



Tax Flash



October 2011

2012 Budget Highlights

Executive Summary

“PM: I hear you”
“Expect good news”

The above headlines were featured by *The Star* on 6th October 2011 and 7th October 2011. In the mood of national budget and upcoming election, many people, especially the Oppositions, would view this year’s budget as an “Election Budget”. All Malaysians, indeed, are excited and looking forward to the unveiling of the 2012 Budget by our honourable Prime Minister cum Minister of Finance, Y.A.B. Dato’ Sri Mohd Najib Tun Abdul Razak on 7th October 2011.

2012 Budget is a transformation budget for all Malaysians. Whilst maintaining fiscally responsible approach in managing the Malaysian economy, the concerns of the general public have been duly taken note by the Government. Measures have been taken to assist the *Rakyat* to cope with inflationary pressures and the call by civil servants lobbying for salary adjustments has been attended appropriately.

In line with the theme of the 2012 Budget – *National Transformation Policy: Welfare For The Rakyat, Well-Being Of The Nation*, it focuses on 5 key areas:-

1. Accelerating Investment
2. Generating Human Capital Excellence, Creativity and Innovation
3. Rural Transformation Programme
4. Strengthening the Civil Service
5. Easing Inflation and Enhancing the Well-Being of the *Rakyat*

The highlights of the 2012 Budget are summarised in the ensuing paragraphs.

Hyperlinks

Advent Consulting Group
Inland Revenue Board

References

2012 Budget Speech
Appendices to Budget
Speech
Finance (No. 2) Bill 2011

Event

2012 Budget Seminar



Revising Real Property Gains Tax Rates

The Real Property Gains Tax ["RPGT"] Act 1976 was re-introduced by the 2010 Budget. The effective RPGT rate of 5% will be levied on gain arising from disposal of real property or shares in real property company within 5 years of acquisition and this is effective 1st January 2010. 2012 Budget proposes to amend the RPGT rate for disposal of residential and commercial properties and the following rates would apply for disposal of the aforesaid properties commencing from 1st January 2012 :-

Holding Period	Proposed RPGT Rates
Within 2 years	10%
Exceeding 2 years but not exceeding 5 years	5%
Exceeding 5 years	0%

Compensation for Late Refund of Income Tax

As commonly acknowledged, the Inland Revenue Board ["IRB"] has not been seen "fair" in the context of handling tax payment and tax refund cases. Taxpayers will be penalised up to 15.5% for not making tax payments within the stipulated period. However, no compensation is received from the IRB for any delay in refunding the tax overpaid by the taxpayers.

As a measure to accord equitable treatment and to enhance efficiency in tax administration, it is proposed that a compensation of 2% per annum (daily rest) on the amount of tax refunded late by the IRB will be paid to those taxpayers who file their tax returns within the stipulated period with effect from the year of assessment ["YA"] 2013. The compensation will commence after 90 days from the due date for e-filing whereas for manual filing, it will be after 120 days from the due date.

Tax Incentives

The Government has proposed that investors undertaking new investments in 4-star and 5-star hotels in Peninsular Malaysia be given Pioneer Status ["PS"] with income tax exemption of 70% of statutory income for 5 years or Investment Tax Allowance ["ITA"] of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each YA. To enjoy the above tax incentive, the application must be received by the Malaysian Investment Development Authority ["MIDA"] from 8th October 2011 to 31st December 2013. This proposal is to streamline the similar tax incentive currently available to investors of 4-star and 5-star hotels in Sabah and Sarawak.

Profit Oriented Private Schools and Profit Oriented International Schools are now eligible to apply for PS or ITA. In addition, import duty and sales tax exemption for educational equipment and double deduction for overseas promotional expenses incurred by these schools are also claimable.



Enhancement of Retirement Scheme

To ensure that private sector employees and those who are self-employed have sufficient savings upon retirement, the Government has proposed that tax relief of up to RM3,000 be given on contributions to Private Retirement Scheme ["PRS"] approved by the Securities Commission and annuity premium whilst tax deduction can be claimed on employers' contributions to PRS for their employees. The Government has also proposed that the statutory rate for employer's Employees Provident Fund ["EPF"] contribution be increased from 12% to 13% for contributors who earn RM5,000 and below.

