
 - (ii) the ITR (Deduction for Audit Expenditure) 2006 [P.U.(A)129/2006];
 - (iii) the ITR (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) (Amendment) 2021 [P.U. (A) 471/2021];
 - (iv) the ITR (Accelerated Capital Allowance) (Information and Communication Technology Equipment) 2018 [P.U. (A) 156/2018]; or
 - (v) the ITR (Accelerated Capital Allowance) (Automation Equipment) 2017 [P.U. (A) 252/2017].

7.9.13 For further information, in relation to paragraph 127(3)(b) or 127(3A) of the ITA, please refer to Practice Note No. 2/2018 in the Official Portal of the Inland Revenue Board of Malaysia (IRBM).

7.9.14 The claim for ACA to arrive at the statutory income and the claim of AEA of limited to 70% of statutory income, where each claim is computed based on 100% of the QCE of the automation equipment is to be computed as in examples 8 and 9.

Example 8

Automotive Performance Sdn Bhd's adjusted income and capital allowances from the qualifying project for the year ended 31.12.2023 are as follows:

Details	RM
Adjusted income	10,000,000
Capital allowances (Office equipment and commercial vehicles)	400,000
QCE on automation equipment	3,000,000

Due to sufficient statutory income, the 100% exemption can be fully granted.

Details	RM	RM
Adjusted income		10,000,000
Less:		
Normal capital allowances [Schedule 3 of ITA]	400,000	3,400,000
ACA (100%) on automation equipment [P.U. (A) 252/2017]	3,000,000	
Statutory income		6,600,000
Less: Exemption of statutory income		
Exemption of statutory income equivalent to ACA (100% x 3,000,000) [P.U. (A) 253/2017]	3,000,000	3,000,000
Exemption not exceeding 70% of statutory income (70% x 6,600,000 = 4,620,000) but limited to 3,000,000 [P.U. (A) 253/2017]	3,000,000	
Exemption of statutory income carry forward (c/f)	Nil	
Statutory income from qualifying project / Total income		3,600,000

Example 9

Same facts as in Example 8 except that the adjusted income amounts to RM7,000,000.

Due to the insufficiency of the statutory income, the 100% exemption cannot be fully granted.

Details	RM	RM
Adjusted income		7,000,000
Less:		
Normal capital allowances [Schedule 3 of ITA]	400,000	

ACA (100%) on automation equipment [P.U. (A) 252/2017]	3,000,000	3,400,000
Statutory income		3,600,000
Less: Exemption of statutory income		
Exemption of statutory income equivalent to ACA (100% x 3,000,000) [P.U. (A) 253/2017]	3,000,000	2,520,000
Exemption not exceeding 70% of statutory income (70% x 3,600,000 = 2,520,000) [P.U. (A) 253/2017]	2,520,000	
Exemption of statutory income carry forward (c/f)	480,000	
Statutory income from qualifying project / Total income		1,080,000

7.10 Machinery and Equipment including Information and Communication Technology Equipment – ITR (Accelerated Capital Allowance) (Machinery and Equipment including Information and Communication Technology Equipment) 2021 [P.U. (A) 268/2021]

7.10.1 This ITR is effective from the YA 2020 and applies on QE incurred by a person in the basis period for a year of assessment from 1 March 2020 until 31 December 2021 for –

- (a) provision 'machinery and equipment' including information and communication technology equipment except motor vehicle; and
- (b) used for purposes of his business.

7.10.2 For the purpose of this ITR, the meaning of "machinery and equipment" is as follows:

- (a) The machinery that can be categorized as machine and this includes heavy machinery; and
- (b) The equipment includes:
 - (i) Office equipment such as telephones, calculators, fax machine, printer, photostat machine, scanner; and

- (ii) Information and Communication Technology equipment. Please refer to paragraph 7.10.4.

7.10.3 The categories of assets that are not eligible for ACA claims under P.U. (A) 268/2021 are as follows:

- (a) Motor vehicle;
- (b) Customised computer software; and
- (c) Software systems and software packages.

7.10.4 "Information and communication technology equipment" which is eligible to claim ACA by a person for his business purposes is as follows:

- (a) Access control system
- (b) Banking system
- (c) Bar code completion
- (d) Busters/decollators
- (e) Cables and connectors
- (f) Computer Assisted Design (CAD)
- (g) Computer Assisted Manufacturing (CAM)
- (h) Computer Assisted Engineering (CAE)
- (i) Card readers
- (j) Computers and components
- (k) Central Processing Units (CPU)
- (l) Storages
- (m) Screens
- (n) Printers
- (o) Scanners/readers
- (p) Accessories
- (q) Communications and networks

7.10.5 If a person incurs QCE under a hire purchase agreement for the purchase of machinery and equipment including information and communication technology equipment for the purposes of his business, then:

- (a) Such person shall be treated to be the owner of such machinery and equipment including information and communication technology equipment; and

- (b) QCE for ACA is based on capital installment payments in the basis period for a year of assessment.

