

INCOME TAX (CAPITAL ALLOWANCE) (DEVELOPMENT COST FOR CUSTOMISED COMPUTER SOFTWARE) RULES 2024

PU (A) 327
30 October 2024

IN exercise of the powers conferred by paragraph 154(1)(b) of the Income Tax Act 1967 [Act 53], read together with paragraph 33(1)(d) and paragraphs 10 and 15 of Schedule 3 to the Act, the Minister makes the following rules:

CITATION AND COMMENCEMENT

- 1(1)** These rules may be cited as the **Income Tax (Capital Allowance) (Development Cost for Customised Computer Software) Rules 2024**.
- 1(2)** These Rules have effect from the year of assessment 2024.

INTERPRETATION

- 2** In these Rules, “development cost for customised computer software” means any consultation fee, payment for rights of software ownership and incidental fee relating to the development of customised computer software.

CAPITAL ALLOWANCE

- 3(1)** A person who is a resident in Malaysia and has incurred a development cost for customised computer software in the basis period for a year of assessment from a source consisting of his business may claim for a capital allowance under these Rules in accordance with the initial allowance under rule 4 and annual allowance under rule 5.
- 3(2)** For the purposes of these Rules, the development cost for customised computer software incurred in the basis period for a year of assessment or any relevant year of assessment shall be deemed to be incurred by the person in the basis period for a year of assessment in which the customised computer software is capable of being used for the purposes of his business.

INITIAL ALLOWANCE

- 4** The person is qualified to claim for an initial allowance as provided for in paragraph 10 of Schedule 3 to the Act which is equivalent to two-fifth of the development cost for customised computer software incurred.

ANNUAL ALLOWANCE

- 5** The person is qualified to claim for an annual allowance as provided for in paragraph 15 of Schedule 3 to the Act which is equivalent to one-fifth of the development cost for customised computer software incurred.

NON-APPLICATION

- 6** These Rules shall not apply if the person, in respect of the development cost for customised computer software—
- (a) has been granted any incentive under the Promotion of Investments Act 1986 [Act 327];
 - (b) has claimed any deduction under section 33 of the Act;
 - (c) has claimed any deduction under section 34A of the Act;
 - (d) has claimed any reinvestment allowance under Schedule 7A to the Act;
 - (e) has claimed any investment allowance for service sector under Schedule 7B to the Act;
 - (f) has claimed any accelerated capital allowance under any rules made under section 154 of the Act; or
 - (g) has been granted an exemption under paragraph 127(3)(b) or subsection 127(3A) of the Act in relation to statutory income of the person which is equivalent to any part or the whole of the amount of the development cost for customised computer software incurred by the person.

REVOCATION

- 7** The Income Tax (Capital Allowance) (Development Cost for Customised Computer Software) Rules 2019 [P.U. (A) 274/2019] are revoked.