Directive to Demand Advance Tax Payment

An impactful proposal has been made in the 2012 Budget to allow the Director General of Inland Revenue ["DGIR"] to direct taxpayer to make advance payment via instalment scheme prescribed by him if the tax return is not submitted within the stipulated due date or if the DGIR has reason to believe that the taxpayer has made an incorrect return or give incorrect information in relation to any matter affecting his own chargeability to tax. The directive may be issued by the DGIR notwithstanding that the taxpayer may have paid tax instalments under Sections 107B or 107C of the Income Tax Act 1967 ["ITA 1967"]. With this proposal, taxpayers must exercise greater care in managing their tax affairs.

Conclusion

With a raft of goodies to be distributed to the *Rakyat*, ranging from the financial assistance to the macro measures of curbing the rising cost of living, we are confident that this 2012 Budget will be welcomed by many although the much anticipated reduction in personal income tax rate listed on the *Rakyat's* wish list is not forth coming. We believe this Budget will lay the foundation for the long-term growth of the Malaysia economy towards achieving a developed and high-income nation by the year 2020.

We have summarised the key amendments outlined in the 2012 Budget into the following broad categories:-

- A. Income Tax – Changes Affecting Individuals
- B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
- C. Investment Incentives
- D. Real Property Gains Tax
- E. Stamp Duty
- F. Indirect Taxes
- G. Others



A. Income Tax – Changes Affecting Individuals

1. Preferential Tax Rate for Returning Expert

- Employment income of an individual approved by the Ministry of Finance [“MOF”] under the Returning Expert Programme be taxed at a flat rate of 15% for 5 consecutive years of assessment
- Conditions :-
 - Must be a Malaysian citizen
 - Must be currently employed and residing overseas for at least up to 3 years prior to application
 - Must not hold an outstanding scholarship bond or study loan with the Malaysian Government
 - Must be able to contribute to the National Key Economic Areas
 - Academic qualification and cumulative overseas working experience :-
 - Diploma or Supervisory experience – 10 years
 - Bachelor’s Degree – 6 years
 - Master’s Degree or Professional Qualification – 4 years
 - Doctor of Philosophy – 2 years
- Effective YA 2012

2. Tax Treatment for PRS

- Tax relief of up to RM3,000 be given on contributions made by a resident individual to a PRS approved by the Securities Commission [“SC”] and annuity premium
- Additional relief of RM1,000 on annuity premium proposed in the 2010 Budget (which forms part of RM7,000 maximum relief for EPF contribution, life insurance premium and annuity premium) be rationalised. The relief for such annuity premium now forms part of the abovesaid RM3,000 relief
- Withdrawal of contribution from PRS by individuals prior to maturity period or attaining mandatory retirement age is taxable
- Effective YA 2012 to YA 2021

3. Recovery of Tax Due from a Principal

- Please refer to Part B5 below

4. Accessibility to Computerised Data

- Please refer to Part B6 below

5. Power of the DGIR to Disregard Information Furnished After Expiry Date of Notice

- Please refer to Part B7 below

6. Widening the Scope of Notification of Non-Chargeability

- Please refer to Part B9 below

7. Advance Payment by Instalments

- Please refer to Part B11 below

8. Compensation for Late Refund of Income Tax

- Please refer to Part B13 below

9. Extension of Tax Incentive Period for REITs

- Please refer to B14 below

10. Time Bar for Tax Audit

- Please refer to Part B22 below

11. Enhancing Administration System and Tax Compliance

- Individual taxpayers be allowed to furnish tax returns through e-filing via mobile devices
- Information on total income, Monthly Tax Deductions, EPF contributions, insurance and *zakat* for salaried taxpayers using e-filing be pre-filled in tax return provided that such information is submitted by their employers to the IRB
- Effective YA 2012

12. New Tax Incentives for TMC

- Please refer to C3 below

13. Financial Contributions Made to Registered Primary and Secondary Schools and Registered Places of Worship

- Please refer to Part B23 below

B. Income Tax – Changes Affecting Companies and Unincorporated Businesses

1. Review of the Definitions of Contract R&D Company and R&D Company

- Double deduction be given on payments made for the use of the services of a contract research and development company or a research and development company that fulfills the conditions specified by the relevant Ministry
- Effective YA 2012

2. No Disallowance of Certain Disallowed Expenses

- The disallowance of certain expenses under Sections 39(1)(f), (i) and (j) of the ITA 1967 for non-compliance with withholding tax requirements shall not apply to a person whose income from all of his sources is fully exempt from tax under Section 127(3)(b) or Section 127(3A) of the ITA 1967 or the PIA 1986
- Effective 1st January 2012

