A STUDY ON UNDERSTANDING REINVESTMENT ALLOWANCE AMONG INLAND REVENUE BOARD OF MALAYSIA OFFICERS IN KLANG VALLEY

MOHD SHUKRI BIN SAAD

MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)

UNIVERSITI UTARA MALAYSIA

MAY 2024

A STUDY ON UNDERSTANDING REINVESTMENT ALLOWANCE AMONG INLAND REVENUE BOARD OF MALAYSIA OFFICERS IN KLANG VALLEY

By

MOHD SHUKRI BIN SAAD

Project Paper Submitted to
Tunku Puteri Intan Safinaz School of Accountancy (TISSA-UUM),
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the Master of Science
(International Accounting)

Kolej Perniagaan
(College of Business)
Universiti Utara Malaysia

PERAKUAN KERJA DISERTASI/KERTAS PENYELIDIKAN/KERTAS PROJEK
(Certification of thesis / dissertation)

Kami, yang bertandatangan, memperakukan bahawa
(We, the undersigned, certify that)

MOHD SHUKRI BIN SAAD (831485)

calon untuk Ijazah MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)
(candidate for the degree of)

telah mengemukakan tesis / disertasi yang bertajuk:
(has presented his/her thesis / dissertation of the following title):

A STUDY ON UNDERSTANDING REINVESTMENT ALLOWANCE AMONG INLAND REVENUE BOARD OF MALAYSIA OFFICERS IN KLANG VALLEY

seperti yang tercatat di muka surat tajuk dan kulit tesis / disertasi.
(as it appears on the title page and front cover of the thesis / dissertation).

Bahawa tesis/disertasi tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan, sebagaimana yang ditunjukkan oleh calon dalam ujian lisan yang diadakan pada:
.
(That the said thesis/dissertation is acceptable in form and content and displays a satisfactory knowledge of the field of study as demonstrated by the candidate through an oral examination held on:
.

Pengerusi Viva *(Chairman for Viva)* : Tandatangan *(Signature)*

Pemeriksa Dalam *(Internal Examiner)* : ASSOC. PROF. DR. SALIZA ABDUL AZIZ Tandatangan *(Signature)*

Tarikh: *(Date)* 31 MEI 2024

Nama Pelajar (Name of Student)	:	MOHD SHUKRI BIN SAAD (831485)
Tajuk Tesis / Disertasi *(Title of the Thesis / Dissertation)*	:	**A STUDY ON UNDERSTANDING REINVESTMENT ALLOWANCE AMONG INLAND REVENUE BOARD OF MALAYSIA OFFICERS IN KLANG VALLEY**
Program Pengajian *(Programme of Study)*	:	M20D – MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)
Nama Penyelia/Penyelia-penyelia *(Name of Supervisor/Supervisors)*	:	ASSOC. PROF. DR. IDAWATI IBRAHIM

Tandatangan

PERMISSION TO USE

In presenting this project paper as partial fulfilment of the requirements for a Post Graduate degree from Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying of this project paper in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor(s) or, in their absence by the Dean of Tunku Puteri Intan Safinaz School of Accountancy (TISSA-UUM) where I did my project paper. It is understood that any copying or publication or use of this project paper parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material from my project paper.

Request for permission to copy or make other use of materials in this project paper in whole or in part should be addressed to:

Tunku Puteri Intan Safinaz School of Accountancy (TISSA-UUM)
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman

ABSTRACT

This study was conducted to find out the level of understanding of Reinvestment Allowance (RA) among officers of the Inland Revenue Board of Malaysia (IRBM) in the Klang Valley. RA is a fiscal incentive aimed at promoting business expansion, modernization, automation, and diversification, which are crucial for economic growth. The study used a qualitative method by conducting interviews with 20 IRBM officers through an online platform. Through thematic analysis, this research reveals various points of view, explaining the factors that influence the interpretation and implementation of RA. Preliminary findings show a variable level of understanding of RA among officers, with a notable disparity between those with years of experience in taxation and newer officers. Factors influencing understanding include the frequency of professional training, the complexity of regulations, and the availability of resources and guidance materials. The study concludes that while there is foundational awareness of RA among IRBM officers in Klang Valley, there is a need for enhanced and ongoing education to ensure comprehensive understanding and effective implementation of RA policies. Recommendations include developing targeted training programs, improving access to informational resources, and implementing regular workshops and seminars. These measures are expected to improve the administration and uptake of reinvestment allowances by businesses in Malaysia.

Keywords: Reinvestment Allowance, understanding, challenges, training, tax officer

