



INLAND REVENUE BOARD OF MALAYSIA

**BASIS PERIOD OF A COMPANY, LIMITED
LIABILITY PARTNERSHIP, TRUST BODY AND
CO-OPERATIVE SOCIETY**

PUBLIC RULING NO. 8/2014

DATE OF PUBLICATION: 1 DECEMBER 2014



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Published by
Inland Revenue Board of Malaysia

First edition on 1 December 2014
Public Rulings No. 5/2001 and 7/2001 both dated 30 April 2001 have been replaced
by the publication of this First Edition

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CONTENTS	Page
1. Objective	1
2. Relevant Provisions Of The Law	1
3. Interpretation	1
4. Determination Of Basis Period For An Entity On Commencement Of Its Operations	2
5. Determination Of Basis Period For An Entity Which Is In Operations And Changes Its Accounting Period	6
6. Company With Existing Operations Commencing New Operations	10
7. Company Joining A Partnership	11
8. Updates And Ammendments	12

DIRECTOR GENERAL'S PUBLIC RULING

Section 138A of the Income Tax Act 1967 [ITA] provides that Director General is empowered to make a Public Ruling in relation to the application of any provisions of 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 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 -

- 1.1 The determination of basis period for a company, a limited liability partnership (LLP), a trust body and a co-operative society on commencement of operations; and
- 1.2 The determination of basis period for the above mentioned entities which have been in operations and change of the accounting period.

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

3. Interpretation

The words used in this PR have the following meaning.

- 3.1 "Trust body", in relation to a trust, means the trust body provided for by section 61 of the ITA.
- 3.2 "Co-operative society" means any co-operative society registered under any written law relating to the registration of co-operative societies in Malaysia.
- 3.3 "Operations" means an activity which consists of -
 - 3.3.1 the carrying on of a business;
 - 3.3.2 the making of investments;
 - 3.3.3 the carrying on of a business and the making of investments; or
 - 3.3.4 the making of investments prior to the commencement of a business or after the cessation of a business.
- 3.4 "Limited Liability Partnership" means a limited liability partnership registered under the Limited Liability Partnerships Act 2012.

3.5 “Company” means a body corporate and includes any body of persons established with a separate legal identity by or under the laws of a territory outside Malaysia and a business trust.

3.6 “Failure year” means the year in which there is failure to close the accounts to the normal accounting date.

4. Determination Of Basis Period For An Entity On Commencement Of Its Operations

4.1 Effective from the year of assessment 2014, the basis period for a company, an LLP, a trust body and a co-operative society on commencement of its operations is determined as follows:

If the accounts are prepared for-

(a) a period of less than 12 months ending on a day in the same year, that period is the basis period for the first year of assessment;

(b) any period ending on a day in the second year, that period is the basis period for the second year of assessment and there is no basis period for the first year of assessment;

(c) a period of more than 12 months ending on a day in the third year, that period is the basis period for the third year of assessment and there are no basis periods for the first year of assessment and the second year of assessment.

4.2 The first accounting period is the basis period for a year of assessment when the accounts are closed. It would be the first year of assessment for the entity.

4.3 The provision mentioned in paragraph 4.1 applies to cases where the first accounts are closed in 2014 and subsequent years.

Example 1

First Accounts Closed In The Same Year

Riang Segar Sdn. Bhd. submitted its accounts as follows:

Accounts	Accounting Period	Period
First	1.02.2014 - 30.9.2014	8 months
Second	1.10.2014 - 30.9.2015	12 months

The basis periods for the company are:

Year Of Assessment	Basis Period	Period
2014	1.02.2014 - 30.9.2014	8 months
2015	1.10.2014 - 30.9.2015	12 months

Note:

1. The first accounts closed in 2014.
2. The first accounting period of 8 months is accepted as the basis period for the first year of assessment although the period is less than 12 months or closed on a date other than 31 December.

Example 2

First Accounts Closed In The Following Year

Amanah ABC submitted its accounts as follows:

Accounts	Accounting Period	Period
First	1.5.2013 - 31.3.2014	11 months
Second	1.4.2014 - 31.3.2015	12 months

The basis periods for the trust body are:

Year Of Assessment	Basis Period	Period
2014	1.5.2013 - 31.3.2014	11 months
2015	1.4.2014 - 31.3.2015	12 months

Note:

1. There is no basis period for the year of assessment 2013.
2. Although the operations started in 2013 but the first accounts closed in 2014, thus the new provision of subsection 21A(4) of the ITA applies. The first set of accounts for 11 months ending in 2014 is the basis period for the year of assessment 2014.