For further information on the purchase of plant and machinery on a hire purchase basis, please refer to the paragraph 6 of this PR.

7.10.6 ACA is given at the rate of 20% for IA and 40% for AA.

7.10.7 A person is not eligible to claim ACA under this ITR if, for the current period, the person:

- (a) has claimed a deduction under ITR (Accelerated Capital Allowance) (Automation Equipment) 2017 (Amendment) 2020 [P.U. (A) 173/2020] and ITR (Accelerated Capital Allowance) (Automation Equipment) 2017 [P.U. (A) 252/2017]; or
- (b) has been granted an exemption under Income Tax (Exemption) (No. 8) Order 2017 (Amendment) 2020 [P.U. (A) 172/2020] and Income Tax (Exemption) (No. 8) Order 2017 [P.U. (A) 253/2017].

Example 10

Abraham Textile(M) Sdn Bhd (ATSB) has been operating in the textile industry for 5 years. In 2021 and 2022, ATSB purchased several assets for the purpose of its business. ATSB closes its accounts on 30 June each year.

On 16.3.2022, a letter of certification was received from MIDA in relation to automation equipment i.e. yarn production machinery for modernizing or automating its existing textile industry. The machinery has been used in the textile industry on 16.02.2022. The ATSB has chosen ACA under P.U.(A) 173/2020 (Amendment), P.U.(A) 252/2017 and P.U.(A) 172/2020 (Amendment) and P.U.(A) 253/2017.

The following is a list of assets to be claimed as ACA under the ITR, P.U. (A) 268/2021.

Assets	Purchased Date
Thread winding machine	21.06.2021
Employee van	25.07.2021
Yarn production machinery	16.01.2022

Scanner machine	31.12.2021
Datacolor software	12.2.2022

The categories of assets eligible for ACA claims under the ITR, P.U. (A) 268/2021 are as follows:

Assets	Purchased Date	Whether ACA is eligible to be claimed	YA ACA claim period
Thread winding machine	21.6.2021	Eligible	2021 -2022
Employee van ¹	25.07.2021	Not eligible	
Yarn machinery ² production	16.01.2022	Not eligible	
Scanner machine	31.12.2021	Eligible	2022 -2023
Datacolor software ³	10.10.2021	Not eligible	

¹**Note:** An employee van is a motor vehicle which is not eligible for ACA claims under this ITR.

²**Note:** The machinery is the automation machinery to be claimed as ACA under the ITR as mentioned in paragraph 7.10.7.

³**Note:** An asset is a software package which is not qualify for an ACA claim under this ITR. Please refer to paragraph 7.10.3 in this PR.

For assets that are not eligible to claim ACA under this ITR, the company can refer to paragraph 8 in this KU, 'Accelerated Capital Allowance Claiming Steps'.

Example 11

MAZ Sdn. Bhd. (SMSB), a company carrying on a textile manufacturing business. SMSB closes its accounts on 31 December each year. SMSB acquired a yarn winding machine under a hire purchase arrangement. The hire purchase agreement dated 1.1.2020, provides that instalment payments shall commence on 1.3.2020 until 31.12.2021. SMSB is eligible to claim ACA (in respect of the principal portion of the expenditure)

under P.U.(A) 268/2021.

Example 12

The facts are the same as in Example 11 above, except that the hire purchase agreement dated 1.01.2020 provides that the instalment payments commence on 1.3.2020 until 31.3.2022. SMSB is not eligible to claim ACA (in respect of the principal portion of the expenditure) under P.U.(A) 268/2021.

The qualifying period for claiming ACA in respect of plant expenditure under P.U.(A) 268/2021 is limited to agreements involving instalment payments for the period from 1 March 2020 to 31 December 2021 only. Therefore, where a hire purchase agreement provides that instalments commence on 1 March 2020 and end on 31 March 2022, the capital expenditure is not eligible for a claim under P.U.(A) 268/2021.

This is due to, a person who elects to claim ACA as provided under P.U.(A) 268/2021 shall be subject to the conditions of application as stipulated in the said ITR. Where the person shall apply the prescribed rates under the said ITR on a consistent basis until the qualifying expenditure has been fully absorbed within the period from 1 March 2020 to 31 December 2021.

