



# **INCOME TAX (DEDUCTION FOR THE COSTS OF IMPLEMENTATION OF FLEXIBLE WORK ARRANGEMENTS) RULES 2021**

## **Application Guidelines for the Deduction Cost of Implementation Flexible Work Arrangement (FWA) Tax**

---

## Table of Contents

<b>INTRODUCTION</b> .....	2
<b>OBJECTIVES</b> .....	2
<b>OVERVIEW OF FWA TAX DEDUCTION</b> .....	3
<b>DEFINITION OF FLEXIBLE WORK ARRANGEMENTS (FWA)</b> .....	5
<b>OVERVIEW OF DEDUCTIBLE ITEMS</b> .....	7
<b>HOW TO APPLY FOR FWA TAX DEDUCTION</b> .....	9
<b>SUPPORTING DOCUMENTS REQUIRED BUT NOT LIMITED, BASED ON DEDUCTIBLE ITEMS</b> .....	10
<b>EXAMPLE OF SCENARIOS</b> .....	11
Scenario 1: Approved FWA Tax Deduction Application.....	11
Scenario 2: Rejected FWA Tax Deduction Application.....	11
Scenario 3: Sample of application for software cost and software subscription.....	11
<b>TERMS AND CONDITIONS FOR APPLICATION</b> .....	12
<b>CHECKLIST</b> .....	13

## INTRODUCTION

These guidelines are published to support the application for the FWA Tax Deduction the cost of implementing and are to be read in conjunction with the *Flexible Work Arrangements (FWA) Tax Deduction Application Form*.

## OBJECTIVES

The deduction was announced on 5 June 2020 by the Prime Minister, as part of **the National Economic Recovery Plan or PENJANA (Pelan Jana Semula Ekonomi Negara)**. It supports the three thrusts of the plan, namely empowering the people, propelling businesses and stimulating the economy.

To embrace the new normal, companies are encouraged to **implement Flexible Work Arrangements (FWAs)**. As part of Government efforts to support productivity and growth, the tax Deduction is given with the following objectives:

- To encourage companies to implement, and sustain FWA in their organisation
- To help companies manage the cost of implementing FWA

## OVERVIEW OF FWA TAX DEDUCTION

<p><b>Tax Incentive</b></p>	<p>For the implementation of FWA, companies may claim double tax deduction up to a maximum of RM 500,000 per year, for up to three (3) years, from the date of the first endorsement obtained from TalentCorp</p> <p>The FWA Tax Deduction cover expenses related to:</p> <ul style="list-style-type: none"> <li>• <b>Consultation fee</b></li> <li>• <b>Cost of capacity development</b></li> <li>• <b>Cost of software</b></li> <li>• <b>Software subscription</b></li> </ul>
<p><b>Eligibility</b></p>	<ul style="list-style-type: none"> <li>• A company incorporated under the Companies Act 2016 [Act 777]</li> <li>• A limited liability partnership registered under the Limited Liability Partnerships Act 2012 [Act 743]</li> <li>• A partnership registered under the Partnership Act 1961 [Act 135]</li> </ul>
<p><b>Application Period</b></p>	<p>Applications is for expenses incurred within the period of <b>1 July 2020 to 31 December 2022</b></p>

<b>Application Forms</b>	<b>FWA Tax Deduction Application Form</b> The purpose of this form is for verification and review by TalentCorp in accordance with established criteria.
<b>Application Type</b>	Application is to apply for <b>Deduction Cost of Implementation Flexible Work Arrangement (FWA) Tax</b> .

\*\*\*\*\* REMAINDER OF PAGE INTENTIONALLY LEFT BLANK \*\*\*\*\*

## DEFINITION OF FLEXIBLE WORK ARRANGEMENTS (FWA)

FWA refer to work arrangements which provide greater flexibility in the following areas:

- the workplace
- the scheduling of hours worked, and
- the number of hours worked.

Such arrangements give employees greater control over where and when work gets done and over how much time they choose to work, leading to greater opportunities for employees to improve productivity in the new normal.

