



TaXavvy

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In this issue

- Gazette Order for Principal Hub 3.0 Incentive
- Tax Deduction for Industry4WRD Vendor Development Programme
- Guideline on Application for Approval for COVID-19 Relief Fund
- Guideline on Tax Deduction for Contributions to Approved COVID-19 Related Community and Charitable Projects



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Gazette Order for Principal Hub 3.0 Incentive

The Income Tax (The Principal Hub Incentive Scheme) Rules 2022 (“the Rules”) has been gazetted and is effective from the year of assessment (YA) 2021.

The Principal Hub incentive provides preferential tax rates on qualifying services to promote Malaysia as the preferred headquarters hub in the region. Qualifying services consist of various strategic services, business services and shared services. In September 2021, the Malaysian Investment Development Authority (MIDA) has issued an updated guideline (“MIDA’s Guideline”) for the latest version of the incentive (known as “PH 3.0”) to incorporate changes from Budget 2021. The preferential tax rates for the PH 3.0 incentive are as follows:

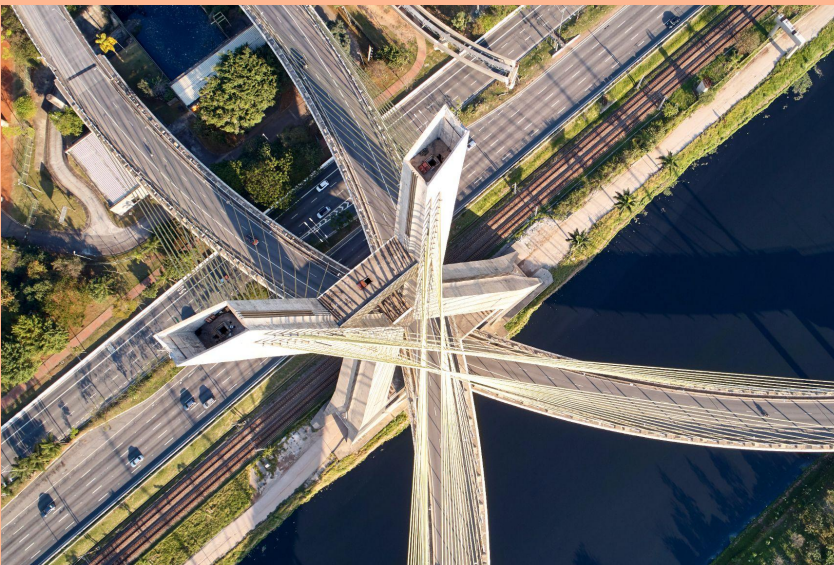
	New Company				Existing Company
	Tier 1		Tier 2		
Period of incentive (block years)	5 years (initial)	+5 years (renewable)	5 years (initial)	+5 years (renewable)	5 years
Tax rate	0%		5%		10%

Please refer to [TaXavvy 25-2021](#) for further details from MIDA’s Guideline on the PH 3.0 incentive.

Following the issuance of MIDA’s Guideline, the enabling law (i.e. the Rules) for the PH 3.0 incentive has now been gazetted. It sets out the qualifying conditions for the Principal Hub 3.0 incentive most of which are consistent with those already set forth in MIDA’s Guideline. Other notable points from the Rules in addition to those from MIDA’s Guideline are as follows:

Exclusion of intellectual property income

Royalty or other income from an intellectual property right (“IPR”), owned by the qualifying company or granted to the qualifying company by the licensor, derived from the qualifying services activities of the qualifying company shall be excluded from the scope of the PH 3.0 incentive.