7.11 Excursion Bus – ITR (Accelerated Capital Allowance) (Excursion Bus) (Amendment) 2022 [P.U. (A) 9/2022] and ITR (Accelerated Capital Allowance)(Excursion Bus) 2021 [P.U.(A) 291/2021]

7.11.1 The licensed tour operators who purchase new excursion buses are eligible to claim ACA through three subsidiary legislations as follows:

Subsidiary Legislation	Rates of ACA	Year of Assessments
ITR (Accelerated Capital Allowance) (Bus) 2008 [P.U. (A) (356/2008)]	Initial Allowance = 20% Annual Allowance = 80%	2009 – 2011
ITR (Accelerated Capital Allowance) (Excursion Bus) 2008 [P.U. (A) (291/2021)]	Initial Allowance = 20% Annual Allowance = 40%	2020 – 2021

ITR (Accelerated Capital Allowance) (Excursion Bus) (Amendment) 2022 [P.U. (A) (9/2022)]	Initial Allowance = 20% Annual Allowance = 40%	2022 – 2024
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7.11.2 Effective from the YA 2022, the period of the ACA grant is extended until the YA 2024. This means that licensed tour operators are eligible to claim ACA for capital expenditure incurred on the purchase of excursion buses made within three (3) years, i.e. from the YA 2022 until YA 2024.

7.11.3 ACA is given at the rate of 20% for IA and 40% for AA.

7.11.4 For the purpose of this ITR, 'a licensed tour operator' has the same meaning as in section 2 of the Tourism Industry Act 1992 [Act 482];

7.11.5 P.U. (A) 9/2022 shall apply to a licensed tour operator that fulfills the following requirements:

(a) The licensed tour operator shall:

- (i) resident in Malaysia;
- (ii) the first registered owner of the excursion bus;
- (iii) a holder of the tourism vehicle licence issued under the Land Public Transport Act 2010 [Akta 715] or the Tourism Vehicles Licensing Act 1999 [Akta 594].

(b) The excursion bus which is eligible to be purchased by the licensed tour operator shall:

- (i) be used exclusively for the conveyance of tourists pursuant to the Land Public Transport Act 2010 or the Tourism Vehicles Licensing Act 1999;
- (ii) be assembled or constructed in Malaysia pursuant to Motor Vehicles 1959 [L.N. 173/1959];
- (iii) a new bus that does not include a reconditioned excursion bus; and
- (iv) be acquired within the period of the YA 2020 until YA 2024.

7.11.6 For the purchase of an excursion bus on a hire purchase basis,

the licensed tour operator shall be treated as the owner of that excursion bus and the installments paid in the basis period for the year of assessment shall be taken as QCE in the computation of ACA.

7.11.7 A licensed tour operator is not eligible to claim ACA if in a basis period for the year of assessment, the licensed tour operator has claimed the purchase of the excursion bus with the following tax incentives:

- (a) Investment tax allowance under PIA [Act 327];
- (b) RA under Schedule 7A of ITA;
- (c) Investment allowance for the service sector under Schedule 7B of ITA;
- (d) ACA under the rules made under section 154 of the ITA; or
- (e) Tax exemption under paragraph 127(3)(b) or subsection 127(3A) of the ITA.

Example 13

Ivory Travel Sdn Bhd (ITSB) is a licensed tour operator company that fulfills all the requirements as stated in paragraphs 7.11.5(a) and (b) of this PR. On 17.3.2023, ITSB purchased a new excursion bus amounting to RM300,000 which is used for the purpose of the company's tour operations. ITSB also does not claim any tax incentives as listed in paragraph 7.11.7 of this PR. ITSB closes its accounts on December 31 each year.

ITSB is eligible to claim ACA for QE amounting to RM300,000 for YA 2023 with the following computation:

	RM	RM
Year of Assessment 2023		
Qualifying expenditure		300,000
Initial Allowance (20% x RM300,000)	60,000	
Annual Allowance (40% x RM300,000)	120,000	180,000
Residual expenditure		120,000
Year of Assessment 2024		
Annual Allowance (40%)		120,000

Residual expenditure		Nil
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7.12 Information and Communication Technology Equipment for the Implementation of Electronic Invoicing – Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment for the Implementation of Electronic Invoicing) Rules 2026 [P.U. (A) 162/2026]

7.12.1 This ITR is effective from the YA 2024 to YA 2027 and applies in respect of QE incurred by a person resident in Malaysia within the basis period for a year of assessment in respect of:

- (a) **the acquisition of any information and communication technology equipment for the purpose of implementing electronic invoicing; and**
- (b) the installation of such information and communication equipment.

7.12.2 A person intending to claim ACA under this ITR:

- (a) must comply with the implementation timeline for electronic invoicing as stipulated under the Income Tax (Electronic Invoicing Issuance) Rules 2024 [P.U. (A) 265/2024];
- (b) shall not be granted any relaxation in relation to the issuance of electronic invoices under the guidelines issued by the Director General pursuant to section 134A of the Act;
- (c) **must comply with the requirements on the issuance of electronic invoices as specified in the guidelines issued by the Director General under section 134A of the Act; and**
- (d) must carry on a business registered with:
 - (i) the Companies Commission of Malaysia ;
 - (ii) a business registration body;
 - (iii) a local authority; or
 - (iv) a statutory body.

