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TECHNICAL DEPARTMENT,
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GUIDELINES FOR CLAIMING DEDUCTIONS FOR PROMOTION OF EXPORT OF HIGHER EDUCATION

1. Introduction

The services sector, including the education sector, has been given an incentive in the form of a further deduction on qualifying expenditure incurred for the purposes of promotion of export of services through the Income Tax (Deduction for Promotion of Export of Services) Rules 1999 - [P.U. (A) 193] and Income Tax (Deduction for Promotion of Export of Services) (Amendment) Rules 2002 - [P.U. (A) 114].

In the year 2001, the Government has introduced an incentive specifically for the higher education sector through the following Rules:-

- **Income Tax (Deduction for Promotion of Export of Higher Education) Rules 2001 - [P.U. (A) 185]** which is effective from the year of assessment 1996; and
- **Income Tax (Deduction for Promotion of Export of Higher Education) (Amendment) Rules 2003 - [P.U. (A) 261]** which is effective from the year of assessment 2002.

These guidelines serves to explain the procedure and criterias for claiming the qualifying expenditure for the purposes of promotion of export of higher education.

2. Qualifying Criterias

This incentive is available for any company which fully qualify these following criterias:

- (a) The company is resident in Malaysia in the basis period for a year of assessment in which the claim is made. The resident status is as provided for under section 8 of the Income Tax Act 1967 [Act].

- (b) The company is incorporated under the Companies Act 1965 [*Act 125*] with the primary purpose of establishing, managing and owning a private higher educational institution which is registered with the Ministry of Higher Education Malaysia.
- (c) The company runs a business of providing higher education in Malaysia.
- (d) The company has incurred qualifying expenditure allowable under section 33 of the Act, primarily and principally for the purpose of promoting the export of higher education in the basis period for a year of assessment in which the claim is made.
- (e) The company has made an application to the Ministry of Higher Education Malaysia to obtain approval to undertake programmes and activities in relation to the promotion of export of higher education overseas.
- (f) A company which uses the services of another company which is approved by the Ministry of Higher Education Malaysia to undertake the promotion of export of higher education overseas shall also qualify for this incentive. The company has to obtain certification from the Ministry of Higher Education Malaysia confirming that the payment made to that appointed company is for the purpose of undertaking the promotion of export of higher education overseas.
- (g) A company which is eligible for a deduction under these Rules shall not be eligible for a deduction under the Income Tax (Deduction for Promotion of Export of Services) Rules 1999 - [P.U. (A) 193] or the Income Tax (Deduction for Promotion of Export of Services) (Amendment) Rules 2002 - [P.U. (A) 114].

3. Qualifying expenditure for further deduction

- (a) Expenditure in respect of market research for the purpose of export of higher education. Each market research shall be for the purpose of determining a new potential market.
 - (i) Expenses for the preparation of the research proposals.
 - (ii) Expenses for the preparation of the research reports.
 - (iii) Expenses for employing market consultants to carry out export market research overseas.

These expenditure shall not include air fare, accomodation and sustenance.

- (b) Expenditure in relation to tender preparation for the purpose of export of higher education.
 - (i) Expenses for the preparation of sampels according to the tender specifications to be submitted with the tender documents such as cost of tender sampels, labour and consultancy fees.
 - (ii) Expenses for the delivery of tender documents and samples to overseas destinations such as forwarding charges, freight, insurance and postage.
- (c) Expenditure in relation to the preparation of technical information for the purpose of export of higher education.
 - (i) Expenses for the preparation of technical information documents according to the required specifications such as cost of materials, labour and consultancy fees.
 - (ii) Expenses for the delivery of technical information and related documents to overseas destinations such as forwarding charges, freight, insurance and postage.
- (d) Expenditure in relation to travelling to an overseas destination by a representative of the company for the purpose of export of higher education from the period commencing with the representative's departure from Malaysia and ending with his return to Malaysia. A representative of the company means a director or employee of the company.
 - (i) Expenses for return economy class air or land transport fares.
 - (ii) Ground transportation overseas.
 - (iii) Hotel accomodation (limited to RM200 per day for claims prior to year of assessment 2002 and RM300 per day for claims from year of assessment 2002).

