1. Objective

The objective of this Public Ruling (PR) is to explain the tax treatment applicable to chargeable persons who enter into petroleum agreements under a partnership deemed to be a continuing partnership, and partnerships holding two or more petroleum agreements within contiguous operating areas.

2. Relevant Provisions of the Law

2.1 This PR takes into account laws that are in force as of the date this PR is published.

2.2 The provisions of the Petroleum (Income Tax) Act 1967 (PITA) related to this PR are sections 2, subsection 2(3), subsection 2(4) and subsection 4(3) of the PITA.

3. Interpretation

The terms used in this PR have the following meanings:

3.1 “Barrel” means 42 U.S. gallons or 9702 cubic inches, being equivalent to 34.9726 Imperial gallons;

3.2 “Adjusted loss” means adjusted loss ascertained in accordance with this Act;

3.3 “Director General” means the Director General of Inland Revenue referred to in section 67 of the PITA;

3.4 “Petroleum operations” means—

(a) searching for and winning or obtaining of petroleum in Malaysia by or on behalf of any person for his own account or on a joint account with any other person by any drilling, mining, extracting or other like operations or process, in the course of a business carried on by that person engaged in such operations, and all operations incidental thereto, and any sale or disposal by or on behalf of that person of petroleum so won or obtained, and includes the transportation within Malaysia by or on behalf of that person of petroleum so won or obtained to any point of sale or delivery or export, but does not include—

(i) any transportation of petroleum outside Malaysia;
(ii) any process of refining or liquefying of petroleum;
(iii) any dealings with products so refined or liquefied; or
(iv) service involving the supply and use of rigs, derricks, ocean tankers and barges; and

(b) any sale or disposal by Petroliam Nasional Berhad within Malaysia of petroleum obtained from outside of Malaysia and includes the transportation within Malaysia by, or on behalf of, Petroliam Nasional Berhad of such petroleum to any point of sale or delivery within Malaysia;

3.5 "Person" includes a company, a partnership or other body of persons and a corporation sole;

3.6 "Chargeable Person" means—
(i) Petroliam Nasional Berhad,
(ii) Malaysia-Thailand Joint Authority,
(iii) in relation to each petroleum agreement, any other person carrying on petroleum operations thereunder,

severally;

3.7 "Statutory income" means statutory income ascertained in accordance with this Act;

3.8 "Adjusted income" means adjusted income ascertained in accordance with this Act;

3.9 "Petroleum Agreement" means an agreement for exploring, prospecting or mining for petroleum entered into between Petroliam Nasional Berhad or the Malaysia - Thailand Joint Authority and any other person whereby the parties thereto share any petroleum production or any profit derived therefrom;

3.10 "Partnership" means an association or arrangement of any kind (including, but not limited to, joint ventures, syndicates and cases where a party to the association or arrangement is itself a partnership) between parties who have agreed to combine any of their rights, powers, property, labour or skill for the purposes of carrying on petroleum operations and sharing any petroleum production or any profit derived therefrom;

3.11 “Petroleum” means any mineral oil or relative hydrocarbon and natural gas existing in its natural condition and casinghead petroleum spirit, including bituminous shales and other stratified deposits from which oil can be extracted;

3.12 “Year of assessment” means calendar year.

4. Introduction

4.1 Petroleum operations in Malaysia are carried out by a single contractor or a partnership consisting of two or more contractors in a petroleum agreement.

4.2 Contractors in a petroleum agreement may change due to farm-out/farm-in activities within a Production Sharing Contract (PSC).

4.3 In general, the taxation principles for continuous partnerships and partnerships for contiguous areas are described in Public Ruling No. 7/2023 titled Taxation of Upstream Petroleum – Part I, which can be downloaded from the Hasil portal at www.hasil.gov.my.

5. Continuous Partnership

5.1 Generally, most petroleum operations in Malaysia are carried out through partnerships according to the contractual period stipulated in the petroleum agreement. However, the contractors in the petroleum agreement may change throughout the duration of the petroleum agreement with the approval from Petroliam Nasional Berhad (PETRONAS).

5.2 Referring to subsection 2(3) of the PITA, where there is a change of contractor within a partnership at any time during the period of the petroleum agreement and at least one original contractor from the succeeded partnership remains as a member in the succeeding partnership, both the succeeded partnership and the succeeding partnership shall be treated as one continuing partnership.

