



# LAWS OF MALAYSIA

**Act 823**

**FINANCE ACT 2019**

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# LAWS OF MALAYSIA

## Act 823

### FINANCE ACT 2019

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# LAWS OF MALAYSIA

## Act 823

### FINANCE ACT 2019

An Act to amend the Income Tax Act 1967, the Real Property Gains Tax Act 1976, the Stamp Act 1949, the Petroleum (Income Tax) Act 1967, the Sales Tax Act 2018, the Finance Act 2010 and the Finance Act 2018.

[ ]

**ENACTED** by the Parliament of Malaysia as follows:

#### CHAPTER I PRELIMINARY

##### **Short title**

1. This Act may be cited as the Finance Act 2019.

##### **Amendment of Acts**

2. The Income Tax Act 1967 [*Act 53*], the Real Property Gains Tax Act 1976 [*Act 169*], the Stamp Act 1949 [*Act 378*], the Petroleum (Income Tax) Act 1967 [*Act 543*], the Sales Tax Act 2018 [*Act 806*], the Finance Act 2010 [*Act 702*] and the Finance Act 2018 [*Act 812*] are amended in the manner specified in Chapters II, III, IV, V, VI, VII and VIII respectively.

## CHAPTER II

## AMENDMENTS TO THE INCOME TAX ACT 1967

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

3. (1) Paragraph 5(a) has effect from the year of assessment 2020 until the year of assessment 2025.

(2) Section 6 has effect for the year of assessment 2019 and subsequent years of assessment.

(3) Sections 4, 7, 8, 9, 14, 20 and 21, and paragraph 19(a) have effect for the year of assessment 2020 and subsequent years of assessment.

(4) Paragraphs 5(b), 16(a) and 19(b), and sections 10, 11, 13, 15, 17 and 18 come into operation on 1 January 2020.

(5) Section 12 and paragraph 16(b) come into operation on the coming into operation of this Act.

**Amendment of section 2**

4. The Income Tax Act 1967, which is referred to as the “principal Act” in this Chapter, is amended in section 2 by substituting for subsection (9) the following subsection:

“(9) Any reference—

(a) in subsection 107C(4A), to a company which has a paid-up capital in respect of ordinary shares of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment; and

(b) in paragraph 2A of Schedule 1 and paragraph 19A of Schedule 3, to a company which has a paid-up capital in respect of ordinary shares of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment and gross income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment,

shall exclude a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.”.

**Amendment of section 6****5.** Subsection 6(1) of the principal Act is amended—

- (a) in paragraph (i), by substituting for the words “for a period of four years from the year of assessment 2016” the words “for a period of six years from the year of assessment 2020”; and
- (b) in paragraph (l), by substituting for the words “death or permanently leaving Malaysia” the words “death, permanently leaving Malaysia, healthcare or housing, for which such withdrawal shall be in compliance with the criteria as set out in the relevant guidelines of the Securities Commission”.

**Amendment of section 6A****6.** Section 6A of the principal Act is amended—

- (a) in subsection (1), by substituting for the words “subsections (2) and (3)” the words “subsections (2), (2A) and (3)”;
- (b) by inserting after subsection (2) the following subsections:

“(2A) A rebate shall be granted for a year of assessment in respect of departure levy which is charged and levied under the Departure Levy Act 2019 [Act 813] on any person who leaves Malaysia by air for the purpose of performing *umrah* or other religious pilgrimage and shall be evidenced by the boarding pass and—

- (a) in the case of *umrah*, a copy of the visa issued by the embassy of the Kingdom of Saudi Arabia; or

(b) in the case of any other religious pilgrimage, a written verification by a religious body recognised by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Prime Minister's Department.

(2B) For the purpose of subsection (2A), the rebate—

(a) shall be granted for not more than two times in respect of the departure levy paid for the purpose of performing *umrah* or other religious pilgrimage; and

(b) shall not be granted in respect of the departure levy paid for the purpose of performing *hajj*.”; and

(c) in subsection (4), by substituting for the words “subsections (2) and (3)” the words “subsections (2), (2A) and (3)”.

