

## TAXATION

Companies embarking on digital transformation may be eligible to claim tax deduction on certain expenditures as provided in Income Tax Act 1967 [ITA] and its subsidiary legislations.

The following is the list of expenditures relevant to digital transformation which may allow for deduction in arriving to the adjusted business income or claim capital allowance in arriving to the statutory business income:

<b>Expenditures</b>	<b>Deductions</b>
<b>Cost of automation equipment used in a qualifying project</b>	Eligible to claim Accelerated Capital Allowance of 100% on first RM 2,000,000 of the qualifying capital expenditure under Statutory Order [*1]
<b>Cost of information and communication technology [ICT] equipment:</b> <b>a. Purchase of ICT equipment and software; and</b> <b>b. Development of customized software comprising of consultation fee, licensing fee and incidental fee related to software development</b>	Eligible to claim Capital Allowance with initial allowance of 20% and annual allowance of 20% under Statutory Order [*2]  a. Capital Allowance available with effect from YA 2017 for purchase of ICT equipment and software; and  b. Capital Allowance available with effect from YA 2018 for development of customized software
<b>Cost of machineries [Including consultancy fee which is capital in nature]</b>	Eligible to claim Capital Allowance under Schedule 3 to ITA
<b>Training fee</b>	Eligible to claim deduction against gross business income under Subsection 33(1) of ITA and Statutory Order

[\*1] – Company is required to comply with the conditions stipulated in the Statutory Order and make application to Malaysian Investment Development Authority [MIDA] within the time frame prescribed in the same Order.

[\*2] – The Statutory Order is to be gazetted.

You may visit [www.hasil.gov.my](http://www.hasil.gov.my) for further information. However, if you have any specific enquiries or issues need to be addressed, we suggest you seek advice from your tax agent directly.