ABSTRAK

Kajian ini dijalankan untuk mengetahui tahap pemahaman mengenai Elaun Pelaburan Semula (EPS) di kalangan pegawai Lembaga Hasil Dalam Negeri Malaysia (LHDNM) di Lembah Klang. EPS ialah insentif fiskal yang bertujuan untuk menggalakkan pengembangan perniagaan, pemodenan, automasi dan kepelbagaian yang penting untuk pertumbuhan ekonomi. Kajian ini menggunakan kaedah kualitatif dengan menemuramah seramai 20 orang pegawai LHDNM secara dalam talian. Melalui analisa tematik, penyelidikan ini mendedahkan pelbagai sudut pandangan, menjelaskan faktor-faktor yang mempengaruhi tafsiran dan pelaksanaan EPS. Penemuan awal menunjukkan tahap pemahaman EPS berubah-ubah di kalangan pegawai, dengan perbezaan ketara antara mereka yang mempunyai pengalaman percukaian yang luas dan pegawai baharu. Faktor-faktor yang mempengaruhi pemahaman termasuk kekerapan latihan profesional, kerumitan undang-undang, dan ketersediaan sumber dan bahan rujukan. Kajian itu merumuskan bahawa walaupun terdapat kesedaran asas tentang EPS di kalangan pegawai LHDNM di Lembah Klang, terdapat keperluan untuk pendidikan yang berterusan dan dipertingkatkan untuk memastikan pemahaman yang menyeluruh dan pelaksanaan dasar EPS yang berkesan. Cadangan termasuk membangunkan program latihan yang bersasar, menambah baik akses kepada sumber maklumat, dan melaksanakan bengkel dan seminar secara berkala. Langkah-langkah ini dijangka dapat menambah baik pentadbiran dan tuntutan EPS oleh syarikat-syarikat di Malaysia.

Katakunci: *Elaun Pelaburan Semula, pemahaman, cabaran, latihan, pegawai cukai*

ACKNOWLEDGEMENT

First and foremost, I thank and give all praise and glory to Allah, the Most Gracious, the Most Merciful. Praise be to Allah (SWT), the Sustained of the World, and peace and blessings be unto Prophet Muhammad (PBUH) for all the knowledge, wisdom, and blessings undeservingly bestowed on me in the course of completing this project paper.

I am heartily thankful to my supervisor, Associate Professor Dr. Idawati Ibrahim, for her valuable assistance and guidance throughout the completion of this research paper. I humbly thank her for all the kindness, and may Allah, the Almighty, reward her for her helpfulness. I would like to express my sincere gratitude to all the lecturers from Tunku Puteri Intan Safinaz School of Accountancy, Universiti Utara Malaysia, who helped me complete the journey of this project paper.

This thesis would not have been possible without constant support from my employer, the IRBM. My sincere thanks are also due to all my course mates and friends who supported me during my study, especially my officemates in the Manufacturing and Primary Industries Division, Tax Policy Department, IRBM Cyberjaya.

Al-Fatihah to my late father, Saad Senawi, and my late mother, Siti Aminah Daud. May their souls rest in peace, and may they be granted the highest ranks in paradise, ameen. My deepest gratitude to my wife, Najihan Othman, and my children, Muqri Luzman, Mirza Ziqri, Mifzal Rizqi, Mikail Fiqri, and Mikayla Humaira, for their continuous love and support every single minute. I am also thankful to my family members for their powerful prayers and continuous love and support on this journey. Last but not least, to everyone mentioned and not mentioned, your sacrifice and encouragement will always remain in my memory.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

IRBM	Inland Revenue Board of Malaysia
RA	Reinvestment Allowances
MATA	Malaysian Tax Academy
PS	Pioneer Status
PIA	Promotion Investment Act
ITA	Income Tax Act
YA	Year of Assessment
DGIR	Director General of Inland Revenue
ITRF	Income Tax Return Form
SCIT	The Special Commissioners of Income Tax
RQ	Research Questions
RO	Research Objectives

LIST OF APPENDIXES

CHAPTER 1

INTRODUCTION

1.0 Background of the study

Globally, countries use tax incentives as promotional tools to encourage spending from both foreign and domestic investors. Tax incentives are fiscal incentives provided by the government to qualified taxpayers or potential investors in order to undertake a qualified project with a lower or no effective tax rate.

Like other emerging and advanced economies, Malaysia uses tax and non-tax incentives as policy tools to encourage investment in specific sectors or regions, or to influence the nature of such investments (World Bank, 2006). Malaysia has over 100 different types of incentives at the national and regional levels (Mohd et al., 2017). It is widely acknowledged that tax incentives are costly due to the potential loss of revenue to the host country, despite the fact that they may or may not generate future revenue for the government (Singh, 2020). There are also concerns that too many incentives distort resource allocation by attracting rent-seeking investors seeking short-term profits. However, previous research has suggested that tax incentives may have significant positive spill over effects such as job creation, increased investment, and encouragement of local supply chains (Zolt, 2015).

In the Malaysian manufacturing context, three main types of tax incentives are used to ensure that the Malaysian manufacturing sector continues to develop with continued productivity. The initial incentive provided is a tax holiday. In Malaysia, a tax holiday

REFERENCES

Shaharuddin, N. S.., & Palil. M. R. (2016). Attitudes and Tax Compliance: The role of tax knowledge and education. *Journal of Management and Muamalah,* 6(2), 91-102. Retrieved from https://www.jmm.kuisjournal.com/index.php/jurnal/article/view/82

Bornman, M. and Ramutumbu, P. (2019), "A conceptual framework of tax knowledge", *Meditari Accountancy Research*, Vol. 27 No. 6, pp. 823-839. Retrieved from https://doi.org/10.1108/MEDAR-09-2018-0379

Abu Hassan, N. S., Palil, M. R., Ramli, R., & Maelah, R. (2022). Enhancing tax compliance in Malaysia: does tax learning and education matter? *International Business Education Journal,* 15(1), 18-29. Retrieved from https://doi.org/10.37134/ibej.vol15.1.2.2022

Saad, N., Udin, N. M., & Derashid, C. (2014). Complexity of the Malaysian Income Tax Act 1967: *Readability Assessment. Procedia - Social and Behavioral Sciences, 164, 606–612.* Retrieved from https://doi.org/10.1016/j.sbspro.2014.11.153

Nasir, S. U. L. S. M., Yusof, N. A. M., & Chuen, L. C. Do tax incentives make a difference? a case of Malaysian manufacturing firms. *International Journal of Accounting, Finance and Business (IJAFB),* 8(47), 248 - 258.

