



TaXavvy

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Tax deduction for COVID-19
related donations - IRB's FAQ
dated 21 April 2020



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IRB's FAQ updated with questions relating to COVID-19 related donations

Following our [TaXavvy 19/2020](#), the Inland Revenue Board (IRB) has now included a new section in the FAQs (dated 21 April 2020) on tax deduction for COVID-19 related donations. The additional information not found in the IRB's press release of 26 March 2020 and the Ministry of Finance's (MOF) guidelines on tax deduction for contributions to community and charitable projects approved under section 34(6)(h) of the Income Tax Act 1967 (ITA 1967) ("MOF Guidelines") to combat COVID-19, is set out below.



When is the deduction allowed for a tax claim for contribution / donation under section 34(6)(h) & section 44(6) respectively? [Qs. G9 & G20]

Tax deduction can be claimed in year of assessment (YA) 2020.

Our comments

The IRB's FAQ states that the claim can be made in YA 2020. This is inconsistent with the MOF Guidelines which states that section 34(6)(h) claim can be made from YA 2020 for contribution made during the period from February 2020 until the pandemic is declared to be over by the Government. As for claims under section 44(6), no time limit should apply so long as these are cash contributions to the government, state government, local authority or an institution, organisation or fund approved for the purposes of section 44(6).

Where can donation under section 44(6) be channelled? [Q. G13]

Donations can be channelled to:

- National Disaster Management Agency, Prime Minister's Department, or
- Institution or organisation or fund approved under section 44(6).

Should an approved institution or organisation or fund re-apply for the purpose of contribution / donation for COVID-19? [Q. G14]

No re-application is required. An institution or organisation or fund that has been approved under section 44(6) is eligible for such contribution / donation.

For donation under section 44(6), can an employer collect the contribution / donation on behalf of the employees and donate it to the relevant agencies? [Q. G21]

Yes, employers are allowed to collect on behalf of employees. The tax deduction can only be claimed by the employee and not the employer. The following information is to be furnished to IRB:

- Proof of payment and payment amount
- Company / employer registration number and income tax number,
- Employee name and income tax number
- IRB branch which handles the employee income tax file, and
- Amount of contribution made by each employee.

Each IRB branch will be notified via an internal circular of this matter.

Illustrations of claims under section 34(6)(h)

The IRB's FAQ has also set out some scenarios under which a claim for deduction under section 34(6)(h) can be made. The examples are reproduced below:

Example 1

Titan Sdn Bhd has the skills to develop a mobile disinfection chamber. The company wants to launch this project and install the equipment in several markets to allow market visitors to be sanitised when entering to / exiting from the market.

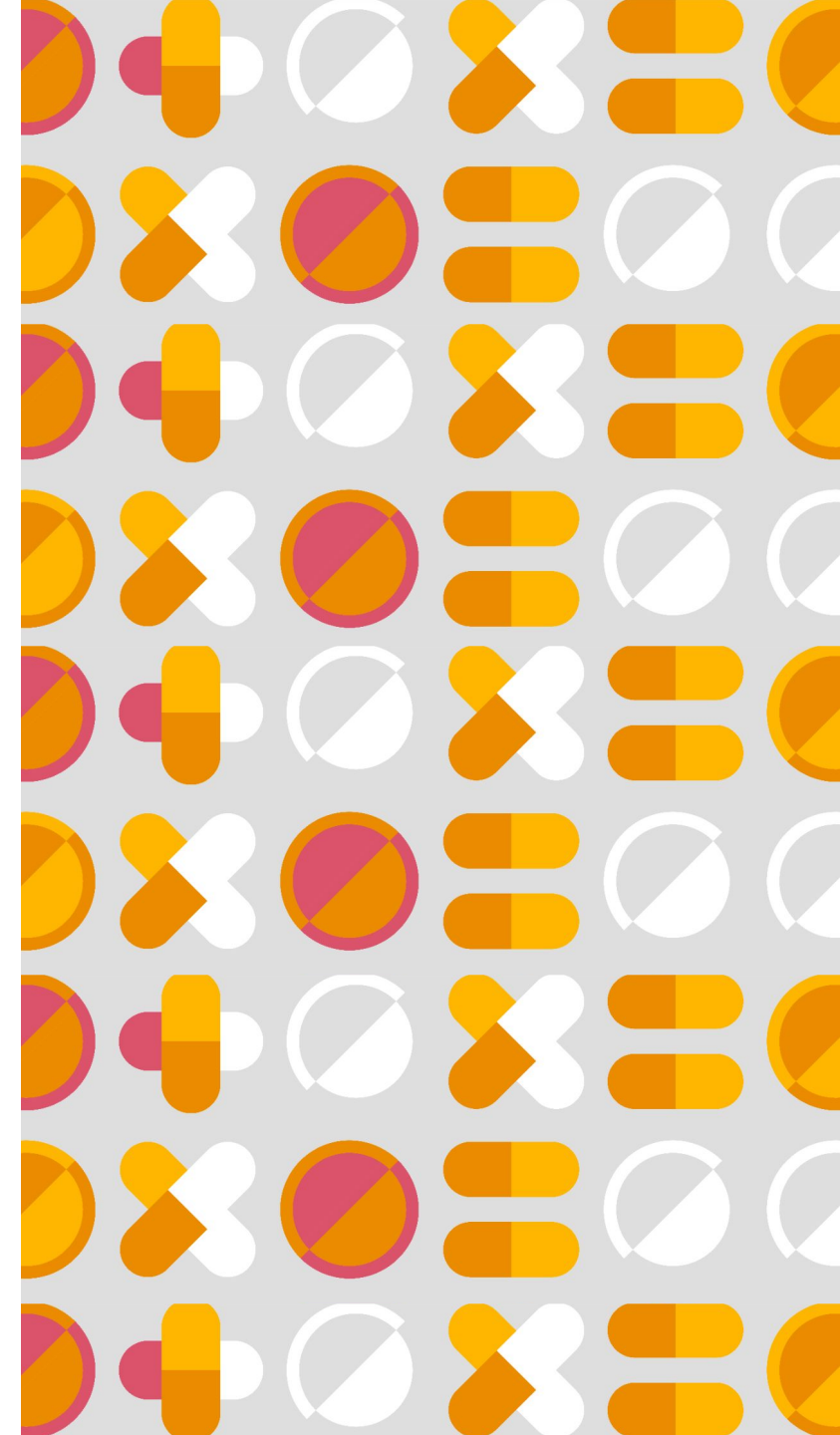
The company has applied to the MOF for approval of the project. Once approved, the company may claim the amount made for the installation of the equipment in the tax computation under section 34(6)(h).