3. Tax Exemption of Shipping Profits

- The income tax exemption for shipping companies be reduced from 100% to 70% of statutory income
- The remaining 30% of statutory income is deemed to be total income chargeable to tax
- The income derived from each Malaysian ship shall be treated as income from a separate and distinct business source
- Any unabsorbed capital allowances of a Malaysian ship for a YA shall be carried forward to subsequent years of assessment to be set off against the adjusted income of the same ship until the amount is fully utilised
- Any unabsorbed losses of a Malaysian ship for a YA shall be carried forward to subsequent years of assessment to be set off against the 70% of the statutory income exempted from tax in respect of the same ship until the amount is fully utilised
- The current year adjusted loss in respect of a Malaysian ship shall not be permissible as a deduction in arriving at the total income for that YA
- In the case where the unabsorbed capital allowances / unabsorbed losses for the YA 2011 arose from more than one Malaysian ship, such amount shall be apportioned to each of the ships in accordance with the formula as follows:-

$$\frac{A}{B} \times C$$

where A is the gross income in respect of a Malaysian ship for the YA 2011

B is the total gross income in respect of all Malaysian ships for the YA 2011

C is the unabsorbed capital allowances / unabsorbed losses for the YA 2011 in respect of all the Malaysian ships

and the amount apportioned to each of the ships in respect of:-

- unabsorbed capital allowances shall be used to set off against the adjusted income for YA 2012 and subsequent years of assessment in respect of the same ship until the amount is fully utilised
- unabsorbed losses shall be used to set off against the 70% of the statutory income which is exempted from tax for YA 2012 and subsequent years of assessment in respect of the same ship until the amount is fully utilised
- Effective YA 2012

4. Utilisation of Adjusted / Unabsorbed Loss for Insurance Companies

- Any adjusted loss from a life fund for a YA can only be utilised to set-off against the statutory income of the life fund of the insurer for the subsequent years of assessment until it is fully utilised
- Adjusted loss from a source or sources of an insurer (excluding a source consisting of a life fund) for a YA can be set off against the aggregate of statutory income (excluding statutory income from a source consisting of a life fund) in arriving the total income of an insurer for that YA
- Any unabsorbed loss (excluding the unabsorbed loss from a life fund) to be carried forward to the subsequent years of assessment cannot be utilised to set off against the statutory income of the life fund of the insurer for the subsequent years of assessment
- Effective YA 2012

5. Recovery of Tax Due from a Principal

- The DGIR is empowered to require, by way of a notice in writing, a representative of a principal who is appointed as an agent by the DGIR under Section 68 of the ITA 1967, to remit to him any accessible moneys to recover the tax due from that principal, notwithstanding that no assessment has been made in the name of that agent
- The accessible moneys do not include moneys held by the agent in his custody and control on behalf of the principal
- Effective 1st January 2012

6. Accessibility to Computerised Data

- A new Section 80(1B) of the ITA 1967 be introduced to allow the DGIR to have access to computerised data whether stored in a computer or otherwise, be provided with the necessary password, encryption code, decryption code, software or hardware and other means required to enable the comprehension of the computerised data
- Effective 1st January 2012

7. Power of the DGIR to Disregard Information Furnished After Expiry Date of Notice

- The DGIR is now empowered to request from any person for any information or particulars which may be under the control of that person
- The DGIR is also empowered to disregard wholly or partly of such information or particulars furnished after the expiry of the time specified in a notice issued by the DGIR
- Effective upon coming into operation of the Finance (No. 2) Act 2011



8. Duty to Furnish Particulars of Payment Made to an Agent, etc

- Prescribed form containing particulars of payment made during a year and other particulars as required by the DGIR must be prepared and sent to agents, dealers or distributors not later than 31st March of the following year
- Original prescribed form must be kept by the taxpayer and made readily accessible to the DGIR
- “Agent”, “dealer” or “distributor” is defined as any person authorised by a company to act in such capacity and receives payment from the company arising from sales, transactions or schemes carried out by him as an agent, dealer or distributor
- Effective 1st January 2012

9. Widening the Scope of Notification of Non-Chargeability

- The DGIR may issue a notification in writing in cases where:
 - no assessment is made on the person by reason of exemption granted under the ITA 1967 or the PIA 1986; or
 - assessment has been made in respect of a person but that person has no statutory income from a business source and provide a computation with regard to it
- The notification be deemed as a notice of assessment for purposes of making an appeal to the Special Commissioners of Income Tax
- Effective 1st January 2012

