

TECHNICAL

Direct Taxation

DOUBLE DEDUCTION FOR TRAINING COSTS FOR THE IMPLEMENTATION OF FLEXIBLE WORK ARRANGEMENTS

1. Income Tax (Deduction For Consultation And Training Costs For The Implementation Of Flexible Work Arrangements) Rules 2015 [P.U.(A)134-2015]

The above Rules were gazetted on 29 June 2015 to give legal effect to the proposal which was included in Budget 2014 to provide tax incentive for employers who incur training expenses related to the implementation of flexible working arrangements (FWA). The Rules are deemed to have effect from the year of assessment (YA) 2014.

Important Definitions

The following terms are defined in Rule 2:

Term	Meaning
Qualifying person (QP)	(a) a company incorporated under the Companies Act 1965; (b) a limited liability partnership (LLP) registered under the LLP Act 2012; or (c) a partnership registered under the Partnership Act 1961, and resident in Malaysia.
Flexible work arrangements	Flexible arrangements at a place of work, or in the scheduling of working hours, or in the number of hours worked.
Talent Corporation Malaysia Berhad (TCMB)	A company limited by guarantee incorporated under the Companies Act 1965 to initiate and facilitate initiatives to address the talent needs in Malaysia.

Tax Incentive

The following table summarizes the incentive and conditions for granting the incentive which are found in Rule 3:

Subrule	Summary
(1), (2) & (4)	<p><i>Deduction</i></p> <ul style="list-style-type: none"> A deduction is allowed in computing adjusted income from a business source in the basis period for a year of assessment (YA) of a QP for the expenses incurred by that QP in that basis period in relation to the consultation fee and costs of training the employees of the QP for the duration of the training period, for the implementation of FWA or enhancement of existing FWA. The implementation of FWA or enhancement of existing FWA by the QP must be certified by TCMB. The application by the QP for certification must have been received by TCMB within the period from 1 January 2014 to 31 December 2016. The expenses must be verified by TCMB and the total amount of expenditure for

	each YA must not exceed RM500,000.
(3)	<p><i>Types of expenses & restrictions on amounts claimed</i></p> <ul style="list-style-type: none"> • Training costs include training course/programme fee, internal trainer fee, training material costs, rental of training space, examination fee and travelling expenses [specified in subrule (3)(f)(i)] incurred by trainers and employees. • The amount of travelling expenses which may claimed are subject to maximum limits. [Please refer to subrule 3(f)(ii) and (iii).]
(5) & (7)	<p><i>Total deduction allowable</i></p> <ul style="list-style-type: none"> • The total amount of deduction allowed is twice the amount of expenses allowed under subrule (1). • If the total amount of expenses which would have been allowed exceeds the amount which, in the opinion of the DGIR, would reasonably be expected to be incurred in the ordinary course of business, the DGIR may disallow the amount of the excess as a deduction under these Rules.
(6)	<p><i>Effective period</i></p> <p>The deduction is available for a period of 3 consecutive YAs, commencing from the YA in the basis period in which certification is issued by TCMB.</p>

2. Petroleum (Income Tax) (Deduction For Consultation And Training Costs For The Implementation Of Flexible Work Arrangements) Rules 2015 [P.U.(A)132-2015]

The above Rules were gazetted on the same date (29 June 2015) as the Income Tax (Deduction for Consultation and Training Costs for the Implementation of Flexible Work Arrangements) Rules 2015 [P.U.(A)134-2015] ("the first Rules"). These Rules provide the same incentive as provided in the first Rules to "chargeable persons" under the Petroleum (Income Tax) Act 1967.

These Rules are worded similarly to the first Rules except for the following:

- These Rules apply to a "chargeable person" (under the Petroleum (Income Tax) Act 1967) and therefore there is no reference to a "qualifying person".
- For the reason stated above, the definition of "qualifying person" is not found in Rule 2 of these Rules.

Therefore, the application of these Rules is similar to the first Rules (as summarized in the Table above.)

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

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