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Direct Taxation

**INCOME TAX (DEDUCTION FOR INVESTMENT IN A PROJECT OF COMMERCIALISATION OF RESEARCH AND DEVELOPMENT FINDINGS) RULES 2013 [P.U.(A) 51/2013]**

The above Rules were gazetted on 15 February 2013 and give legal effect to the proposal for extending the incentives for commercialisation of public sector research and development (R & D) findings that was made in the 2013 Budget. The Rules are deemed to have come into operation on 29 September 2012.

**Incentive**

Rule 3 grants a deduction in ascertaining the adjusted income from a business of a company incorporated under the Companies Act 1965 which is resident in Malaysia, of an amount equal to the value of investment made in a related company for the sole purpose of financing a project on commercialisation of R & D findings in a related company.

**Definitions**

*"Investment"* is defined in Rule 2 as "an investment in the form of cash in a related company for which the related company has no obligation to repay, or the holding of paid-up share capital in cash in respect of ordinary shares in a related company".

The *value of investment* which is allowed to be deducted is an amount equal to the expenditure incurred by the related company in the basis period for the year of assessment for "the operation of its commercialization activity and asset used for that activity".

If the investment is in the form of paid-up capital in ordinary shares, the investment must not be disposed of within 5 years from the date of the last investment made.

*"Research & development findings"* means research and development findings in the non-resource based activity or product listed in the Schedule and wholly owned by a public research institute of higher learning in Malaysia.

*"Commercialisation"* means process of transforming research and development findings into a product or process that has an industrial application or this is marketable

*"Related company"* is defined as a company incorporated under Companies Act 1965 where at least 70% of its paid-up ordinary share capital is directly owned by a company that has made an investment in a commercialisation project.

**Conditions (Rule 4)**

The conditions for claiming a deduction are as follows:

- (a) Application for approval for the project must be made to the Malaysian Investment Development Authority (MIDA) on or after 29 September 2012 but not later than 31 December 2017;
- (b) The company must be incorporated under the Companies Act 1965;
- (c) The project must commence within one year from the date of approval by MIDA.

**Cessation of deduction**

The deduction for the amount of investment made shall cease in the basis period for the year of assessment in which the tax exemption period of the related company commences (as determined by the Minister of Finance or Minister of International Trade and Industry). (Rule 5)

For other details relating to the above incentive, please refer to the official website of the [Attorney-General's Chambers](#) for the full text of the Rules.

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