



INLAND REVENUE BOARD OF MALAYSIA

**BASIS PERIOD FOR A BUSINESS SOURCE
FOR PERSONS OTHER THAN A COMPANY,
LIMITED LIABILITY PARTNERSHIP, TRUST
BODY AND CO-OPERATIVE SOCIETY**

PUBLIC RULING NO. 4/2017

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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 of Inland Revenue 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 ruling.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia.**

1. Objective

The objective of this Public Ruling (PR) is to explain the determination of the basis period relating to a business source of a person other than a company, limited liability partnership, trust body and co-operative society for -

- i) commencing a new operation;
- ii) changing the accounting date of the existing business; and
- iii) an individual joining a partnership.

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 relevant provisions of the Income Tax Act 1967 (ITA) related to this PR are sections 2, 20 and 21.

3. Interpretation

The words used in this PR have the following meaning:

“Persons other than a company, limited liability partnership, trust body and co-operative society” includes an individual, Hindu joint family, an estate under administration, club and association.

4. Application of the Law

- 4.1 The basis period for a year of assessment (YA) is important in determining the imposition of income tax for each person. In general, section 20 of the ITA provides that the calendar year for a YA is the basis year for that particular YA.

Calendar year	Basis year	Year of assessment
1.1.2016 - 31.12.2016	2016	2016

- 4.2 Prior to YA 2004, the determination of the basis period for a business source of an individual or a person other than a company or co-operative society was provided for under subsection 21 of the ITA then and in

accordance with the principle mentioned in PR No. 6/2001 entitled "Basis Period for A Business Source (Individuals & Persons other than Companies/Co-operatives)".

- 4.3 Commencing YA 2004, section 21 of the ITA was amended in tandem with the implementation of self assessment system (SAS). The section provides that the calendar year is the basis period for a year of assessment in relation to the source of income of a person other than a company, limited liability partnership, trust body and co-operative society. This means that for any person other than a company, limited liability partnership, trust body and co-operative society, the basis period for a YA for each source of income is the year ended 31 December.

5. Determination of Basis Period

5.1. The Determination of Basis Period For A Person Who Commences his Operation

5.1.1 Accounts prepared for a period of 12 months

If a new business commences and the first accounts are prepared for 12 months, the basis period is the period ending on 31 December.

Example 1

Zulkarnain commenced his sole proprietorship on 1.7.2013 and the first accounts were prepared for the period from 1.7.2013 to 30.6.2014 and subsequently to 30 June each year.

The income of Zulkarnain's sole proprietorship should be reported in the Income Tax Return Form (ITRF) for the following periods:

YA	Basis Period	Period
2013	01.07.2013 - 31.12.2013	6 months
2014	01.01.2014 - 31.12.2014	12 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

5.1.2 Accounts prepared for a period of less than or more than 12 months ending on 31 December

If a new business commences and the first accounts are prepared for a period of less than or more than 12 months ending on 31 December, the basis period is the period ending on 31 December.

Example 2

Azman commenced his sole proprietorship on 18.5.2013 and the first accounts were closed on 31.12.2013 and subsequently on 31 December each year.

The basis periods for Azman's business are as follows:

YA	Basis period	Period
2013	18.05.2013 - 31.12.2013	7 months 14 days
2014	01.01.2014 - 31.12.2014	12 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

Example 3

Sarah commenced her sole proprietorship on 1.10.2013 and the first accounts were closed on 31.12.2014 and subsequently on 31 December each year.

The basis periods for Sarah's sole proprietorship are as follows:

YA	Basis period	Period
2013	01.10.2013 - 31.12.2013	3 months
2014	01.01.2014 - 31.12.2014	12 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

5.1.3 Accounts prepared for a period of less or more than 12 months not ending on 31 December

If a new business commences and its first accounts are prepared for a period of less than or more than 12 months not ending on 31 December, the basis period is the period ending on 31 December.

Example 4

Lucky Garden Society prepares its first accounts from 1.3.2013 to 30.9.2013. The accounts are subsequently closed on 30 September each year.

The basis periods for Lucky Garden Society's business are as follow:

YA	Basis Period	Period
2013	01.03.2013 - 31.12.2013	10 months
2014	01.01.2014 - 31.12.2014	12 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

Example 5

Isaac commenced his laundry business on 1.4.2013 and prepared his sole proprietorship accounts ending on 30.6.2014 and subsequently closed his accounts on 30 June each year.

The basis periods for Isaac's business are as follow:

YA	Basis Period	Period
2013	01.04.2013 - 31.12.2013	9 months
2014	01.01.2014 – 31.12.2014	12 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

5.2 The Determination of Basis Period for an Existing Business And Changes Its Accounting Date

When there is a change of accounting date, whether the normal accounts are closed on 31 December or other than 31 December, the basis period for the business is the year ending on 31 December.