#### **Amendment of section 34**

7. Subsection 34(6) of the principal Act is amended—

(a) in paragraph (h), by substituting for the words “infrastructure and information and communication technology” the words “infrastructure, information and communication technology or maintenance of a building designated as a heritage site by the Commissioner of Heritage under the National Heritage Act 2005 [Act 645]”; and

(b) in the proviso to paragraph (k), by substituting for the words “seven hundred thousand ringgit” the words “one million ringgit”.

#### **Amendment of section 44**

8. Section 44 of the principal Act is amended—

(a) in paragraph (1)(d), by substituting for the words “or (11c)” the words “, (11c) or (11d)”;

- (b) in subsection (6), by substituting for the proviso to that subsection the following proviso:

“Provided that the amount to be deducted from the aggregate income for the relevant year in respect of any gift of money made to any institution, organization or fund approved for the purposes of this section by the Director General shall not exceed ten per cent of the aggregate income of that person in the relevant year.”;

- (c) by substituting for subsection (6B) the following subsection:

“(6B) Where any institution, organization, appropriate religious authority, body or public university is aggrieved by the decision of the Director General in respect of an application made under subsection (6) or (11D), the institution, organization, appropriate religious authority, body or public university may, within thirty days after being informed of the decision, appeal to the Minister and the Minister may make any decision as he considers fit.”;

- (d) in subsection (11B), by substituting for the proviso to that subsection the following proviso:

“Provided that the amount to be deducted pursuant to this subsection shall not exceed the difference between the amount of ten per cent of the aggregate income of that person in the relevant year and the total amount that has been deducted pursuant to the proviso to subsections (6), (11C) and (11D) for that relevant year.”;

- (e) in subsection (11C), by substituting for the proviso to that subsection the following proviso:

“Provided that the amount to be deducted pursuant to this subsection shall not exceed the difference between the amount of ten per cent of the aggregate income of that person in the relevant year and the total amount that has been deducted pursuant to the proviso to subsections (6), (11B) and (11D) for that relevant year.”; and

(f) by inserting after subsection (11c) the following subsections:

“(11D) There shall be deducted pursuant to this subsection from the aggregate income of a relevant person for the relevant year reduced by any deduction falling to be made for that year in accordance with subsection (1) an amount equal to any gift of money in the form of—

- (a) *wakaf* made by him in the basis period for that year to any appropriate religious authority established under any written law, body established by that appropriate religious authority or public university allowed by that appropriate religious authority to receive *wakaf*; or
- (b) endowment made by him in the basis period for that year to a public university:

Provided that—

- (a) the *wakaf* or endowment is made for the purpose of achieving the objective of establishment of the appropriate religious authority, body or public university;
- (b) the appropriate religious authority, body or public university is approved by the Director General for the purposes of this section on the application of the appropriate religious authority, body or public university concerned; and
- (c) the amount to be deducted pursuant to this subsection shall not exceed the difference between the amount of ten per cent of the aggregate income of that person in the relevant year and the total amount that has been deducted pursuant to the proviso to subsections (6), (11B) and (11c).

(11E) For the purpose of subsection (11D), “public university” means a higher educational institution having the status of a University established under the Universities and University Colleges Act 1971 [Act 30] and the Universiti Teknologi MARA established under the Universiti Teknologi MARA Act 1976 [Act 173].”.

**Amendment of section 46**

9. Subsection 46(1) of the principal Act is amended—

(a) by substituting for paragraph (g) the following paragraph:

“(g) medical expenses expended or deemed expended under subsection (3) in that basis year by that individual—

(i) on himself if he is undergoing treatment for a serious disease or on his wife or child who is undergoing treatment for a serious disease, or in the case of a wife, on herself if she is undergoing treatment for a serious disease or on her husband or child who is undergoing treatment for a serious disease; or

(ii) on himself if he is undergoing fertility treatment or on his wife who is undergoing fertility treatment, or in the case of a wife, on herself if she is undergoing fertility treatment or on her husband who is undergoing fertility treatment:

Provided that—

(a) the claim is evidenced by a receipt and certification issued by a medical practitioner registered with the Malaysian Medical Council that the serious disease treatment was provided to that individual, spouse or child, or that fertility treatment was provided to that individual or the spouse;

(b) the total amount of deduction under this paragraph is subject to a maximum amount of six thousand ringgit; and

(c) for the purpose of subparagraph (ii)—

(A) the individual is married; and

(B) “fertility treatment” means intrauterine insemination or in vitro fertilization treatment or any other fertility treatment;”;  
and

(b) in paragraph (r), by substituting for the words “one thousand ringgit” the words “two thousand ringgit”.