10. Remission of Interest on Judgment Debt Awarded by the Court

- The DGIR be empowered to remit interest on judgment debt awarded by the Court to the Government
- Effective 1st January 2012

11. Advance Payment by Instalments

- The DGIR be empowered to direct a person to make payment by instalments on account of tax in a prescribed form if that person fails to furnish a return or he has reason to believe that that person makes an incorrect return or gives incorrect information in relation to any matter affecting his own chargeability to tax
- The direction may be issued before the making of an assessment or composite assessment
- The advance payment made is in addition to the instalment payments made under Section 107B or Section 107C of the ITA 1967
- The person served with the direction may within 30 days after the service of the direction apply to the DGIR to vary the amount to be paid by instalments on account of tax and the number of instalments
- The direction issued shall cease to have effect when an assessment or composite assessment is made under the ITA 1967 for the YA concerned and any amount paid pursuant to the direction shall be applied towards payment of tax payable under that assessment
- Effective upon coming into operation of the Finance (No. 2) Act 2011



12. Review of Penalty on Withholding Tax on *Takaful* Income Distribution

- A 10% penalty on withholding tax be imposed on the amount of unpaid tax (instead of 10% on the gross amount of income distributed or credited by *Takaful* Operator to the participants)
- Effective 1st January 2012

13. Compensation for Late Refund of Income Tax

- Compensation of 2% per annum (daily rest) on the amount of tax refunded late by the IRB be given to taxpayers who have filed their tax returns within the stipulated time
- Compensation is payable to taxpayers where the amount refunded is made after:-
 - 90 days from the due date for e-Filing; or
 - 120 days from the due date for manual tax filing
- The amount of compensation shall be determined in accordance with the following formula:

$$A \times \frac{B}{C} \times 2\%$$

where A – is the amount refunded under Section 111 of the ITA 1967 for a YA

B – is the number of days beginning from the first day after the period specified in the above paragraph, until the day that amount is refunded to the taxpayer; and

C – is the number of days in a year

- The DGIR may require the taxpayer to return the amount of compensation paid if:-
 - it is wrongly paid to the taxpayer; or
 - it ought not to have been paid to the taxpayer by reason of an incorrect return or incorrect information furnished by him, together with a 10% increase on that amount which shall be recoverable as if it was tax due and payable under the ITA 1967
- No compensation for late refund of income tax will be made by the IRB if:-
 - the tax return is not submitted by the due date
 - the person appeals against the assessment
 - it is a tax repayable case in which the tax set-off under Section 110 of the ITA 1967 is in excess of the tax payable
- Effective YA 2013

14. Extension of Tax Incentive Period for REITs

- Final withholding tax of 10% levied on dividend income distributed by Real Estate Investment Trusts ["REITs"] listed on Bursa Malaysia and received by the following investors be extended for another 5 years:-
 - Foreign institutional investors (particularly foreign pension funds and collective investment schemes)
 - Non-corporate investors (including resident individuals and non-resident individuals)
- Extended from 1st January 2012 to 31st December 2016



15. Deduction of Expenses for Issuance of Islamic Securities Based on *Wakalah* Principle

- Tax deduction be given on expenses incurred for the issuance of Islamic securities based on *Wakalah* principle approved by the SC or the Labuan Financial Services Authority ["LFSA"]
- Effective YA 2012 to YA 2015

16. New Tax Incentives for TMC

- Please refer to C3 below

17. Double Deduction on Expenses Incurred on Structured Internship Programme

- Double deduction be given on expenses incurred by companies that participate in the structured internship programme implemented by the Ministry of Higher Education ["MOHE"] in collaboration with Talent Corporation Malaysia Berhad ["TalentCorp"] which includes technical, communication and business skills
- Qualifying criteria of the internship programme:-
 - For full time undergraduate students from the public/private higher educational institutions; and
 - For a minimum period of 10 weeks with a monthly allowance of not less than RM500
- Effective YA 2012 to YA 2016

18. Double Deduction for Scholarships

- Double deduction be given to companies awarding scholarships to Malaysian students pursuing diploma and bachelor's degree in local institutions of higher learning registered with the MOHE
- Conditions:-
 - Must be full time student;
 - Have no sources of income; and
 - Total monthly income of parents or guardian does not exceed RM5,000
- Effective YA 2012 to YA 2016