Mustafa, A. Y., & Humta, H. (2021). Examining the effect of tax understanding and tax awareness on taxpayer compliance in Kabul-Afghanistan. *Third Sector Social Economy*, 56, 148-162.

Hamzah, F. H. A., Hamid, N. A., Zawawi, S. N. H. M., Yusup, R., & Azali, N. M. (2020). Indicators of tax authority monitoring: Firm characteristics, tax avoidance and reinvestment allowance utilisation. *Malaysian Journal of Economic Studies*, 57(2), 325-342. Retrieved from https://doi.org/10.22452/mjes.vol57no2.8

Saad, N. (2014). Tax Knowledge, Tax Complexity and Tax Compliance: Taxpayers' View. *Procedia - Social and Behavioral Sciences, 109, 1069–1075.* Retrieved from https://doi.org/10.1016/j.sbspro.2013.12.590

Hamzaha, F. H. A., Abd Hamidb, N., Hayati, S. N., Zawawic, M., Shamsuddind, R., & Azalie, N. M. The effectiveness of Reinvestment Allowance (RA) and tax attributes in stimulating the performance of incentivised firms: Moderating the effects of foreign directorship. *International Journal of Innovation, Creativity and Change*. Volume 11, Issue 8, 2020. Retrieved from https://ww.ijicc.net/images/vol11iss8/11841_Halizam_2020_E_R.pdf

Susyanti, J., & Askandar, N. S. (2019). Why is tax knowledge and tax understanding important? JEMA: Jurnal Ilmiah Bidang Akuntansi Dan Manajemen, 16(2), 187–194. Retrieved from https://doi.org/10.31106/jema.v16i2.2711

Loo, E. C. Evans, C. & McKerchar, M. (2010). Challenges in understanding compliance behaviour of taxpayers in Malaysia. *Asian Journal of Business and Accounting*, 3(2), 145. Retrieved from https://dx.doi.org/10.2139/ssrn.2128378

Hamid, N. A., Hamzah, F. H. A., Noor, R. M., & Azali, N. M. (2018). Determinats of Reinvestment Allowance (RA) tax incentive utilization in embracing industry 4.0. *Polish Journal of Management Studies*, 18(2), 94–104. Retrieved from https://doi.org/10.17512/pjms.2018.18.2.08

Ohaka, J.& WDagogo, D. (2015). Re-Investment Allowance, Investment Tax Credit, and the reality of corporate cash flow in Nigeria. *IOSR Journal of Economics and Finance (IOSR-JEF)* 6(2), 51-55. Retrieved from https://www.researchgate.net/publication/275969555

Bachmann, C., Baumann, M. & Richter, K. (2018). The effects on investment incentives of an allowance for corporate equity tax system: the Belgian case as an example. *Rev Quant Finan Acc* 51, 943–965. Retrieved from https://doi.org/10.1007/s11156-017-0693-2

Fauziati, P., Minovia, A. F., Muslim, R. Y., & Nasrah, R. (2020). The impact of tax knowledge on tax compliance case study in Kota Padang, Indonesia. *Journal of Advanced Research in Business and Management Studies*, 2(1), 22–30. Retrieved from https://www.akademiabaru.com/submit/index.php/arbms/article/view/1183

Eriksen, K., & Fallan, L. (1996). Tax knowledge and attitudes towards taxation; A report on a quasi-experiment. *Journal of Economic Psychology*, 17(3), 387–402. Retrieved from https://doi.org/10.1016/0167-4870(96)00015-3

Mukhlis, Imam & Utomo, Sugeng & Soesetio, Yuli. (2015). The role of taxation education on taxation knowledge and its effect on tax fairness as well as tax compliance on handicraft SMEs sectors in Indonesia. *International Journal of Financial Research.* Retrieved from https://doi.org/10.5430/ijfr.v6n4p161

Bernard, Obongo & Memba, Florence & Oluoch, Dr. (2018). Influence of tax knowledge and awareness on tax compliance among investors in the Export Processing Zones in Kenya. *International Journal of Scientific Research and Management*. Retrieved from https://doi.org/10.18535/ijsrm/v6i10.em01

Nabavi, R. T. (2012). Bandura's social learning theory & social cognitive learning theory. *Theory of Developmental Psychology*, *1*(1), 1-24. Retrieved from https://www.researchgate.net/publication/367203768

Income Tax Act 1967, sch.7A. (2023). Laws of Malaysia. Retrieved from https://lom.agc.gov.my/ilims/upload/portal/akta/outputaktap/1822739_BI/ACT%2053%20-%20FINAL%20(1.11.2023)%20.pdf

Reinvestment Allowance Part I – Manufacturing activity, Public Ruling No. 10/2022, (2022). Inland Revenue Board of Malaysia. Retrieved from https://www.hasil.gov.my/media/f1nptoyx/pr_10_2022.pdf