7.12.3 Information and communication technology equipment for the implementation of electronic invoicing which is eligible for ACA claim by a resident in Malaysia for his business purposes is as follows:

- (a) Access control system
- (b) Banking system
- (c) Barcode equipment
- (d) Foreign poller or collector

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- (e) Cables and connector
 - (f) Computer-aided design
 - (g) Computer-aided manufacturing
 - (h) Computer-aided engineering
 - (i) Card reader
 - (j) Computer and component
 - (k) Central Processing Unit
 - (l) Storage
 - (m) Monitor
 - (n) Printer
 - (o) Scanner or reader
 - (p) Accessories
 - (q) Communication and networking equipment
 - (r) Software system or software package

7.12.4 ACA is granted at the rate of 20% as IA and 40% as AA.

7.12.5 A resident is not eligible to claim ACA under this ITR if, for current **period, the resident has :**

- (a) been granted investment tax allowance under the PIA [Act 327];
- (b) claimed RA under Schedule 7A of the ITA;
- (c) been granted investment allowance for the service sector under Schedule 7B of the ITA;
- (d) claimed a deduction under section 33 of the ITA;
- (e) claimed a deduction under section 34A of the ITA;
- (f) claimed ACA under any other rules made under section 154 of the ITA; or
- (g) **been granted tax exemption under paragraph 127(3)(b) or subsection 127(3A) of the ITA.**

Example 14

ABC Trading Sdn. Bhd. (ABCTSB) is a company resident in Malaysia engaged in wholesale trading. In line with the implementation of electronic invoicing, the company acquired several information and communication technology equipment for the purpose of issuing electronic invoices. The assets were purchased and first used in the basis period for YA 2025. ABCTSB closes its accounts on 31 December each year.

Capital expenditure are as follows:

Asset	Amount (RM)
Computers and components	28,000
Printers and scanners	12,000
Total expenditure	40,000

All assets above are listed in the Schedule to the Rules. The company confirms that no other tax incentives have been claimed on the same expenditure. Therefore, ABCTSB is eligible to claim ACA as follows:

	RM	RM
Year of Assessment 2025		
Qualifying expenditure		40,000
Initial allowance (20% x RM 40,000)	8,000	
Annual allowance (40% x RM 40,000)	16,000	24,000
Residual expenditure		16,000
Year of Assessment 2026		
Annual allowance (40%)		16,000
Residual expenditure		Nil

Example 15

GHI Enterprise Sdn. Bhd. implemented electronic invoicing in stages. During the basis period for YA 2024, the company purchased computers and monitors for e-Invoicing purposes amounting to RM25,000. During the basis period for YA 2025, the company purchased additional printers and scanners amounting to RM15,000, which were also used for the implementation of e-Invoicing.

	RM	RM
Year of Assessment 2024		
Qualifying expenditure		25,000
Initial Allowance (20% x RM 25,000)	5,000	
Annual Allowance (40% x RM25,000)	10,000	15,000
Residual expenditure		10,000

Year of Assessment 2025		
Annual Allowance on residual expenditure from YA 2024		10,000
New qualifying expenditure		15,000
Initial Allowance (20% x RM 15,000)	3,000	
Annual Allowance (40% x RM15,000)	6,000	9,000
Residual expenditure		6,000
Total allowance claimed for Year of Assessment 2025		19,000

The computers, monitors, printers and scanners acquired for the implementation of e-Invoicing qualify for EMD claims, subject to compliance with the conditions stipulated under this ITR.

Example 16

XYZ Sdn. Bhd. (SXYZ) purchased a central processing unit worth RM50,000,000 in YA 2025. The asset is use for:

- (a) **supporting the company's e-invoicing system; and**
- (b) storing other operational data such as human resources and finance.

SXYZ closes its accounts on 31 December each year.

SXYZ is not eligible to claim ACA for the central processing unit as the asset is also used for other purposes. The asset must be used **exclusively for e-invoicing**. If an asset used for other functions, it does not fulfil the intention for the implementation of e-invoicing.