<b>Compressed Work Week</b>	Working less days than a standard work week but longer hours on some days
<b>Employee's Choice of Day Off</b>	Employees may plan their work schedule and off-days with the approval of their immediate supervisors.
<b>Flexi Hours</b>	Employees are able to choose and adjust their daily working hours as long as they meet the required working hours within a week.
<b>Job Sharing</b>	Part-time work where two or more employees share the responsibility and compensation of a full-time position.
<b>Leaving Early from Work</b>	Leaving early from work is an arrangement that allows employees to leave earlier than the usual end time on designated business days by not altering weekly contracted hours.
<b>Modified Role</b>	A customised arrangement in which an employee's role is redesigned, thus enabling them to work on different responsibilities for a period of time before returning back to their primary role.
<b>Phased Retirement</b>	Phase retirement is a flexible arrangement in which employees who are approaching retirement have the option of gradually transitioning from full-time schedules and workloads to a more flexible schedule and/or reduced workloads.

<b>Reduced / Part Time</b>	Working arrangements that allow employees to work less than the standard full-time hours, typically involving shorter work days, fewer work days, weekend work, or a combination of any of the options.
<b>Seasonal Work</b>	Recruiting full-time or part-time employees during seasonal/peak periods or for specific projects to cover the additional workload
<b>Shift Swapping</b>	Flexibility for shift workers to trade shifts with each other
<b>Staggered Hours</b>	Employees are able to adjust their start and end working hours, provided they work the standard 8 hours and are present during the defined core hours (e.g. 10am – 4pm).
<b>Work-From-Home</b>	Employees are able to work from home other than the office.

Other FWA will be considered at the discretion of TalentCorp based on the impact of these FWA implementation on the workforce.

\*\*\*\*\* REMAINDER OF PAGE INTENTIONALLY LEFT BLANK \*\*\*\*\*

## OVERVIEW OF DEDUCTIBLE ITEMS

### The tax incentives cover four (4) main key areas:

- Consultation fees
- Cost of capacity development
- Cost of software
- Software subscription

**Consultation fees:** Implementation of FWA may involve a review of the current human resource processes and policies, as well as changes in mindset and working culture. Companies will be given tax deduction if they engage consultants to help them with these areas, for example:

- Assessment or feasibility study to determine suitable FWA practices for implementation
- Business case proposal and cost-benefit analysis from implementing FWA
- Proposed FWA framework and programmes
- Development or enhancement of Company policies and procedures to incorporate FWA
- Proposed implementation timeline and change management activities for successful FWA roll-out

**Cost of capacity development:** Companies may claim for training programmes which will assist their employees to adapt new ways of working or help managers to address concerns and overcome resistance to flexible work arrangements. In addition, the training programmes objectives include companies to be more, sensitive, and knowledgeable in creating and managing a flexible workforce. The cost of capacity development may be in the form of:

- In-house training
- External training
- Virtual / online course
- New e-learning module content



---

Some examples of these courses are, but not limited to:

- How to work from home productively
- Managing parenthood and flexible work
- Managing remote teams

**Cost of software and software subscription:** Companies may claim for purchase of software and software subscription that facilitates the implementation of FWA through automation and digitalisation to support or allow employees to be on FWA.

This may include, but not limited to the enhancement of digitalisation in HR system to cater to FWA (e.g., attendance & time tracker, collaboration software).

There is no limit in terms of number of consultancy engagements, training programmes, software or software subscriptions claimed. The selection of consultants and / or training providers is up to the company, provided that the selected training providers and/or consultants must have experience in implementing Flexible Work Arrangements (FWA).

