

INCOME TAX ACT 1967

INCOME TAX (DEDUCTION FOR EXPENDITURE IN RELATION TO VENDOR DEVELOPMENT PROGRAMME) RULES 2022

PU (A) 2
30 December 2021

IN exercise of the powers conferred by paragraph 154(1)(b) read together with paragraph 33(1)(d) of the Income Tax Act 1967 [Act 53], the Minister makes the following rules:

CITATION AND COMMENCEMENT

- 1(1)** These rules may be cited as the **Income Tax (Deduction for Expenditure in relation to Vendor Development Programme) Rules 2022**.
- 1(2)** These Rules have effect from the year of assessment 2021.

APPLICATION

- 2** These Rules shall apply to an anchor company—
- (a) which is incorporated or deemed to be registered under the Companies Act 2016 [Act 777];
 - (b) which is resident in Malaysia;
 - (c) which participates in the Vendor Development Programme; and
 - (d) which signs a memorandum of understanding with the Ministry of Entrepreneur Development and Cooperatives under the Vendor Development Programme from 1 January 2021 until 31 December 2025.

VENDOR DEVELOPMENT PROGRAMME

- 3(1)** The Vendor Development Programme is a programme approved by the Minister of Entrepreneur Development and Cooperatives, to be implemented by an anchor company in developing a new vendor company or strengthening the development of existing vendor company, at domestic and international level.
- 3(2)** The vendor company referred to in subrule (1) is a company—
- (a) which is incorporated or deemed to be registered under the Companies Act 2016;
 - (b) which is resident in Malaysia; and
 - (c) which is a manufacturer or supplier of components, or service provider of the anchor company under the Vendor Development Programme.

DEDUCTION

- 4(1)** For the purposes of ascertaining the adjusted income of an anchor company from its business in the basis period for a year of assessment, there shall be allowed as a deduction on the amount of expenditure incurred by that anchor company to carry out the following activities in relation to the Vendor Development Programme in the basis period for that year of assessment:

- (a) activities in relation to product development namely product quality development, product innovation or research and development;
- (b) activities in relation to capability improvement namely certification programme, assessment programme or business process re-engineering; or
- (c) activities in relation to human capital namely hard skill training, lean management, financial management system or capacity building.

4(2) The amount of deduction allowed under subrule (1) shall be equivalent to twice the amount of expenditure incurred by the anchor company.

4(3) The amount of expenditure referred to in subrule (1) shall be verified by the Minister of Entrepreneur Development and Cooperatives and the total amount of the expenditure shall not exceed five hundred thousand ringgit for each year of assessment:

Provided that such expenditure shall not include capital expenditure incurred on plant, machinery, fixtures, land, premises, buildings, structures or works of a permanent nature or on alterations, additions or extensions thereof or in the acquisition of any rights in or over any property, incurred by the anchor company.

4(4) The deduction referred to in subrule (1) shall be for a period of three consecutive years of assessment commencing from the year of assessment in the basis period of which the first expenditure specified in subrule (1) is incurred.