

## 2015 Budget Highlights

### Executive Summary

A turbulent year this far for the world.

A tragic year for the civil aviation industry, especially for Malaysians who come together in solidarity to grief and mourn for the twin major disasters that hit the country within the span of 4 months.

While many of us are still feeling the sombre mood for the loss of innocent lives and the world economy that is still struggling to be bullish, we can momentarily put on a smile for the latest Malaysian budget announced by our honourable Prime Minister cum Minister of Finance, Y.A.B. Dato' Sri Mohd Najib Tun Haji Abdul Razak in the afternoon of 10<sup>th</sup> October 2014.

Themed "*Budget 2015 : People Economy*", it introduces many policies that are populist in nature, taking into consideration of the issues close to the hearts of the *Rakyat* while striking a balance for financial and economical values to reduce the country's fiscal deficit by 3% of the Gross Domestic Product.

Year 2015 will be the final year of the Tenth Malaysia Plan ["10MP"]. It will serve as a platform for policymakers to formulate and strategise for the final thrust of the Eleventh Malaysia Plan ["11MP"] towards achieving a high income advanced economy by year 2020.

### Hyperlinks

- [Moore Stephens Malaysia](#)
- [Moore Stephens International](#)
- [Inland Revenue Board](#)
  
- [2015 Budget Speech](#)
- [Appendices to Budget Speech](#)
- [Finance Bill \(No. 2\) 2014](#)

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## Hyperlinks

With that in mind, we look at some of the highlights for Budget 2015 which focuses on 7 key strategies, namely:-

1. Strengthening Economic Growth
2. Enhancing Fiscal Governance
3. Developing Human Capital and Entrepreneurship
4. Advancing *Bumiputera* Agenda
5. Upholding Role of Women
6. Developing National Youth Transformation Programme
7. Prioritising Well-Being of the *Rakyat*

### Goods and Services Tax and Reduction in Tax Rates

Comes 1<sup>st</sup> April 2015, the curtain calls for Sales and Services Tax as they bid farewell to make way for the coming of Goods and Services Tax, marking a new era for our tax regime. A new beginning in the making.

As we focus in achieving GST-ready status, many will rejoice that a wider scope of consumer goods are GST-free and this includes RON95 petrol, diesel, liquefied petroleum gas, fruits, bread, medication for 30 types of diseases, newspapers, reading materials and others. In fact, the household electricity consumption of up to 300 units will also be GST-free compared to the initial proposed 200 units.

Further breathe of reliefs can be heard as tax rates have been reduced across the board. To take a few as examples, 1% to 3% reduction in tax rate is given to resident individuals together with broaden chargeable income band from the year of assessment 2015 and a 1% reduction in tax rate for corporate taxpayers from the year of assessment 2016.

### Revising Penalties for Various Offences

When the taxman gets tough, the tax defaulters get nowhere.

This is an interesting spin on the old adage coined together by a columnist in a local newspaper when news of Inland Revenue Board imposing travel restrictions for people who failed to settle their tax in arrears made the major headlines. The logic behind was simple: to recover taxes from errant tax defaulters.

To further discourage errant tax defaulters, the Government is looking into addressing various offences committed by the taxpayers whether by ignorance or apathy by increasing the maximum fine from RM2,000 to RM20,000. Examples of the various offences are failure to furnish tax returns and failure to deduct tax from an employee.

## Hyperlinks

### **Real Property Gains Tax and Stamp Duty**

The real properties market is cooling down with the revision of the Real Property Gains Tax rates in the beginning of this year to curb the speculative activities. However, it has not addressed the issue of affordable housing for low and middle income earners as the costs of purchasing and financing an affordable house are still not within the reach for many.

The emergence of *Youth Housing Scheme* is the first step taken by the Government in recognising and remedying this problem. For a married youth aged between 25 to 40 years and a household income not exceeding RM10,000 monthly, the scheme offers a funding up to 35 years for their first home costing not more than RM500,000. Consistently, the ceiling price of the property has been increased from RM400,000 to RM500,000 to enjoy the 50% stamp duty exemption. In addition, the exemption on stamp duty has been extended for sale and purchase agreements executed up to 31<sup>st</sup> December 2016.