5.3 Farm-out/farm-in activities on a petroleum agreement.

5.3.1 Changes in the contractor within a partnership may occur due to the following activities:

(a) farm-out is the act of selling or transferring part or all of the rights or participating interest of a contractor in a petroleum agreement to another contractor; or

(b) farm-in is the act of purchasing or acquiring part or all of the rights or participating interest of a contractor in a petroleum agreement from another contractor.

These circumstances may occur repeatedly throughout the duration of petroleum agreement.

5.3.2 One or more of the original contractors in the partnership that entered into the petroleum agreement carry out farm-out/farm-in activities with respect to part or all of their interest in the petroleum agreement, and at least one of the original contractors remains a contractor in the partnership. In such a case, the partnership is regarded as a continuing partnership. Therefore, the tax treatment of such a partnership remains the same as before the farm-out/farm-in activity.

Example 1

Vitos Carigali Sdn Bhd (VCSB) and Achiles Oil Co. Ltd. (AOCL) are contractors engaged in the exploration and exploitation of the nation's petroleum resources in partnership.

VCSB and AOCL entered into a petroleum agreement with PETRONAS to carry out petroleum operations in Block PM39 offshore Malaysia on 01.01.2020, and were designated as VCSB/AOCL – Block PM39 PSC for a period of 30 years. The accounting period of Block PM39 PSC closes on 31 December each year. The participating interests of each contractor are 70% (VCSB) and 30% (AOCL).

Block PM39 PSC made its first sale on 01.05.2023. The total crude oil production for the period from 1 May 2023 to 31 December 2023 amounted to 3 mil barrels, while the expected future production capacity for Block PM39 PSC is 57 mil barrels.

The computation of petroleum income tax for Block PM39 PSC for the year assessment (YA) 2023 is as follows:

Details	VCSB	AOCL	Total
	RM ('000)	RM ('000)	RM ('000)
Gross Income	**332,500**	**142,500**	**475,000**
Less: Allowable Expenditure			
Operating Expenditure	(298,900)	(128,100)	(427,000)
*Qualifying Exploration Expenditure (QEE)	(105,000)	(45,000)	(150,000)
Total Allowable Expenditure	**(403,900)**	**(173,100)**	**(577,000)**
Less: Total Expenses (limited to gross income)	**(332,500)**	**(142,500)**	**(475,000)**
Statutory Income	**-**	**-**	**-**
Unabsorbed adjusted business losses c/f	**(71,400)**	**(30,600)**	**(102,000)**

*Please refer to the QEE computation as shown in the table below.

Computation of QEE under First Schedule of the PITA:

Details	VCSB	AOCL		TOTAL QEE
	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Ended Period :31.12.2020	84,000	36,000		120,000
Ended Period :31.12.2021	140,000	60,000		200,000
Ended Period :31.12.2022	126,000	54,000		180,000
*Period 1.1.2023 – 31.12.2023	70,000	30,000		100,000
Total	**420,000**	**180,000**		**600,000**
Initial Allowance (10%)	42,000	18,000	60,000	
Annual Allowance				
$\left[\dfrac{\text{3 mil barrels}}{\text{(3 mil + 57 mil) barrels}}\right]$				
X RM 600,000,000				
= RM30,000,000	21,000	9,000		
or				
15% x RM600,000,000				

Details	VCSB	AOCL		TOTAL QEE
	RM ('000)	RM ('000)	RM ('000)	RM ('000)
=RM 90,000,000 Whichever is higher	63,000	27,000	90,000	
Less: QEE for YA2023			150,000	(150,000)
c/f QEE balance as at 31.12.2023				**450,000**

*The duration of the exploration phase and production phase for the YA2023

Capital Allowance under Second Schedule of the PITA for YA2023:

Details	VCSB	AOCL	Total
	RM ('000)	RM ('000)	RM ('000)
Current year capital allowance	2,100	900	3,000
Less: Capital allowance absorbed in the current year	-	-	-
c/f Capital allowance as at 31.12.2023	**2,100**	**900**	**3,000**

Based on the tax computation for the YA2023, tax treatment applicable to a continuing partnership is as follows:

(a) The carried forward balance of QEE amounting to RM450 mil under the First Schedule of the PITA as at 31.12.2023 may be brought forward as the opening balance on 1.1.2024;

(b) The unabsorbed capital allowance amounting to RM3 mil for the YA2023 may be carried forward to 1.1.2024; and

(c) The adjusted loss amounting to RM102 mil for the YA2023 may be carried forward to be set off against statutory income for the YA2024.