19. Double Deduction on Expenses Incurred to Participate in Career Fairs Abroad

- Double deduction be given on expenses incurred by companies in participating in career fairs abroad that are endorsed by TalentCorp
- Effective YA 2012 to YA 2016

20. Tax Deduction on Franchise Fee

- Tax deduction be given on franchise fee incurred on local franchise brands
- Effective YA 2012

21. Tax Treatment for PRS

- Tax exemption be given on income received by PRS fund
- Tax deduction of up to 19% of employees' remuneration be given on contributions (including contributions to EPF and approved scheme under Section 150 of the ITA 1967) made by employers for employees to PRS
- Effective YA 2012

22. Time Bar for Tax Audit

- The time frame for tax audits performed by the DGIR be reduced from 6 years to 5 years after the expiration of a YA
- Effective YA 2013

23. Financial Contributions Made to Registered Primary and Secondary Schools and Registered Places of Worship

- Tax deduction be given on financial contributions made to registered primary and secondary schools as well as registered places of worship
- The effective date of this proposal is unknown, pending the gazette of the relevant legislation

C. Investment Incentives

1. Extension of Exemption Period on Income from the Trading of Non-Ringgit Sukuk

- The existing tax exemption on activities related to the issuance and trading of non-ringgit *sukuk* given on the following income be extended for another 3 years until YA 2014:-
 - Fees received by qualified institutions in undertaking activities related to the arranging, underwriting and distribution of non-ringgit *sukuk* originating from Malaysia; and
 - Profits of qualified institutions received from the trading of non-ringgit *sukuk* originating from Malaysia
- These incentives are subject to the condition that the non-ringgit *sukuk* are approved by the SC or the LFSA
- Effective YA 2012 to YA 2014

2. New Tax Incentives for New 4 and 5 Stars Hotels in Peninsular Malaysia

- The following tax incentives be given to investors undertaking new investments in 4 and 5 stars hotels in Peninsular Malaysia:-
 - PS with income tax exemption of 70% of statutory income for a period of 5 years; or
 - ITA of 60% on the qualifying expenditure incurred within a period of 5 years to be set off against 70% of the statutory income for each YA
- Effective for applications received by MIDA from 8th October 2011 until 31st December 2013



3. New Tax Incentives for TMC

- Treasury Management Centre ["TMC"] is a centre that provides financial and fund management services to a group of related companies within or outside the country
- TMC be given 70% tax exemption on statutory income arising from the following qualifying treasury services rendered to its related companies for a period of 5 years:-
 - All fee income and management income from providing qualifying services to related companies in Malaysia and overseas;
 - Interest income received from lending to related companies in Malaysia and overseas;
 - Interest income and gains received from placement of funds with licensed onshore banks or short term investments (onshore and offshore) as part of managing surplus funds within the group;
 - Foreign exchange gains from managing risks for the group, e.g. exchange rate risk, interest rate risk and commodity risk; and
 - Guarantee fees
- TMC be exempted from complying with withholding tax provisions for interest payments made to overseas banks and non-resident related companies in respect of borrowings used by the TMC for the conduct of its qualifying activities
- Stamp duty exemption of 100% be given on all loan and service agreements executed by TMC in Malaysia for qualifying services
- Expatriates working in a TMC be taxed based on the portion of their chargeable income attributable to the number of days they are in Malaysia
- Qualifying services include:-
 - Cash management, which includes maintaining cash pooling arrangement through a centralised account with licensed onshore bank
 - Current account management
 - Financing and debt management
 - Investment services
 - Financial risk management
 - Corporate and financial advisory services
- Effective for applications received by MIDA from 8th October 2011 until 31st December 2016

4. New Tax Incentives for Providers of Industrial Design Services in Malaysia

- PS with income tax exemption of 70% on statutory income for a period of 5 years is given to the industrial design service providers that fulfill the following criteria:-
 - New service providers who employ at least 50% Malaysian designers; and
 - Existing industrial design service providers undertaking expansion and non-industrial design service providers who would be carrying out industrial design activities as follows:-
 - Upgrading the design facilities by increasing the capital investment of at least 50%; and
 - Employ an additional 50% qualified Malaysian designers



- The incentive is subject to the following conditions:-
 - The industrial design service providers and Malaysian designers must be registered with the Malaysia Design Council;
 - The industrial design service providers must be incorporated under the Companies Act 1965 or registered under the Business Registration Act 1956 and shall provide industrial design services to non-related companies; and
 - The industrial design services provided are meant for mass production
- Effective for applications received by MIDA from 8th October 2011 until 31st December 2016

