



# **Company Taxation -Double Deduction**

# Company Taxation

	-	+
Net profit before taxation		xx
Less: Expenses qualified for double deduction *		

# PROMOTION OF EXPORT

- Income Tax (Promotion of Export) Rules 1986
- Income Tax (Deductions for Promotion of Export) Rules 2002 [PU (A) 115/02]
- Income Tax (Deductions for Promotion of Export) Rules 2007 [PU (A) 14/07]
- Eligibility
- Every company resident in Malaysia
- PR 1/2013
- Commencement
- With effect from 1 January 1986 / YA 2002 / YA 2006
- Deductions
- Any outgoings and expenses (Appendix A) incurred by that company during that basis period with respect to that business and primarily and principally for the purpose of seeking opportunities or in creating or increasing demand for the export of the goods or agriculture produce manufactured or produced in Malaysia
- *[Only expenses which are of a revenue nature and allowable under S33 and not prohibited by S39(1)]*

~~Outgoings and expenses qualifying for deduction for promotion of export under  
Income Tax (Promotion of Exports) Rules 1986~~ APPENDIX A

- a) Publicity and advertisement in any media outside Malaysia
- b) Provision of samples without charge to prospective customers outside Malaysia(**Costs incurred in providing samples to the Co's prospective overseas customers**)
- c) Export market research / Export market information(**Q:Mkt research on customers' preference conducted outside M;sia**)
- d) Tender for the supply of goods / agricultural produce to prospective customers outside Malaysia
- e) Fares in respect of travel to a country outside Malaysia(to conclude or negotiate) by representative of the company and actual expenses subject to a maximum of
  - RM300/day for accommodation;
  - RM150/day for sustenance)
- f) Provision of technical information to person outside Malaysia

# PROMOTION OF EXPORT

**Sep/Dec 2017 Q2**

3. TM's projected marketing expenses (with or without consolidation) are as follows:

	RM'000
Samples for overseas customers	1,000
Cost of maintaining a sales office in the UK	500
Billboard advertising in Malaysia	200
Billboard advertising in Europe	300
Trademark registration in Poland	60
Trademark renewal in Malaysia	40

# ~~Outgoings and expenses qualifying for deduction for promotion of exports under Income Tax (Promotion of Exports) Rules 1986 APPENDIX A~~

- f) Provision of approved trade fairs or trade/industrial exhibitions which is held outside Malaysia
- g) Public relations
- i) Expenses directly incurred for participation in approved trade fairs or trade/industrial exhibitions other than the expenditure specified in item (e) and (g)
- j) Maintaining sales office overseas
- k) Professional fees incurred for packaging design on condition that the goods are of export quality and the company employs local professional services

# APPENDIX A

## ...CONT'D

### Outgoings and expenses qualified for deduction for promotion of export under Income Tax (Deductions for Promotion of Exports) Rules 2002

- Participation in a trade portal as verified by MATRADE
- Virtual trade shows (international virtual trade show as verified by the MATRADE)
- Cost of maintaining warehouse overseas

**(With effect from YA 2002)**

### Outgoings and expenses qualified for deduction for promotion of export under Income Tax (Deductions for Promotion of Exports) Rules 2007

- Registration of patents, trademarks or product licensing overseas

**(With effect from YA 2006)**

Q: Manufacturing and selling of toys: expenses incurred for the registration of trademark in Australia

# HANDICAPPED PERSONS

## Income Tax (Deductions for the Employment of Disabled Persons) Rules 1982

[PU (A) 73/82]

### Eligibility

**PR 3/2019**

Any individual who has

- a) certified in writing by the Department of Social Welfare to be a disabled person; or
- (b) certified by the Social Security Organization (SOCSO) as a disabled person that is capable to work within his or her capabilities.

### Commencement

With effect from YA 1982

### Deductions

Remuneration payable( *excluding S13(1)(b)&(c)*) to each employee who is physically or mentally disabled.

*[In order to qualify for a deduction, the person has to prove that the employee is physically or mentally disabled and is not able to perform the work of a normal person]*

\*The expenses will be allowed if the disabled persons are –

- (a) registered with the Department of Social Welfare (DSW) and the Disabled Persons's Card ("Kad OKU") are acquired as intended in the above
- (b) provide a certification from the Social Security Organization (SOCSO) which is based on the decision of the Govrenment Doktors as intended in the above



# FREIGHT CHARGES

## CON'T

Income Tax (Deduction for Freight Charges from Sabah or Sarawak to Peninsular Malaysia) Rules 2000 [PU (A) 50]

### Commencement

With effect from YA 2000 CYB

### Deductions

Ship freight charges incurred by manufacturers for the shipment of their manufactured goods from Sabah or Sarawak to any port in Peninsular Malaysia

# PARTICIPATION IN AN APPROVED INTERNATIONAL TRADE FAIR

## Income Tax (Deductions for Participation in an Approved International Trade Fair) Rules 1991 [PU (A) 361/91]

### Commencement

With effect from YA 1992

### Deductions

Expenditure incurred for participating in approved international trade fair held in Malaysia for the promotion of exports