Example 2

Masquarade Sdn Bhd has made contributions in the form of PPE, face masks and hand sanitisers to MOH Malaysia for the hospital usage.

Our comments

Example 1 illustrates that the types of contributions which qualify for the deduction under section 34(6)(h) are not limited to contributions in the form of cash or items like personal protection equipment to the government (as in Example 2). The qualifying contribution is extended to the development of a new equipment that is useful for combating the spread of COVID-19. Hence, taxpayers with the capacity and capability of providing materials, equipment or services to combat COVID-19 are potentially eligible for the deduction under section 34(6)(h).



Provisions in the ITA 1967 providing tax deductions for contribution / donation related to COVID-19

The IRB's FAQ has also set out the relevant provisions under which a taxpayer may claim a tax deduction for COVID-19 contribution / donation.

	Section 34(6)(h)	Section 44(6)	Section 44(11C)	Section 44(10)
Who is eligible	Persons with business income	Any persons	Any persons	Individuals only, limited to a deduction of RM20,000
Qualifying deduction	<p>Expenditure incurred (cash or in-kind) on the provision of services, public amenities and contributions to a charity or community project pertaining to education, health, housing, conservation or preservation of environment, enhancement of income of the poor, infrastructure and information and communication technology.</p> <p>A community / charity project to combat COVID-19 is recognised by the MOF under section 34(6)(h).</p> <p>The amount of contribution must be verified by the Ministry of Health or relevant agency while applications are made directly to the MOF.</p>	Cash contributions made to the government, state government, local authorities or any organisation, institution or fund approved under this provision.	Contributions in cash or in-kind to projects of national interest approved by the MOF.	Cash or donation of medical equipment. It does not include medical consumables.

Explanation of medical equipment and medical consumables for deduction under Section 44(10)

The IRB's FAQ sets out what constitutes medical equipment and medical consumable as follows:

Medical equipment	Examples of medical equipment	Examples of medical consumables
<p>1) Medical device as defined under the Medical Devices Act 2012: Any instrument, apparatus, implement, machine, appliance, implant, in vitro reagent or calibrator, software, material or other similar or related article:</p> <p>a) intended by the manufacturer to be used, alone or in combination, for human beings for one or more of the specific purposes of:</p> <ul style="list-style-type: none"> i) diagnosis, prevention, monitoring, treatment or alleviation of disease; ii) compensation for an injury; iii) investigation, replacement, modification, or support of the anatomy or of a physiological process; iv) supporting or sustaining life; v) control of conception; vi) disinfection of medical devices; or vii) providing information for medical or diagnostic purposes by means of in vitro examination of specimens derived from the human body; which does not achieve its primary intended action in or on the human body by pharmacological, immunological or metabolic means, but which may be assisted in its intended function by such means; and <p>b) any instrument, apparatus, implement, machine, appliance, implant, in vitro reagent or calibrator, software, material or other similar or related article, to be used in the human body, which the Minister may, after taking into considerations issues of public safety, public health or public risk declare to be a medical device by order published in the Gazette.</p> <p>2) Medical equipment used mainly for providing therapeutic benefits for certain conditions or illnesses. The use of this equipment must be prescribed by a physician, which is designed to serve a medical purpose. It is a long-term and reusable device that can be used in the hospital or at home for patient care.</p>	<ul style="list-style-type: none"> • Manual and electronic wheelchairs • Hospital beds • Walkers, crutches, canes • Traction equipment • Pressure mattresses • Insulin pumps • Breast pumps • Nebulizers • Patient lifts • Bili lights and blankets • Kidney machines • Stationary or portable oxygen tanks • Oxygen concentrator ventilators 	<ul style="list-style-type: none"> • Syringes • Needles • Sutures • Staples • Packaging • Tubing • Catheters • Medical gloves • Gowns • Mask • Adhesives • Sealants for wound dressing • Tools used within a hospital or surgical environment <p>Personal protective equipment, including face masks and hand sanitisers are medical consumables and not medical equipment.</p>

The IRB's FAQ is available on www.hasil.gov.my (Announcement > Soalan Lazim Berkaitan Urusan Percukaian Dalam Tempoh Perintah Kawalan Pergerakan)

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