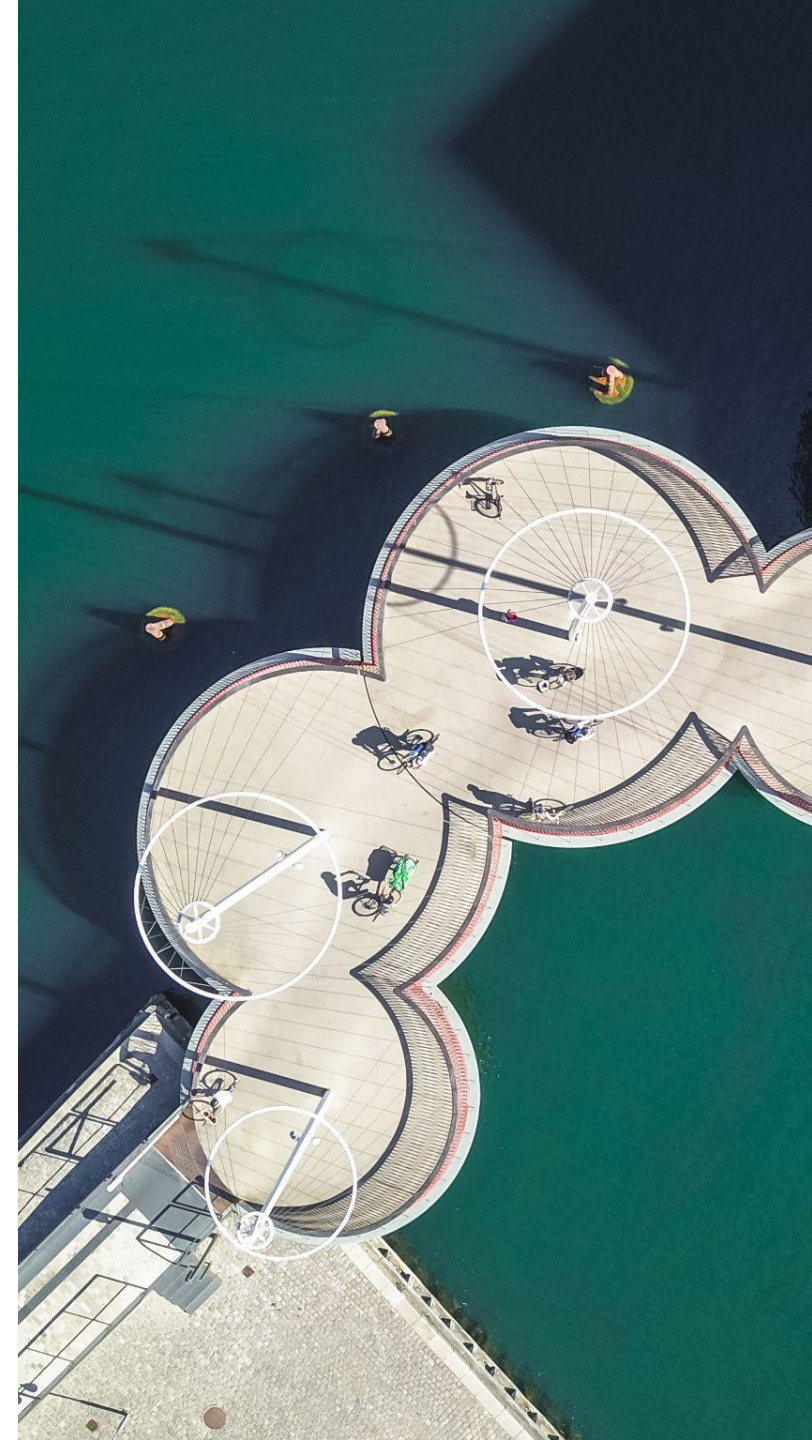


IPR means a right arising from any patent, utility innovation and discovery, copyright, trade mark and service mark, industrial design, layout-design of integrated circuit, secret processes or formulae and know-how, geographical indication and the grant of protection of a plant variety, and other like rights, whether or not registered or registrable.