Appeal against an assessment and application for relief, Public Ruling No. 7/2020, (2020). Inland Revenue Board of Malaysia. Retrieved from https://phl.hasil.gov.my/pdf/pdfam/PR_07_2020.pdf

APPENDICES

APPENDIX A: PERMISSION LETTER

UNIT PENGAJIAN SISWAZAH
POSTGRADUATE STUDIES UNIT (PSU)
UUM College of Business
Universiti Utara Malaysia
06010 UUM SINTOK
KEDAH DARUL AMAN
MALAYSIA

Tel: 604-928 7130/7121/7122/7119/7124/7156
Laman web (Web): http://psucob.uum.edu.my/

UUM/COB/P-40
30 January 2024

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

DATA COLLECTION

COURSE : MASTERS PROJECT
COURSE CODE : BPMZ6996
LECTURER : ASSOC. PROF. DR. IDAWATI BINTI IBRAHIM

This is to certify that the following is a postgraduate student from UUM College of Business, Universiti Utara Malaysia. He is pursuing the above-mentioned course which requires him to undertake an academic study and prepare an assignment. The details are as follows:

NO.	NAME	MATRIC NO.
1.	MOHD SHUKRI BIN SAAD	831485

In this regard, I hope that you could kindly provide him with assistance and cooperation so that he can successfully complete the assignment given. All the information gathered will be strictly used for academic purposes only.

Your cooperation and assistance are very much appreciated.

Thank you.

"MALAYSIA MADANI"
"BERKHIDMAT UNTUK NEGARA"
"KEDAH SEJAHTERA - NIKMAT UNTUK SEMUA"
"ILMU BUDI BAKTI"

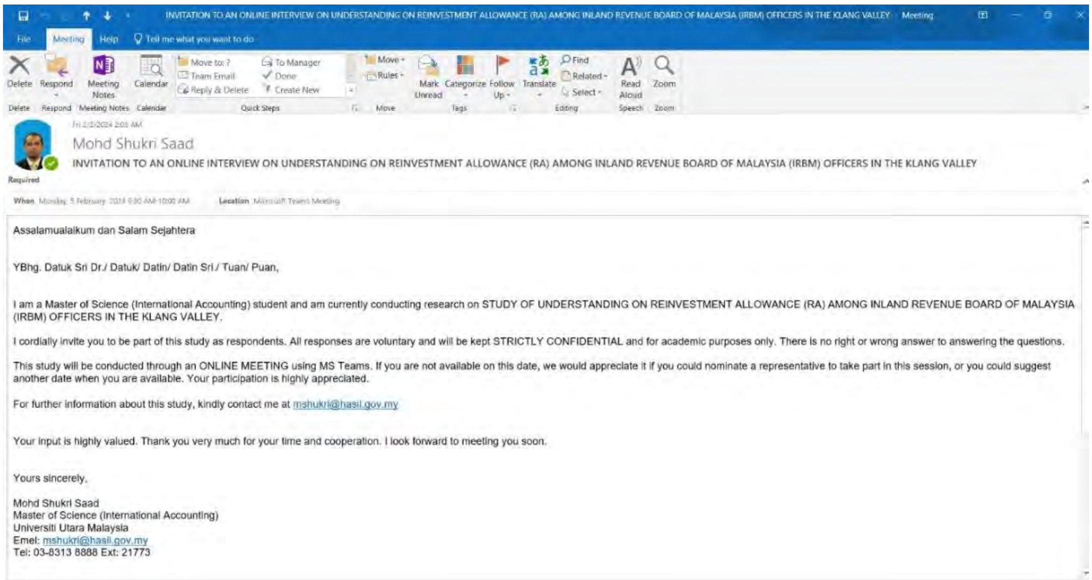
Upholding the principles of trust and integrity

NURUL NADIAH RUSLE
Assistant Registrar
for Director
Postgraduate Studies Unit
UUM College of Business

c.c. - Student's File (831485)

Universiti Pengurusan Terkemuka
The Eminent Management University

APPENDIX B: INTERVIEW PROTOCOLS



Fri 2/2/2024 2:05 AM

Mohd Shukri Saad

INVITATION TO AN ONLINE INTERVIEW ON UNDERSTANDING ON REINVESTMENT ALLOWANCE (RA) AMONG INLAND REVENUE BOARD OF MALAYSIA (IRBM) OFFICERS IN THE KLANG VALLEY

When Monday, 5 February 2024 9:30 AM-10:00 AM Location Microsoft Teams Meeting

Assalamualaikum dan Salam Sejahtera

YBhg. Datuk Sri Dr./ Datuk/ Datin/ Datin Sri./ Tuan/ Puan,

I am a Master of Science (International Accounting) student and am currently conducting research on STUDY OF UNDERSTANDING ON REINVESTMENT ALLOWANCE (RA) AMONG INLAND REVENUE BOARD OF MALAYSIA (IRBM) OFFICERS IN THE KLANG VALLEY.

I cordially invite you to be part of this study as respondents. All responses are voluntary and will be kept STRICTLY CONFIDENTIAL and for academic purposes only. There is no right or wrong answer to answering the questions.

This study will be conducted through an ONLINE MEETING using MS Teams. If you are not available on this date, we would appreciate it if you could nominate a representative to take part in this session, or you could suggest another date when you are available. Your participation is highly appreciated.

