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TO ALL MEMBERS

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TECHNICAL

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**Income Tax (Deduction for the Sponsorship of Scholarship to Student of Higher Educational Institution) Rules 2012 [P.U.(A) 228/2012]**

These Rules are deemed to have effect from the year of assessment of 2011 until the year of assessment of 2016, except for Rule 4 which is applicable until the expiration of the scholarship sponsorship agreement.

The Rules shall apply to a Malaysian resident company –

- (a) which is incorporated under the Companies Act 1965 [Act 125];
- (b) which sponsors scholarship to students of higher educational institution; and
- (c) which executes a scholarship agreement with a student **on or after 8 October 2011 but not later than 31 December 2016.**

These Rules **shall not apply** to a company that has, in the basis period for a year of assessment, made a claim under paragraph [34\(6\)\(l\) of the Income Tax Act, 1967](#).

The “double deduction” available to the company is in respect of:

- (a) payment to the higher educational institution, relating to the course of study; and
- (b) educational aid and reasonable cost of living expenses throughout the period of study.

Any refund by the student to the company shall, when received, be treated as gross business income of the scholarship-sponsoring company. In addition, where in the opinion of the Director General of Inland Revenue (DGIR), the total amount of expenses exceeds the amount which would reasonably be expected to be incurred in the ordinary course of business, the DGIR may disallow a claim on the excess.

In these Rules –

“**higher educational institution**” means any institution established under the Universities and University Colleges Act 1971 [Act 30], Universiti Teknologi MARA Act 1976 [Act 173] or the Private Higher Educational Institutions Act 1996 [Act 555]

“**student**” means an individual –

- (a) who is a Malaysian citizen and resident in Malaysia;
- (b) who receives full-time course of study leading to an award of a diploma or bachelor's degree at a higher educational institution;
- (c) who has no means of his own; and
- (d) whose parents or guardians, have total monthly income not exceeding five thousand ringgit.

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