5. New Tax Incentives for Profit Oriented Private Schools and International Schools

- New tax incentives be given to the following categories of private schools and international schools registered and fulfilled the requirement stipulated by Ministry of Education:-
 - Profit Oriented Private Schools
 - Income tax exemption of 70% for a period of 5 years; or
 - Income tax exemption equivalent to ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years to be set off against 70% of statutory income
 - Effective for applications received by MIDA from 8th October 2011 until 31st December 2015
 - Profit Oriented International Schools
 - Income tax exemption of 70% for a period of 5 years as an additional option to the current tax incentive available (i.e. ITA of 100% on the qualifying capital expenditure to be set off against 70% of statutory income)
 - Effective for applications received by MIDA from 8th October 2011 until 31st December 2015
 - Profit Oriented Private Schools and International Schools
 - Exemption of import duty and sales tax on educational equipment - effective for applications received by MIDA from 8th October 2011; and
 - Double tax deduction for overseas promotional expenses - effective YA 2012

6. Clarification on RA Incentive

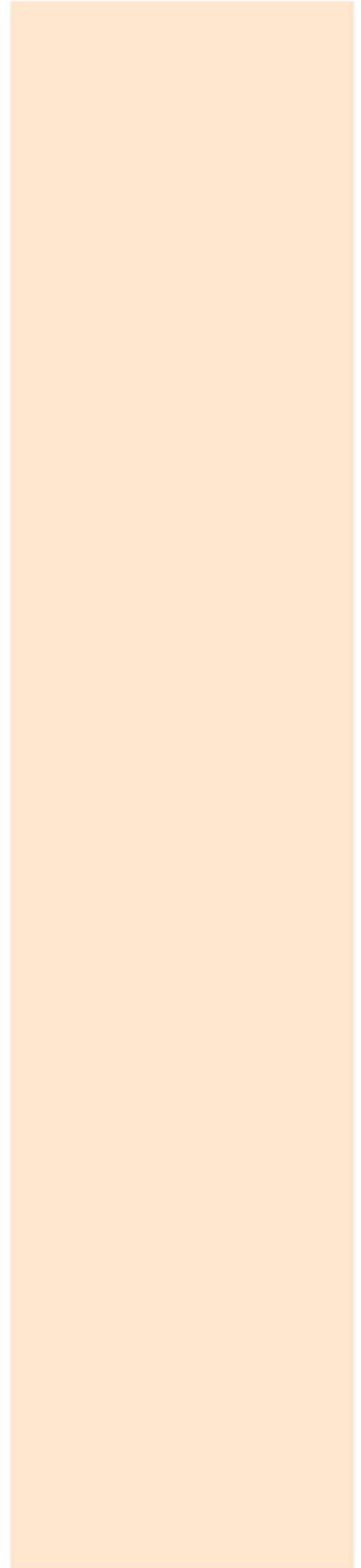
- Removal of promoted areas in Schedule 7A of the ITA 1967
 - Presently, RA of 60% on the qualifying capital expenditure can be set off against up to 100% of statutory income if the qualifying project is located in the promoted areas
 - It is proposed that the promoted areas be removed from Paragraph 3 of Schedule 7A of the ITA 1967. With this proposal, qualifying projects located in the promoted areas will not be given the set off of 100%. Instead, the normal set off rate of 70% will apply
 - Effective YA 2012



- Non-application of RA incentive
 - Amendments be made to the non-application paragraph in Schedule 7A of the ITA 1967 in particular the word “period” be replaced by “basis period”
 - With the amendments, RA incentive cannot be claimed in the same basis period when a company is also enjoying incentives on ITA, industrial adjustment allowance and investment tax credit
 - Effective YA 2011
- Definition of “factory”
 - The term “factory” is now defined in Schedule 7A of the ITA 1967 to only mean –
“portion of the floor areas of a building or an extension of a building used for the purposes of qualifying project to place or install plant or machinery or to store any raw material, or goods or materials manufactured prior to sale; provided that in respect of portion of the building or extension of the building used for the storage of raw material, or goods or materials, or both, it shall not be more than one-tenth of the total floor areas of that building or extension”
 - Effective YA 2012

