



# LAWS OF MALAYSIA

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REPRINT

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**Act 421**

## **FINANCE (NO. 2) ACT 1990**

*Incorporating all amendments up to 1 January 2006*

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**FINANCE (NO. 2) ACT 1990**

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# LAWS OF MALAYSIA

## Act 421

### FINANCE (NO. 2) ACT 1990

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**LAWS OF MALAYSIA****Act 421****FINANCE (NO. 2) ACT 1990**

An Act to amend the Income Tax Act 1967, the Petroleum (Income Tax) Act 1967, the Supplementary Income Tax Act 1967, the Stamp Ordinance 1949 and the Service Tax Act 1975.

[ ]

**BE IT ENACTED** by the Seri Paduka Baginda Yang di-Pertuan Agong with the advice and consent of the Dewan Negara and Dewan Rakyat in Parliament assembled, and by the authority of the same, as follows:

**CHAPTER I****PRELIMINARY****Short title**

1. This Act may be cited as the Finance (No. 2) Act 1990.

**Amendments of Acts**

2. The Income Tax Act 1967 [*Act 53*], the Petroleum (Income Tax) Act 1967 [*Act 543*], the \*Supplementary Income Tax Act 1967 [*Act 54*], the Stamp Act 1949 [*Act 378*] and the Service Tax Act 1975 [*Act 151*] are amended in the manner specified in Chapters II, III, IV, V and VI respectively.

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\*NOTE—The Supplementary Income Tax Act 1967 [*Act 54*] has since been repealed by the Finance Act 1993 [*Act 497*]-see subsection 2(2) of Act 497.

## CHAPTER II

## AMENDMENTS TO THE INCOME TAX ACT 1967

**Commencement of amendments to the Income Tax Act 1967**

3. (1) Sections 4, 7 and 8 of this Chapter shall have effect for the year of assessment 1991 and subsequent years of assessment.

(2) Sections 5 and 6 shall have effect for the year of assessment 1990 and subsequent years of assessment.

**Amendment of section 34A**

4. Section 34A of the Income Tax Act 1967, which in this Chapter is referred to as “the principal Act”, is amended by substituting for section 34A the following:

**“Special deduction for research expenditure**

**34A.** (1) Subject to this section, in ascertaining the adjusted income of a person from a business for the basis period for a year of assessment, a deduction shall be made, as specified in subsection (4), from the gross income from the business for that period in respect of expenditure, not being capital expenditure incurred on plant, machinery, fixtures, land, premises, buildings, structures or works of a permanent nature or on alterations, additions or extensions thereof or in the acquisition of any rights in or over any property, incurred by that person during that period on research—

(a) approved by the Minister; or

(b) undertaken by that person where that person is participating in industrial adjustment approved under section 31A of the Promotion of Investments Act 1986 [Act 327].

(2) The Minister in approving the research pursuant to paragraph (1)(a) may impose such conditions as he thinks fit or may specify the period or periods for the purpose of deduction under this section.

(3) A deduction for expenditure on research pursuant to paragraph (1)(b) shall be made in respect of expenditure incurred within ten years from the date of approval of industrial adjustment under section 31A of the Promotion of Investments Act 1986.

(4) The amount of deduction to be made under subsection (1) shall be twice the amount of expenditure, not being capital expenditure, referred to in that subsection.

(5) Where any deduction in respect of expenditure on research is made under this section, no deduction in respect of that expenditure shall be made under section 33 or 34.”.

### **Amendment of section 39**

5. Section 39 of the principal Act is amended by deleting paragraph (1)(h).

### **Amendment of section 44**

6. Section 44 of the principal Act is amended—

(a) by substituting for the full stop at the end of paragraph (7)(d) in the definition of “organization” a semicolon and inserting, immediately thereafter, the word “or”; and

(b) by inserting, immediately after paragraph (d), the following new paragraph (e):

“(e) an organization engaged in or in connection with the conservation or protection of animals.”.

