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Capital Allowance for Information and Communication Technology Equipment and Software

Important
Link

Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2018

12 July 2018

Dear Valued Client / Business Associate,

Capital Allowance (“CA”) for Information and Communication Technology (“ICT”) Equipment and Software

To effect the 2018 Budget proposal for expenditure incurred on the purchase of ICT equipment and computer software packages to be eligible for an accelerated CA, the Ministry of Finance released the Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2018 (“the ACA Rules”). The ACA Rules allows for an accelerated CA to be fully claimed in four years by a resident in Malaysia based on initial allowance of 20% and annual allowance of 20%. The ACA Rules was gazetted on 5 July 2018 and is effective from Year of Assessment (“YA”) 2017.

A copy of the ACA Rules is available at <http://www.federalgazette.agc.gov.my>.

The 2018 Budget also proposed for a similar accelerated CA for expenditure incurred on the development of customised software comprising of consultation fee, licensing fee and incidental fee related to software with effect from YA 2018. However, no further Income Tax Rules or new legislation has been issued to effect the above proposal.

Practical Issue



Tai Lai Kok
Executive Director
Head of Tax



Ong Guan Heng
Executive Director

A Company which has filed its Tax Return for YA 2017 may revise its tax computation and submit an amended Tax Return in order to claim the accelerated CA rate of 20% (higher than the current annual CA rate claimed at 10%) on the expenditure incurred on the purchase of ICT equipment and computer software package, to accelerate the CA claim. The revision must be made within five years after the end of the year the ACA Rules is published in the Gazette i.e. by 31 December 2023.

Should you have any questions, please do not hesitate to contact any of our Executive Directors, Directors, Associate Directors or Managers whom you are accustomed to dealing with or who are responsible for the tax affairs of your organization at telephone number (603) 7721 3388.

Regards,

Tai Lai Kok **Ong Guan Heng**
Executive Director Executive Director
Head of Tax



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