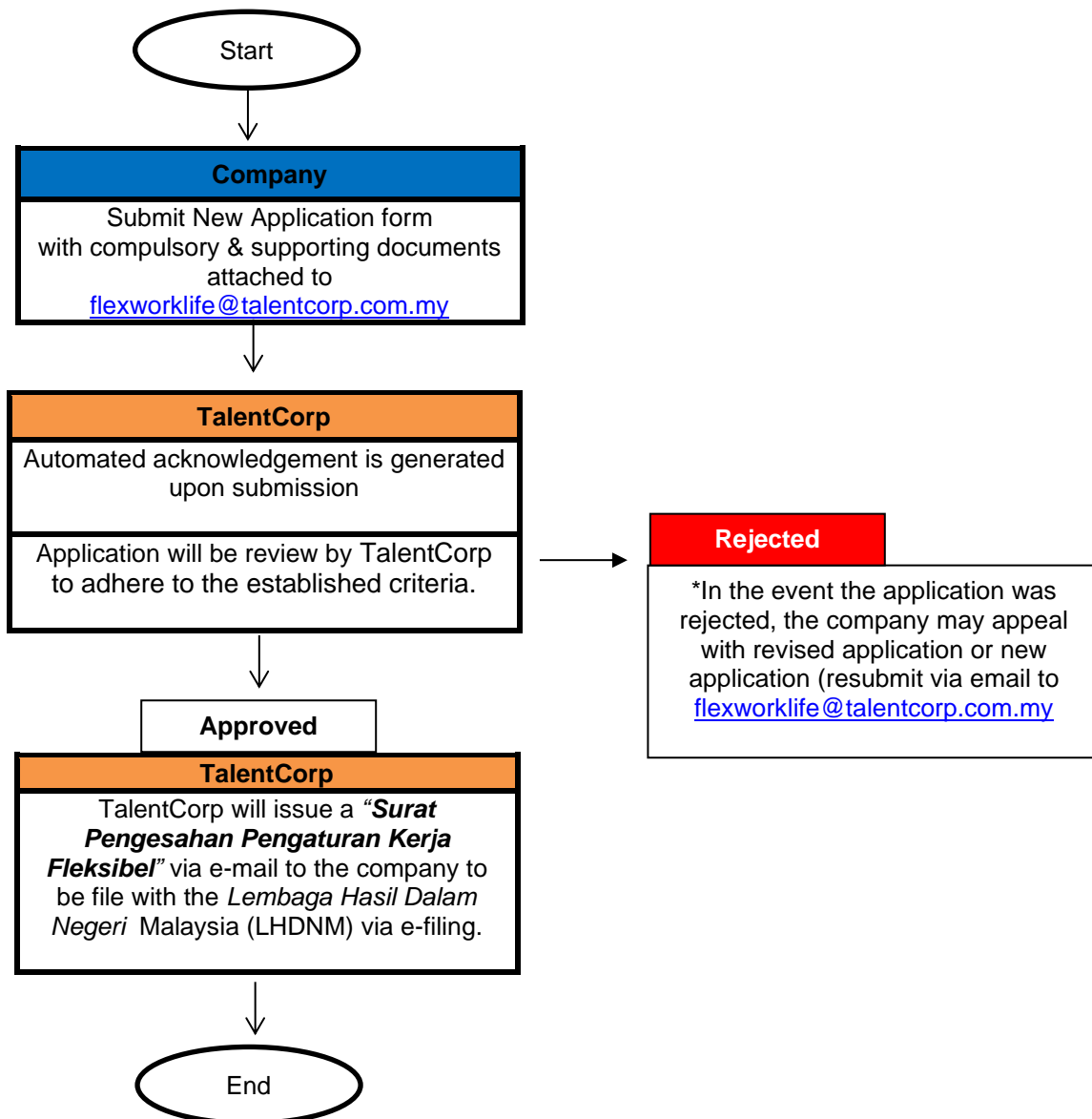
\*\*\*\*\* REMAINDER OF PAGE INTENTIONALLY LEFT BLANK \*\*\*\*\*

## HOW TO APPLY FOR FWA TAX DEDUCTION

### 1. Application

The purpose of this form is to submit the details of the **FLEXIBLE WORK ARRANGEMENT** implementation plan for approval from TalentCorp.

#### Flowchart of Application Process



**SUPPORTING DOCUMENTS REQUIRED BUT NOT LIMITED, BASED ON DEDUCTIBLE ITEMS**

Application Type	New Applications for FWA
<b>Consultation fee</b>	<ul style="list-style-type: none"> <li>• Implementation/ enhancement</li> <li>• Assessment or feasibility study to determine suitable FWA practices for implementation</li> <li>• Business case proposal and cost-benefit analysis from implementing FWA</li> <li>• Proposed FWA framework and programmes</li> <li>• Development or enhancement of Company policies and procedures to incorporate FWA</li> <li>• Implementation timeline and change management activities for successful FWA roll-out</li> </ul>
<b>Capacity development</b>	<ul style="list-style-type: none"> <li>• In-house training proposal</li> <li>• Outline / high-level content of e-learning module</li> <li>• External training vendor quotation</li> <li>• Virtual / online course fee</li> </ul>
<b>Cost of Software and Software subscription</b>	<ul style="list-style-type: none"> <li>• Business case proposal for software purchase or software subscription</li> <li>• Quotation for software or software subscription to facilitate FWA implementation. This may include, but not limited to enhancement of digitalisation in HR system to cater for FWA (e.g., attendance &amp; time tracker, collaboration software)</li> </ul>

*Note: TalentCorp may request for additional supporting documents to support the application decision.*