The retention sum in relation to the disposal of chargeable assets has been increased from 2% to 3% effective 1<sup>st</sup> January 2015 and it is expected that higher penalties may be imposed in the event of non-compliance.

### **The Move to Human Capital**

Decades ago in the finance world, the first thing that commonly comes to mind when the term 'capital' is mentioned will most likely be tables, chairs, buildings and the ever so popular word: cash.

Today, the word 'brain drain' has quietly slipped into major headlines, slowly making its presence into our lives, jobs and businesses. It is no longer a secret that our country is looking into making the move to build up the most valuable capital any business or country can have: the human capital.

To build people to be a valuable asset, one must have the technical knowledge and relevant exposures which can be achieved through education and practical training grounds.

Thus, in developing our nation's human capital, our Government has proposed various incentives which include double deduction to be given to companies that offer scholarships and structured internship programmes to our students and trainings for their employees.

## Hyperlinks

### Conclusion

Budget 2015 is a budget made for the people and for the people. It addresses the grievances of the *Rakyat* struggling with the daily cost of living, quality of life, education opportunities, employment and public safety while maintaining the unity in a multi-national country. Recognising the importance of youth as future leaders responsible for developing and prospering the nation, much efforts have been mapped to enhance talents, ideas, creativity and innovation of the younger generation to be prepared comes May 2015, where the 11MP will be launched. And, to ease the burden on the lower income group when encountering the impact on the transition to GST regime, the 1Malaysia People's Aid ["BR1M"] has been increased by almost 50%.

The key amendments outlined in the 2015 Budget are summarised 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. Petroleum Income Tax
- F. Stamp Duty
- G. GST and Indirect Taxes
- H. Others

## Hyperlinks

### A. *Income Tax – Changes Affecting Individuals*

#### 1. **Exclusion of Income from Computation of Chargeable Income**

- Income derived from withdrawal of contributions made to deferred annuity or private retirement scheme which has been subjected to withholding tax under Section 109G of the Income Tax Act 1967 [“ITA 1967”] be excluded from the computation of chargeable income
- Effective year of assessment [“YA”] 2015

#### 2. **Expansion of Scope of Income Deemed Obtainable on Demand**

- Please refer to B1 below

#### 3. **Tax Treatment on Controlled Transactions**

- Please refer to B2 below

#### 4. **Increase in Relief for Purchase of Basic Supporting Equipment for the Disabled**

- Relief (maximum) for the purchase of basic supporting equipment for the disabled taxpayer, spouse, child and parent be increased from RM5,000 to RM6,000
- Effective YA 2015

#### 5. **Increase in Relief for Medical Expenses Incurred on Serious Diseases**

- Relief (maximum) for medical expenses incurred on serious diseases in respect of the taxpayer, spouse and child be increased from RM5,000 to RM6,000
- Effective YA 2015

#### 6. **Increase in Relief for Disabled Child**

- Relief for disabled child be increased from RM5,000 to RM6,000
- Effective YA 2015

#### 7. **MTD as Final Tax**

- Individuals [i.e. who are presently deriving only employment income under Section 13(1)(a), Section 13(1)(d) and Section 13(1)(e) of the ITA 1967] with total income tax equivalent to Monthly Tax Deductions [“MTD”] are exempted from filing of annual tax returns
- The exemption be extended to individuals:-
  - deriving employment income under Section 13(1)(b) or Section 13(1)(c) of the ITA 1967 (i.e. in respect of benefits-in-kind and benefits of free living accommodation provided); and
  - employed by the same employer in a calendar year with period of employment of less than 12 months (i.e. includes an employee who is employed by the same employer in a calendar year where his period of employment does not commence on 1<sup>st</sup> January)
- Effective YA 2015

