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TO ALL MEMBERS

TECHNICAL

[Guidelines on Deduction for Expenses under paragraphs 34\(6\)\(m\) & 34\(6\)\(ma\), ITA 1967, for Income Tax Computation](#)

The Inland Revenue Board (IRB) issued the [above guidelines](#) on 6 June 2012. The Guidelines explain the eligibility criteria, allowable expenditure and income tax computation for companies applying and obtaining accreditation under Section 34(6)(m) and companies applying and obtaining certification for recognised quality systems and standards, and *halal* certification under Section 34(6)(ma) of the Income Tax Act (ITA)1967.

A) Deduction Under [Section 34\(6\)\(m\) ITA 1967](#):

(1) The Law

Section 34(6)(m) stipulates that there may be deducted from the relevant gross income-
“an amount equal to the expenditure, *not being capital expenditure*, incurred by a company in the relevant period *for the purpose of [obtaining accreditation](#) for a laboratory or as a certification body, as evidenced by a [certificate issued by the *Department of Standards Malaysia* \(JSM\)](#)*,

provided that the expenditure incurred in the relevant period shall be *deemed to be incurred* by that company in the basis period for the *year of assessment in which the certificate is issued*.”

(2) Deductible Expenditure (Paragraph 5)

The Guidelines further elaborate that the deductible expenditure must be specifically incurred for the purposes of obtaining accreditation for a laboratory or as a certification body issued by JSM. The amount deductible is equivalent to the amount charged by JSM.

The deductible expenditure is the current basic fees, fees charged by JSM before and after the issue of accreditation certificate, and other fees. They include -

- i. Application fee
- ii. Annual fee (for the 1st year only)
- iii. Assessment fee
- iv. Other fees charged by JSM or the certification body to obtain accreditation **prior** to the company obtaining certification of quality systems & standards and halal certification.
- v. **Note:** Expenditure, charged by JSM or Certification body after obtaining accreditation, which will be allowed a single deduction under Section 33(1) of ITA include-
 - Annual surveillance fee
 - Annual renewal fee
 - Re-assessment fee
 - Other fees charged by the JSM or Certification Body **after** the certification of quality systems & standards and halal certification.

(3) Non- deductible expenditure (Paragraph 6)

- i. Expenses related to consulting services such as travelling, accommodation and food for the purpose of obtaining the certificate;
- ii. Staff training for the purpose of obtaining the certificate; and
- iii. Any other expenses incurred for the purpose of obtaining the certification and accreditation which is not charged by JSM.

(4) Accreditation Schemes offered by JSM (Paragraph 3.4)

- i. National Laboratory Accreditation Scheme (*Skim Akreditasi Makmal Malaysia* (SAMM));
- ii. Scheme for the Accreditation of Certification Bodies (ACB); and
- iii. Malaysia Inspection Bodies Accreditation Scheme (MIBAS).

B) Deduction under [Paragraph 34\(6\)\(ma\) ITA 1967](#):

(1) The Law:

Section 34(6)(ma) stipulates that there may be deducted from the relevant gross income-

“an amount twice the amount of the expenditure, not being capital expenditure, incurred by a company in the relevant period for the purpose of obtaining certification for recognized quality systems and standards, and *halal* certification, evidenced by a certificate issued by a certification body as determined by the Minister:

provided that the expenditure incurred in the relevant period shall be deemed to be incurred by that company in the basis period for the year of assessment in which the certificate is issued.”

(2) Deductible Expenditure (Paragraph 4)

The deductible expenditure must be specifically incurred for the purposes of obtaining certification for recognized quality systems and standards issued by JSM, and *halal* certification issued by a certification body as determined by the Minister.

The current basic fees which are eligible for **double deduction** are similar to items A(2)(i)-(iv) above.

Note: Generally, after obtaining the certification for quality systems & standards and *halal* certification, the fees/expenses charged by JSM or certification body in the subsequent years of assessment are **allowed a deduction under section 33(1) ITA 1967**. Such expenses are listed in A(2)(v) above.

(3) Non- deductible expenditure (Paragraph 6)

Please refer to A(3) above.

(4) Certification Bodies

Halal Certificate Issuing Agencies as determined by the Minister (Paragraph 3.5)

- i. Department of Islamic Development, Malaysia (*Jabatan Kemajuan Islam Malaysia*)(JAKIM)
- ii. State Islamic Religious Departments (*Jabatan-Jabatan Agama Islam Negeri*); and
- iii. State Islamic Religious Councils (*Majlis-Majlis Agama Islam Negeri*)

Other types of certification bodies accredited by the JSM under scheme ACB (Paragraph 3.6)

The detailed list of certification bodies accredited for the purposes of issuing certification for recognized quality systems and standards within specified periods are updated from time to time on the websites of JSM and IRB.

C) Procedures for claiming the deduction (Paragraph 8)

- 1) Claim for deduction must be made in the Income Tax Return Form for the relevant year of assessment.
- 2) No application to IRB is required. The certificate of accreditation/confirmation by JSM or Certification Body and relevant documents relating to the claim must be kept and made available to the IRB upon request.

D) Some **examples**, for computation purposes, have been provided in the Guidelines.

E) Reference:

Members may find the list of companies (list updated from time to time) that have been granted certificates of quality systems and standards at www.hasil.gov.my (IRB) and www.standardsmalaysia.gov.my (JSM).

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