Example 2

The facts are the same as in **Example 1.**

On 30.6.2024, AOCL fully disposed of its rights to Komho Oil Co. Ltd. (KOCL). The participating interest for each contractor is 70% (VCSB) and 30% (KOCL).

For the period from 01.01.2024 to 31.12.2024, the total oil production was 5 mil barrels. The expected future production capacity for Block PM39 PSC is 60 mil barrels.

The petroleum income tax computation for VCSB/KOCL – Block PM39 PSC for the YA2024 is as follows:

Details	VCSB	KOCL	Total
	RM ('000)	RM ('000)	RM ('000)
Gross Income	**868,511**	**372,219**	**1,240,730**
Less: Allowable Expenditure			
Operational Expenditure	(364,700)	(156,300)	(521,000)
*QEE (First Schedule of the PITA)	(47,250)	(20,250)	(67,500)
Total Allowable Expenditure	**411,950**	**176,550**	**588,500**
Adjusted Income	**456,561**	**195,669**	**652,230**
Less: Capital Allowance	(3,850)	(1,650)	(5,500)
Statutory Income	**452,711**	**194,019**	**646,730**
Less: Unabsorbed loss brought forward	(71,400)	(30,600)	(102,000)
Chargeable Income	**381,311**	**163,419**	**544,730**
Less: Gift of money to an approved institution	(1,200)	-	(1,200)
Taxable Income	**380,111**	**163,419**	**543,530**

*Please refer to the QEE computation as shown in the table below.

Computation of QEE under First Schedule of the PITA for YA2024:

Details	VCSB	AOCL	KOCL		TOTAL QEE
	RM ('000)	RM ('000)	RM ('000)	RM ('000)	RM ('000)
b/f QEE balance as at 1.1.2024	315,000	135,000			450,000
Transfer QEE AOCL to KOCL	0	(135,000)	135,000		
Total	**315,000**	**0**	**135,000**		**450,000**
Initial Allowance (10%)	0	0	0	0	
Annual Allowance $\left[\dfrac{\text{5 mil barrels}}{\text{(5 mil + 60 mil) barrels}}\right]$					
X RM450,000,000					
= RM34,615,385	24,231	0	10,385		
or;					
15% x RM450,000,000					
=RM 67,500,000					
Whichever is higher	**47,250**	**0**	**20,250**	**67,500**	
Less: QEE for YA2024				67,500	(67,500)
c/f QEE balance as at 31.12.2024					**382,500**

The c/f balance of QEE under the First Schedule of the PITA as at 31.12.2024 can be b/f balance on 01.01.2025.

Capital Allowance under Second Schedule of the PITA for YA2024:

Details	VCSB	KOCL	Total
	RM ('000)	RM ('000)	RM ('000)
b/f capital allowance	2,100	900	3,000
Add: Current year capital allowance	1,500	1,000	2,500
Total	**3,600**	**1,900**	**5,500**
Less: Capital allowance absorbed in the current year	(3,600)	(1,900)	(5,500)
c/f capital allowance	-	-	-

Based on the example above, the partnership remains continuous even though AOCL has exited the petroleum agreement and KOCL has become a new partner with VCSB under the same petroleum agreement. This partnership is still deemed a continuous partnership because VCSB, as the original contractor, remains in the petroleum agreement and the farm-out/farm-in activities occurred during the period of the petroleum agreement.

The balance of unabsorbed QEE, capital allowances, and adjusted losses AOCL can be carried forward by the new partner, KOCL in YA2024 because the partnership is still considered a continuing partnership.

5.4 When a petroleum agreement entered into by a single contractor undertakes a farm-out of part of its interest to another contractor, the original petroleum agreement shall cease to have effect and a new partnership shall be formed. The remaining QEE, capital allowances, and unabsorbed adjusted losses are not allowed to be carried forward.

5.5 Where one or more of the original contractors from the partnership that entered into the petroleum agreement conducts a farm-out of its entire interest in the petroleum agreement and only one contractor remains in the said agreement, the original petroleum agreement is shall cease to have effect. The issue of the continuation of the partnership does not arise, as the partnership no longer exists. The remaining QEE, capital allowances, and unabsorbed adjusted losses are not allowed to be carried forward.