5.2.1 Normal accounts not ending on 31 December and the new accounts are prepared for a period less than 12 months

Example 6

Kishen Amrita is the karta for Amrita Chettiar Hindu Joint Family. The Hindu Joint Family normally prepares its accounts for a period ending on 30 June each year. However, Kishen changed the Family's accounting date and closed the accounts on 31.12.2013 after the normal accounts were closed on 30.6.2013. The accounts are subsequently closed on 31 December each year.

The basis periods of Amrita Chettiar Hindu Joint Family are as follows:

YA	Basis Period	Period
2013	01.01.2013 - 31.12.2013	12 months
2014	01.01.2014 - 31.12.2014	12 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

5.2.2 Normal accounts not ending on 31 December and new accounts are prepared for a period more than 12 months

Example 7

Junior Football Club normally prepares its accounts for a period ending on 31 July. The club changed its accounting date and closed its accounts on 31.12.2014 after the normal accounts were closed on 31.7.2013. Subsequent accounts are closed on 31 December each year.

The basis periods for Junior Football Club are as follows:

YA	Basis Period	Period
2013	01.01.2013 - 31.12.2013	12 months
2014	01.01.2014 - 31.12.2014	12 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

5.3 An Individual Joining A Partnership

5.3.1 Joining a new partnership

If an individual joins a new partnership, the basis period in respect of the partnership source is determined as in the case of a new business.

Example 8

Suraya joined a partnership which commenced its business on 18.2.2014. The accounts prepared by the partnership are as follows:

YA	Accounting Period	Period
2014	18.02.2014 - 30.09.2014	7 months 13 days
2015	01.10.2014 - 30.09.2015	12 months
2016	01.10.2015 - 30.09.2016	12 months

The basis periods for Suraya's partnership source are as follow:

YA	Basis Period	Period
2014	18.02.2014 - 31.12.2014	10 months 14 days
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

5.3.2 Joining an existing partnership and the partnership's normal accounting date is maintained

Example 9

Malik joined an existing partnership on 1.2.2014. The partnership normally closes its accounts on 31 March as follows:

YA	Accounting Period	Period
2014	01.04.2013 - 31.03.2014	12 months
2015	01.04.2014 - 31.03.2015	12 months
2016	01.04.2015 - 31.03.2016	12 months

The basis periods for Malik's partnership source are as follows:

YA	Basis Period	Period
2014	01.02.2014 - 31.12.2014	11 months
2015	01.01.2015 - 31.12.2015	12 months
2016	01.01.2016 - 31.12.2016	12 months

5.3.3 Joining an existing partnership and the partnership's normal accounting date is changed

Example 10

Steven joined Perkongsian Step-Up on 1.7.2014. Perkongsian Step-Up which normally closes its accounts on 31 December changed its accounting date to 30 June. The partnership's accounts are prepared as follows:

Accounting Period	Period
01.01.2013 - 31.12.2013	12 months
01.01.2014 - 30.06.2014	6 months
01.07.2014 - 30.06.2015	12 months
01.07.2015 - 30.06.2016	12 months

The basis periods of the partnership source for the partners are as follows:

Partners	YA	Basis Period
Steven	2013	nil
	2014	01.07.2014 - 31.12.2014
	2015	01.01.2015 - 31.12.2015
	2016	01.01.2016 - 31.12.2016
Existing partners	2013	01.01.2013 - 31.12.2013
	2014	01.01.2014 - 31.12.2014
	2015	01.01.2015 - 31.12.2015
	2016	01.01.2016 - 31.12.2016

Example 11

Jasmin joined Jelita Spa Partnership on 1.4.2015. The partnership, which normally closes its accounts on 30 June every year changed its accounting date to 31 December when Jasmin became a new partner. The partnership accounts are prepared as follow:

Accounting Period	Period
01.07.2013 - 30.06.2014 (old partnership)	12 months
01.07.2014 - 31.12.2015 (new partnership)	18 months
01.01.2016 - 31.12.2016 (new partnership)	12 months

The basis periods for the partnership source are as follows:

Partners	YA	Basis Period
Jasmin	2014	nil
	2015	01.04.2015 - 31.12.2015
	2016	01.01.2016 - 31.12.2016
Existing partners	2014	01.01.2014 - 31.12.2014
	2015	01.01.2015 - 31.12.2015
	2016	01.01.2016 - 31.12.2016



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6. Updates and Amendments

This PR replaces the PR No. 6/2001 which was published on 30 April 2001.

**Director General of Inland Revenue,
Inland Revenue Board of Malaysia**