

INCOME TAX RULES FOR DEDUCTION OF RENTAL PAYMENTS FOR ELECTRIC MOTOR VEHICLES GAZETTED

9 July 2026



The Income Tax (Deduction for Rental Payments) (Electric Motor Vehicles) Rules 2026¹ ("Rules") were gazetted on 26 June 2026. The Rules have effect from the year of assessment 2023 to the year of assessment 2027.

The Rules prescribe for a deduction of the expenditure incurred by a company on the rental of electric motor vehicles, including rental payments, insurance payments and processing fees, subject to a maximum aggregate sum of RM300,000 in a year of assessment and subsequent years of assessment. The Director General of Inland Revenue may disallow a deduction of an amount which in his opinion would exceed the amount that would be reasonably expected to be incurred in the ordinary course of the company's business.

For the purposes of the Rules:

- an "**electric motor vehicle**" means any new motor vehicle that is propelled by electrical means, excluding a micromobility vehicle², which has not been previously used by any person for any purpose prior to the rental to the company, and is not licensed by the relevant authority for the purpose of carrying goods or passengers commercially; and
- a "**company**" means a company incorporated under the Companies Act 2016 and resident in Malaysia.

A company which has claimed for the deduction under the Rules will not be eligible to claim a deduction under paragraph 39(1)(k) or Schedule 3 to the Income Tax Act 1967, which permits aggregate deductions of up to RM50,000 and RM100,000 for certain non-commercial motor vehicles and qualifying plant expenditure for motor vehicles, respectively.

¹ P.U.(A) 232/2026

² The term "micromobility vehicle" has the meaning assigned to it in section 2 of the Road Transport Act 1987, being any vehicle that is propelled by electrical means, an internal-combustion engine or human power or a combination of electrical means, an internal-combustion engine or human power, and having a maximum speed of 50km/h.

Comments

The deduction under the Rules will encourage companies to reduce the carbon emissions generated from their business by using electric vehicles in place of fossil fuel powered vehicles.

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