## Hyperlinks

**8. Widening the Scope of Right of Appeal on Deemed Assessment**

- Please refer to B8 below

**9. Review of Penalty for Failure to Furnish Return or Give Notice of Chargeability**

- Please refer to B10 below

**10. Leaving Malaysia without Payment of Tax Due**

- The maximum amount of fine for voluntarily leaving or attempting to leave Malaysia without payment of tax due be increased from RM2,000 to RM20,000
- Effective upon coming into operation of the Finance (No. 2) Act 2014

**11. Review of Penalty for Offences**

- Please refer to B11 below

**12. Reduction in Individual Tax Rates**

- Tax rates for resident individuals be reduced by 1% to 3% for chargeable income bands from RM5,001 onwards
- Chargeable income band currently subject to maximum tax rate be broaden from RM100,001 to RM400,001 with reduced tax rates
- A comparison is as shown below:-

| Chargeable Income<br>RM | Current Tax Rates<br>% | Proposed Tax Rates<br>% | Reduction<br>% |
|-------------------------|------------------------|-------------------------|----------------|
| 5,001 – 20,000          | 2                      | 1                       | 1              |
| 20,001 – 35,000         | 6                      | 5                       | 1              |
| 35,001 – 50,000         | 11                     | 10                      | 1              |
| 50,001 – 70,000         | 19                     | 16                      | 3              |
| 70,001 – 100,000        | 24                     | 21                      | 3              |
| 100,001 – 250,000       | 26                     | 24                      | 2              |
| 250,001 – 400,000       | 26                     | 24.5                    | 1.5            |
| Exceeding 400,000       | 26                     | 25                      | 1              |

- Tax rates for non-resident individuals be reduced from 26% to 25%
- Effective YA 2015

**13. Disallowance of Expenses Incurred in relation to Single-Tier Dividend**

- Please refer to B17 below

**14. Incentive for Investors of IAP**

- Please refer to C2 below

## Hyperlinks

**B. Income Tax – Changes Affecting Companies and Unincorporated Businesses****1. Expansion of Scope of Income Deemed Obtainable on Demand**

- The circumstance that deems interest income to be obtainable on demand when the interest income is due to be paid be expanded to include interest income arising from loans between individuals who are relatives of each other
- Effective YA 2015

**2. Tax Treatment on Controlled Transactions**

- A new Section 29(4) of the ITA 1967 be introduced to provide that a person is deemed to be able to obtain on demand the following income in the basis period immediately following the period when the income first becomes receivable:-
  - employment income;
  - interest income (excluding interest that relates to a loan, discount or premium from the subscription or issuance of bond); and
  - other income (e.g. rent, royalty, pension, annuity, other periodical payment)
- The above provision is only applicable to the income arising from the following transactions:-
  - transactions between persons one of whom has control over the other;
  - transactions between individuals who are relatives of each other; or
  - transactions between persons both of whom are controlled by some other persons
- Effective YA 2015

**3. Taxation of Insurance Business**

- Expenses relating to the management of investments or rights be allowed for tax deduction in arriving at adjusted income of the life fund, shareholders' fund or general business of an insurer
- The amount of expenses allowed shall be determined in accordance with the formula as follows:-

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

Where A is the cost of acquiring any investments or rights which is realised in that period in respect of such fund or general business

B is the total cost of acquiring all investments or rights held during that period in respect of such fund or general business

## Hyperlinks

C is the total expenses incurred in that period for managing all investments or rights held during that period in respect of such fund or general business

