

INCOME TAX (DEDUCTION FOR EXPENDITURE IN RELATION TO VENDOR DEVELOPMENT PROGRAMME) RULES 2014

PU (A) 169
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IN exercise of the powers conferred by paragraph 154(1)(b) and 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 2014**.

1(2) These Rules shall have effect from the year of assessment 2014.

APPLICATION

2 These rules shall apply to an anchor company —

- (a) which is incorporated under the Companies Act 1965 [Act 125];
- (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 charged with the responsibility for international trade and industry under the Vendor Development Programme from 1 January 2014 until 31 December 2016.

VENDOR DEVELOPMENT PROGRAMME

3(1) The Vendor Development Programme is a programme approved by the Minister charged with the responsibility for international trade and industry, 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 under the Companies Act 1965;
- (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 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 the 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 charged with the responsibility for international trade and industry and the total amount of the expenditure shall not exceed three 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.