Mutual exclusion / non- application provision

The PH 3.0 incentive under the Rules shall not apply to a qualifying company which during the period of incentive:

- has made a claim for reinvestment allowance under Schedule 7A to the Income Tax Act 1967 (“ITA 1967”) or investment allowance for service sector under Schedule 7B to the ITA 1967;
- has been granted any incentive under the Promotion of Investments Act 1986;
- has been granted an exemption under paragraph 127(3)(b) or subsection 127(3A) of the ITA 1967;
- has been approved by the Minister an incentive scheme under any rules made under section 154 of the ITA 1967; or
- has made a claim for deduction under any rules made under section 154 of the ITA 1967 except -
 - the rules in relation to allowance under Schedule 3 to the ITA 1967 (i.e. rules in relation to capital allowance, etc.);
 - the Income Tax (Deduction for Audit Expenditure) Rules 2006; or
 - the Income Tax (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) Rules 2020.



Tax Deduction for Industry4WRD Vendor Development Programme

In support of the Industry4WRD aspirations and goals, it was proposed in Budget 2019 that anchor companies that develop local vendors will be given a double deduction on expenses incurred in implementing the Industry4WRD Vendor Development Programme (IVDP).

Following this, the Income Tax (Deduction for Expenditure in relation to Industry4WRD Vendor Development Programme) Rules 2022 (“2022 Rules”) has been issued and is effective from YA 2019.



The following are the salient points of the 2022 Rules:

Tax deduction

Double deduction for expenditure incurred to carry out the following in relation to the IVDP:

- Product development - quality upgrading, innovation or R&D
- Capability upgrading - certification programme, assessment programme or business re-engineering
- Human capital development - hard skill training, lean management system, financial management practice or capacity upgrading

Qualifying expenditure

- Up to RM1 million per YA for 3 consecutive YAs.
- Excludes capital expenditure incurred, including those on works of a permanent nature and acquisition of any rights in or over any property.
- The expenditure is to be verified by the Ministry of International Trade & Industry (MITI).

Eligible company

An anchor company which participates in the IVDP and satisfies the following (amongst others):

- Incorporated or registered under the Companies Act 2016
 - Is resident in Malaysia
 - Has been in operation for at least 36 months
 - Holds a business license and manufacturing license, if relevant
 - Engages in manufacturing or manufacturing-related services
 - Signed the Memorandum of Understanding with MITI under the IVDP during the period 1 January 2019 to 31 December 2021.
 - Fulfilled other conditions as specified in the Guideline for the Implementation of IVDP.
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Guideline on Application for Approval for COVID-19 Relief Fund

The Ministry of Finance (MOF) has issued an updated Guideline on Application for Approval under Section 44(11C) for COVID-19 Relief Fund dated 1 April 2022 (“updated Guideline”).

Tax deduction under Section 44(11C)

Donors to the COVID-19 Relief Fund approved under Section 44(11C) of the ITA 1967 are eligible to claim a tax deduction on an amount equal to any gift of money or cost of contribution in kind against their aggregate income, up to a maximum of 10% of aggregate income.

Extension of application period for approval for COVID-19 Relief Fund

The Guideline was first issued in May 2020 and it sets out the qualifying conditions for the establishment of the COVID-19 Relief Fund and donations in relation to the fund, details of which were previously covered under [TaXavvy 34-2020](#).

The MOF has recently updated the Guideline to extend the deadline for application for COVID-19 Relief Fund approval under Section 44(11C) until 31 December 2022 (previously 30 June 2022) or until the COVID-19 outbreak is declared to be over by the World Health Organisation, whichever is earlier.

Other notable points of the updated Guideline are as follows:

