



# **LAWS OF MALAYSIA**

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**REPRINT**

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**Act 497**

## **FINANCE ACT 1993**

*Incorporating all amendments up to 1 January 2006*

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**FINANCE ACT 1993**

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**LAWS OF MALAYSIA****Act 497****FINANCE ACT 1993**

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**ARRANGEMENT OF SECTIONS**

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**CHAPTER I****PRELIMINARY**

## Section

1. Short title
2. Amendments and repeal

**CHAPTER II****AMENDMENTS TO THE INCOME TAX ACT 1967**

3. Commencement of amendments to the Income Tax Act 1967
4. Amendment of section 34
5. New section 60F
6. Amendment of section 108
7. Amendment of section 109
8. Amendment of section 110
9. Amendment of Schedule 1
10. Amendment of Schedule 6

**CHAPTER III****AMENDMENTS TO THE STAMP ACT 1949**

11. Commencement of amendments to the Stamp Act 1949
12. Amendment of section 9
13. Substitution of section 12A
14. Amendment of First Schedule

## CHAPTER IV

## AMENDMENTS TO THE FINANCE ACT 1991

## Section

15. Amendment of section 3

## CHAPTER V

REPEAL AND SAVING OF THE SUPPLEMENTARY  
INCOME TAX ACT 1967

16. Repeal and saving of the Supplementary Income Tax Act 1967

**LAWS OF MALAYSIA****Act 497****FINANCE ACT 1993**

An Act to amend the Income Tax Act 1967, the Stamp Act 1949 and the Finance Act 1991, and to repeal the Supplementary Income Tax Act 1967.

[ ]

**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 Act 1993.

**Amendments and repeal**

2. (1) The Income Tax Act 1967 [*Act 53*], the Stamp Act 1949 [*Act 378*] and the Finance Act 1991 [*Act 451*] are amended in the manner specified in Chapters II, III and IV respectively.

- (2) The Supplementary Income Tax Act 1967 [*Act 54*] is repealed in the manner specified in Chapter V.

## CHAPTER II

## AMENDMENTS TO THE INCOME TAX ACT 1967

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

3. (1) Except for section 4, paragraph 6(*b*) and section 7, this Chapter shall have effect for the year of assessment 1993 and subsequent years of assessment.

(2) Section 4 shall have effect for the year of assessment 1994 and subsequent years of assessment.

(3) Paragraph 6(*b*) shall be deemed to have come into force for the year of assessment 1989.

(4) Section 7 shall be deemed to have come into force on 30 October 1992.

**Amendment of section 34**

4. Section 34 of the Income Tax Act 1967, which is referred to as the “principal Act” in this Chapter, is amended, in subsection (6)—

(*a*) by deleting the word “and” at the end of paragraph (*d*);

(*b*) by substituting for the full stop at the end of paragraph (*e*) the punctuation mark and word “; and”;  
and

(*c*) by inserting, after paragraph (*e*), the following paragraph:

“(f) an amount equal to the expenditure incurred by the relevant person in the relevant period in respect of translation into or publication in the national language of cultural, literary, professional, scientific or technical books approved by the Dewan Bahasa dan Pustaka.”.

**New section 60F**

5. The principal Act is amended by inserting, after section 60E, the following section:

**“Investment holding company**

**60F.** (1) Where an investment holding company is resident for the basis year for a year of assessment there shall be deducted in arriving at the total income before any deduction falling to be made under paragraph 44(1)(c) an amount in respect of expenses incurred by that company in the basis period for that year of assessment, which amount shall be determined in accordance with the formula—

$$A \times \frac{B}{4C}$$

- where
- A is the total of the permitted expenses incurred for that basis period reduced by any receipt of a similar kind;
  - B is the gross income consisting of dividend, interest and rent chargeable to tax for that basis period; and
  - C is the aggregate of the gross income consisting of dividend (whether exempt or not), interest and rent, and gains made from the realization of investments for that basis period:

Provided that—

- (a) the amount of deduction to be made shall not exceed five per cent of the gross income consisting of dividend, interest and rent for that basis period; and
- (b) where, by reason of an absence or insufficiency of aggregate income for that year of assessment, effect cannot be given or cannot be given in full to any deduction falling to be made to the investment holding company under this section for that year, that deduction which has not been so made shall not be made to the investment holding company for any subsequent year of assessment.