For further information about this study, kindly contact me at mshukri@hasil.gov.my

Your input is highly valued. Thank you very much for your time and cooperation. I look forward to meeting you soon.

Yours sincerely,

Mohd Shukri Saad
Master of Science (International Accounting)
Universiti Utara Malaysia
Emel: mshukri@hasil.gov.my
Tel: 03-8313 8888 Ext: 21773

EXPLORING TAX OFFICERS' PERSPECTIVES: A STUDY ON UNDERSTANDING REINVESTMENT ALLOWANCE (RA) AMONG INLAND REVENUE BOARD OF MALAYSIA (IRBM) OFFICERS IN THE KLANG VALLEY

PART I - INTRODUCTION

- Welcome and thank the participant for their time.
- Explain the purpose of the interview: to explore tax officers' perspectives on reinvestment allowance policies and their implementation.
- Reiterate confidentiality and the voluntary nature of participation.
- Obtain verbal consent for participation and recording (if applicable).
- Clarify any questions the participant may have.

Research Objective: To gain insights into the perspectives of Inland Revenue Board of Malaysia (IRBM) officers in the Klang Valley regarding the understanding and implementation of Reinvestment Allowance (RA) policies.

PART II – BACKGROUND INFORMATION

- Gather basic demographic information:

- Name & Position
- Years of experience in tax administration.
- Educational background

PART III – MAIN INTERVIEW QUESTIONS

1. **Understanding of Reinvestment Allowance (RA) Policies:**

   1.1 How would you describe your understanding of reinvestment allowance (RA) policies within the context of the Income Tax Act 1967?

   1.2 Can you provide an overview of how RA policies are implemented in practice?

   1.3 What is the importance of reinvestment allowance policies in promoting investment and economic growth?

2. **Implementation Challenges:**

   2.1 What are some of the main challenges you encounter in implementing audit reviews of RA within the Klang Valley?

   2.2 Base on your audit experience, are there any specific administrative or procedural hurdles that impact the effective implementation of RA policies?

   2.3 Are there any differences in the interpretation of the act between taxpayer and auditors?

3. **Factors influencing understanding:**

   3.1 What are the critical factors influencing the understanding of RA among IRBM officers in the Klang Valley?

   3.2 Are there any specific resources such as training, experience, knowledge sharing, coaching and attitude, you believe can contribute to the understanding of RA among IRBM officers? – **[If the respondent does not answer question 3.1]**

4. **Suggestions for Improvement:**

   4.1 Based on your experience, what strategies or enhancements would you recommend to improve the understanding of RA among IRBM officers and enhance the effectiveness and quality of tax audits related to RA claims in the Klang Valley?

   4.2 What potential areas exist for enhancing taxpayer awareness and compliance with these policies?

PART IV- CONCLUSION

- Summarize key points discussed during the interview.
  - Offer the participant an opportunity to provide any additional comments or insights.
  - Thank the participant for their valuable input.
  - Ensure the participant is aware of any next steps or further actions regarding the study

Prepared by:

Name : Mohd Shukri Saad
Matric No.: 831485
Msc (International Accounting)
Universiti Utara Malaysia

APPENDIX C: INTERVIEW SUMMARY

BACKGROUND INFORMATION		1. Understanding of Reinvestment Allowance (RA) Policies		
NO.	Respondent 1	1.1	1.2	1.3
1	Respondent 1	An incentive given to companies that carry out eligible activities and projects. For example automation projects, replacing manual processes performed by humans with automated machines.	"RA is a self-claim incentive given to a company that engages in a qualified activity (manufacturing). The RA is an extra incentive to the capital allowance. Taxpayers benefit from two advantages: they can claim capital allowance at a 100% rate, and the same asset can also	Good because companies use company profits to make investments in the country. It can provide employment opportunities and increase production.
2	Respondent 2	When we talk about RA, the first thing I'll do is request an audited report and tax computation. Based on this document, I will determine whether any incentive claims such as RA are made, and if so, I will need the RA claim form to confirm when the first RA claim was made, considering there are now ADDITIONAL RA and PENJANA RA."	Claiming the Allowance using RA forms.	When companies are eligible for RA incentives, the company will make existing business expansions to increase production capacity and indirectly increase employment opportunities."
3	Respondent 3	Provision that allows businesses to claim tax incentives for reinvesting their profits back into their businesses for the purpose of expansion, modernization, automation or diversification.	Claiming the Allowance	Encouraging Investment, Stimulating Economic Activity
4	Respondent 4	RA is given to manufacturing companies that undertake eligible projects. The incentive period is for 15 years	Qualifying Expenditure, Claiming the Allowance	Encouraging Investment, Stimulating Economic Activity
5	Respondent 5	Provision that allows businesses to claim tax incentives for reinvesting their profits back into their businesses for the purpose of expansion, modernization, automation or diversification. RA was introduced from 1980 and constantly being improved from time to time. "The RA policy was introduced by the government in 1980, and this policy has been continuing from year to year to this day."	Eligibility Criteria - the evolution of the industry is not in line with RA qualifications. Qualifying Expenditure - merge with AI,	"In terms of boosting the country's economic growth, I do agree, because the RA itself aims to attract Foreign Direct Investment and Domestic Direct Investment, but I think there is another issue to think about: the revenue system is not balanced with what the
6	Respondent 6	RA is an additional incentive given to companies that have claimed capital allowances for the manufacturing industry. an additional incentive given to companies that have claimed capital allowances for the manufacturing industry. This incentive is given for 15 years and is extended from time to time.	Eligibility Criteria, Qualifying Expenditure:	Encouraging Investment, Stimulating Economic Activity & tax planning.
7	Respondent 7	RA is given to manufacturing and agriculture companies that undertake eligible projects. The incentive period is for 15 years. One of criteria is company must resident in Malaysia more than 36 months.	Calculation of Allowance - The 60% deduction from CAPEX is limited to 70% of SI. The CAPEX is for the purpose of expansion, modernization, automation or diversification.	Encouraging Investment, Stimulating Economic Activity & Job Creation and Skills Development.
8	Respondent 8	Provision that allows businesses to claim tax incentives for reinvesting their profits back into their businesses for the purpose of expansion, modernization, automation or diversification.	Calculation of Allowance, Claiming the Allowance	Encouraging Investment, Stimulating Economic Activity
9	Respondent 9	"RA is an incentive under Schedule 7A, ITA 1967, given to a manufacturing company that fulfils its manufacturing activities."	Eligibility Criteria	Encouraging Investment, Stimulating Economic Activity