#### **Amendment of section 74**

**10.** Subsection 74(4) of the principal Act is amended by substituting for the words “subsection 103(3), (4), (5), (6), (7) or (8)” the words “subsection 103(3), (5) or (7)”.

#### **Amendment of section 77B**

**11.** Section 77B of the principal Act is amended by substituting for subsection (4) the following subsection:

“(4) The tax or additional tax payable under subsection (1) shall be increased by a sum equal to ten per cent of the amount of such tax or additional tax.”.

#### **Amendment of section 91**

**12.** Section 91 of the principal Act is amended by inserting after subsection (6) the following subsection:

“(7) Notwithstanding subsections (1) and (5), the Director General may at any time make an assessment or additional assessment, as the case may be, for a year of assessment in respect of a person, in the amount or additional amount of chargeable income and tax, in consequence of a mutual agreement procedure in the double taxation arrangement effected under section 132.”.

**Amendment of section 96**

**13.** Subparagraph 96(4)(c)(ii) of the principal Act is amended by substituting for the words “subsection 103(5), (6), (7) or (8)” the words “subsection 103(5) or (7)”.

**Amendment of section 100**

**14.** Section 100 of the principal Act is amended by substituting for subsection (1) the following subsection:

“(1) A person seeking to appeal against an assessment after the expiration of the period to make an appeal under subsection 99(1), may within seven years after the end of that period, make to the Director General a written application in the prescribed form for an extension of that period within which a notice of appeal against that assessment may be given under that subsection.”.

**Amendment of section 103**

**15.** Section 103 of the principal Act is amended—

(a) in subsection (1A)—

(i) by substituting for the colon a full stop; and

(ii) by deleting the proviso;

(b) by deleting subsection (4);

(c) by deleting subsection (6);

(d) by deleting subsection (8); and

(e) in subsection (9), by substituting for the words “ subsection (1A), (3), (4), (5), (6), (7) or (8)” the words “subsection (1A), (3), (5) or (7)”.

**Amendment of section 104**

**16.** Paragraph 104(1)(b) of the principal Act is amended—

- (a) by substituting for the words “subsection 103(1A), (3), (4), (5), (6), (7) or (8)” the words “subsection 103(1A), (3), (5) or (7)”; and
- (b) by substituting for the words “subsection 107C(9) or (10)” the words “subsection 107C(9), (10) or (10A)”.

**Amendment of section 106**

**17.** Subsection 106(3) of the principal Act is amended by substituting for the words “subsection 103(1A), (3), (4), (5), (6), (7) or (8)” the words “subsection 103(1A), (3), (5) or (7)”.

**Amendment of section 109G**

**18.** Subsection 109G(1) of the principal Act is amended by substituting for the words “death or permanently leaving Malaysia” the words “death, permanently leaving Malaysia, healthcare or housing, for which such withdrawal shall be in compliance with the criteria as set out in the relevant guidelines of the Securities Commission”.

