

TECHNICAL

Direct Taxation

**INCOME TAX (DEDUCTION FOR EXPENDITURE TO OBTAIN THE 1-INNOCERT CERTIFICATION) RULES 2016 [P.U. (A) 168/2016]**

The above Rules were gazetted on 14 June 2016. They are deemed to have come into operation from the year of assessment (YA) 2015.

The salient points in these rules are summarized below:

**Deduction** (paragraph 2)

- i. In ascertaining the adjusted income of a qualified person (QP) in the basis period for year of assessment (YA), there is allowed a deduction of an amount equivalent to the expenditure incurred by the QP in obtaining his first 1-InnoCERT Certification (the said certification).
- ii. To be eligible, the application to obtain the said certification must be made by the QP not later than 31 December 2017.
- iii. The expenditure that qualifies for deduction is expenditure directly incurred by the QP on the following:
  - (a) certification fee of RM5,000; and
  - (b) payment for expenditure incurred by SIRIM Bhd's auditors (the auditors) consisting of:
    - cost of travelling between the auditors' office and the QP's premises including mileage, toll and parking fees, or (if travelling by air) the cost of economy air fare and airport transfer claims;
    - accommodation cost for a standard room or lodging allowance; and
    - meal allowance.
- iv. For the purpose of the deduction, all expenditure incurred to obtain the said certification in any YA other than the YA in which the said certification is granted, is deemed to have been incurred in the basis period for the YA in which the said certification is granted.

**Definitions** (subparagraph 2(5))

The meanings of the following words are provided in subparagraphs 2 (5)(a) and (b):

Para	Word	Meaning
2(5)	Qualified person	(a) A person in the <i>manufacturing</i> industry and resident in Malaysia, which at the end of the basis period for a YA – <ol style="list-style-type: none"> <li>(i) has not less than 5 and not more than 200 full-time employees; or</li> <li>(ii) has achieved annual sales of not less than RM300,000 and not more than RM50 million; or</li> </ol> (b) a person in the <i>services, primary agriculture, construction or mining and quarrying</i> industry, and resident in Malaysia, which at the end of the basis period for a YA – <ol style="list-style-type: none"> <li>(i) has not less than 5 and not more than 75 full-time employees; or</li> <li>(ii) has achieved annual sales of not less than RM300,000 and not more than RM20 million;</li> </ol>
	1-InnoCERT Certification	Means a 1-Innovation Certification for Enterprise Rating and Transformation issued by the Small and Medium Enterprises (SME)

		Corporation Malaysia established under section 3 of the SME Corporation Act 1995 to any person who has been rated for the purposes of 1-InnoCERT Certification by SIRIM Bhd.
	SIRIM Berhad	A company incorporated in Malaysia pursuant to the Companies Act 1965 (Company No: 367474-V)

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

**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.