- Effective YA 2015

#### 4. Taxation of *Takaful* Business

- Commissions payable, discount allowed and management fee incurred by a *takaful* operator (both resident and non-resident) in connection with its general business carried out in accordance with the principle of *mudharabah* be allowed for tax deduction in arriving at the adjusted income of the general fund in respect of the general business
- Gross income in respect of *wakalah* fee or any other fee receivable in connection with general fund, inward re-*takaful* fund, offshore fund or family re-*takaful* fund, or any other fee receivable in respect of an investment fund from the family fund and the amount of actuarial surplus from the family fund of a *takaful* operator (both resident and non-resident) transferred to the shareholders' fund be included in arriving at adjusted income of the shareholders' fund in respect of the general business
- Commissions payable, discount allowed and management fee incurred by a *takaful* operator (both resident and non-resident) in connection with its general business carried out in accordance with the principle of *wakalah* be allowed for tax deduction in arriving at the adjusted income of the shareholders' fund in respect of the general business
- Expenses relating to the management of investment or rights be allowed for tax deduction in arriving at adjusted income of the family fund, general fund or shareholders' fund, of a *takaful* operator (both resident and non-resident) shall be determined in accordance with the formula as follows:-

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

Where A is the cost of acquiring any investments or rights which is realised in that period in respect of such fund

B is the total cost of acquiring all investments or rights held during that period in respect of such fund

## Hyperlinks

C is the total expenses incurred in that period for managing all investments or rights held during that period in respect of such fund

- The amount of actuarial surplus from the family fund of a *takaful* operator (both resident and non-resident), which is transferred to shareholders' fund, be allowed to set off against the tax charged on the chargeable income of the *takaful* operator in respect of the shareholders' fund from family business
- Effective YA 2015

### 5. Extending the Scope of Tax Treatment for Special Purpose Vehicle

- Section 60I of the ITA 1967 provides the tax treatment for a company that establishes a special purpose vehicle solely for the issuance of Islamic Securities
- The meaning of "company" under Section 60I of the ITA 1967 be extended to include a unit trust approved by the Securities Commission as Real Estate Investment Trusts or Property Trust Fund
- Effective YA 2015

### 6. Tax Treatment for LLP

- A new Section 75B(3)(a) of the ITA 1967 be introduced to provide that every partner of a partnership shall continue to be personally assessable and chargeable to tax on his chargeable income for the year of assessment in which the conversion from a conventional partnership and for any previous year of assessment before the conversion occurred
- A new Section 75B(3)(b) of the ITA 1967 be introduced to provide that Limited Liability Partnerships ["LLP"] shall be assessable and chargeable to tax on the chargeable income of the converting company in the manner and amount as the company would have been assessed and charged to tax for the year of assessment in which the conversion occurred and for any previous year of assessment before the conversion occurred
- Effective upon coming into operation of the Finance (No. 2) Act 2014

### 7. Time Bar for Raising Assessment on Transfer Pricing Adjustments

- The period for the Director General of Inland Revenue ["DGIR"] to make an assessment or additional assessment in relation to a transaction entered into between associated persons which is not at arm's length be extended from 5 years to 7 years after the end of the year of assessment in which the adjustment relates
- Effective upon coming into operation of the Finance (No. 2) Act 2014

## Hyperlinks

### 8. Widening the Scope of Right of Appeal on Deemed Assessment

- Currently, a taxpayer who is aggrieved by a deemed assessment or an additional assessment as a result of compliance with the public rulings issued by the DGIR, is given the right to file an appeal to the Special Commissioners of Income Tax via submission of Form Q to the DGIR under Section 99(1) of the ITA 1967
- It is proposed that the right to appeal to the SCIT is also available to a taxpayer who is aggrieved by a deemed assessment or an additional assessment as a result of compliance with any practice of the DGIR generally prevailing at the time when the assessment is made
- Effective upon coming into operation of the Finance (No. 2) Act 2014

### 9. Estimate of Tax Payable and Payment by Instalments for Companies

- Relief from submission of tax estimate by new Small and Medium Enterprise [“SME”] [i.e. a company resident and incorporated in Malaysia with paid-up capital of not more than RM2.5 million and none of its related companies within the group (related by way of shareholding of more than 50%) is/are having paid-up capital exceeding RM2.5 million]
  - Currently, SME will be exempted from furnishing the tax estimate for its first 2 years of assessment upon commencement of its business operations
  - With the amendment made to Section 107C(4A) of the ITA 1967, the above relief shall only limit to resident SME which is incorporated in Malaysia (subject to shareholding test)
  - Effective upon coming into operation of the Finance (No. 2) Act 2014
- Amendment to due date for monthly tax instalment payable under Section 107C of the ITA 1967
  - The due date for monthly tax instalment payments under Section 107C of the ITA 1967 be revised from the 10<sup>th</sup> day of the calendar month to 15<sup>th</sup> day of the calendar month
  - Effective 1<sup>st</sup> January 2015