Example 3

Falkene Carigali Sdn. Bhd. (FCSB) entered into a petroleum agreement with PETRONAS to carry out petroleum operations in Block SK6 offshore Malaysia on 1 January 2015, and was designated as the FCSB – Block SK6 PSC for a period of 20 years. The accounting period of Block SK6 PSC closes on 31 December each year. FCSB's participating interest is 100%. Block SK6 PSC made its first sale on 30.06.2018.

On 01.01.2022, FCSB disposed of 40% of its participating interest in FCSB – Block SK6 PSC to Viking Oil Co. Ltd. (VOCL). Accordingly, the participating interests in the petroleum agreement effective from 01.01.2022 are 60% (FCSB) and 40% (VOCL).

The petroleum income tax computation for FCSB – Block SK6 PSC for the YA2021 is as follows:

Details	**FCSB**	
	RM ('000)	**RM ('000)**
Gross Income		**550,000**
Less: Allowable Expenditure		
Operational Expenditure	(593,000)	
QEE (First Schedule,PITA)	(70,000)	
Total Allowable Expenditure	**(663,000)**	**-**
Less: Adjusted loss for the current year utilised (limited to gross income)	550,000	(550,000)
Statutory Income		**-**
Unabsorbed adjusted business losses c/f	**(113,000)**	**-**

QEE under First Schedule of the PITA for YA2021:

Details	**RM ('000)**	**RM ('000)**
b/f QEE balance as at 01.01.2021	-	280,000
Initial allowance and annual allowance for YA2021	70,000	-
Less: QEE for YA2021	70,000	(70,000)
c/f QEE balance as at 31.12.2021	**-**	**210,000**

Capital allowance under the Second Schedule of the PITA for YA2021:

Details	RM ('000)
Current year capital allowance	3,000
Less: Capital allowance absorbed in the current year	-
c/f capital allowance as at 31.12.2021	**3,000**

Based on the example above, the original petroleum agreement, FCSB – Block SK6 PSC shall cease to have effect and a new partnership, FCSB/VOCL - Block SK6 PSC, has been formed. The issue of a continuing partnership does not arise, as the PSC was originally awarded to a sole contractor and not to a partnership. Therefore, the tax treatment on FCSB/VOCL – Block SK6 PSC is as follows:

(a) the c/f balance of QEE amounting to RM210 mil under the First Schedule of the PITA as at 31.12.2021 is not allowed to be carried forward as a brought forward balance on 1.1.2022;

(b) unabsorbed capital allowances amounting to RM3 mil for the YA2021 are not allowed to be carried forward to be deducted against the adjusted income for the YA2022; and

(c) unabsorbed adjusted losses amounting to RM113 mil for the YA2021 are not allowed to be carried forward and deducted against the statutory income for the YA2022.

6. Partnerships for Contiguous Areas

6.1 Referring to subparagraph 2(4)(a)(i) of the PITA, if a partnership carrying out petroleum operations under two or more petroleum agreements and the areas under those agreements are contiguous, then the petroleum operations in those areas are deemed to be carried out under a single petroleum agreement.

6.2 Effective from the YA2024, subparagraph 2(4)(a)(i) of the PITA has been amended to determine the contiguous status of any petroleum agreements, whereby the partnership must consist of the same persons (original parties) for each petroleum agreement within the said contiguous area.

6.3 In addition, contiguous petroleum agreement areas only apply to contiguous areas or area extensions under the said petroleum agreement that existed before a change in the partnership members under subsection 2(3) of the PITA.

6.4 A PSC may apply to treat two or more petroleum agreements as a single petroleum agreement if the areas under those agreements are contiguous, provided that the contractors to the petroleum agreements are the same persons.

6.5 An application for a new contiguous area to be treated as part of an existing contiguous area must be made by a PSC comprising the same partnership members as the original partnership.

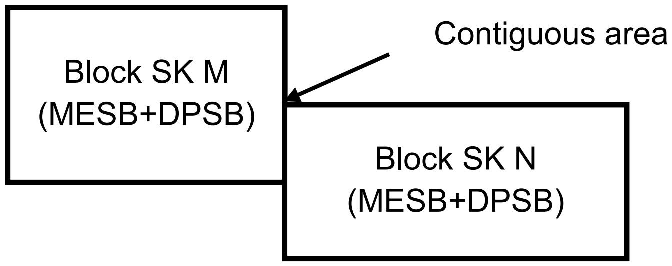
6.6 Such an application must be submitted to and approved by the Director General of Inland Revenue (DGIR).

