Appendix C

	Type of entertainment	**100%**	**50%**	**ND**
1	Entertaining potential customers [rationale: the expenditure meets the criteria of Section 33(1) but is restricted under Section 39(1)(l). Section 39(1)(l)(vii) is not applicable as the provision of entertainment is not related wholly to sales arising from the business]		X	**IRBM**
2	Entertaining employees of related companies : -assisting in operations [rationale: the expenditure meets the criteria of Section 33(1) but is restricted under Section 39(1)(l). Section 39(1)(l)(vii) is not applicable as the provision of entertainment is not related wholly to sales arising from the business] -oversees investment in the company [rationale: the expenditure does not meet the criteria of Sections 33(1)]		X (assisting in operations)	**IRBM** (assisting in operations) X **(IRBM)** (oversees investment)
3	Payment for dinners hosted by associations and attended by staff -original intention is to entertain the staff [rationale: the intention is to provide entertainment to staff, and therefore meets the criteria of Section 33(1) and restriction under Section 39(1)(l) is not applicable by virtue of Section 39(1)(l)(i)] -original intention is to sponsor the association and the attendance by staff is incidental to this intention [rationale: the expenditure does not meet the criteria of Section 33(1)]	X **(IRBM -based on the facts of the case)**		X **(IRBM)**

	Type of entertainment	**100%**	**50%**	**ND**
4	Cash contributions for annual dinners of customers [rationale: the expenditure is to maintain existing business relationships.]		X	**IRBM**
5	Gifts for annual dinners of customers : -with logo -without logo (including hampers and other lucky draw prizes) [rationale: the expenditure is to maintain existing business relationships.]	X **(IRBM)**	X **(IRBM)**	
6	Entertainment at AGM (listed and unlisted companies)			X **(IRBM)**
7	Government authorities (for bidding of projects, securing approvals, etc. whether the payments are legal or illegal) [rationale: such expenditure, akin to entertainment incurred on potential customers (for new projects) or existing customers (for ongoing projects).	X (after project has started)	X (prior to project being awarded)	**IRBM**
8	Employees' family members, including -family days / outings -annual dinners [rationale: such expenditure could be regarded as expenditure incurred in the production of gross income as it is expended on staff for the purpose of (for example) boosting staff morale which in turn may improve the efficiency, effectiveness and productivity of the staff. Meanwhile, it is not practical to provide entertainment to staff in the form of family days / outings and annual dinners without expending for the staff's family members and therefore, the entire amount should meet the criteria of Section 33(1) and restriction under Section 39(1)(l) is not applicable by virtue of Section 39(1)(l)(i)]	X **(IRBM)** X **(IRBM)**		

	Type of entertainment	**100%**	**50%**	**ND**
9	Wedding gifts for customers (with or without logo) [rationale: the expenditure does not meet the criteria of Section 33(1) as it represents a personal expenditure]			X **(IRBM)**
10	Flowers for customers' opening/launching ceremonies [rationale: the expenditure is to maintain existing business relationships and is akin to the provision of entertainment (ie. hospitality / gifts) to existing customers]		X **(IRBM)**	
11	Condolences/ congratulations for customers (cash or gifts) [rationale: the expenditure is to maintain existing business relationships]		X	**IRBM**
12	Hampers for customers on festive seasons [rationale: the expenditure is to maintain existing business relationships]		X **(IRBM)**	
13	Suppliers, auditors, tax agents, bankers, lawyers, etc. [rationale: in accordance with Para 7(ii) of Public Ruling 3/2004]		X	**(IRBM - only existing supplier is allowed 50%)**
14	Entertainment allowance - general - however, provision of entertainment which is related wholly to sales arising from the business, where the details (amount and purpose) can be identified, the deduction should be 100% pursuant to Section 39(1)(l)(vii).	X	X **(IRBM)** **(IRBM)**	

	Type of entertainment	**100%**	**50%**	**ND**
15	Cost of travel which is incidental to outings and family day trips (ie. provision of entertainment to staff) [rationale: cost of travel is part and parcel of the provision of entertainment to staff, and not leave passage as mentioned in Section 39(1)(m). In other words, travel does not automatically equate to leave passage and in the current scenario, the nature of the travel cost is "provision of entertainment" and not "leave passage".]	X		**IRBM**
16	Promotional gifts, including small souvenirs, bags and travel tickets provided as gifts (regardless whether the gifts bear the company's logo, emblem, or insignia) to customers/ visitors at trade fairs/ industrial exhibitions outside Malaysia for the purpose of promoting exports from Malaysia. [rationale: in accordance with Section 33(1) and not restricted under Section 39(1)(l) by virtue of the proviso of Section 39(1)(l)(iii)]	X **(IRBM)**		
17	Food and drinks provided by a property sales agents during the launching of a new property, or during the sale period, that are provided to potential property buyers regardless whether there are successful sales concluded [rationale: in accordance with Para 6.7 of Public Ruling 3/2004]	X **(IRBM)**		
18	Entertainment incurred on existing customers (who has signed a contract) during the period of the contract [rationale: such expenditure is regarded as provision of entertainment related wholly to sales arising from the business]	X	**IRBM**	

	Type of entertainment	**100%**	**50%**	**ND**
19	Entertainment incurred on existing customers who may continue to give new businesses (which is entertainment related wholly to sales arising from business) [rationale: such expenditure is regarded as provision of entertainment related wholly to sales arising from the business, unless no sales have been made to a particular customer for a considerably long period such that that customer should be regarded as a new / potential customer]	X	**IRBM**	

Notes:
ND = not deductible
X = answer of Association
IRBM = answer of IRBM