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Extension of Period for Tax Incentive for Issuance of *Sukuk Ijarah* and *Wakalah*

| by Lee Zai Lii |

On **2 November 2018**, the Finance Minister in the 2019 Budget speech proposed to extend the period for the reduction of income tax on expenditure incurred and additional issuance costs incurred when issuing Sukuk under the principles of *Ijarah* and *Wakalah*.

Currently, the expenses incurred in issuing Sukuk under the said principles:

- (a) approved or authorised by, or lodged with, the Securities Commission; or
- (b) approved by the Labuan Financial Services Authority,

are eligible for deduction. ^[1]

Also, additional expenses incurred which are eligible for deduction are: ^[2]

- (a) professional fees relating to due diligence, drafting and preparation of prospectus;
- (b) printing costs of prospectus;
- (c) advertisement cost of prospectus;
- (d) Securities Commission prospectus registration fee;
- (e) Bursa Malaysia processing fee and initial listing fee;
- (f) Bursa Malaysia new issue crediting fee; and
- (g) primary distribution fee.

Both the deductions will continue to be available from YA 2019 to YA 2020.

The proposed extension was made to promote Malaysia to be a global leader in the bonds and Sukuk market.

In addition, a special committee on Islamic finance was proposed to be set up and led by the Ministry of Finance, together with members from

Bank Negara Malaysia and the Securities Commission.

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[1]

Pursuant to Rule 3 of the Income Tax (Deduction for Expenditure on Issuance of Sukuk) Rule 2015

[2]

Pursuant to Rule 2(2) of the Income Tax (Deduction for Expenditure on Issuance of Retail Debenture and Retail Sukuk) Rules 2016