7.13 Speed Limitation Device – Income Tax (Accelerated Capital Allowance) (Speed Limitation Device) Rules 2025 [P.U. (A) 476/2025]

- 7.13.1 This ITR is effective from 1 January 2026 to 31 December 2026 and applies in respect of QE incurred by a person resident in Malaysia within the basis period for a year of assessment.
- 7.13.2 ACA is granted on QE incurred on the purchase of a speed limitation device for the purposes of the resident's business.
- 7.13.3 The speed limitation device shall be installed on a commercial vehicle that:
 - (a) which is installed in a commercial vehicle manufactured before 1 January 2015;
 - (i) in relation to goods vehicle, with gross vehicle weight of more than 3500 kilograms; or
 - (ii) in relation to public service vehicle, with gross vehicle weight of more than 5000 kilograms and carrying more than eight passengers excluding the driver.
 - (b) be installed within the period from 1 January 2026 until 31 December 2026;
 - (c) have its installation certified by a body recognized by the Road Transport Department; and
 - (d) not be a replacement of an existing speed limitation device.
- 7.13.4 The QE in respect of each speed limitation device shall not exceed RM4,000.
- 7.13.5 ACA is granted at the rate of 20% as IA and 80% as AA.
- 7.13.6 Where a person incurs QE under a hire purchase agreement for the acquisition of a speed limitation device for the purposes of his business:

- (a) such person shall be treated as the owner of the speed limitation device; and
- (b) the QE shall be based on the capital instalment payments made within the basis period for a year of assessment.

7.13.7 A resident is not eligible to claim ACA under this ITR if, for the current period, the resident has:

- (a) been granted investment tax allowance under the PIA [Act 327];
- (b) claimed RA under Schedule 7A of the ITA;
- (c) been granted investment allowance for the service sector under Schedule 7B of the ITA;
- (d) claimed ACA under any other rules made under section 154 of the ITA; or
- (e) been granted a tax exemption under paragraph 127(3)(b) or subsection 127(3A) of the ITA.

Example 17

ABC Logistics Sdn. Bhd. (ALSB) is a company resident in Malaysia carrying on a transportation business. ALSB closes its accounts on 31 December each year.

On 15.2.2026, ALSB purchased and installed a speed limitation device in a lorry with a gross vehicle weight of 10,000 kilograms. ALSB purchased the lorry in 2013. The cost of purchasing and installing the speed limitation device was RM4,000.

The installation of the speed limitation device was certified by a body recognized by the Road Transport Department and ALSB did not claim any other tax incentive on the same expenditure.

Therefore, ALSB is eligible to claim ACA for YA 2026 as follows:

	RM	RM
Year of Assessment 2026		
Qualifying capital expenditure		4,000
Initial Allowance (20% × RM4,000)	800	
Annual Allowance (80% × RM4,000)	3,200	4,000
Residual expenditure		Nil

Example 18

The facts are the same as in Example 17 except that the speed limitation device was installed as a replacement for an existing speed limitation device.

As the speed limitation device is a replacement of an existing speed limitation device, ALSB is not eligible to claim ACA under the Income Tax (Accelerated Capital Allowance) (Speed Limitation Device) Rules 2025 [P.U. (A) 476/2025].

8. Steps to Claim Accelerated Capital Allowance

The steps that can be followed to facilitate the understanding of claiming ACA are as follows:

- (a) Identify the eligibility of each fixed asset of the business with the ITR that are still in force;
- (b) Choose the rate to be used i.e. either the normal rate or the rate specified in the ITR;
- (c) If the rate selected is according to the ITR determine whether the QE complies with the 'application' rule and other rules in the ITR; and
- (d) Choose the applicable rates for each asset.

The capital allowance for each fixed asset of the business can be claimed at the appropriate rate in the year of assessment. The rate chosen should be applied to the asset until the QE is fully absorbed. **This means that each asset only qualifies for one type of rate.**

If a company has 10 types of fixed assets that qualify for capital allowances, the company can make a selection of varying rates for the 10 assets.

Example 19

Digital IT Sdn Bhd (account ended 30 June) is a digital business company that carries out the activity of education such as e-books, online tutors, and online tutorials. The company purchased information technology equipment i.e. cables and connectors on 2.2.2022, computers and components on 21.11.2023 and Kitaboo Software (to create an e-Book) on 15.12.2023.

The company would like to make a claim for ACA on the information technology equipment for the YA 2023 and 2024 and seeks clarification on the following provisions of the ITR that can be applied:

Num.	Type of Plant and Machinery	ITR P.U.(A) / Year	%	
			IA	AA
1.	Information and communication technology equipment includes the installation of such equipment.	156/2018 Effective YA 2017	20	20
2.	Information and communication technology (ICT) equipment shall include the installation works related to such equipment.	328/2024 Effective YA 2024	40	20

Step (a):

The company has identified the information technology equipment that qualifies under the ITR which is still in force i.e. as mentioned in the table above.

Step (b):

For Kitaboo Software, cables and connectors as well as computers and components, the company chooses the ACA rate in the applicable ITR.