- (iv) Sustenance (limited to RM100 per day for claims prior to year of assessment 2002 and RM150 per day for claims from year of assessment 2002).
- (e) Expenditure in relation to travelling to an overseas destination by a representative of the company for the purpose of participation in education fairs approved by the Ministry of Higher Education for the purpose of export of higher education from the period commencing with the representative's departure from Malaysia and ending with his return to Malaysia. A representative of the company means a director or employee of the company.
 - (i) Expenses for return economy class air or land transport fares.
 - (ii) Ground transportation overseas.
 - (iii) Hotel accomodation (limited to RM200 per day for claims prior to year of assessment 2002 and RM300 per day for claims from year of assessment 2002).
 - (iv) Sustenance (limited to RM100 per day for claims prior to year of assessment 2002 and RM150 per day for claims from year of assessment 2002).
- (f) Expenditure directly incurred in relation to participation in education fairs overseas approved by the Ministry of Higher Education for the purpose of export of higher education. Expenses are other than those specified in paragraph 3(e).
 - (i) Expenses for publicity and advertisement during the education fair.
 - (ii) Expenses for delivery of equipments and exhibits.
 - (iii) Cost of rental, designing and construction of booth, professional display layout service, rental of furniture and fittings for the booth and dismantling of booth after the exhibition excluding the cost of any permanent structure.
 - (iv) Expenses for utilities such as eletricity and water charges during the education fair.

- (v) Expenses for communication costs such as postage, telephone, facsimile and e-mel during the education fair.
 - (vi) Salary and wages paid to locally recruited staff for manning the exhibition booth such as security guards, interpreters, receptionists and booth assistants.
 - (vii) Expenses for gifts given out during the education fair such as badges, plastic bags and book markers.
- (g) Expenditure for cost of maintaining the education promotion office overseas for the purpose of export of higher education.
- (i) Expenses for rental of office space.
 - (ii) Expenses for maintenance and repair of office.
 - (iii) Expenses for remuneration of staff manning the office.
 - (iv) Expenses for utilities such as telephone, electricity and water charges for office maintenance.
 - (v) Expenses for return economy class air or land transport fares incurred by staff of the education promotion office overseas on outstation travels for the purpose of promotion of higher education.
 - (vi) Expenses in relation to (v) for ground transportation at the targetted destination.
 - (vii) Hotel accomodation in relation to (v) (limited to RM200 per day for claims prior to year of assessment 2002 and RM300 per day for claims from year of assessment 2002).
 - (viii) Sustenance in relation to (v) (limited to RM100 per day for claims prior to year of assessment 2002 and RM150 per day for claims from year of assessment 2002).
- (h) Expenditure for publicity and advertisement in any mass media overseas.
- (i) Expenses for advertisement in television, radio, newspaper, general and trade magazines or trade directories.

- (ii) Expenses for printing and production of printed materials such as pamphlets, brochures, magazines and guide books incurred in Malaysia or overseas for the purpose of overseas distribution.
- (iii) Expenses for delivery of the printed materials to the overseas destination.

4. Allowable deductions

- 4.1 A company which satisfies the qualifying criterias can claim a further deduction in relation to the qualifying expenditure for the purpose of export of higher education in ascertaining the adjusted income of its business for the basis period for a year of assessment.
- 4.2 The Director General is, however, empowered to restrict any amount of the expenses which in his opinion, constitute as being in excess of what would reasonably be expected to be incurred in the ordinary course of the business.

5. Claim Procedure

- 5.1 Companies who wish to claim for this deduction is required to complete two (2) copies of the claim form LHDN/BT/DD/POE/HE/2004.
- 5.2 Claim forms are available at the Technical Department, Inland Revenue Board (IRB) or at IRB branches or can be downloaded from the IRB website at <http://www.hasilnet.org.my>.
- 5.3 The original copy of the claim form together with the original relevant supporting documents in relation to the expenses claimed is to be kept by the claimant company for purposes of audit by the IRB officers.

- 5.4 The second copy of the claim form is to be forwarded to the following address:

Chief Executive/Director General Inland Revenue,
Inland Revenue Board,
Technical Department,
12th Floor, Block 9,
Government Office Complex,
Jalan Duta,
50600 Kuala Lumpur.

Technical Department,
Inland Revenue Board,
MALAYSIA.
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