### Conditions

- Trade fair must be an international trade fair approved by the Minister of International Trade and Industry (MITI). Approval letter to be kept for audit purposes
- Company must be approved by the MITI to participate in the international trade fair
- Expenditure incurred must be revenue nature and allowable under S33 and not prohibited by S39(1)
- Cost of exhibits excluded

# ADVERTISING EXPENDITURE ON MALAYSIA BRAND NAME GOODS

## Income Tax (Deductions for Advertising Expenditure on Malaysian Brand Name Goods) Rules 2002 [PU (A) 62/02]

### Eligibility

Every company satisfies the conditions specified in Appendix G

### Commencement

With effect from YA 1998 / 2002

### Deductions

Any qualifying expenditure (Appendix H) incurred in respect of Malaysian brand name goods

*[Only expenses which are of a revenue nature and allowable under S33 and not prohibited by S39(1)]*

# ADVERTISING EXPENDITURE ON MALAYSIA BRAND NAME GOODS

## APPENDIX G

### Conditions:

- The company is incorporated in Malaysia and at least 70% of the issued share capital of the company is Malaysian owned
- The company is the registered proprietor or related to the registered proprietor of the Malaysian brand name used in the advertisement
- The Malaysian brand name goods are of export quality( $\geq 20\%$  exported)
- The expenditure incurred in advertising the Malaysian brand name goods must be incurred within Malaysia
- The expenditure incurred on professional fees must be incurred within Malaysia

# ADVERTISING EXPENDITURE ON MALAYSIA BRAND NAME GOODS

## Income Tax (Deductions for Advertising Expenditure on Malaysian Brand Name Goods) (Amendment) Rules 2007

With effect from YA 2007 the above is extended to a company within the same group that has incurred the advertising expenditure

### Conditions :

> 50% of the paid up capital of :

The company is owned by the registered proprietor of the Brand name  
or

The registered proprietor is owned by the company or

Both the company and registered proprietor is owned by another  
Malaysian resident company

The deduction can only be claimed by one company in a YA

## ~~EXPENDITURE IN OBTAINING CERTIFICATION FOR RECOGNISED QUALITY SYSTEMS AND STANDARDS, AND HALAL CERTIFICATION~~

Under paragraph 34(6)(ma) Income Tax Act 1967, a company can claim expenditure incurred for the purpose of obtaining certification for recognized quality systems and standards, and halal certification as a deduction. The claim shall be evidenced by a certificate issued by an agency and a certification body as determined by the Minister of Finance.

To ensure that taxpayers can claim the deduction correctly, the Minister has determined several agencies and certification bodies accredited for the purpose of issuing the certificate. Thus, only expenses incurred to obtain certification for recognized quality systems and standards, and halal certification from these certification bodies and agencies can be allowed as a deduction.

# Guidelines for Tax Deduction under Section 34(6)(ma)

Types of Expenses	ma
<b><u>First time:</u></b>	
1. Application fee	DD
2. Annual fee	DD
3. Assessment fee	DD
4. Other incidental costs charged by Department of Standards Malaysia or accredited certification bodies before obtaining the certificate	ND
<b><u>Renewal:</u></b>	
1. Renewal fee	SD
2. Annual surveillance fee	SD
3. Re-assessment fee	SD
4. Other incidental costs charged by Department of Standards Malaysia or accredited certification bodies after obtaining the certificate	ND

**SD** – Single Deduction      **DD** – Double Deduction

# Guidelines for Tax Deduction under Section 34(6)(ma)

- **Non-qualifying expenses**

- ✓ consultation costs including related travelling, accommodation and meal expenses
- ✓ employee training costs in getting the certificate
- ✓ other incidental costs not charged by the relevant agency in obtaining the certificate

**Q1 Term 1 2012(Supp):** Payment to an advisor to assist in obtaining halal certification for year ended 30.6.2011. The certificate was issued on 1.6.2011.



# Double Deduction on research expenditure

- a. Approved research projects undertaken by a company either in house (\*) or contracted to external research companies or institutions
- b. Expenses incurred by companies for the use of facilities and services provided by approved research companies /institutions / R & D companies(#)/contract R & D companies(#)
- c. Contributions in cash to approved research companies/institutions
- d. Approved research expenditure by the Minister

*(\*) application must be submitted to IRB Technical Division for approval 6 month before financial year end*

*(#) must be approved by MITI as R & D company wed 1.1.2022*

# RESEARCH AND DEVELOPMENT

“Research and development” means any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, or processes, but does not include –

- (a) Quality control or routine testing of materials, devices or products;
- (b) research in the social sciences or the humanities;
- (c) routine data collection;
- (d) efficiency surveys or management studies;
- (e) market research or sales promotion;
- (f) routine modifications or changes to materials, devices, products, processes or production methods; or
- (g) cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods.