10	Respondent 10	"RA is an incentive give to the manufacturing company for 15 years that fulfils its manufacturing activities definition"	Calculation of Allowance, Claiming the Allowance	good for the company
11	Respondent 11	Provision that allows businesses to claim tax incentives for reinvesting their profits back into their businesses for the purpose of expansion, modernization, automation or diversification.	Calculation of Allowance, Claiming the Allowance	Encouraging Investment, Stimulating Economic Activity & Job Creation and Skills Development.
12	Respondent 12	RA gives an additional 60% of plant and machinery expenses. The company has fully claimed all of its capital allowances. The RA claims will last 15 years in consecutive years."	Calculation of Allowance - Is an additional incentive that the company has claimed IBA. The 60% deduction from CAPEX is limited to 70% of SI. Eligible to claim for 15 years.	Encouraging Investment, Stimulating Economic Activity
13	Respondent 13	Incentive given to manufacturing company	"Honestly, I don't understand explicitly about RA because it's not used in my day-to-day tasks. All I know about RA is that this company can be a form of grant given by the government, subject to some conditions. I have been studying, but I can't remember it."	I think this incentive good for the company cash flow
14	Respondent 14	An incentive given to a company subject to the qualifying project on manufacturing and agricultural definition under schedule 7A, company which is resident in Malaysia.	"Companies eligible to claim capital allowances of 100% receive an additional incentive known as RA (self-claim). For the same assets, the company is entitled to claim RA at the rate of 60% deduction of capital expenditures, limited to 70% of	Encouraging Investment, Stimulating Economic Activity
15	Respondent 15	An incentive given to a manufacturing company subject to the manufacturing definition under schedule 7A. company which is resident in Malaysia.	Claiming the Allowance using RA forms.	Encouraging Investment, Stimulating Economic Activity
16	Respondent 16	An incentive given to a company subject to the qualifying project on manufacturing and agricultural definition under schedule 7A, company which is resident in Malaysia.	Eligibility Criteria, Qualifying Expenditure:	Encouraging Investment, Stimulating Economic Activity but 15 years will impact the tax collection
17	Respondent 17	RA, often called the second incentive, is for companies in manufacturing and agriculture that are based in Malaysia and have been running for over 36 months.	An eligible company is entitled to claim RA of 60% on the capital expenditure incurred the year of assessment.	Encouraging Investment, Stimulating Economic Activity
18	Respondent 18	RA is available for existing companies engaged in manufacturing and agricultural activities.	Eligibility Criteria	Encouraging Investment, Stimulating Economic Activity
19	Respondent 19	RA is an incentive to encourage reinvestment or continued investment by foreign and domestic investors, hence the rather long 15-year. If a company is of the view that it fulfils the stipulated requisites.	An eligible company is entitled to claim RA of 60% on the capital expenditure incurred the year of assessment.	Good for company. It can provide employment opportunities and increase production.
20	Respondent 20	Basically this incentive given to manufacturing company.	Calculation of Allowance, Claiming the Allowance	Good for company but will effect to IRBM tax base.

