e-CIRCULAR TO MEMBERS

CHARTERED TAX INSTITUTE OF MALAYSIA (225750-T)

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TO ALL MEMBERS

TECHNICAL

Direct Taxation

SC ISSUES AMENDED VENTURE CAPITAL TAX INCENTIVES GUIDELINES

The Securities Commission (SC) has issued amended Venture Capital Tax Incentives Guidelines on 18 April 2014.

The Guidelines set out the types of incentives available for the venture capital industry, the qualifying criteria or requirements which must be fulfilled before a certification can be granted, and the procedures for application.

The following is a summary of subject matters dealt with in the Guidelines:

<table>
<tr><th>Paragraph and Heading</th><th colspan="2">Subject Matter and Salient Points</th></tr>
<tr><td>1.0Introduction</td><td colspan="2">The SC is empowered under the relevant Exemption Orders (see Para. 3) to assess and certify applications for tax incentives for the venture capital industry.</td></tr>
<tr><td>2.0 Definitions</td><td colspan="2">Defines various terms used in the Guideline.

A venture capital company or VCC is defined as a company incorporated under the Companies Act 1965 that invests in a venture company in the form of seed capital, start-up or early stage financing* and that is registered with the SC.

* These terms are among the other terms defined under this paragraph.</td></tr>
<tr><td rowspan="4">3.0 Tax Incentives</td><td colspan="2">Income Tax (Exemption) (No. 11) Order 2005 as amended by the Income Tax (Exemption) (Amendment) (No. 2) Order 2006 and the Income Tax (Exemption) (Amendment) Order 2009</td></tr>
<tr><td colspan="2">Income tax exemption for a VCC on statutory income from all sources other than interest from savings or fixed deposits and savings from syariah-based deposits:
- for a period of ten years of assessment (YA) or YA equal to the lifespan of the fund, whichever is the lesser upon meeting the criteria stated in para.4.01(B)(a)(i) of the Guideline (see below); and
- commencing from the YA in which the VCC commences business or the YA of the coming into effect of the Income Tax (Exemption) (Amendment) Order 2009, whichever is the later.</td></tr>
<tr><td colspan="2">Income Tax (Deduction for Investment in a Venture Company) Rules 2005.</td></tr>
<tr><td colspan="2">In determining adjusted income of an individual or a company, a tax deduction for an amount equal to the value of the investment made in a venture company, upon fulfilling the qualifying criteria under paragraph 4.01(A) and 4.01(C) of the Guidelines.</td></tr>
<tr><td>4.0 Qualifying</td><td>4.01(A)</td><td>Common qualifying criteria for tax exemption and tax deduction.</td></tr>
</table>

Criteria	4.01A(a)(i) to (iv)	Types of industries or activities that qualify.
	4.01(A)(b)	The investment by an applicant which is a company should not be in a venture company which is a related company at the point of first investment.
	4.01(B)	Additional qualifying criteria for tax exemption - The VCC must obtain, for each YA of the exempt period, a certificate from the SC confirming that:
	4.01(B)(a)(i)	- it has invested at least at least 70% of its invested funds in venture companies in the form of seed capital, start-up and/or early stage financing; or at least 50% of its invested funds in venture companies in the form of seed capital.
	4.01(B)(a)(ii)	- the certification for tax exemption is for a specific YA and is granted on a year to year basis upon application.
	4.01(C)	Additional qualifying criteria for tax deduction
5.0 Application Procedures	Provides details of: - Forms for making applications (available at SC's website at www.sc.com.my.) - Documents that must accompany the first application; - Address to which application is to be submitted, which is as follows: Markets & Products Department Securities Commission Malaysia 3 Persiaran Bukit Kiara Bukit Kiara 50490 Kuala Lumpur	
Appendix A	List of Technology-based Business Activities [refer Para 4.01(A)(a)(ii)]	

Please read the Guidelines in full at the SC website.

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