7. New Tax Incentives for KLIFD

- The following tax incentives be given to accelerate development of Kuala Lumpur International Financial District [“KLIFD”]:-
 - Income tax exemption of 100% for a period of 10 years and exemption of stamp duty on loan and service agreements for KLIFD status companies;
 - Industrial building allowance and accelerated capital allowance for KLIFD Marquee Status Companies; and
 - Income tax exemption of 70% for a period of 5 years for property developers in KLIFD
- The effective date of this proposal is unknown, pending the gazette of the relevant legislation





D. Real Property Gains Tax

1. Review of RPGT Rates

- RPGT rates on the gains from disposal of residential and commercial properties be revised to:-
 - 10% for holding period up to 2 years;
 - 5% for holding period exceeding 2 years but within 5 years;
 - 0% for holding period exceeding 5 years
- The current RPGT rates on the gains from disposal of chargeable assets other than the residential and commercial properties mentioned above remain unchanged
- Effective for disposal from 1st January 2012

E. Stamp Duty

1. Exemption of Stamp Duty on Loan Agreements under PR1MA

- Stamp duty exemption of 100% be given on loan agreements for purchase of residential properties under the *Perumahan Rakyat 1Malaysia* ["PR1MA"] Scheme costing not more than RM300,000
- Effective for sale and purchase agreements executed from 1st January 2012 until 31st December 2016

2. New Tax Incentives for TMC

- Please refer to C3 above

3. Exemption of Stamp Duty on Loan Agreements for Micro Finance and Professional Services Fund

- Stamp duty exemption of 100% be given on:-
 - loan agreements up to RM50,000 under the Micro Financing Scheme executed by micro enterprises and Small and Medium Enterprise ["SME"] with banking and financial institutions
 - loan agreements up to RM50,000 undertaken from the Professional Services Fund executed by professionals with Bank Simpanan Nasional
- The definition of an SME for the above exemption purposes is as follows:-
 - Manufacturing Sector
 - enterprises with full-time employees not exceeding 150 persons or annual sales turnover not exceeding RM25 million
 - Services Sector
 - enterprises with full-time employees not exceeding 50 persons or annual sales turnover not exceeding RM5 million
- Effective for instruments executed from 1st January 2012

4. New Tax Incentives for KLIFD

- Please refer to C7 above



F. Indirect Taxes

1. Extension of Import Duty and Excise Duty Exemption for New CBU Hybrid and Electric Cars

- The 100% exemption of import duty and excise duty given to franchise holders of new completely-built-up ["CBU"] hybrid cars and electric cars be extended until 31st December 2013, if certain conditions are fulfilled
- Effective for applications made to the MOF from 1st January 2012 until 31st December 2013

2. Additional Indirect Tax and Other Incentives for Individual Owners of Budget Taxis and Hire Cars

- 100% sales tax exemption be given on purchase of new locally manufactured cars used as budget taxis or hire cars effective 8th October 2011
- Excise duty and sales tax exemption be given on the sale or change of ownership of budget taxis and hire cars after seven years of registration effective 8th October 2011
- Road tax on budget taxis and hire cars be abolished effective 1st January 2012
- Interest rate subsidy of 2% per annum for 2 years on full loans for financing the purchase of new locally manufactured cars used as budget taxis and hire cars effective 1st January 2012 to 31st December 2013
- Assistance of RM3,000 for replacement of budget taxis and hire cars aged more than 7 years but less than 10 years. For budget taxis and hire cars aged 10 years and above, an assistance of RM1,000 will be given. This proposal will be effective 1st January 2012 to 31st December 2013

3. New Tax Incentives for Profit Oriented Private Schools and International Schools

- Please refer to C5 above

G. Others

1. Withdrawal of EPF Savings by Expatriate

- Expatriate contributing to EPF be allowed to withdraw EPF savings to purchase a house in Malaysia

2. Rate of Employer's EPF Contribution

- The statutory rate for employer's EPF contribution be increased from 12% to 13% in respect of employees earning monthly gross income of RM5,000 and below

3. Liberalisation of Foreign Equity Participation in Selected Subsectors

- Foreign ownership in selected subsectors, including private hospital services, medical and dental specialist services, architectural, engineering, accounting and taxation, legal services, courier services, education and training services and telecommunication services, be allowed up to 100%

4. Exchange of Tax Information

- The existing Section 22A of the Labuan Business Activity Tax 1990 be widened to cover tax information exchange arrangements with non-treaty countries
- Deemed to have come into operation on 28th January 2011

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