

INCOME TAX (DEDUCTION FOR THE SPONSORSHIP OF SCHOLARSHIP TO STUDENT OF HIGHER EDUCATIONAL INSTITUTION) RULES 2012

PU (A) 228
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IN exercise of the powers conferred by paragraph 154(1)(b) read together with paragraph 33(1)(d) of the Income Tax Act 1967 [Act 53], the Minister makes the following rules:

CITATION AND COMMENCEMENT

- 1(1)** These rules may be cited as the **Income Tax (Deduction for the Sponsorship of Scholarship to Student of Higher Educational Institution) Rules 2012**.
- 1(2)** These Rules is deemed to have effect from the year of assessment of 2011 until the year of assessment of 2016.
- (3)** Notwithstanding subrule (2), the deduction in rule 4 applies to the sponsorship of scholarship made until the expiration of the agreement referred to in paragraph 3(c).

INTERPRETATION

2 In these Rules—

"higher educational institution" means any institution established under the Universities and University Colleges Act 1971 [Act 30], Universiti Teknologi MARA Act 1976 [Act 173] or the Private Higher Educational Institutions Act 1996 [Act 555];

"student" means an individual—

- (a) who is a Malaysian citizen and resident in Malaysia;
- (b) who receives full-time course of study leading to an award of a diploma or bachelor's degree at higher educational institution;
- (c) who has no means of his own; and
- (d) whose parents or guardians, have total monthly income not exceeding five thousand ringgit.

APPLICATION

- 3** These Rules shall apply to a company—
- (a) which is incorporated under the Companies Act 1965 [*Act 125*] and resident in Malaysia;
 - (b) which sponsors scholarship to students of higher educational institution; and
 - (c) which execute scholarship agreement with a student on or after 8 October 2011 but not later than 31 December 2016.

DEDUCTION

- 4(1)** For the purpose of ascertaining the adjusted income of a company from its business in a basis period for a year of assessment, a deduction shall be allowed of an amount of expenses as described in subrule (2) which were incurred and paid by that company in that basis period for sponsoring scholarship to student.
- 4(2)** The expenses referred to in subrule (1) are the expenses incurred in respect of sponsorship of scholarship which consist of—
- (a) payment required by higher educational institution relating to course of study; and
 - (b) educational aid and reasonable cost of living expenses throughout the student's period of study at higher educational institution.
- 4(3)** The total amount of deduction allowed under subrule (1) shall be equivalent to twice the amount of expenses allowed under this rules.
- 4(4)** Where the total amount of any expenses which would have been allowed as a deduction under this rules exceeds the amount which in the opinion of the Director General of Inland Revenue would reasonably be expected to be incurred in the ordinary course of business, the Director General of Inland Revenue may, to the extent of that excess disallow that amount, as a deduction under this rules.
- 4(5)** For the purpose of subrule (1), where two basis periods overlap, the period common to both periods shall be deemed to fall in the first basis period only.
- 4(6)** Where a deduction has been made under subrule (3), in ascertaining the adjusted income of that company, any sum refunded by the student to the company shall when received be treated as gross income of the company from the business derived from Malaysia for the basis period of that year of assessment.

NON-APPLICATION

- 5** These Rules shall not apply to a company in the basis period for a year of assessment that has made a claim under paragraph 34(6)(l) of the Act.