

TECHNICAL

Direct Taxation

PUBLIC RULING No. 11/2013 PRE-OPERATIONAL BUSINESS EXPENDITURE

Further to our [e-CTIM No. 138](#) issued on 21 November 2013, we append the salient points of the Public Ruling (PR) below:

Objective

The objective of the PR is to explain the deductions allowed for certain expenditure incurred prior to the commencement of a business.

The term “pre-operational” has the meaning as defined in Schedule 4B of the Income Tax Act 1967 (ITA) while “pre-commencement of business” has the meaning as defined in the various Rules relating to the deduction of the relevant expenses.

Expenses allowed

The types of pre-commencement expenditure which may be deducted that are explained in the Ruling are summarized below:

Ref. in PR (Para.)	Expenditure incurred	w.e.f. YA	Deducted in ascertaining	Amount of deduction (single/double)	Allowable expenses (Ref. in PR: Para)
7	Pre-operational expenditure for approved business venture outside Malaysia	1992	Total income	single	7.2
8	Incorporation expenses	2004	Adjusted income	single	8.2
9	Expenditure on approved training	1992	Adjusted income	double	9.4
10	Pre-commencement business training expenses	1996	Adjusted income	single	10.2
11	Establishment expenditure of a Real Estate Investment Trust or Property Trust Fund	2006	Adjusted income	single	11.4
12	Establishment expenditure of an Islamic stock broking company	From 2.9.2006	Adjusted income	single	12.4
13	Pre-commencement business expenses relating to employee recruitment	2009	Adjusted income	single	13.3
14	Franchise fee paid prior to commencement of business	2012	Adjusted income	single	14.1

Conditions for eligibility for claim for the respective expenditure are stated under the relevant paragraphs in the Ruling (refer to the first column in the table above).

Please read the [Ruling](#) in full at the IRB website.

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 Ruling.

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