Step (c):

Since P.U.(A) 328/2024 comes into effect from YA 2024, the cables and connectors purchased on 2.2.2023 do not comply with the 'application' rules. However, these cables and connectors can apply P.U.(A) 156/2018.

Whereas, the computers and components purchased on 21.11.2023 can apply P.U.(A) 268/2021. Meanwhile Kitaboo software purchased on 15.12.2023 is a category of assets that are eligible for ACA claims under KKCP P.U.(A) 328/2024

Step (d):

Thus, the capital allowance rate that can be used by the company for information technology equipment is as follows:

Asset	IA (%)	AA (%)
Cables and connectors - P.U.(A) 156/2018	20	20
Computers and components - P.U.(A) 328/2024	40	20
Kitaboo Software - P.U.(A) 328/2024	40	20

9. Qualifying Period

- 9.1 A person is eligible to claim ACA at the rates prescribed according to the effective period and QE must comply with the 'application' rules as stipulated in the relevant ITR. Therefore, capital allowances are not claimable before or after the effective period.

Example 20

Aron Electric Sdn Bhd (AES) is a hardware and software supplier company dealing in various brand products in the field of telecommunications, process management and storage solutions. AES closes its accounts on 31 July each year. AES purchased some information and communication technology equipment (assets) at the following details:

Asset details	Date of purchase
Computer Assisted Design (CAD)	22.01.2022
Storages	30.12.2021
Barcode equipment	01.08.2020

AES wants to make a claim for ACA under P.U.(A) 268/2021 at the rate of 20% for IA and 40% for AA in the YA 2022.

AES is eligible to claim ACA as provided under P.U.(A) 268/2021 for both assets, barcode equipment, and storage in YA 2021 and 2022 respectively. This is because QE for both assets is incurred during the period 1 March 2020 to 31 December 2021 as stipulated in the 'application' rule under P.U.(A) 268/2021.

AES is not eligible to claim ACA under P.U.(A) 268/2021 for Computer Assisted Design (CAD), as the QE for the asset was not incurred in the basis period 1 March 2020 to 31 December 2021.

- 9.2 Asset purchased before a person commences business qualifies for ACA when the business commences.

Example 21

Acacia Holidays Sdn Bhd (AHS) is a licensed tour operator business company. AHS purchased 2 excursion buses on 15.5.2023 before the company commenced business operations on 15.6.2023. HSB closes its accounts on 31 May each year.

AHS is only eligible to claim ACA as provided under P.U.(A) 9/2022 in the

YA 2024 which is when AHS has commenced business operations.

- 9.3 A person is eligible to claim ACA when the asset is capable of being used for the purposes of the business.

Example 22

Shine Ecology Sdn. Bhd. (SESB) is a manufacturing company that processes food waste and plant residues into organic fertilizers. Organic fertilizers that are produced are fruit-bearing and flower-booster types. SESB closes its accounts on 30 September each year.

On 8.1.2023, SESB has purchased a series of plant and machinery for processing the waste to be used as organic fertilizers. Plant and machinery only began to be installed and were ready to be used in

SESB's business on 15.10.2023 (for the basis period 1.10.2023 – 30.9.2024).

SESB is eligible for the ACA as provided under P.U. (A) 505/2000 from the YA 2024.

10. Disposal of Assets Within Two Years

- 10.1 Where a person has incurred QE in respect of an asset and the asset is owned by that person for a period of less than two years³, paragraph 71 of Schedule 3 of the ITA applies [except by reason of the death of that person or any other reasons that are acceptable by the Director General of Inland Revenue (DGIR)]. The DGIR may direct that –

- (i) any capital allowance would fall to be made to that person should not be made; and
- (ii) any capital allowance that has been made should be withdrawn and a balancing charge should be made for the year of assessment in the basis period in which the asset was disposed of.

³**Note:** "Two years" refers to two calendar years based on the exact number of days.

- 10.2 The balancing charge is limited to capital allowances that have been given in the years of assessment before the basis period the plant or machinery is disposed of.
- 10.3 Capital allowances will not be withdrawn if the disposal of an asset is made with a valid (*bona fide*) commercial reason. For example, the disposal is due to damage to an asset, non-suitability for use or it is no longer needed in the business. Balancing charge or balancing allowance should be made on a disposer.

- 10.4 For more information, please refer to paragraph 8.3, 'Disposal of asset that is owned for less than two years' in the PR No. 7/2017 titled "Disposal Of Plant Or Machinery Part I - Other Than Controlled Sales".

Example 23

Protective Worldwide Sdn Bhd (PWS) carries on a business of manufacturing rubber gloves and its account closes on 30 September each year. On 10.10.2020, a rubber glove manufacturing machinery was bought for RM100,000 for its business use. The machinery was disposed of on 22.02.2022 for RM80,000 as the demand for rubber gloves continues to increase. New machinery has been purchased to increase production so that the demand for rubber gloves can be met.

