

# **INCOME TAX ACT 1967**

## **INCOME TAX (DEDUCTION FOR EXPENDITURE IN RELATION TO INDUSTRY4WRD VENDOR DEVELOPMENT PROGRAMME) RULES 2022**

PU (A) 172  
11 May 2022

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 Industry4WRD Vendor Development Programme) Rules 2022**.
- 1(2)** These Rules are deemed to have come into operation from the year of assessment 2019.

### **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 engages in manufacturing or manufacturing-related services sector;
  - (d) which holds a business license issued by relevant local authority and a manufacturing license issued by the ministry charged with the responsibility for international trade and industry, if relevant;
  - (e) which has been in operation for a period of at least thirty-six months;
  - (f) which participates in the Industry4WRD Vendor Development Programme;
  - (g) which signs a memorandum of understanding with the ministry charged with the responsibility for international trade and industry under the Industry4WRD Vendor Development Programme from 1 January 2019 until 31 December 2021; and
  - (h) which fulfills other conditions as specified in the Guideline for The Implementation of Industry4WRD Vendor Development Programme issued or as revised by the ministry charged with the responsibility for international trade and industry and approved by the Minister.

### **INDUSTRY4WRD VENDOR DEVELOPMENT PROGRAMME**

- 3(1)** The Industry4WRD Vendor Development Programme is a programme certified by the ministry charged with the responsibility for international trade and industry or agency, to be implemented by an anchor company in developing a vendor company as specified in the Guideline for The Implementation of Industry4WRD Vendor Development Programme issued or as revised by the ministry charged with the responsibility for international trade and industry and approved by the Minister.

**3(2)** For the purpose of subrule (1)—

“agency” means any agency appointed by the ministry charged with the responsibility for international trade and industry under the Industry4WRD Vendor Development Programme;

“vendor company” means a company—

- (a) which is incorporated or deemed to be registered under the Companies Act 2016;
- (b) which is resident in Malaysia;
- (c) which engages in manufacturing or manufacturing-related services sector; and
- (d) which fulfils other conditions as specified in the Guideline for The Implementation of Industry4WRD Vendor Development Programme issued or as revised by the ministry charged with the responsibility for international trade and industry and approved by the Minister.

## **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 an amount which is equivalent to twice the amount of expenditure incurred by that anchor company to carry out the following activities in relation to the Industry4WRD Vendor Development Programme in the basis period for that year of assessment:

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

**4(2)** 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 one million ringgit for each year of assessment.

**4(3)** The amount of expenditure referred to in subrule (1) 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.