**Amendment of Schedule 1**

**19.** Schedule 1 to the principal Act is amended—

(a) in Part I—

- (i) by substituting for paragraph 1 the following paragraph:

“**1.** Except where paragraphs 1A, 2, 2A, 2D, 3 and 4 provide otherwise, income tax shall be charged for a year of assessment upon the chargeable income of every person at the following rates:

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of income tax</i>
For every ringgit of the first	5,000	0 per cent

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of income tax</i>
For every ringgit of the next	15,000	1 per cent
For every ringgit of the next	15,000	3 per cent
For every ringgit of the next	15,000	8 per cent
For every ringgit of the next	20,000	14 per cent
For every ringgit of the next	30,000	21 per cent
For every ringgit of the next	150,000	24 per cent
For every ringgit of the next	150,000	24.5 per cent
For every ringgit of the next	200,000	25 per cent
For every ringgit of the next	400,000	26 per cent
For every ringgit of the next	1,000,000	28 per cent
For every ringgit exceeding	2,000,000	30 per cent”;

- (ii) in paragraph 1A, by substituting for the words “28 per cent” the words “30 per cent”;
- (iii) by substituting for paragraph 2A the following paragraph:

“2A. Subject to paragraphs 2B, 2C and 3, income tax shall be charged for a year of assessment on the chargeable income of a company resident and incorporated in Malaysia which has a paid-up capital in respect of ordinary shares of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment and gross

income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment at the following rates:

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of income tax</i>
For every ringgit of the first	600,000	17 per cent
For every ringgit exceeding	600,000	24 per cent”;

- (iv) by substituting for paragraph 2D the following paragraph:

“**2D.** Subject to paragraphs 2E, 2F and 3, income tax shall be charged for a year of assessment on the chargeable income of a limited liability partnership resident in Malaysia which has a total contribution of capital (whether in cash or in kind) of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment and gross income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment at the following rates:

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of income tax</i>
For every ringgit of the first	600,000	17 per cent
For every ringgit exceeding	600,000	24 per cent”;

- (b) in Part XVI, by substituting for the words “death or permanently leaving Malaysia” the words “death, permanently leaving Malaysia, healthcare or housing, for which such withdrawal shall be in compliance with the criteria as set out in the relevant guidelines of the Securities Commission”.

**Amendment of Schedule 3**

**20.** Paragraph 19A of Schedule 3 to the principal Act is amended—

(a) in subparagraph (1)—

(i) by substituting for the words “one thousand three hundred” the words “two thousand”; and

(ii) in the proviso, by substituting for the words “thirteen thousand” the words “twenty thousand”; and

(b) in subparagraph (3), by inserting after the words “at the beginning of the basis period for a year of assessment” the words “and gross income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment”.

**Amendment of Schedule 6**

**21.** Schedule 6 to the principal Act is amended in subparagraph 13(1)—

(a) by deleting the word “or” at the end of subparagraph (a);

(b) by substituting for the full stop at the end of subparagraph (b) the words “; or”; and

(c) by inserting after subparagraph (b) the following subparagraph:

“(c) an appropriate religious authority or a body or a public university approved for the purposes of subsection 44(11D) in respect of any *wakaf* or endowment received including the income derived therefrom in the basis period for a year of assessment, so long as the approval remains in force.”.

## CHAPTER III

## AMENDMENTS TO THE REAL PROPERTY GAINS TAX ACT 1976

**Commencement of amendments to the Real Property Gains Tax Act 1976**

**22.** (1) Sections 23 and 26 come into operation on the coming into operation of this Act.

(2) Sections 24 and 25 are deemed to have come into operation on 12 October 2019.

**Amendment of section 21B**

**23.** The Real Property Gains Tax Act 1976, which is referred to as the “principal Act” in this Chapter, is amended in subsection 21B(1A) by substituting for the words “not a citizen and not a permanent resident” the words “not a citizen, not a permanent resident or not a company incorporated in Malaysia”.

**Amendment of Schedule 2**

**24.** Schedule 2 to the principal Act is amended by substituting for paragraph 2A the following paragraph:

“**2A.** (1) For the purposes of this Schedule, where a disposal of chargeable assets is subject to tax under Part I of Schedule 5, references to 1 January 1970 shall be construed as references to 1 January 2013.

(2) Subparagraph (1) shall not apply to the disposal of chargeable assets under paragraphs 34 and 34A.”.

**Amendment of Schedule 3**

**25.** Schedule 3 to the principal Act is amended in subparagraph 13(2) by substituting for the words “1 January 2000” wherever appearing the words “1 January 2013”.

