

TECHNICAL

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Direct Tax

**LHDNM TECHNICAL GUIDELINE – AUTOMATIC DOUBLE DEDUCTION FOR RESEARCH AND DEVELOPMENT PROJECT**

Inland Revenue Board of Malaysia (LHDNM) has issued a [Technical Guideline on Automatic Double Deduction for Research and Development \(R&D\) Project](#) (in Bahasa Malaysia only) dated 2 September 2016.

This Guideline is pursuant to the Government's announcement in the Budget 2016 on 23 October 2015 that a company –

- a) incorporated under the Companies Act 1965 and resident in Malaysia; and
- b) with a paid up capital not exceeding RM2.5 million under [paragraph 2A of Schedule 1 of the Income Tax Act 1967](#) (ITA);

that is conducting in-house R&D project can claim double deduction under [section 34A of the ITA](#) automatically on qualifying research expenditure in the income tax return for the year of assessment 2016, 2017 and 2018 without obtaining approval from LHDNM in advance.

The Guideline provides information on the quantum and nature of research expenditure which qualifies for the double deduction and the definition of a company with paid up capital not exceeding RM2.5 million under [paragraph 2A of Schedule 1 of the ITA 1967](#). The procedure for claiming the deduction together with an example are listed in paragraph 2 of the Guideline.

Members may read the Guideline in full at the websites of the [Institute](#) and the [LHDNM](#). Members may also refer to pages 38 and 39 of Lampiran 1 of [LHDNM's minutes of post-Budget 2016 Dialogue](#) reported in our [e-CTIM TECH-DT 44/2016](#).

You may write to the Institute at [technical@ctim.org.my](mailto:technical@ctim.org.my) or [secretariat@ctim.org.my](mailto:secretariat@ctim.org.my) in respect of any suggestions, concern or comments you may have on the [Guideline](#).

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