Computation of ACA according to the rate as provided under P.U.(A) 268/2021 is as follows:

	RM	RM
Cost of rubber glove manufacturing machinery		100,000
Year of Assessment 2021 (1.10.2020– 30.09.2021)		
Less:		
IA (20% X 100,000)	20,000	
AA (40% X 100,000)	40,000	60,000
Residue expenditure		40,000
Year of Assessment 2022 (1.10.2021– 30.09.2022)		
Less:		
Disposal price		80,000
Balancing charge		40,000

The DGIR considers the disposal of the machinery as a *bona fide* disposal. Thus, paragraph 71 of Schedule 3 of the ITA does not apply and the ACA which has been allowed in the YA 2021 need not be withdrawn.

11. Non-Application

- 11.1 The "**Non-Application Provision**" in each ITR relating to **ACA** is intended to prevent situations where a person claims ACA in a year of assessment **while also enjoying other tax incentives** as stated in the relevant ITR. This provision explains that the tax incentives given by the

Government to a person are mutually exclusive to ACA.

11.2 The other incentives are as follows:

- (a) Investment tax allowance under the PIA [Act 327];
- (b) RA under Schedule 7A of ITA;
- (c) Investment allowance for the service sector under Schedule 7B of ITA;
- (d) Tax Exemption under paragraph 127(3)(b) of the ITA given by the Minister through a gazette order;
- (e) Tax exemption under subsection 127(3A) of the ITA specifically granted by the Minister; or
- (f) ACA with an allowance at a higher rates under the ITR or any other ITR made under section 154 of the ITA.

11.3 However, the "Non-Application Provision" in each ITR relating to ACA should be referred to specifically, as the provision may differ between each ITR. Therefore, compliance with the conditions stipulated in each respective ITR is crucial to ensure that ACA claims are made accurately and in an orderly manner.

11.4 If a person has been given such incentives as listed in paragraph 11.2 of this PR or any of the other incentives listed in the 'Non-application' Rule of an ITR and at the same time ACA is claimed, then the tax incentives provided will be maintained. The ACA claimed will be withdrawn and capital allowances at the normal rates as prescribed in Schedule 3 of the ITA or the capital allowance rate in ITR (Qualifying Plant Annual Allowances) 2000 [P.U. (A) 52/2000] shall be allowed. This is because such incentives and ACA are mutually exclusive.

Example 24

Abraham Travel & Tours (ATT) Sdn Bhd is a licensed tour operator company that fulfills the eligibility requirements of ACA claims as mentioned in paragraph 7.11.5. ATT has been granted a tax exemption under subsection 127(3A) of the ITA until the year 2024.

On 15.5.2023, ATT purchased a new excursion bus amounting to RM150,000 which is used exclusively for the conveyance of tourists. ATT has claimed ACA on the bus purchased for the YA 2023 2022 under ITR [P.U.(A) 9/2022]. The financial period of the company ends on 31 August.

The "Non-application Rule" in Income Tax (Accelerated Capital Allowance) (Excursion Bus) Rules 2021 [P.U.(A) 291/2021] which is read together with Income Tax (Accelerated Capital Allowance) (Excursion Bus) Rules 2022 [P.U.(A) 9/2022] is referred to.

The tax incentive given will be maintained and the ACA that has been claimed will be withdrawn and capital allowances at the normal rates as

provided in Schedule 3 of the ITA or the capital allowance rates in the ITR (Eligible Plant Annual Allowance) 2000 [P.U.(A) 52/2000] will be allowed. This is because the incentive and ACA are mutually exclusive.

12. Claim Procedure

A claim for ACA must be made in an Income Tax Return Form. All supporting documents are to be kept by the claimant for verification purposes when an audit is conducted by IRBM.

13. Summary of Income Tax Rules and Rates of Accelerated Capital Allowances For Plant and Machinery

Num.	Type of Plant and Machinery	ITR P.U.(A)/ Year	Effective Period/ From	%	
				IA	AA
1.	Buses using natural gas and natural gas refuelling equipment	265/1997	01.01.1997	40	20
2.	Machinery or plant used in industries— (i) Building and construction; (ii) Timber; and (iii) Tin mining.	294/1998	YA 1998	30 60 60	20/14 20/14 20/14
3.	Control Equipment	295/1998	YA 1996 (deemed)	40	20
4.	Plant and machinery for recycling of wastes or further processing of the wastes into a finished product.	505/2000	YA 2001	40	20
5.	Plant and machinery for a qualifying project in respect of a promoted activity or a promoted product or an agricultural project.	506/2000	YA 2001	40	20