Example 3

Koperasi Bukit Saujana submitted its accounts as follows:

Accounts	Accounting Period	Period
First	1.2.2013 - 30.4.2014	15 months
Second	1.5.2014 - 30.4.2015	12 months

The basis periods for the co-operative society are:

Year Of Assessment	Basis Period	Period
2014	1.2.2013 - 30.4.2014	15 months
2015	1.5.2014 - 30.4.2015	12 months

Note:

1. There is no basis period for the year of assessment 2013.
2. Although operations began in 2013, the first accounts closed in 2014. The first set of accounts which consists of 15 months period ending in 2014 is taken as the basis period for the year of assessment 2014.

Accounts Made Up For More Than 12 Months And Ending In The Third Year

Example 4

Teraju Gemilang PLT submitted its accounts as follows :

Accounts	Accounting Period	Period
First	1.11.2013 - 30.4.2015	18 months
Second	1.05.2015 - 30.4.2016	12 months

The basis periods for the LLP are:

Year Of Assessment	Basis period	Period
2015	1.11.2013 - 30.4.2015	18 months
2016	1.05.2015 - 30.4.2016	12 months

Note:

1. There are no basis period for the years of assessment 2013 and 2014.
2. The first set of accounts involved 3 calendar years (2013 to 2015) and closed in 2015. The first accounting period of 18 months is accepted as the basis period for the first year of assessment that is the year of assessment 2015.

Example 5

Indah Permai Sdn. Bhd. submitted its accounts as follows:

Accounts	Accounting Period	Period
First	3.4.2013 - 30.6.2013	3 months
Second	1.7.2013 - 30.6.2014	12 months
Third	1.7.2014 - 30.6.2015	12 months

The basis periods for the company are:

Year Of Assessment	Basis Period	Period
2013	3.4.2013 - 31.12.2013	9 months
2014	1.7.2013 - 30.06.2014	12 months
2015	1.7.2014 - 30.06.2015	12 months

Note:

1. As the first set of accounts closed in 2013 (prior to the effective date of subsection 21A(4) of the ITA), the provision before the amendment applies.
2. The overlapping period is 1.7.2013 to 31.12.2013 (6 months) and the adjusted income is to be calculated in accordance with subsection 42(2) of the ITA.

5. Determination Of Basis Period For An Entity Which Is In Operations And Changes Its Accounting Period

- 5.1 Commencing from the year of assessment 2014, an entity which is in operations fails to close its accounts on the same date in the following year (failure year), the Director General of Inland Revenue (DGIR) will determine the basis periods for the failure year and the year following the failure year.
- 5.2 In determining the basis period for the failure year and the following year, the accounting period made up by the taxpayer in the failure year would generally be accepted by the DGIR provided that -
 - (a) there is no missing year of assessment;
 - (b) there shall not be two or more accounts closed in the same year of assessment.
- 5.3 The provision applies to all cases irrespective of whether the accounts before failure year are closed on 31 December or on a date other than 31 December.

Example 6

Changing Accounting Period For Less Than 12 Months And Ending In The Same Year

Bumi Senang Sdn. Bhd. normally closes its accounts on 28 February every year and changes the accounting period to 31 December (less than 12 months) in the same year.

Year Of Assessment	Accounting Period	Period
2014	1.3.2013 - 28.02.2014	12 months
Failure year	1.3.2014 - 31.12.2014	10 months
	1.1.2015 - 31.12.2015	12 months
	1.1.2016 - 31.12.2016	12 months

The basis periods for the company are:

Year Of Assessment	Basis Period	Period
2014	1.3.2013 - 28.02.2014	12 months
2015	1.3.2014 - 31.12.2015	22 months
2016	1.1.2016 - 31.12.2016	12 months

Note:

1. The failure year is 2015. The DGIR will determine the basis periods for the years of assessment 2015 and 2016.
2. The accounts for the entire period from 1.3.2014 to 31.12.2014 and 1.1.2015 to 31.12.2015 will be combined and taken as the basis period for the year of assessment 2015.

Example 7

Changing Accounting Period For Less Than 12 Months And Ending In The Following Year

Ahmad Albab PLT normally closes its accounts on 31 December each year and changes the accounting period to 30 April (less than 12 months) in the following year.

