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**TECHNICAL**

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**Direct Taxation**

**INCOME TAX (DEDUCTION FOR EXPENDITURE ON ISSUANCE OR OFFERING OF SUSTAINABLE AND RESPONSIBLE INVESTMENT SUKUK) RULES 2017 [P.U. (A) 221/2017]**

The above Rules gazetted on 28 July 2017 are deemed to take effect from the year of assessment (YA) 2016 until YA 2020. The Rules pertain to the proposal set-out in Appendix 8 of the [2016 Budget Speech](#).

The salient points in the Rules are highlighted below:

<b>Rule # &amp; Heading</b>	<b>Summary</b>
2. Interpretation	“Company” is defined as a company resident in Malaysia which is – (a) incorporated or deemed to be registered under the Companies Act 2016 [Act 777]; or (b) incorporated under the Labuan Companies Act 1990 [Act 441] and the company has made an election under section 3A of the Labuan Business Activity Tax Act 1990 [Act 455] to be charged to tax in accordance with the Labuan Business Activity Tax Act 1990.
3. Deduction	<ul style="list-style-type: none"><li>• In ascertaining adjusted income of a company from its business in the basis period for a YA, a deduction is allowed for expenditure incurred on the issuance or offering of a Sustainable and Responsible Investment Sukuk (SRI Sukuk) approved or authorized by, or lodged with, the Securities Commission of Malaysia (SCM) under the Capital Markets and Services Act 2007 (CMS Act).</li><li>• The above only applies to SRI Sukuk issued or offered to an investor in compliance with guidelines relating to sukuk issued by the SCM under the CMS Act, whereof 90% of the proceeds from that issuance or offering is used solely for funding the SRI Project specified in the guidelines.</li></ul>
4. Disqualification from deduction	<ul style="list-style-type: none"><li>• A company is not eligible for the deduction under this Order for a YA if it has made a claim for that YA for deduction of expenditure incurred on the issuance or offering of the SRI Sukuk under any Rules made under S154 of the Income Tax Act 1967.</li></ul>

Members may read the Rules in full at the [Attorney General Chamber's website](#).

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