

TECHNICAL

Direct Taxation

DOUBLE DEDUCTION FOR EXPENDITURE ON ISSUANCE OF AGRO SUKUK

1. **Background**

The following Rules have been gazetted on 2 October 2013 to give legal effect to a 2013 Budget proposal to allow a double deduction for expenditure on issuance of Agro Sukuk approved by the Securities Commission effective from year of assessment (YA) 2013 to 2015.

2. **Income Tax (Deduction For Expenditure On Issuance of Agro Sukuk) Rules 2013 [P.U.(A) 305/2013]**

Main Provisions of P.U.(A) 305/2013	Para (No.)
Deduction In ascertaining adjusted income for the basis period for a YA from a business of a company resident in Malaysia, a deduction is allowed for expenditure incurred by the company on the issuance of an Agro Sukuk approved by the Securities Commission (SC) under the Capital Markets and Services Act 2007. The amount of deduction allowed is twice the amount of expenditure incurred.	2(1) 2(5)
Conditions <ul style="list-style-type: none"> • <i>Agro Sukuk</i> has the same meaning as provided in the definition of 'sukuk' in the Guidelines on Sukuk issued by the SC, and must be Sukuk issued or offered according to the principles of <i>Musyarakah, Mudharabah, Wakalah bi al-Istithmar</i> and <i>Ijarah</i> as provided in the <i>Guidelines on Sukuk</i>; • 70% of proceeds from the issuance or offering of the Sukuk are to be used for the purpose of funding (excluding working capital) or acquiring a business in the agriculture sector, or for both these activities; • A business in the agriculture sector refers to a business activity that relates to <ul style="list-style-type: none"> (i) the cultivating/planting/harvesting or nurturing of oil palm, rubber, paddy, fruits, vegetables, coconut, sugarcane, tea, flowers, pepper or cocoa; (ii) rearing or breeding of livestock; (iii) cultivating/ breeding/ catching of fish or other aquatic animals; and (iv) the cultivating/planting/harvesting or nurturing other crops; 	2(2)(a) and 2(2)(b) 2(2)(c)(i) to (iii) 2(4)(a) to (d)
Disqualification A company is not qualified for the deduction under these Rules if it has made a claim in the basis period for the YA for deduction for expenditure on the issuance of Sukuk under any Rules made under section 154 of the Income Tax Act 1967.	3

Please read the [Rules](#) for full details.

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any concern or comments you may have on the Rules.

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