Num.	Type of Plant and Machinery	ITR P.U.(A)/ Year	Effective Period/ From	%	
				IA	IA
6.	Equipment certified by the Ministry of Energy, Water and Communications, Malaysia as an equipment used for its own business to control the quality of electrical power.	87/2005	YA 2005	20	40
7.	Mould for the Production of Industrialised Buildings System Component.	249/2006	YA 2006	40	20
8.	Information and Communication Technology Equipment.	328/2024	YA 2024	40	20
		156/2018	YA 2017	20	20
9.	Automation Equipment (Amendment)	173/2020 dan 252/2017	YA 2015 – YA 2023	20	80
10.	Machinery and equipment including information and communication technology equipment. Note: The QE incurred from 1 March 2020 until 31 December 2021.	268/2021	YA 2020	20	40
11.	Excursion Bus (Amendment)	9/2022 and 291/2021	YA 2022 and YA 2020 – YA 2021	20	40

Num.	Type of Plant and Machinery	ITR P.U.(A)/ Year	Effective Period/ From	%	
				IA	IA
12	Information and Communication Technology Equipment for the Implementation of Electronic Invoicing	162/2026	YA 2024 – YA 2027	20	40
13	Speed Limitation Device	476/2025	YA 2026	20	80

14. Updates and Amendments

The contents of PR No. xx/xxxx titled "Accelerated Capital Allowance" dated xxxx has been updated and rearranged in this third edition PR with the following amendments:

The paragraph in the fourth edition of PR	Description
2.3	Paragraph 2.3 has been updated: By consolidating all current ACA Rules into a single table.
5	Paragraph 5 is updated
6.3	Paragraph 6.3 is updated
7.1.3	Example 1" has been updated to align with the current year at the time this Public Ruling is issued.
7.2.3	Example 2" has been updated to align with the current year at the time this Public Ruling is issued
7.4.4	Example 4" has been updated to align with the current year at the time this Public Ruling is issued
7.5	Paragraph 7.5.6 has been updated and Example 5 has been updated to align with the current year at the time this Public Ruling is issue.

The paragraph in the fourth edition of PR	Description
7.6.4	Example 6" has been updated to align with the current year at the time this Public Ruling is issued
7.7.4	Example 7" has been updated to align with the current year at the time this Public Ruling is issued
7.8	The earlier Paragraph 7.8 has been updated. Paragraphs 7.8.1 to 7.8.4 have been introduced as new paragraphs, and the existing paragraphs 7.8.1 to 7.8.4 have been renumbered and updated as Paragraphs 7.8.5 to 7.8.7.
7.9.11	Previous paragraph 7.9.11 has been updated. "Example 8" has been updated to align with the current year at the time this Public Ruling is issued.
7.10.7 (a) & (b)	Paragraph 7.10.7 has been updated by combining the principal rules and principal order into a single sentence. Example 10 has been updated by consolidating the principal Rules and the principal Order into a single sentence. Examples 11 and 12 have been inserted as new examples in respect of instalment payments
7.11	Paragraph 7.11 and paragraph 7.11.7 has been updated "Example 11" has been amended to "Example 13" and updated to reflect the current year at the time this Public Ruling is issued.
7.12	A new Paragraph 7.12 has been inserted in relation to Information and Communication Technology Equipment for the Implementation of Electronic Invoicing – Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment for the Implementation of Electronic Invoicing) Rules 2026 [P.U. (A) 162/2026] Examples 14, 15 and 16 have been inserted as new examples.

The paragraph in the fourth edition of PR	Description
7.13	A new Paragraph 7.13 has been inserted in relation to Speed Limitation Device – Income Tax (Accelerated Capital Allowance) (Speed Limitation Device) Rules 2025 [P.U. (A) 476/2025]. Examples 17 and 18 have been inserted as new examples.
8.	"Example 12" has been amended to "Example <u>19</u> " and updated to reflect the current year at the time this Public Ruling is issued.
9.	"Example <u>13</u> " has been amended to "Example <u>20</u> ", and "Example <u>14</u> " has been amended to "Example <u>21</u> ", with both updated to reflect the current year at the time this Public Ruling is issued. "Example <u>15</u> " has been amended to "Example <u>22</u> "
10.	Example 16 has been renumbered as Example 23
11.	The previous Paragraph 11 has been amended and updated, with Subparagraph 11.1 revised in terms of sentence structure, and Subparagraph 11.3 renumbered as Subparagraph 11.4. New content has been inserted as Subparagraph 11.3. "Example 17" has been amended to "Example <u>24</u> " and updated to reflect the current year at the time this Public Ruling is issued.
13.	The previous Paragraph 13 has been amended and updated by inserting new Items 12 and 13 into the Schedule.

15. 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.**