(2) In this section—

“investment holding company” means a company whose activities consist wholly in the making of investments and whose income is derived therefrom;

“permitted expenses” means expenses incurred by an investment holding company in respect of—

- (a) directors’ fees;
- (b) wages, salaries and allowances;
- (c) management fees;
- (d) secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage; and
- (e) rent and other expenses incidental to the maintenance of an office,

which are not deductible under subsection 33(1).”.

#### **Amendment of section 108**

6. Section 108 of the principal Act is amended—

(a) by inserting, after subsection (2A), the following subsection:

“(2B) Notwithstanding any other provision of this Act, where a dividend is paid, credited or distributed with or without deduction of tax during the basis year for the year of assessment 1993, the amount of the dividend received by the shareholder shall be deemed to be a dividend of such a gross amount as after deduction of tax at the rate of thirty-four per cent would be equal to—

- (a) the amount in fact paid or credited; or
- (b) where the dividend consists of property other than money, the amount of the market value of that property at the time of the dividend’s distribution,

and a sum equal to the difference between that gross amount and the amount mentioned in paragraph (a) or (b), as the case may be, shall be deemed to have been deducted from the dividend as tax.”;



(b) by substituting for subsection (4A) the following subsection:

“(4A) In any case where tax has been deducted or deemed to have been deducted at the rate of forty per cent on any dividend paid, credited or distributed during the basis year for the year of assessment 1989 to which subsection (2A) applies, the compared total shall be determined at the rate of thirty-five per cent.”; and

(c) by inserting, after subsection (4A), the following subsection:

“(4B) In any case where tax has been deducted or deemed to have been deducted at the rate of thirty-five per cent on any dividend paid, credited or distributed during the basis year for the year of assessment 1993 to which subsection (2B) applies, the compared total shall be determined at the rate of thirty-four per cent.”.

#### **Amendment of section 109**

7. Section 109 of the principal Act is amended by inserting, after the figures “33” in subsection (1), the word and figures “or 35”.

#### **Amendment of section 110**

8. Section 110 of the principal Act is amended by inserting, after subsection (1A), the following subsection:

“(1B) Notwithstanding subsection (1), where tax on any dividend paid, credited or distributed during the basis year for the year of assessment 1993 has been deducted at the rate of thirty-five per cent, the tax to be set off under subsection (1) shall be the sum deemed to be the tax deducted from such dividend under subsection 108(2B).”.

**Amendment of Schedule 1****9. Schedule 1 to the principal Act is amended—**

- (a) by substituting for the rates in paragraph 1 of Part I the following rates:

<i>“Chargeable Income</i>	<i>Rate of Income Tax</i>
For every ringgit of the first RM 2,500	2 per cent
For every ringgit of the next RM 2,500	5 per cent
For every ringgit of the next RM5,000	8 per cent
For every ringgit of the next RM10,000	10 per cent
For every ringgit of the next RM15,000	15 per cent
For every ringgit of the next RM15,000	21 per cent
For every ringgit of the next RM20,000	26 per cent
For every ringgit of the next RM30,000	31 per cent
For every ringgit exceeding RM100,000	34 per cent”;

- (b) by substituting for the figures “35” in paragraph 2 of Part I the figures “34”;

- (c) by substituting for the rates in Part IV the following rates:

<i>“Chargeable Income</i>	<i>Rate of Income Tax</i>
For every ringgit of the first RM10,000	2 per cent
For every ringgit of the next RM10,000	4 per cent
For every ringgit of the next RM10,000	7 per cent
For every ringgit of the next RM10,000	10 per cent
For every ringgit of the next RM10,000	13 per cent
For every ringgit of the next RM25,000	17 per cent
For every ringgit of the next RM25,000	22 per cent
For every ringgit of the next RM50,000	26 per cent
For every ringgit of the next RM100,000	29 per cent
For every ringgit of the next RM250,000	32 per cent
For every ringgit exceeding RM500,000	34 per cent”.

**Amendment of Schedule 6****10.** Schedule 6 to the principal Act is amended—

- (a) in paragraph 25A, by inserting, after the word “gratuity”, the words “or by way of payment in lieu of leave”;
- (b) in paragraph 35—
  - (i) by substituting for the full stop at the end of subparagraph (b) the punctuation mark and word “; or”; and
  - (ii) by inserting, after subparagraph (b), the following subparagraph:
    - “(c) in respect of bonds, other than convertible loan stock, issued by a company rated by Rating Agency Malaysia Berhad.”.