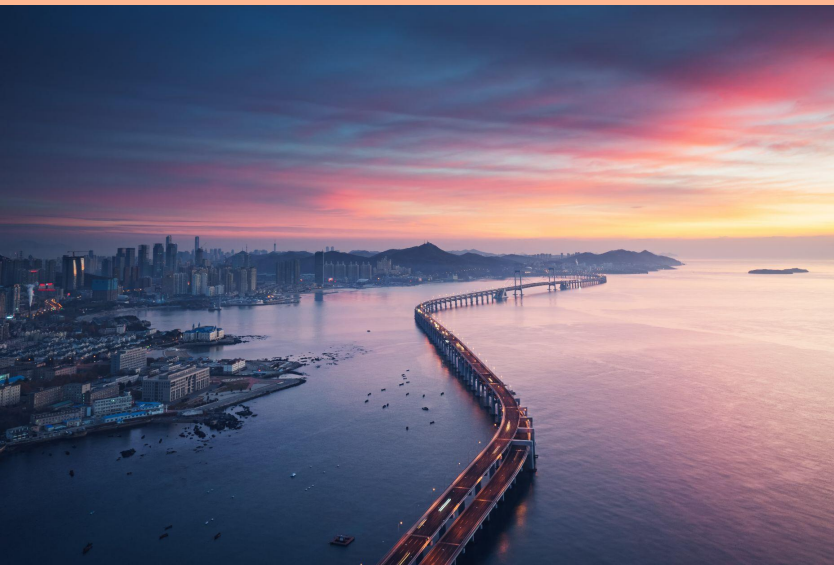
Qualifying contributions

The contributions allowed to be received by the COVID-19 Relief Fund are limited to the following:

- Cash
- Equipment - ventilators, beds, air-conditioners
- Consumables - masks, hand sanitisers, gloves, test kits and personal protective equipment

The following contributions which were previously allowed to be received by the COVID-19 Relief Fund have been removed from the list of qualifying contributions under the updated Guideline:

- Raw food ingredients and ready-to-eat foods
- Sanitisation services, provision of portable toilets, costs of delivery of supplies
- Sponsorship such as provision of permanent or temporary site infrastructure (e.g. marquee tents)



Parties who qualify to receive donation from the COVID-19 Relief Fund

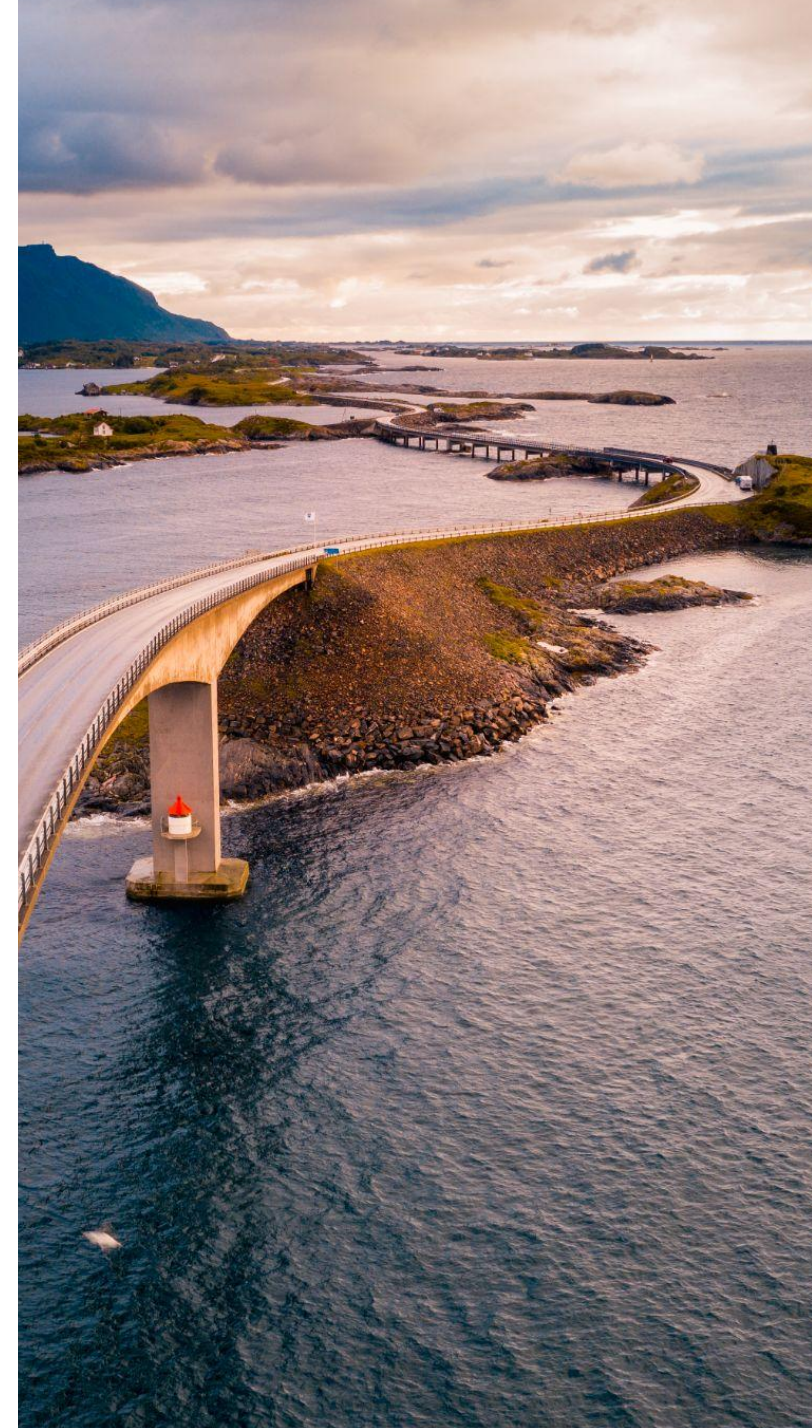
- Government agencies / departments
- Non-governmental agencies registered with Companies Commission Malaysia, Registrar of Societies and Legal Affairs Division of Prime Minister's Department
- Public hospitals
- Public schools
- Orphanages, old folks home and home for people with disabilities
- Homeless / hardcore poor / refugees
- Zoo and animal shelters