BACKGROUND INFORMATION		2. Implementation Challenges		
NO.	**Respondent 1**	**2.1**	**2.2**	**2.3**
1	Respondent 1	"The challenge is to determine whether the project is qualified to claim RA, which is challenging for auditors. For example, companies make toothbrushes and use a lot of little moulds."	Complexity of Documentation Requirements, Timeliness of Reporting and Compliance,	Complex Transactions, Professional Judgment, Tax Planning Strategies.
2	Respondent 2	Requires careful planning, need to visit the factory, Complexity of Documentation, Interpretation of Eligibility Criteria, Verification of Expenditure.	"As auditors, I believe it should be a more reasonable judgment; if we look at it, it makes sense to the production principal activity. We will acknowledge, however, that determining qualifying activity and capital expenditure is very complicated and subjective, requiring assessment and an explanation from the taxpayer. The majority of RA scenarios make it difficult to determine qualifying claims.”	"Based on my audit experience, several companies claim both RA and Investment Tax Allowance in the same assessment year. The company should be aware that each of these incentives are mutually exclusive, as stated in Schedule 7A, ACP, and the Investment Tax Allowance approval letter."
3	Respondent 3	Requires careful planning, need to visit the factory, Understanding of Industry-Specific Issues:	Time consuming	Legal Precedents,
4	Respondent 4	Requires careful planning, need to visit the factory, Complexity of Documentation, Verification of Expenditure.	"Determination of cases of companies making existing factory orders is also difficult because RA is limited to additional buildings only."	Subjectivity in Application, Complex Transactions.
5	Respondent 5	"The RA audit is difficult since it requires a lengthy review procedure and a highly sophisticated manufacturing process. The first and most fundamental is realizing that manufacturing is happening. Though most do not have technical expertise, all audit officers have auditing backgrounds. The company ultimately pulled the audit officer to defend the RA's claim during an audit due to a lack of engineering understanding.”	Lack of Clarity in Eligibility Criteria, Complexity of Documentation Requirements:	"Taxpayers will agree to the public rulings issued by the IRBM when they are on their side, but will not agree to them if they are not.",
6	Respondent 6	"With the recent industry innovations, we are finding it getting harder to determine qualifying activities and capital expenditure. For example, if RA claims under modernization that all existing factories have been equipped with current and advanced facilities, taxpayers are going to request spending for the latest software as a qualifying expenditure.”	Lack of Clarity in Eligibility Criteria, Complexity of Documentation Requirements:	Complexity of Tax Laws, Subjectivity in Application, Tax Planning Strategies,
7	Respondent 7	Identification of Non-Compliance, Verification of Expenditure, Data Availability and Reliability	Requires careful planning, need to visit the factory, Complexity of Documentation, Verification of Expenditure.	Complexity of Tax Laws, Subjectivity in Application,
8	Respondent 8	"Since this RA audit takes a long time to settled, 15 to 20 years, the audit officer needs to check the assessment every year to make sure the number of claims is correct."	Lack of Clarity in Eligibility Criteria, Complexity of Documentation Requirement, Coordination with Tax Authorities	Complexity of Tax Laws, Subjectivity in Application, Professional Judgment
9	Respondent 9	Need to visit the factory. Interpretation of Eligibility Criteria. Understanding of Industry-Specific Issues.	Coordination with Tax Authorities	"The taxpayer's perspective of the ITA 1967 is sufficient to explain the RA without having to refer to the explanation in public rulings published by the IRBM."

10	Respondent 10	I don't have experience on RA audit	I don't have experience on RA audit but my opinion is time consuming to check the documents.	Complexity of Tax Laws, Subjectivity in Application, Professional Judgment
11	Respondent 11	Need to visit the factory. Interpretation of Eligibility Criteria. Understanding of Industry-Specific Issues.	"Taxpayers do not agree when only part of the activity is allowed because the rest is a process; for example, forklifts do not allow for RA claims."	Complexity of Tax Laws, Subjectivity in Application,
12	Respondent 12	"RA audits were conducted too late after the company submitted claims (after 5 years), making it difficult for the audit officer to visit the manufacturing plant to check that the assets are being used. Audit officer also have difficulty comprehending and determining qualifying activity."	Lack of Clarity in Eligibility Criteria, Complexity of Documentation Requirements:	"Normally, taxpayers will have different views regarding the definition of a factory. For a company, when the factory is built, it deserves to claim the facility even if it only produces a simple product. For the company, all the processes are not easy."
13	Respondent 13	"For the tax officers who do not work in the company's audit unit, it can be difficult to understand RA in detail due to the lack of using the knowledge they learned during the training. To retain the expertise they have gained, all tax officials would need job rotation."	Need proper understanding to clarify about manufacturing activities	Yes, sometimes tax payer argued on maufacturing definition.
14	Respondent 14	Need to visit the factory. Interpretation of Eligibility Criteria. Understanding of Industry-Specific Issues.	Lack of Clarity in Eligibility Criteria, Complexity of Documentation Requirements:	Complex Transactions, Professional Judgment, Tax Planning Strategies.
15	Respondent 15	Complexity of Documentation, Interpretation of Eligibility Criteria, Understanding of Industry-Specific Issues	Lack of Clarity in Eligibility Criteria, Complexity of Documentation Requirements:	Subjectivity in Application, Complex Transactions.
16	Respondent 16	currently I don't have cases because last time I'm doing individual audit.	understanding on manufacturing activities	Complex Transactions, Professional Judgment, Tax Planning Strategies.
17	Respondent 17	just received cases in CMS. I think need proper understanding to find the issues.	Time consuming to check all the documents because of these incentive are long.	tax planning
18	Respondent 18	the documentation is complex.	Difficult to determine the manufacturing process	Legal Precedents,
19	Respondent 19	"I went to audit a plastics manufacturer. During the audit, the company does not utilize the machine, but it is still in operation when the claim is submitted. This verification is difficult since the audit case was given late to the audit officer."	Difficult to determine the manufacturing process	"Before the audit visit is made, officers will read the acts and public rulings for the purpose of understanding, but when they arrive at the manufacturing plant and hear the taxpayer's explanation, there will be differences in the interpretation of the meaning of manufacturing."
20	Respondent 20	Need much time to check the documents & need a proper planning before audits.	Time consuming	normally yes. Tax payer not agree with our view on factory definition base on ITA