6.7 This tax treatment applies to new applications in paragraph 6.5, and there is no change to the contiguous status of existing PSCs that were already approved before the amendment's effective date.

Example 4

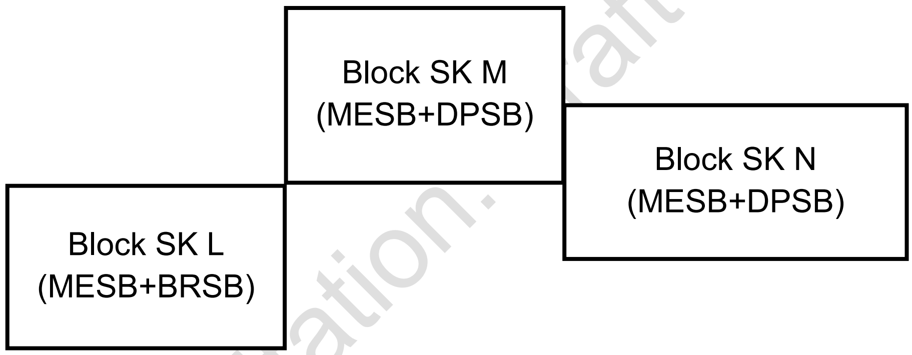
Mentari Energy Sdn Bhd (MESB) and Dinamik Padu Sdn Bhd (DPSB) entered into a petroleum agreement with PETRONAS on 15.06.2018 to carry out petroleum operations as a partnership in the Block SK M PSC located in offshore Malaysia for an operational period of 30 years.

On 21.01.2022, MESB and DPSB entered into another new petroleum agreement for Block SK N PSC, which is contiguous Block SK M PSC and shares a common boundary based on the block coordinates as stated in the petroleum agreement. Therefore, these two petroleum agreements are deemed to be carried out under a contiguous petroleum agreement as they fulfill the conditions under subparagraph 2(4)(a)(i) of the PITA.



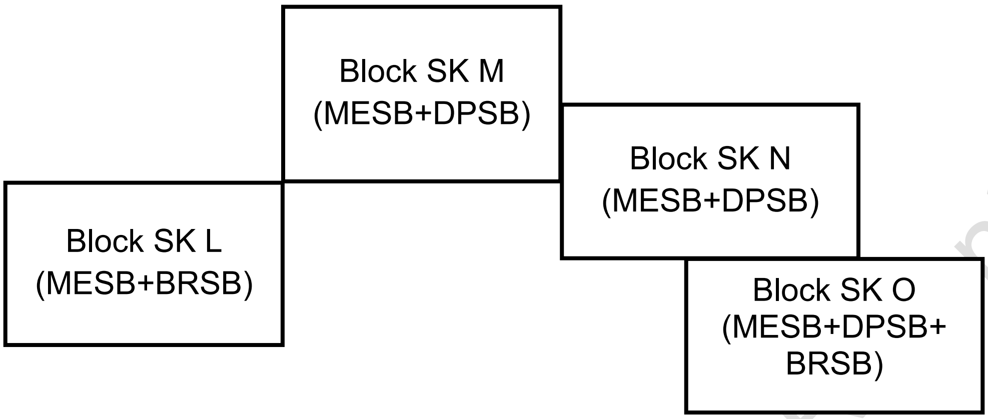
Example 5

The facts are the same as in **Example 4**. On 17.04.2024, MESB and Bunga Raya Sdn Bhd (BRSB) entered into a new petroleum agreement for Block SK L PSC, which is contiguous to Block SK M PSC. Block SK L PSC shares a common boundary based on the block coordinates as stated in the petroleum agreement.



Although both block SK M and SK L are contiguous, the two petroleum agreements cannot be treated as being carried out under a single petroleum agreement, as they do not fulfill the conditions under subparagraph 2(4)(a)(i) of the PITA. BRSB is not a participant in the same partnership under the Block SK M PSC. Therefore, Block SK L PSC is deemed not to be contiguous with Block SK M PSC even though the blocks are contiguous based on the said block coordinates.

Example 6



The facts are the same as in **Example 5**. On 02.06.2025, a new petroleum agreement was entered into between MESB, DPSB and BRSB for Block SK O PSC, which is contiguous to Block SK N PSC. Block SK O PSC shares the same boundary based on the block coordinates as stipulated in the petroleum agreement.