### **Amendment of Schedule 5**

**26.** Schedule 5 to the principal Act is amended—

- (a) in Part II, by inserting after the word “company” the words “incorporated in Malaysia or a trustee of a trust”; and
- (b) in Part III, by inserting after the words “or an executor of the estate of a deceased person who is not a citizen and not a permanent resident” the words “, or a company not incorporated in Malaysia”.

## CHAPTER IV

### AMENDMENT TO THE STAMP ACT 1949

#### **Commencement of amendment to the Stamp Act 1949**

**27.** This Chapter comes into operation on 1 January 2020.

#### **Amendment of First Schedule**

**28.** The Stamp Act 1949 is amended in the First Schedule in subitem 27(a)(ii), in the column “Proper Stamp Duty” by substituting for the word “RM500” the word “RM2,000”.

## CHAPTER V

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

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

**29.** (1) Section 30 comes into operation on the coming into operation of this Act.

(2) Section 31 has effect for the year of assessment 2020 and subsequent years of assessment.

(3) Sections 32, 33 and 34 are deemed to have come into operation on 28 December 2018.

### **Amendment of section 39**

**30.** The Petroleum (Income Tax) Act 1967, which is referred to as the “principal Act” in this Chapter, is amended in section 39 by inserting after subsection (6) the following subsection:

“(7) Notwithstanding subsections (1) and (5), the Director General may at any time make an assessment or additional assessment, as the case may be, for a year of assessment in respect of a person, in the amount or additional amount of chargeable income and tax, in consequence of a mutual agreement procedure in the double taxation arrangement effected under section 65A.”.

### **Amendment of section 44**

**31.** Section 44 of the principal Act is amended by substituting for subsection (1) the following subsection:

“(1) A person seeking to appeal against an assessment after the expiration of the period to make an appeal under subsection 43(1), may within seven years after the end of that period, make to the Director General a written application in the prescribed form for an extension of that period within which a notice of appeal against that assessment may be given under that subsection.”.

### **Amendment of section 65A**

**32.** Section 65A of the principal Act is amended by inserting after subsection (1) the following subsection:

“(1A) For the purposes of this section, arrangements made with a view to affording relief from double taxation include any arrangements which modify the effect of arrangements so made.”.

**New section 65AA**

**33.** The principal Act is amended by inserting after section 65A the following section:

**“International obligations**

**65AA.** (1) Notwithstanding section 65A, if the Minister by statutory order declares that—

- (a) arrangements specified in the order have been made by the Government to give effect to Malaysia’s international obligations in relation to tax under this Act or other taxes of every kind under any written law; and
- (b) it is expedient that those arrangements should have effect,

then, so long as the order remains in force, notwithstanding anything in any written law, those arrangements shall have effect in relation to tax under this Act or other taxes of every kind under any written law.

(2) Where any arrangements have effect by virtue of this section, section 71 shall not prevent the disclosure to a duly authorized servant or agent of the government with which the arrangements have been made of such information as is required to be disclosed under the arrangements.

(3) Any order made under this section shall be laid before the Dewan Rakyat.”.

**Amendment of section 83**

**34.** Subsection 83(1) of the principal Act is amended by inserting after paragraph (bb) the following paragraph:

“(bc) implementing or facilitating the operation of an arrangement having effect under section 65AA;”.

## CHAPTER VI

## AMENDMENT TO THE SALES TAX ACT 2018

**Commencement of amendment to the Sales Tax Act 2018**

**35.** This Chapter comes into operation on a date to be appointed by the Minister by notification in the *Gazette*.

**New Part IXA**

**36.** The Sales Tax Act 2018 is amended by inserting after Part IX the following part:

## “PART IXA

## SPECIAL SCHEMES

**Approved Major Exporter Scheme**

**61A.** (1) Subject to the prescribed conditions, there shall be a scheme to be known as the “Approved Major Exporter Scheme” which allows any person who qualifies to be exempted from payment of the whole of sales tax which may be charged and levied on the taxable goods imported, transported from designated areas or special areas or purchased from a registered manufacturer provided that—

- (a) the taxable goods shall be exported, or transported to designated areas or special areas; or
- (b) the taxable goods are used as raw materials, packing and packaging materials or components to be manufactured, which subsequently shall be exported, or transported to designated areas or special areas as goods exempted from sales tax pursuant to an order made under this Act.