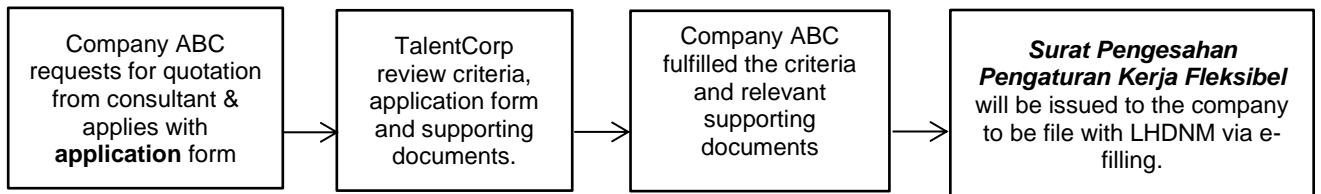
\*\*\*\*\* REMAINDER OF PAGE INTENTIONALLY LEFT BLANK \*\*\*\*\*

## EXAMPLE OF SCENARIOS

### Scenario 1: Approved FWA Tax Deduction Application

#### Background:

Company ABC does not have any FWA in practice and decided to engage a consultant to implement FWA in 2022



---

### Scenario 2: Rejected FWA Tax Deduction Application

#### Background:

Company XYZ offers Work-from-Home options for working parents due to the outbreak of infectious diseases. Managers are sent to attend courses on "How to manage hybrid teams (physical and virtual)". Company XYZ then applies for Human Resource Development incentives and FWA tax deduction for these trainings.

Training programs that have been approved by any federal and state government agencies for other incentives or fee refunds are **not eligible** to apply for this flexible working arrangement tax incentive (e.g. HRDCorp)

### Scenario 3: Sample of application for software cost and software subscription

#### Background:

Company JKL undergo digital transformation and purchased the following goods:

- New laptops
- Increased cloud storage capacity
- Improve VPN reach

Company JKL then applied for FWA tax deduction for the purchases made.

Expenses involving the cost of goods and hardware **are not deductible** in this tax deduction.

## **TERMS AND CONDITIONS FOR APPLICATION**

1. The applicant (Malaysian companies) must be a company duly incorporated and validly existing under the laws of Malaysia:
  - A company incorporated under the Companies Act 2016 [Act 125]
  - A limited liability partnership registered under the Limited Liability Partnerships Act 2012 [Act 743]
  - A partnership registered under the Partnership Act 1961 [Act 135]
2. Applications is for expenses incurred within the period of **1 July 2020 to 31 December 2022**.
3. TalentCorp reserves the right to reject any application and/or supporting documents which do not meet the Terms & Conditions of the FWA Tax Deduction without assigning any notice and reason thereto.
4. TalentCorp reserves the rights at its absolute discretion and without liability to change, modify, alter, adapt, add, or remove any terms and conditions of the FWA Tax Deduction and/or suspend or discontinue any aspect of the FWA Tax Deduction.
5. Companies that have successfully implement the FWA in their organisation are welcome to share their implementation journey and testimonials from their employees to TalentCorp.

## **CHECKLIST**

To help companies better prepare for a smoother FWA Tax Deduction application process, please ensure the items on the checklist below are complete.

- Eligibility criteria for FWA Tax Deduction is met
- All sections in the *Application Form* have been completed
- Compulsory documents are attached with *Application Form*:
  - i. \*A certified copy of latest Memorandum and Articles of Associations; if applicable
  - ii. \*A certified copy of latest certificate of Incorporate of company (Form 9); if applicable
  - iii. \*A certified copy of the document showing the latest paid up capital (Form 24); if applicable
  - iv. \*A certified copy of the latest Notice of Registered Office (Form 44); if applicable
  - v. \*A certified copy of the latest particulars of Directors, Managers and Secretaries (Form 49); if applicable
  - vi. \* A certified copy of the latest company super form; if applicable
  - vii. \*Declaration form (signed by the appropriate authorities)
  - viii. Latest company profile search result by Companies Commission of Malaysia (SSM)
  - ix. Invoices or proof of payment
  - x. Detailed breakdown of costs incurred

**Note: \*All certified documents must be certified by Commissioner of Oath or Company Secretary**

- Supporting documents for each deductible item are attached

**Failure to comply to the above may result in your application being rejected**

*Date updated: 24 February 2022*

\*\*\*\*\* REMAINDER OF PAGE INTENTIONALLY LEFT BLANK \*\*\*\*\*