

TECHNICAL

Direct Tax

[INCOME TAX \(DEDUCTION FOR EXPENDITURE IN RELATION TO VENDOR DEVELOPMENT PROGRAMME\) RULES 2014 \[P.U. \(A\) 169/2014\]](#)

The above Rules were gazetted on 24 June 2014 and were effective from the year of assessment (YA) 2014. The following is a summary of the main provisions:

Para. No. & Heading	Summary
Vendor Development Programme (VDP)	
3 "Vendor Development Programme"	- The VDP is a programme approved by the Minister charged with the responsibility for international trade and industry to be implemented by an <i>anchor company</i> in developing a new <i>Vendor Company</i> or strengthening the development of existing <i>Vendor Company</i> at domestic and international level. - A vendor company (VC) is a company which is – - incorporated under the Companies Act 1965 (CA) - resident in Malaysia, - a manufacturer or supplier of components or service provider of the anchor company under the VDP.
Anchor Company	
2. "Application"	The Rules apply to an "anchor company" (AC) which – - is incorporated under the CA; - is resident in Malaysia; - participates in the VDP; and - Signs a memorandum of understanding with the Ministry charged with the responsibility for international trade and industry under the VDP from 1 January 2014 until 31 December 2016.
Double Deduction	
4 "Deduction"	- In ascertaining adjusted income of an AC from its business in the basis period for a YA, a deduction is allowed for an amount of expenditure incurred in that basis period by the AC in carrying out activities (specified in paragraph 4(1)(a) to (c)) in relation to the VDP. Broadly, the specified activities are activities in relation to – - product development; - capability improvement; - human capital - The amount of deduction allowed: - is equal to twice the amount of expenditure incurred, but must not exceed RM300,000 for each YA. - must be verified by the Minister of International Trade and

	Industry; - Should not include capital expenditure incurred on plant, machinery, buildings, etc. or structures/ works of a permanent nature, or alterations/ extensions, or the acquisition of any rights in or over any property incurred by the AC. • The deduction is given for a period of 3 consecutive YA commencing from the YA in the basis period in which the first expenditure specified in paragraph 4(1) is incurred.
--	---

You may read the Rules in full at the official website of the [Attorney-General's Chambers](#).

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any concern or comments you may have on the above Rules.

Disclaimer

This document is meant for the members of the Chartered Tax Institute of Malaysia (CTIM) only. CTIM has taken all reasonable care in the preparation and compilation of the information contained in this E-CTIM. CTIM herein expressly disclaims all and any liability or responsibility to any person(s) for any errors or omissions in reliance whether wholly or partially, upon the whole or any part of this E-CTIM.