### **Amendment of Schedule 3**

7. Schedule 3 to the principal Act is amended—

(a) by deleting the word “industrial” in the heading to paragraph 37B; and

(b) by substituting for paragraph 37B the following:

“37B. The provisions of this Schedule relating to industrial building shall apply, *mutatis mutandis*, to a building or part thereof being in use for the purpose of—

- (a) research approved by the Minister within the meaning of paragraph 34A(1)(a);
- (b) research undertaken by a company which is participating in industrial adjustment approved under section 31A of the Promotion of Investments Act 1986;
- (c) industrial training approved by the Minister; or
- (d) training undertaken by a company mentioned in subparagraph (b) in respect of its employees,

and in such application, the reference to capital expenditure incurred on the construction of a building or part thereof, shall include any capital expenditure incurred on the alteration or renovation of rented premises for the purpose of carrying on therein such research, industrial training or training and the building or part thereof shall be deemed to be in use for the purposes of the business referred to in section 34A, notwithstanding that in the case of research referred to in subparagraph (a), such research is not related to that business:

Provided that the provisions of this Schedule relating to industrial building shall not apply to capital expenditure incurred on a building or part thereof for the purpose mentioned in subparagraph (b) or (d) where such expenditure is incurred after ten years from the date of approval of industrial adjustment under section 31A of the Promotion of Investments Act 1986.”.

### **Amendment of Schedule 7A**

8. Schedule 7A to the principal Act is amended—

- (a) by renumbering subparagraphs 8(a) and (b) as subparagraphs (a)(i) and (ii) respectively;
- (b) by substituting for the full stop at the end of subsubparagraph 8(a)(ii) a semicolon and inserting, immediately thereafter, the word “or”; and



(c) by inserting, immediately after subparagraph 8(a), the following new subparagraph (b):

“(b) a project undertaken by a company which is participating in industrial adjustment approved under section 31A of the Promotion of Investments Act 1986, in expanding its existing business or modernising its production techniques or processes.”

### CHAPTER III

#### AMENDMENT TO THE PETROLEUM (INCOME TAX) ACT 1967

##### **Commencement of amendment to the Petroleum (Income Tax) Act 1967**

9. This Chapter shall have effect for the year of assessment 1990 and subsequent years of assessment.

##### **Amendment of section 18**

10. Section 18 of the Petroleum (Income Tax) Act 1967 is amended by deleting paragraph (1)(l).

### CHAPTER IV

#### AMENDMENT TO THE SUPPLEMENTARY INCOME TAX ACT 1967

##### **Commencement of amendment to the Supplementary Income Tax Act 1967**

11. This Chapter shall have effect for the year of assessment 1990 and subsequent years of assessment.

##### **Amendment of section 16**

12. Section 16 of the Supplementary Income Tax Act 1967 is amended by substituting for the words “five per cent” in paragraphs (a) and (b) the words “four per cent”.

## CHAPTER V

## AMENDMENTS TO THE STAMP ACT 1949

**Commencement of amendments to the Stamp Act 1949**

**13.** This Chapter shall come into force on the 1 January 1990.

**Amendment of First Schedule**

**14.** The First Schedule to the Stamp Act 1949 is amended—

(a) by substituting for the full stop at the end of paragraph (e) of the exemptions under item 4 a semicolon and inserting, immediately thereafter, the following new paragraph (f):

“(f) for the repurchase of negotiable certificate of deposit whose issue has been authorized by Bank Negara Malaysia.”; and

(b) by substituting for the full stop at the end of subparagraph (b)(v) of the exemptions under item 32A semicolon and inserting, immediately thereafter, the following new paragraph (c):

“(c) Transfer of units of a unit trust.”.

## CHAPTER VI

## AMENDMENTS TO THE SERVICE TAX ACT 1975

**Commencement of amendments to the Service Tax Act 1975**

**15.** This Chapter shall be deemed to have come into force on the 28 October 1989.

**Amendment of section 1**

**16.** Section 1 of the Service Tax Act 1975, which in this Chapter is referred to as “the principal Act”, is amended by inserting, immediately after the words “excluding Langkawi” in subsection (1), the words “and Labuan”.

**Amendment of section 2**

**17.** Section 2 of the principal Act is amended by inserting, immediately after the definition of “goods” the following new definition:

‘ “Labuan” means the Island of Labuan and its dependent islands, namely, Rusukan Besar, Rusukan Kecil, Keraman, Burong, Papan and Daat;’.

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**LAWS OF MALAYSIA**

**Act 421**

**FINANCE (NO. 2) ACT 1990**

LIST OF AMENDMENTS

Amending law

Short title

In force from

– NIL –

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**Act 421**  
**FINANCE (NO. 2) ACT 1990**

LIST OF SECTIONS AMENDED

Section	Amending authority	In force from
	– NIL –	

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