BACKGROUND INFORMATION		3. Factors influencing understanding	4. Suggestions for Improvement	
NO.	**Respondent 1**	**3.1**	**4.1**	**4.2**
1	Respondent 1	"We need a hands-on RA course. Audit officers take the audit file to the training centre to discuss the case, and then they go to the manufacturing plants to better understand and evaluate the qualifying project."	Comprehensive Training Programs, Specialized Workshops and Seminars, Guidance Documents and Manuals	Educational Outreach Programs:
2	Respondent 2	"In my opinion, every audit officer must have a RA audit file, and I only have a chance to handle RA cases after 10 years of service." When we have our own case, we make effort to read, study, and consult with the senior who handled the RA audit cases."	Specialized Workshops and Seminars, Comprehensive Training Programs	Educational Outreach Programs, Taxpayer Education Campaigns, Customized Guidance for Small Businesses
3	Respondent 3	Experience and Expertise, Training and Education	Hands on training at office so more officers can join	Educational Outreach Programs
4	Respondent 4	Guidance and Resources,	Training base on theory & practical (real case & site visit by industry), tax officers bring own audit case for discussion	Educational Outreach Programs
5	Respondent 5	"In my opinion, the auditor's lack of industry knowledge, their perspective on the manufacturing process, their inability to understand the intent of the act at the time of the amendment, and the difficult transfer of knowledge between new and senior officers are some of the factors that affect their understanding of RA."	clarify the legal provisions for easy understanding, Legal Precedents, hands on training	Systematic review for RA - different category MNC, DI and local company.
6	Respondent 6	Training and Education, Guidance and Resources, Experience and Expertise	update exclusion list, clarify the legal provisions for easy understanding, Legal Precedents, hands on training	"Taxpayers need to have tax agents handle RA claims because not all taxpayers are skilled in deduction matters and expect advice from an authorized tax agent to give correct deductive advice. Programs like seminars and workshops related to RA need to be multiplied."
7	Respondent 7	Experience and Expertise on RA, Guidance and Resources,	"Theoretically, training is enough, just that we need to do hands-on training according to the type of industry because each industry is different."	Educational Outreach Programs:
8	Respondent 8	"Courses, seminars, or RA previews should be provided on a regular basis and in the locality to allow more auditors to participate. All audit officers should be trained to handle RA cases since they are extremely likely to be taxed."	"We don't have an expert officer on the RA at the locality at the moment; if there was an expert officer in each locality, that would be very good and could help to solve the RA case faster."	Educational Outreach Programs
9	Respondent 9	"In the branch there is no expert reference; to ask the Tax Policy Department views through strict Standard Operational Procedures will take a long time (bureaucracy)."	"I think Cross-Departmental Collaboration is a good for both parties. The tax officers can bring their own audit cases for discussion".	Educational Outreach Programs

10	Respondent 10	Training and Education, Guidance and Resources, Experience and Expertise,	"All audit officials must receive the RA case in order to disclose the handling of the RA audit."	Educational Outreach Programs
11	Respondent 11	"I ask the Tax Policy Department to make a compact note about the RA for the proper reference of the audit officers."	Comprehensive Training Programs:, Specialized Workshops and Seminars, Guidance Documents and Manuals, Cross-Departmental Collaboration - tax officers bring own audit case for discussion	Educational Outreach Programs
12	Respondent 12	"We understand why the Standard Operational Procedures are tight in obtaining the Tax Policy Department's opinion, which needs a minute decision of a technical meeting at the locality level, but this procedure will take a long time (bureaucracy). In some cases, involving RA, even a superior is unable to give a rational opinion.	"Expert officers should regularly share their knowledge through online sessions related to RA, because many audit officers can benefit from these sessions. One more thing is that expert officers are promoted and sent to localities."	Educational Outreach Programs
13	Respondent 13	on job training	Specialized Workshops and Seminars, Comprehensive Training Programs	"IRBM's social media platforms include its website, Facebook, Instagram, and TikTok. Can utilize this medium to raise awareness among taxpayers."
14	Respondent 14	"After over 16 years as an auditor, only one case regarding RA has been given to me. Although auditing experience is sufficient, we require an entirely different skill level to handle this RA."	"Perhaps it's possible to give an annual technical course to tax officers based on RA real cases to give exposure to all tax officers."	Educational Outreach Programs
15	Respondent 15	Training and Education, Guidance and Resources, Experience and Expertise,	"The course is practical, not theoretical. Additionally, the audit officer leads a RA case-sharing session."	Educational Outreach Programs
16	Respondent 16	need extra training to understand this incentive	More practicals training session	Educational Outreach Programs
17	Respondent 17	need guidance from seniors	Sharing session to new officers	Educational Outreach Programs
18	Respondent 18	sharing session is one of the best on the job training	All tax officers must do RA audits	Educational Outreach Programs
19	Respondent 19	Training base on theory & practical (real case & site visit)	Hands on training at office so more officers can join	Educational Outreach Programs
20	Respondent 20	more on the job training to the tax officer.	"Collaboration between branch officers and officers from the Tax Policy and Compliance Departments is required to accompany officials on visits to industrial sites during big cases. We may discuss ideas and share information."	Educational Outreach Programs