### 10. Review of Penalty for Failure to Furnish Return or Give Notice of Chargeability

- The maximum amount of fine be increased from RM2,000 to RM20,000 for the following offences:-
  - failure to furnish a return to the DGIR in accordance with Sections 77(1) or 77A(1) of the ITA 1967; and
  - failure to give notice of chargeability to the DGIR in accordance with Section 77(3) of the ITA 1967
- Effective upon coming into operation of the Finance (No. 2) Act 2014

## Hyperlinks

### 11. Review of Penalty for Offences

- The maximum amount of fine for general offences be increased from RM2,000 to RM20,000
- Effective upon coming into operation of the Finance (No. 2) Act 2014

### 12. Reduction in Tax Rates for Companies, LLP, Trust Bodies, etc

- Tax rate be reduced from 25% to 24% for the following entities:-
  - a company;
  - a trust body;
  - an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death;
  - a receiver appointed by the court; and
  - a LLP
- For SME, tax rates be reduced from:-
  - 20% to 19% on chargeable income up to RM500,000; and
  - 25% to 24% on chargeable income exceeding RM500,000
- For LLP resident in Malaysia with total contribution of capital (whether in cash or in kind) not more than RM2.5 million, tax rates be reduced from:-
  - 20% to 19% on chargeable income up to RM500,000; and
  - 25% to 24% on chargeable income exceeding RM500,000
- Effective YA 2016

### 13. Reduction in Tax Rates for Co-operative Societies

- Tax rates for co-operative societies be reduced by 1% to 2% for chargeable income exceeding RM150,000
- A comparison is as shown below:-

| Chargeable Income<br>RM | Current<br>Tax Rates<br>% | Proposed<br>Tax Rates<br>% | Reduction<br>% |
|-------------------------|---------------------------|----------------------------|----------------|
| 150,001 – 250,000       | 20                        | 18                         | 2              |
| 250,001 – 500,000       | 22                        | 21                         | 1              |
| 500,001 – 750,000       | 24                        | 23                         | 1              |
| Exceeding 750,000       | 25                        | 24                         | 1              |

- Effective YA 2015

## Hyperlinks

### 14. Amendment to the Definition of Qualifying Forest Expenditure

- The qualifying forest expenditure for the purpose of claiming forest allowance be narrowed to capital expenditure incurred by a person who has a concession or licence to extract timber
- Effective YA 2015

### 15. Special Allowances for SVA

- The value of each asset for the purpose of claiming special allowance for small value assets ["SVA"] be increased from RM1,000 to RM1,300
- The maximum limit of total special allowance for SVA claimable for a year of assessment by non-SME be increased from RM10,000 to RM13,000
- Effective YA 2015

### 16. Claim for Allowance on Building Provided as Living Accommodation for Employees

- The requirement to furnish written notification to the DGIR within 3 months (or within such further period as the DGIR may allow) of the beginning of the year of assessment for the purpose of claiming industrial building allowance in respect of the expenditure incurred on constructing a living accommodation for employees be replaced with an election made in the tax return for the basis period for a year of assessment in which the expenditure was incurred
- Effective YA 2015

### 17. Disallowance of Expenses Incurred in relation to Single-Tier Dividend

- Expenses incurred in relation to single-tier dividend be disregarded in ascertaining the adjusted income of a person
- Effective upon coming into operation of the Finance (No. 2) Act 2014