Private hospitals and public universities which were previously included in the above list have been removed from the above list under the updated Guideline.

Effective period

The amendments made to the updated Guideline are effective from 1 April 2022 to 31 December 2022.

The updated Guideline is available on the MOF's website www.mof.gov.my/portal/ms/ (Cukai > Prosedur Pengecualian).



Guideline on Tax Deduction for Contributions to Approved COVID-19 Related Community and Charitable Projects

The MOF has updated the Special Guidelines on Application for Income Tax Deduction for Community/Charitable Projects to Handle the COVID-19 Pandemic (“Special Guideline”), dated 1 April 2022.

Contribution (cash or in-kind) to community/charitable projects that handle COVID-19 outbreak approved by the MOF under Section 34(6)(h) of the ITA 1967 qualifies for deduction against the donor’s business income.

The MOF has issued the Special Guideline which outlines the conditions and procedure for application for approval under Section 34(6)(h) for contributions made for COVID-19 related community/charitable projects, details of which were previously covered under [TaXavvy 19-2020](#). The Special Guidelines was subsequently updated by the MOF on 2 August 2021 to expand the scope of tax deduction to include donations made to vaccination centres (“PPVs”) (please refer to [TaXavvy 24-2021](#) for further details).

The MOF has recently updated the Special Guideline to remove the donations made to PPVs from the scope of the tax deduction. Other notable amendments to the updated Special Guideline are as follows:

Qualifying contributions

Qualifying contributions are now limited to -

- Equipment - ventilators, beds, air-conditioners and air purifier/filtration
- Consumables - masks, hand sanitisers, gloves, test kits and personal protective equipment

The following are no longer treated as qualifying contributions and have been removed from the list of qualifying contributions under the updated Special Guidelines:

- Cash
- Raw food ingredients and ready-to-eat foods
- Sanitisation services, provision of portable toilets, costs of delivery of supplies
- Sponsorships such as provision of permanent or temporary site infrastructure (e.g. marquee tents)
- Provision of COVID-19 vaccination facilities such as halls, equipment and supplies in respect of PPVs

Qualifying recipients (Donees)

The donees are restricted to the following:

- Government departments/agencies
- Public hospitals
- Public schools

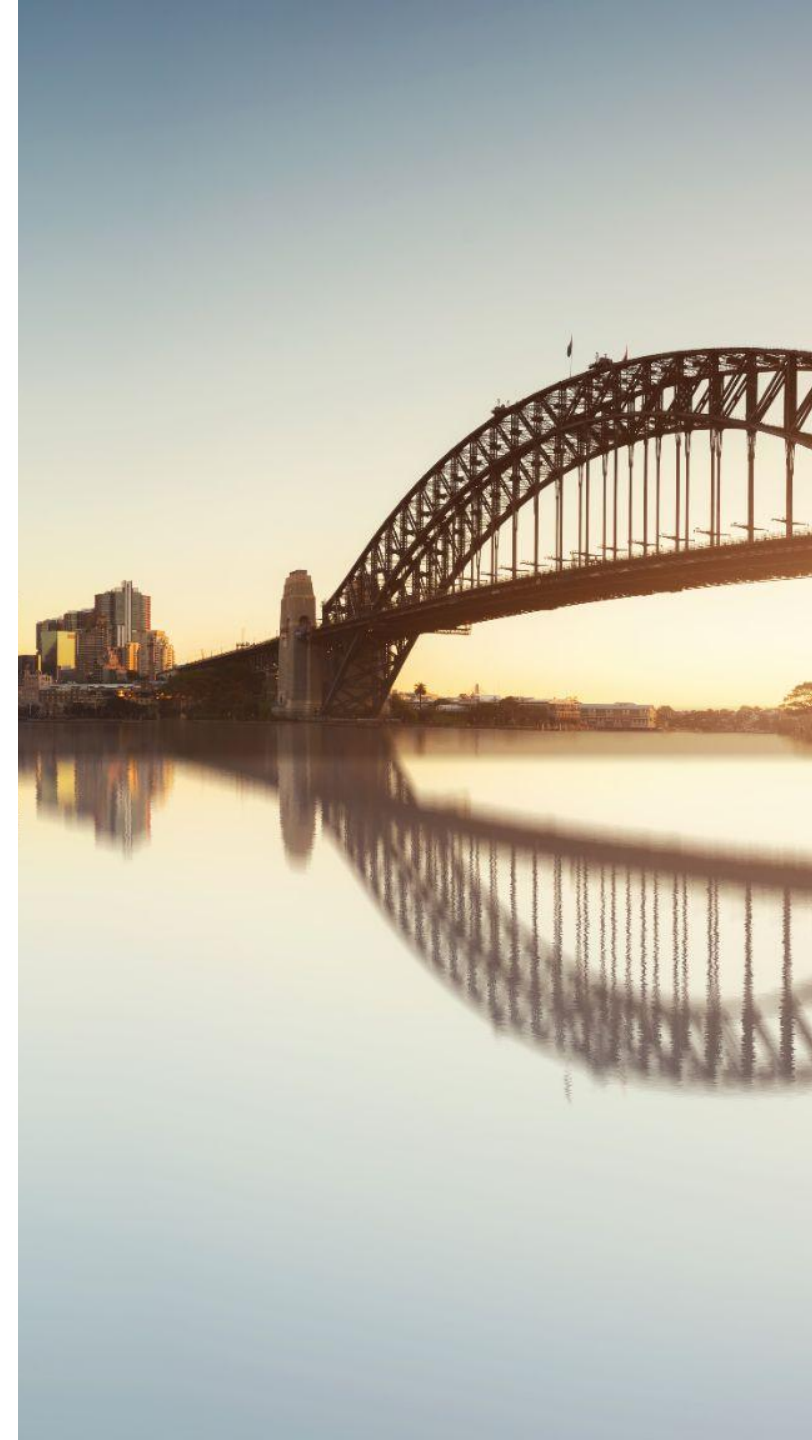


The following recipients who were previously eligible to receive contributions have now been removed from the list of qualifying recipients under the updated Special Guidelines:

- Registered non-governmental agencies which are not profit oriented or politically affiliated
- Private hospitals
- Universities and education institutions
- PPVs throughout the country which are managed by the COVID-19 Immunisation Task Force (CITF) or private sectors with the approval of CITF

The amendments made to the Special Guideline are effective for contributions made from 1 April 2022 to 31 December 2022.

The updated Special Guideline is available on MOF website www.mof.gov.my/portal/en/ (Tax > Exemption Guidelines).



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