

TO ALL MEMBERS

TECHNICAL

Direct Taxation

[INCOME TAX \(CAPITAL ALLOWANCE\)\(DEVELOPMENT COST FOR CUSTOMISED COMPUTER SOFTWARE\) RULES 2019 \[P.U. \(A\) 274/2019\]](#)

The above [Rules](#) were gazetted on 3 October 2019. According to the [Rules](#), a resident in Malaysia is eligible to claim initial allowance of 20% and annual allowance of 20% on development cost for customised computer software incurred by the person in the basis period for a year of assessment from the year of assessment 2018 [Reference: Subrule 3(1), Rule 4 and 5].

The development cost for customised computer software incurred in the basis period for a year assessment or relevant years of assessment shall be deemed to be incurred by the person in the basis period for a year of assessment on which the customised computer software is capable of being used for the purpose of his business [Reference: Subrule 3(2)].

“Development cost for customised computer software” means consultation fee, payment for rights of software ownership and incidental fee relating to the development of customised computer software [Reference: Rule 2].

The non-application rule [Reference: Rule 6] lists the situations where the [Rules](#) are not applicable.

Please note that the Income Tax (Deduction for Information Technology-Related Expenditure) Rules 2000 [P.U. (A) 51/2000] has been revoked with effect from the year of assessment 2018.

Members 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 suggestions, concern or comments you may have on the [Rules](#).

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