# RESEARCH AND DEVELOPMENT

- A person would be eligible to claim an incentive in the form of a single or double deduction for the allowable expenditure incurred for R&D, if **all of the following** conditions are satisfied i.e the person must:
  - (a) be a resident for tax purposes in Malaysia;
  - (b) be carrying on a business in Malaysia;
  - (c) undertake an R&D activity in relation to his business in Malaysia whether –
    - (i) in-house within his business; or
    - (ii) outsourcing the activity to approved research institute or company, or an R & D company or a contract R & D company in Malaysia;
  - (d) undertake an R&D activity which fulfils the definition of R&D, and its qualifying criteria to qualify as a qualifying R&D activity; and
  - (e) obtain an approval for the R&D activity from IRB for which the Minister of Finance has delegated

**Sep/Dec  
2018 Q1**

**EG 1 PR 5/2020,  
Flow Chart , Pg 18  
PR5/2020**

# RESEARCH AND DEVELOPMENT

The following expenditure qualify for a double deduction:

- Raw materials used in research *Eg 1 PR 6/2020*
- Manpower in a research project (basic salary only) *Eg 2 PR 6/2020*
- Technical services (*The restrictions of 30% of the total allowable R&D expenditure for technical services undertaken outside Malaysia. If > 30%, not qualified for 2x wef YA 1.1.2021*) *Eg 4 PR 10/2021*
- Travelling cost (restricted to lower of RM400/person or the actual cost incurred for food & lodging)
- Transportation cost
- Maintenance cost
- Rental
- Other expenditure

# Deduction of Expenses – Double Deduction

- Double deduction
  - *Premiums paid on export credit insurance taken with Malaysia Export Credit Insurance Berhad*

# Provision of child care centre

- Provides a child care centre for the benefit of his employees. 2x deduction on the following:
    - ✓ expenses iro expenditure on the provision and maintenance of a child care centre and registered with the Department of Social Welfare; and
    - ✓ expenses iro child care allowances to its employees
- PR 5/2016 ( Example 1 & 2)

# **Double Deduction on Remuneration paid to Senior Citizens, Ex-Convict, Parolee, Supervised Person and Ex-Drug Dependant**

Remuneration of the kind allowable under section 33 of the Act payable by him to his employee, who is a citizen of Malaysia and resident in Malaysia, from amongst the following:

- (a) a senior citizen who shall be sixty years and above;
- (b) an ex-convict who is a person who had been convicted for any offence by a court and had served his sentence of imprisonment;
- (c) a parolee as defined in the Prison Act 1995 [Act 537];
- (d) a supervised person who is a prisoner directed by an Officer in Charge to work at such labour under subparagraph 47(1)(b)(iii) of the Prison Act 1995; or

# Double Deduction on Remuneration paid to Senior Citizens, Ex-Convict, Parolee, Supervised Person and Ex-Drug Dependant

(e) an ex-drug dependant who—

*(i) had undergone treatment and rehabilitation pursuant to the Drug Dependants (Treatment and Rehabilitation) Act 1983 [Act 283];*

*(ii) had undergone supervision pursuant to paragraph 6(1)(b) of the Drug Dependants (Treatment and Rehabilitation) Act 1983 or subsection 38B(1) of the Dangerous Drugs Act 1952 [Act 234]; or*

*(iii) had been placed under supervision pursuant to paragraph 8(3)(b) of the Drug Dependants (Treatment and Rehabilitation) Act 1983, and is registered with the National Anti-Drugs Agency (MyAADK system).*



# Double Deduction on Remuneration paid to Senior Citizens, Ex-Convict, Parolee, Supervised Person and Ex-Drug Dependant

The deduction allowed is subject to the following conditions:

- (a) the employee is employed on a full-time basis;*
- (b) the remuneration paid by the employer to the employee does not exceed four thousand ringgit (RM4,000.00);*
- (c) the employer and the employee are not the same person;*
- (d) the employer is not a relative of the employee, that is—*
  - (i) a spouse;*
  - (ii) a parent, including a step parent or a parent in law;*
  - (iii) a child, including a step child or a child adopted in accordance with any law;*
  - (iv) a brother or a sister, including a step brother or a step sister;*

*or*

- (v) a grandparent or a grandchild, including a step grandparent or a step grandchild.*



# **Company Taxation**

## **- Special Tax Deduction**

# Invitation to potential importers

- Incurred by a **resident company** primarily and principally for the purpose of promoting export of its products:
- Follow up of a trade & investment mission participated by the resident company which is organised by a M'sian Gvt agency or MITI or an industrial or trade association in the period preceding 12 mths from the date of potential importer's visit to M'sia
- ✓ Hotel accommodation ,max = 3 nites and max RM300 per day
- ✓ Sustenance, max = 3 nites & max 150 per day

## Question:

*Company A incurred RM2,350, for four days on hotel accommodation and sustenance expenses for a potential importer from Italy. The customer's visit arose as a follow-up pursuant to a trade mission to Italy which was organised and verified by the Government agency, MATRADE*