(2) Any person granted an approval under the Approved Major Exporter Scheme shall record the tax exempted on the importation, transportation or purchase of the taxable goods in the form and manner as may be determined by the Director General.

(3) Where any person who has been granted an approval under the Approved Major Exporter Scheme fails to comply with any prescribed conditions, any sales tax that has been exempted shall become due and payable by the person from the date of the non-compliance of the conditions and such sales tax shall be paid in the form and manner as may be determined by the Director General.”.

## CHAPTER VII

### AMENDMENTS TO THE FINANCE ACT 2010

#### **Commencement of amendments to the Finance Act 2010**

**37.** This Chapter comes into operation on the coming into operation of this Act.

#### **Amendments to the Finance Act 2010**

**38.** The Finance Act 2010 is amended—

(a) in the national language text, by substituting for section 6 the following section:

##### **“Pindaan seksyen 49**

**6.** Akta ibu dipinda dalam seksyen 49 dengan menggantikan subseksyen (1A) dengan subseksyen yang berikut:

“(1A) For the purposes of subsection (1)—

(a) where the aggregate amount of deduction allowed under that subsection in respect of payments, other than payment of premium for any deferred annuity contracted by an individual on or after 1 January 2010, or contributions or both, is six thousand ringgit or less, there shall be allowed a further deduction on any payment of premium for such deferred annuity:

Provided that the total of that aggregate amount of deduction and that further deduction shall not exceed seven thousand ringgit; and

(b) where subsection 50(2) or 50(3) applies, the total deduction under that subsection shall not exceed six thousand ringgit or where paragraph (a) applies, shall not exceed seven thousand ringgit.”;

(b) in the English language text, by substituting for section 10 the following section:

**“Amendment of section 107c**

**10.** Section 107c of the principal Act is amended—

(a) in subsection (4), by inserting after the words “in a year of assessment” the words “and the basis period for that year is not less than six months”;

(b) in subsection (8), by inserting after the words “(3),” the words “(4),”;

(c) by inserting after subsection (10) the following subsection:

“(10A) Where for a year of assessment—

(a) no estimate is furnished by a company, trust body or co-operative society and no direction is given by the Director General to make payment by instalment under subsection (8);

(b) no prosecution under section 120 has been instituted in relation to failure to furnish such estimate; and

- (c) tax is payable by that company, trust body or co-operative society pursuant to an assessment for that year of assessment,

such tax payable shall, without any further notice being served, be increased by a sum equal to ten per cent of the tax payable and that sum shall be recoverable as if it were tax due and payable under this Act:

Provided that if that company, trust body or co-operative society pays that sum or, where the sum is remitted under subsection (11), that company, trust body or co-operative society shall not be liable to be charged on the same facts with an offence under section 120.”; and

- (d) in subsection (11), by substituting for the words “or (10)” the words “, (10) or (10A)”.”; and

- (c) in the national language text, by substituting for section 35 the following section:

**“Pemakaian Bahagian ini**

**35.** Jika terdapat apa-apa ketidakselarasan antara mana-mana peruntukan Bahagian ini dengan mana-mana peruntukan Akta ibu, peruntukan Akta ibu adalah terbatal setakat ketidakselarasan itu.”.

CHAPTER VIII

AMENDMENT TO THE FINANCE ACT 2018

**Commencement of amendment to the Finance Act 2018**

**39.** This Chapter is deemed to have come into operation on 1 January 2019.

**Amendment of section 71**

**40.** The Finance Act 2018 is amended by substituting for section 71 the following section:

**“Commencement of amendments to the Labuan Business Activity Tax Act 1990**

**71.** (1) Sections 72, 73, 74 and 75 come into operation on 1 January 2019.

(2) Sections 76, 77, 78, 79, 80, 81 and 82 have effect for the year of assessment 2020 and subsequent years of assessment.”.