

THE ACCOUNTING AND TAXATION
IMPLICATIONS ON LEASING
IN MALAYSIA

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ABSTRACT

When one party, called the lessee, pays another party, called the lessor, for the use of an asset, the transaction is known as a lease. Leasing on asset differs from buying an asset because the user (lessee) does not own the asset. Many firms or individuals rely heavily on leasing to acquire the use of assets. This project paper discusses the accounting and taxation implications on leasing in Malaysia environment.

It shows the leasing treatments both under accounting and taxation, explain the reasons why leasing can be attractive, discussion on capitalization leases and identify the problems face by leasing company in Malaysia and methods to overcome it.

The research is based on secondary sources such as accounting and taxation articles, journals and seminar papers. Personal interviews limited to two leasing company located in Kuala Lumpur.

CHAPTER 1

INTRODUCTION

Introduction

Leasing in Malaysia now has become one of a major sources of industrial finance; since in the last few years, leasing industry recorded the expansion in the volume of leasing transactions and the development of new class of lease for larger assets over longer periods. Thus, International Accounting Standard No 17, " Accounting for leases " was issued in September 1982 in order to cope with these development for adoption by Malaysian Association of Certified Public Accountants (MACPA).

In November 1985 the MACPA issued IAS 17 " Accounting for leases " as a Malaysian Exposure Draft (ED). Before the issue of IAS 17 as a Malaysian ED, the MACPA had been conducting a dialogue with the Equipment Leasing Association of Malaysia (ELAM) for number of years. The Council of the MACPA had decided to issue the IAS as an ED so as to broaden the discussions to third parties and to the public in general. It was also reported that, in recognition of this controversial nature of the contents of IAS, the MACPA Council has granted extended exposure period of 6 months. This is to encourage the fullest participation in the discussion of whether or in what form a standard on accounting for leases should be used in Malaysia.