### 18. Business Loss relating to Life Insurer and *Takaful* Operator

- Paragraph 20A, Schedule 6 of the ITA 1967 be amended to provide that any current year adjusted loss from an investment made out of a life fund or *takaful* family fund in respect of a deferred annuity established in accordance with the Retirement Savings Standard approved by the Central Bank of Malaysia be disregarded and is not allowed to be deducted against the statutory income of life fund or family fund
- Effective YA 2015

## Hyperlinks

### 19. Expansion of Scope of Tax Exemption on Income of Unit Trust

- Income tax exemption on income of a unit trust in respect of interest derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 be extended to include income of the same nature paid and credited by any development financial institution regulated under the Development Financial Institutions Act 2002
- Effective YA 2015

### 20. Review of Deduction for Expenditure on Issuance of Sukuk

- The existing deduction for expenditure on issuance of *sukuk* based on *Ijarah* and *Wakalah* principles be extended for another 3 years
- Effective up to YA 2018

### 21. Double Deduction for Scholarships

- Double deductions given to local resident companies that award scholarships to Malaysian students pursuing diploma and bachelor's degree in local institutions of higher learning registered with the Ministry of Education ["MOE"] be extended to cover scholarships awarded to Malaysian students pursuing vocational and technical fields in institutions recognised by the government.
- Eligible criteria:-
  - Must be full time student;
  - Have no source of income; and
  - Total monthly income of parents or guardian does not exceed RM5,000
- Effective YA 2015 and YA 2016

### 22. Extension of Double Deduction on Expenses Incurred on SIP

- Double deduction currently given on qualifying expenses incurred by companies that participate in the Structured Internship Programme ["SIP"] implemented by the MOE in collaboration with Talent Corporation Malaysia Berhad on the development of specific knowledge or skills be extended to the SIP programme for students pursuing vocational and diploma courses
- Eligibility criteria:-
  - For full time Malaysian students studying at higher education institutions registered with the MOE; and
  - For a minimum period of 10 weeks with a monthly allowance of not less than RM500
- Effective YA 2015 and YA 2016

## Hyperlinks

### 23. Further Deduction for Training Expenses Incurred to Obtain Industry Certifications and Professional Qualifications

- Companies be given further deduction on expenses incurred for training of employees to obtain industry recognised certifications and professional qualifications such as in the fields of accounting, finance and project management where such training programmes are those approved by agencies appointed by the Ministry of Finance
- Effective YA 2015

### 24. New Tax Incentives to Increase Automation in Labour Intensive Industries

- The following tax incentives be given in the form of capital allowances ["CA"] on automation expenditure to encourage automation in the manufacturing sector:-
  - First Category
    - For high labour intensive industries such as rubber products, plastics, wood, furniture and textiles, 200% of CA will be provided on the first RM4 million automation expenditure; and
    - The automation expenditure must be incurred within the period from year 2015 to 2017
  - Second Category
    - For other industries, 200% of CA will be provided on the first RM2 million automation expenditure; and
    - The automation expenditure must be incurred within the period from year 2015 to 2020
- Effective date of this proposal is unknown, pending the gazette of the relevant legislations

### 25. Extension of Double Deduction for 1Malaysia Training Scheme Programme

- Application for claiming double deduction on allowance and training expenses incurred on soft-skill training and on-the-job training provided to unemployed graduates by companies participating in the 1Malaysia Training Scheme Programme be extended to 31<sup>st</sup> December 2020
- Effective for applications made from 1<sup>st</sup> June 2012 to 31<sup>st</sup> December 2020

## Hyperlinks

### C. Investment Incentives

#### 1. Review of Tax Treatment of RA

- Where an asset on which a claim for Reinvestment Allowance ["RA"] has been made is disposed of at any time within 5 years from the date of acquisition of that asset, the RA given in respect of that asset shall be withdrawn, i.e. the tax return for the year in which RA was claimed must be revised to withdraw the RA claimed previously
- For practicality purposes, the RA withdrawn be deemed as part of the statutory income in the basis period for the year of assessment in which the asset is disposed of
- The "statutory income" referred to in the RA context shall be construed as the amount of statutory income from a source consisting of a business in respect of a qualifying project referred to as the qualifying project for which RA claim on qualifying capital expenditure was made previously
- Effective YA 2015

