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MALAYSIA
Investment Holding Company ("IHC")
VS
Investment Dealing Company ("IDC")

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DIFFERENCES

Definition

Investment Holding Company ("IHC")	Investment Dealing Company ("IDC")
✓ A company that owns investments such as properties and shares **for long term investment** and derives investment income ('non-trade income'), such as dividend, interest or rental income.	✓ A company that owns investments such as properties and shares as **trading stock** to derive trade income from purchase and sale of these investments .

** Determination of whether a company is an IHC depends on 2 criteria: -

(i) its main activity is holding of investments; and
(ii) not less than 80% of the company's gross income other than gross income from a source consisting of a business of holding of an investment (whether exempt or not) is derived from the holding of those investments.

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Features

Investment Holding Company ("IHC")	Investment Dealing Company ("IDC")
✓ Holding properties or shares **over a long period** ✓ Deriving **steady income** ✓ Selling properties or shares that have matured in value and employing funds on other growth investments	✓ Holding properties or shares with **intention for quick resale in short term** ✓ High and **continuous turnover** ✓ Systematically done, employing skilled personnel and established organisation to deal with the properties or shares

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Tax Assesability

Investment Holding Company (“IHC”)	Investment Dealing Company (“IDC”)
✓ Under Income Tax Act (“ITA”) 1967, income assessed as **non-business income** such as interest and dividend. Normally under the following sections: • Section 4(c) Dividend, interest • Section 4(d) Rent • Section 4(e) Annuity • Section 4(f) Other Income	✓ Under Income Tax Act (“ITA”) 1967, income assessed as **Business income** under Section 4(a)

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Tax deduction

Investment Holding Company (“IHC”)	Investment Dealing Company (“IDC”)
✓ Severely restricted under Income Tax Act, 1967 whereas the only expense that is **directly incurred for the generation of investment income** can be allowed. ✓ For general expenses, merely a fraction of such permitted expenses will be deductible.	✓ **Wholly and exclusively incurred** in the production of its income are permitted.

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Unabsorbed losses

Investment Holding Company (“IHC”)	Investment Dealing Company (“IDC”)
✓ Unabsorbed losses **cannot be utilised** against others sources of income	✓ Unabsorbed losses **can be utilised** against other sources of income
✓ Unabsorbed losses **cannot be carried forward** to future Year of Assessment	✓ Unabsorbed losses **can be carried forward** to future Year of Assessment

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Unabsorbed capital allowance

Investment Holding Company ("IHC")	Investment Dealing Company ("IDC")
✓ **Not entitled to claim capital allowances** as it is not carrying on a trade or business. ✓ **Only fixed assets purchased to replace existing fixed assets** can be claimed as deductible expenses.	✓ **Entitled to claim capital allowances** as it is regarded as carrying on a business in investments.

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