Although both Block SK N and Block SK O are contiguous, petroleum operations cannot be regarded as being conducted under a one petroleum agreement because the requirements under subparagraph 2(4)(a)(i) of the PITA are not satisfied. The original partners in a partnership must be the same contractors to qualify for contiguous status between the blocks.

7. Determination of Income for Petroleum Agreements under Contiguous Areas

7.1 Generally, the ascertainment of chargeable income from petroleum operations by any person other than PETRONAS or the MTJA shall be determined separately in respect of each petroleum agreement.

7.2 Based on subsection 4(3) of the PITA, the treatment in paragraph 7.1 shall not apply to a partnership in respect of a contiguous petroleum agreement. The income from all petroleum agreements under the contiguous petroleum agreement area shall be deemed as a single chargeable person's income within that contiguous area.

7.3 If a contiguous area under a petroleum agreement is surrendered to PETRONAS or MTJA by a partnership carrying out petroleum operations in that area, the petroleum operations involving the said contiguous area shall remain deemed as contiguous and shall be considered as being carried out under a single petroleum agreement in accordance with subparagraph 2(4)(a)(ii) of the PITA.

7.4 With effect from the YA2024, the determination of income shall also apply to contiguous petroleum agreements for the continued utilization of remaining tax attributes (unabsorbed business losses, capital allowances and qualifying exploration expenditure) arising from a petroleum agreements that has expired or from any contract area surrendered to PETRONAS or the MTJA.

7.5 Where there are two or more petroleum agreements of different phases (exploration and production) within contiguous petroleum agreements, the exploration expenditure under the exploration phase petroleum agreement shall be claimed pursuant to subsection 16(5) of the PITA, while the petroleum operating expenditure attributable to the petroleum agreement in the production phase shall be claimed pursuant to subsection 15(1) of the PITA.

7.6 This means that exploration expenditure attributable to a petroleum agreement in the exploration phase within a contiguous petroleum agreement area is eligible for deduction only under the provisions of First Schedule of the PITA as QEE, since first sales have not taken place. The accumulated QEE shall be claimed by the chargeable person.

Example 7

Selembar Petroleum Sdn. Bhd. (SPSB) and Ilham Tenaga Sdn Bhd (ITSB) entered into a petroleum agreement with PETRONAS to carry out petroleum operations within an agreement area located in offshore Malaysia (Block SB1 PSC) on 30.06.2018. Additionally, SPSB and ITSB entered into another petroleum agreement for Block SB2 PSC on 12.12.2021. Both PSCs are contiguous and located adjacent to each other and are registered as SPSB/ITSB - Block SB1/Block SB2 Contiguous PSC.

Block SB1 PSC reported its first production on 31.01.2021, while Block SB2 PSC remains in the exploration phase until 2024. The accounting period for SPSB/ITSB - Block SB1/Block SB2 Contiguous PSC ends on 31 December each year.

<u>Additional Information:</u>

(a)	Percentage of participating interest	: SPSB (60%); ITSB (40%)
(b)	Capital Allowance Second Schedule, PITA	: SPSB – RM18,000,000
		: ITSB – RM 12,000,000
(c)	QEE Brought forward as at 01.01.2024	: RM111,000,000
(d)	Estimated production 2024	: 5 mil barrels
(e)	Expected future production capacity	: 60 mil barrels

Financial Statement Block SB1 PSC
Period: 01.01.2024 – 31.12.2024

Details	SPSB	ITSB	Total
	RM	RM	RM
Gross Income	**246,387,200**	**164,258,134**	**410,645,334**
Less: Allowable Expenditure			
Research Cess	(1,292,921)	(861,947)	(2,154,868)
Abandonment Cess Fund	(9,567,805)	(6,378,537)	(15,946,342)
Supplemental Payment	(15,376,566)	(10,251,044)	(25,627,610)
Administrative & Operational	(136,587,547)	(91,058,365)	(227,645,912)
QEE (First Schedule of the PITA)	(11,573,995)	(7,715,997)	(19,289,992)
Total Allowable Expenditure	**(174,398,834)**	**(116,265,890)**	**(290,664,724)**
Adjusted Income	**71,988,366**	**47,992,244**	**119,980,610**
Less: Capital Allowance (Second Schedule of the PITA)	(18,000,000)	(12,000,000)	(30,000,000)
Statutory Income	**53,988,366**	**35,992,244**	**89,980,610**