#### 2. Incentive for Investors of IAP

- Investment Account Platform ["IAP"] is a *Syariah*-compliant funding model to finance projects and venture companies
- Income tax exemption on profit earned from investments made through IAP be given to individual investors
- Conditions:
  - Exemption be given for 3 consecutive years starting from the first year profit is earned
  - Investment is made for a period of 3 years starting from the operation date of IAP
  - Investment activities must be in Malaysia, in venture companies owned by Malaysians or locally incorporated companies
  - Investment is made in SMEs and venture companies in any sectors
  - SME is as defined by the SME Corporation Malaysia
- Effective date for this proposal shall be from the operational date of IAP scheduled to be from 1<sup>st</sup> September 2015 to 31<sup>st</sup> August 2018

## Hyperlinks

### 3. Extension of Tax Incentive for Medical Tourism

- Currently, investment tax allowance of 100% on the qualifying capital expenditure for a period of 5 years is given to new or existing companies that are providing private healthcare facilities services to healthcare traveller and engaged in expansion, modernisation or refurbishment of its existing private healthcare facility business
  - Existing conditions for eligible companies:-
    - Must be licensed by the Ministry of Health; and
    - Registered with the Malaysian Healthcare Travel Council
  - Existing conditions for qualified healthcare traveller:-
    - Malaysia My Second Home participant and his dependents;
    - Expatriate holding a Malaysian work permit and his dependents; or
    - Non-Malaysian citizen who visits and receives treatment from private healthcare facilities in Malaysia
- This tax incentive be extended for another 3 years until 31<sup>st</sup> December 2017 and the applicant must satisfy the additional condition as below:-
  - The private healthcare facilities must be provided to at least 5% healthcare traveller from their total patients
- Effective for applications received by Malaysian Investment Development Authority from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2017

### 4. New Tax Incentives for Industrial Area Management

- To encourage private sector in providing public facilities / infrastructure in support of the development of industrial areas, the following tax incentives be proposed:-
  - 100% income tax exemption for a period of 5 years be given to private sector for managing, maintaining and upgrading industrial estate in less developed areas; and
  - 70% income tax exemption for a period of 5 years be given to private sector for managing industrial areas in other areas
- Effective date of this proposal is unknown, pending the gazette of the relevant legislations

## Hyperlinks

**D. Real Property Gains Tax****1. Increase in Retention Sum by the Acquirer in relation to Disposal of a Chargeable Asset**

- The requirement for the acquirer to retain up to 2% of the total value of the consideration be increased to 3%
- Effective for disposal from 1<sup>st</sup> January 2015

**2. Acquisition Price of an Asset of a Deceased Person**

- The market value of the asset as at 1<sup>st</sup> January 1970 in respect of an asset of a deceased person acquired prior to 1<sup>st</sup> January 1970 shall be substituted for the market value of the asset as at the date of the death of the deceased person
- Effective 1<sup>st</sup> January 2015

**3. Disposal of Asset by Way of a Gift**

- Paragraph 12, Schedule 2 of the Real Property Gains Tax ["RPGT"] Act 1976 is amended to provide clarity on the deemed acquisition price of the recipient in relation to disposal of an asset by way of a gift between husband and wife, parent and child or grandparent and grandchild. The deemed acquisition price is determined based on the citizenship or permanent resident status of the donor as follows:-
  - where the donor is not a citizen or permanent resident, the recipient shall be deemed to have acquired the asset at an acquisition price equal to the acquisition price paid by the donor plus the permitted expenses incurred by the donor;
  - where the donor is a citizen or permanent resident and the gift is made within 5 years after the date of acquisition by the donor, the recipient shall be deemed to have acquired the asset at an acquisition price equal to the price paid by the donor plus the permitted expenses incurred by the donor
- Effective 1<sup>st</sup> January 2015