Year Of Assessment	Accounting Period	Period
2013	1.1.2013 - 31.12.2013	12 months
Failure year	1.1.2014 - 30.04.2014	4 months
	1.5.2014 - 30.04.2015	12 months

The basis period for the PLT are:

Year Of Assessment	Basis Period	Period
2013	1.1.2013 - 31.12.2013	12 months
2014	1.1.2014 - 30.04.2014	4 months
2015	1.5.2014 - 30.04.2015	12 months

Note:

1. The failure year is 2014. The DGIR will determine the basis periods for the years of assessment 2014 and 2015.
2. Although the accounting period for the failure year is less than 12 months, that period would be accepted as the basis period for the year of assessment 2014 as the accounts in the failure year are closed in 2014.

Example 8

Changing Accounting Period For More Than 12 Months And Ending In The Following Year

Aizah Wahab Sdn. Bhd. normally closes its accounts on 31 July each year and changes the accounting period to 31 October (more than 12 months) in the following year.

Year Of Assessment	Accounting Period	Period
2013	1.08.2012 - 31.07.2013	12 months
Failure year	1.08.2013 - 31.10.2014	15 months
	1.11.2014 - 31.10.2015	12 months

The basis periods for the company are:

Year Of Assessment	Basis Period	Period
2013	1.08.2012 - 31.07.2013	12 months
2014	1.08.2013 - 31.10.2014	15 months
2015	1.11.2014 - 31.10.2015	12 months

Note:

1. The failure year is 2014. The DGIR will determine the basis periods for the years of assessment 2014 and 2015.
2. Although the accounting period for the failure year is more than 12 months, that period would be accepted as the basis period for the year of assessment 2014.

Example 9

Changing Accounting Period For More Than 12 Months And Ending In The Third Year

Koperasi Rania Emas normally closes its accounts on 31 December each year and changes the accounting period to 31 January (more than 12 months) in the third year.

Year Of Assessment	Accounting Period	Period
2013	1.1.2013 - 31.12.2013	12 months
Failure year	1.1.2014 - 31.01.2015	13 months
	1.2.2015 - 31.01.2016	12 months

The basis periods for the co-operative society are:

Year Of Assessment	Basis period	Period
2013	1.1.2013 - 31.12.2013	12 months
2014	1.1.2014 - 31.07.2014	7 months
2015	1.8.2014 - 31.01.2015	6 months
2016	1.2.2015 - 31.01.2016	12 months

Note:

1. The accounts are prepared beyond one year of assessment that is year of assessment 2014. Therefore the DGIR will determine the basis periods for the years of assessment 2014 and 2015.
2. The accounting period 1.1.2014 to 31.1.2015 involved two years of assessment. The basis periods for the years of assessment 2014 and 2015 are determined by dividing that accounting period into two periods, 7 months for the year of assessment 2014 and 6 months for the year of assessment 2015.
3. When there is an uneven division of the basis periods for the two years of assessment, any fraction of a month should be treated as falling in the first basis period.

6. Company With Existing Operations Commencing New Operations

Where a company which is already carrying on one or more operations commences a new operation, the basis period for the new operations is the same as the basis period of the existing operation.

Example 10

A company has been in operation for several years and makes up its accounts ending on 30 September each year. The company starts a new operation on 1.6.2014.

The basis period for the new operations is the same as the accounting period of the existing operation i.e. year ending 30 September. The basis period for the new operation for the year of assessment 2014 is therefore 1.6.2014 to 30.9.2014.

7. Company Joining A Partnership

If a company joins a partnership, the partnership will be regarded as a new operation. The basis period for its existing operations is, therefore, also the basis period for the partnership source.

Example 11

A company (whose accounts are closed on 30 June) joins a new partnership which commences business on 18.2.2014. The first accounts of the partnership are prepared to 30.9.2014 and accounts are subsequently prepared to 30 September each year.

Notwithstanding the accounting period of the partnership, the basis periods for the company in respect of its partnership source are:

Year of Assessment 2014 : 18.2.2014 to 30.6.2014

Year of Assessment 2015 : 1.07.2014 to 30.6.2015

Example 12

A company (whose accounts are closed on 31 December) joins an existing partnership on 1.2.2014. The accounts of the partnership are normally made up to 31 March. The accounts for the partnership continue to be made up to 31.3.2014, and to 31 March for subsequent years.

Notwithstanding the accounting period of the partnership, the basis period for the company in respect of its partnership source for the year of assessment 2014 is 1.2.2014 to 31.12.2014.

8. Updates And Amendments

	Amendments
This PR replaces PR No. 5/2001 and PR No.7/2001 both issued on 30 April 2001.	The new provision of subsection 21A(4) of the ITA (Amendment vide Finance Act 2014 [Act 761]) explained the basis period of a company, an LLP, a trust body and a co-operative society on: i) commencement of its operations; and ii) changing the accounting date of its existing operations effective from the year of assessment 2014.

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