Blok SB2 PSC QEE Statement
Period: 01.01.2024 – 31.12.2024

Details	SPSB	ITSB	Total
	RM	RM	RM
Seabed Studies	5,182,800	3,455,200	8,638,000
LD seismic survey	3,576,600	2,386,400	5,963,000
Geological Analaysis	3,424,200	2,282,800	5,707,000
Reprocessing Data	20,344,200	13,562,800	33,907,000
Rigs Rental	690,000	460,000	1,150,000
Processing Data, Interpretation & Supervision	5,563,800	3,709,200	9,273,000
Special Geophysical Studies	38,784,600	25,856,400	64,641,000
Operating & Administrative	7,410,000	4,940,000	12,350,000
Total	**84,976,200**	**56,652,800**	**141,629,000**

Computation of QEE under First Schedule of the PITA for YA2024 Block SB2 PSC:

Details	SPSB	ITSB		TOTAL QEE
	RM	RM	RM	RM
b/f QEE balance as at 01.01.2024	66,600,000	44,400,000		111,000,000
QEE for the YA2024	84,976,200	56,652,800		141,629,000
QEE in total	**151,576,200**	**101,052,800**		**252,629,000**
Initial allowance (10%)	15,157,740	10,105,160	25,262,900	
Annual allowance: $\left[\frac{\text{5 mil barrel}}{\text{(5 mil + 60 mil) barrel}}\right]$ X RM252,629,000 = RM19,433,000 or 15% x RM252,629,000	11,659,800	7,773,200		

Details	SPSB	ITSB		TOTAL QEE
	RM	RM	RM	RM
=RM 37,894,350 Whichever is higher	22,736,610	15,157,740	37,894,350	
Less: QEE for YA2024			63,157,250	**(63,157,250)**
c/f QEE balance as at 31.12.2024				**189,471,750**

Tax Computation for SPSB/ITSB – Block SB1 & SB2 Contiguous PSC for the YA2024:

Details	SB1			SB2			TOTAL PSC		
	SPSB	ITGB	Total SB1	SPSB	ITGB	Total SB2	SPSB	ITGB	TOTAL
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Gross Income	**246,387,200**	**164,258,133**	**410,645,333**	**0**	**0**	**0**	**246,387,200**	**164,258,133**	**410,645,333**
Allowable Expenditure (Sections 15 & 16 of the PITA)									
Research Cess	(1,292,921)	(861,947)	(2,154,868)	0	0	0	(1,292,921)	(861,947)	(2,154,868)
Abandonment of Cess Fund	(9,567,805)	(6,378,537)	(15,946,342)	0	0	0	(9,567,805)	(6,378,537)	(15,946,342)
Supplemental Payment	(15,376,566)	(10,251,044)	(25,627,610)	0	0	0	(15,376,566)	(10,251,044)	(25,627,610)
Administrative & Operational	(136,587,547)	(91,058,365)	(227,645,912)	0	0	0	(136,587,547)	(91,058,365)	(227,645,912)
Total Allowable Expenditure	**(162,824,839)**	**(108,549,893)**	**(271,374,732)**	**0**	**0**	**0**	**(162,824,839)**	**(108,549,893)**	**(271,374,732)**
Less: QEE (First Sch of the PITA)	(11,573,995)	(7,715,997)	(19,289,992)	(37,894,350)	(25,262,900)	(63,157,250)	(49,468,345)	(32,978,897)	(82,447,242)
Adjusted Income/ Adjusted Loss	**71,988,366**	**47,992,243**	**119,980,609**	**-**	**-**	**-**	**34,094,016**	**22,729,343**	**56,823,359**
Less: CA (Second Sch of the PITA)	(18,000,000)	(12,000,000)	(30,000,000)	-	-	-	(18,000,000)	(12,000,000)	(30,000,000)
Statutory Income	**53,988,366**	**35,992,243**	**89,980,609**	**-**	**-**	**-**	**16,094,016**	**10,729,343**	**26,823,359**
Less: Losses brought forward (b/f)							0	0	0
Assessable income							16,094,016	10,729,343	26,823,359
Less: Gift of money to an approved institution							(250,000)	(175,000)	(425,000)
Chargeable Income							15,844,016	10,554,343	26,398,359
Petroleum Income tax (38%)							**6,020,726.08**	**4,010,650.34**	**10,031,376.42**

8. Disclaimer

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

Director General of Inland Revenue
Inland Revenue Board of Malaysia