**CHAPTER III****AMENDMENTS TO THE STAMP ACT 1949****Commencement of amendments to the Stamp Act 1949****11.** This Chapter shall come into force on 1 January 1993.**Amendment of section 9****12.** (1) Section 9 of the Stamp Act 1949, which is referred to as the “principal Act” in this Chapter, is amended, in subsection (1), by substituting for paragraph (c) the following paragraph:

- “(c) that the said banker, stockbroker or insurer do pay on 1 January and 1 July in each year to the Collector the amount due and collected thereon as duties on such unstamped cheques, contract notes or policies of insurance, and where he fails to pay the amount due on each date specified or within eight days immediately thereafter, he shall in addition to the amount due pay a further amount of five hundred ringgit or ten per centum of the amount due whichever is the greater and any amount due shall be recoverable as a debt due to the Government;”.

(2) A banker, stockbroker or insurer authorized under subsection 9(1) of the principal Act before 1 January 1993 shall as from that date be subject to the conditions in that subsection as amended by subsection (1) of this section.

#### **Substitution of section 12A**

**13.** The principal Act is amended by substituting for section 12A the following section:

**“Assessment of the value of property under transfer or settlement**

**12A.** Where an instrument is chargeable with duty under subitem 32(a) of the First Schedule, the date for determining the market value of any property being transferred, settled or gifted shall be—

- (a) in the case of a settlement or gift, the date of execution of the instrument of trust or settlement or gift;
- (b) in the case of a transfer implementing a sale under a duly stamped agreement of sale and purchase, the date of execution of that agreement;
- (c) in the case of a transfer of any property granted by a statutory body, a local authority or any cooperative society registered under any laws relating to cooperative societies, the date when the final terms of transfer had been communicated to the transferee, and in the case of subsequent resale of that property, the date of consent by the statutory body or local authority or the board of the cooperative society for that resale;
- (d) in the case of a transfer under a duly stamped sale and purchase agreement where financial arrangements have been made in accordance with the Syariah, the date of execution of that agreement; or
- (e) in any other case, the date of execution of the instrument of transfer.”.

**Amendment of First Schedule**

**14.** The First Schedule to the principal Act is amended by substituting for the provisions in the third column to subitem 32(*a*) the following provisions:

“For every RM100 or fractional part of RM100 of the amount of the money value of the consideration or the market value of the property, whichever is the greater—

- (i) RM1.00 on the first RM100,000;
- (ii) RM2.00 on any amount in excess of RM100,000 but not exceeding RM500,000;
- (iii) RM3.00 on any amount in excess of RM500,000 but not exceeding RM2,000,000;
- (iv) RM4.00 on any amount in excess of RM2,000,000.”.

**CHAPTER IV****AMENDMENTS TO THE FINANCE ACT 1991****Amendment of section 3**

**15.** (1) Section 3 of the Finance Act 1991 is amended—

- (*a*) by inserting, after the figure and punctuation mark “7,” in subsection (1), the figure and punctuation mark “8,”; and
- (*b*) by inserting, after the figure and punctuation mark “7,” in subsection (3), the figure and punctuation mark “8,”.

(2) The amendments in paragraphs (1)(*a*) and (*b*) shall have effect for the years of assessment 1991 and 1992 respectively.

## CHAPTER V

REPEAL AND SAVING OF THE SUPPLEMENTARY  
INCOME TAX ACT 1967**Repeal and saving of the Supplementary Income Tax Act 1967**

**16.** (1) The Supplementary Income Tax Act 1967 is repealed with effect from the year of assessment 1993.

(2) The repeal of the Act mentioned in subsection (1) shall not affect its operation for any year of assessment prior to the year of assessment 1993.

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**LAWS OF MALAYSIA****Act 497****FINANCE ACT 1993**

## LIST OF AMENDMENTS

Amending law

Short title

In force from

– NIL –

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**LAWS OF MALAYSIA****Act 497****FINANCE ACT 1993****LIST OF SECTIONS AMENDED**

Section	Amending authority	In force from
	– NIL –	

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