**4. Self-Assessment System for RPGT Returns**

- Currently, tax on gains from disposal of property is assessed formally by the DGIR
- It is proposed that tax on gains for the disposal of property be self-assessed by taxpayer
- Effective for disposal from 1<sup>st</sup> January 2016

## Hyperlinks

### **E. Petroleum Income Tax**

#### **1. Time Bar for Raising Assessment on Transfer Pricing Adjustments**

- To mirror the changes made under the ITA 1967, a new Section 39(5) of Petroleum (Income Tax) Act 1967 ["PITA"] be introduced to provide that the period for the DGIR to make an assessment or additional assessment in relation to a transaction entered into between associated persons which is not at arm's length be extended from 5 years to 7 years after the end of the year of assessment in which the adjustment relates
- Effective upon coming into operation of the Finance (No. 2) Act 2014

#### **2. Payment by Instalments**

- To mirror the changes made under the ITA 1967, the due date for monthly tax instalment payments under Section 49A of the PITA be revised from the 10<sup>th</sup> day of the calendar month to the 15<sup>th</sup> day of the calendar month
- Effective 1<sup>st</sup> January 2015

### **F. Stamp Duty**

#### **1. Extension on Stamp Duty Exemption on Instruments of Transfer and Loan Agreements for Acquisition of First Residential Property**

- The stamp duty exemption of 50% currently given on instruments of transfer of ownership and loan agreements executed from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2014 in respect of acquisition of first residential property by Malaysian citizens be extended for another 2 years
- The price threshold of residential property eligible for the 50% exemption be increased from RM400,000 to RM500,000
- Effective for sale and purchase agreements executed from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2016

#### **2. Stamp Duty Exemption on Instrument of Transfer and Loan Agreements for Acquisition of First Residential Property under Youth Housing Scheme**

- Stamp duty exemption of 50% be given on instruments of transfer of ownership and loan agreements for acquisition of first residential property with cost not exceeding RM500,000 by married youth aged between 25 and 40 years under the Youth Housing Scheme

## Hyperlinks

### G. GST and Indirect Taxes

1. **Extension of List of Items not subject to GST**
  - The list of goods not subject to Goods and Services Tax ["GST"] be extended to cover the following items:-
    - All types of fruits whether local or imported;
    - White bread and wholemeal bread;
    - Coffee powder, tea dust and cocoa powder;
    - Yellow mee, kuey teow, laksa and meehoon;
    - The National Essential Medicine covering almost 2,900 medicine brands which are used to treat 30 types of diseases including heart failure, diabetes, hypertension, cancer and fertility treatment;
    - Reading materials such as children's coloring books, exercise and reference books, text books, dictionaries and religious books; and
    - Newspapers
  - Effective upon coming into operation of the gazette orders
2. **GST Relief on Supply of Electricity to a Domestic Household**
  - Supply of electricity to a domestic household for a minimum period of 28 days that is not subject to GST be increased from the first 200 units to 300 units
  - Effective upon coming into operation of the gazette orders
3. **GST Relief on Retail Sale of RON95 Petrol, Diesel and LPG**
  - Retail sale of RON95 petrol, diesel and liquefied petroleum gas ["LPG"] be given relief from payment of GST
  - Effective upon coming into operation of the gazette orders
4. **Extension of Export Duty Exemption on CPO**
  - The export duty exemption given on exportation of crude palm oil ["CPO"] from 1<sup>st</sup> September 2014 to 31<sup>st</sup> October 2014 be extended until 31<sup>st</sup> December 2014

## Hyperlinks

### *H. Others*

#### **1. Encouraging Establishment of Principal Hub**

- Customised incentives for principal hubs be introduced early next year to increase the number of multinational companies' global operational centres in Malaysia

#### **2. Review of Matching Grant for SSPN-i**

- Currently, National Education Savings Scheme ["SSPN-i"] account holders with monthly household income not exceeding RM2,000 are enjoying matching grant of up to RM10,000
- It is proposed that the contributors' monthly household income limit eligible for the above matching grant be increased to RM4,000

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