

2018 Budget Highlights

With the release of the Finance (No. 2) Bill 2017, Income Tax (Amendment) Bill 2017 and Labuan Business Activity Tax (Amendment) (No. 2) Bill 2017, we provide you with the updates on the additional amendments contained therein besides those announced in the 2018 Budget Speech.

The updated key amendments are outlined broadly into the following categories:-

- A. Income Tax – Changes Affecting Individuals
- B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
- C. Investment Incentives
- D. Real Property Gains Tax
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Legend

| | | |
|--------------|---|---|
| DGIR | = | Director General of Inland Revenue |
| DGRMC | = | Director General of Royal Malaysian Customs |
| GST | = | Goods and Services Tax |
| GST Act 2014 | = | Goods and Services Tax Act 2014 |
| ICT | = | Information and Communication Technology |
| ITA | = | Investment Tax Allowance |
| ITA 1967 | = | Income Tax Act 1967 |
| MIDA | = | Malaysian Investment Development Authority |
| MOF | = | Ministry of Finance / Minister of Finance |
| PS | = | Pioneer Status |
| REITs | = | Real Estate Investment Trusts |
| RPGT | = | Real Property Gains Tax |
| SC | = | Securities Commission |
| SOCSSO | = | Social Security Organisation |
| WT | = | Withholding Tax |
| YA | = | Year of Assessment |

A. Income Tax – Changes Affecting Individuals

1. Refund of WT on Income Distributed by REITs

- Please refer to Part B3 below

2. Reduction in Individual Tax Rates

- Tax rates for resident individuals be reduced by 2% for chargeable income bands from RM20,001 to RM70,000
- A comparison is as shown below:-

| Chargeable Income RM | Current Tax Rates % | Proposed Tax Rates % | Reduction % |
|-------------------------|------------------------|-------------------------|----------------|
| 0 – 5,000 | 0 | 0 | - |
| 5,001 – 20,000 | 1 | 1 | - |
| 20,001 – 35,000 | 5 | 3 | 2 |
| 35,001 – 50,000 | 10 | 8 | 2 |
| 50,001 – 70,000 | 16 | 14 | 2 |
| 70,001 – 100,000 | 21 | 21 | - |
| 100,001 – 250,000 | 24 | 24 | - |
| 250,001 – 400,000 | 24.5 | 24.5 | - |
| 400,001 – 600,000 | 25 | 25 | - |
| 600,001 – 1,000,000 | 26 | 26 | - |
| Exceeding 1,000,000 | 28 | 28 | - |

- Effective YA 2018

3. Removal of the Description of Public Entertainers

- Amendment be made to Paragraph 22(b), Schedule 6 of the ITA 1967 to remove the description of “public entertainers” as it has been defined in Section 2 of the ITA 1967
- Effective upon coming into operation of the Finance (No. 2) Act 2017

4. Extension of Tax Relief Period for *Skim Simpanan Pendidikan Nasional*

- Relief of up to RM6,000 given on net savings deposited into *Skim Simpanan Pendidikan Nasional* established under the Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 by a resident individual for his or her child be extended for another 3 years
- Effective YA 2018 to YA 2020

5. Exemption on Rental Income from Residential Homes

- Exemption of 50% be given to resident individuals for a maximum of 3 consecutive years of assessment in respect of rental income received from letting out of residential homes
- Eligibility criteria:-
 - rental income received for each residential home does not exceed RM2,000 per month; and
 - a legal tenancy agreement is executed for the residential home rented out
- Effective YA 2018 to YA 2020

6. Review of Tax Incentives for VC

- Please refer to Part B15 below

7. Extension of Application Period for Tax Incentive for Angel Investor

- The application period for an Angel Investor to claim tax exemption equivalent to the amount of the investment made in the investee company ["IC"] be extended for another 3 years
- Qualifying criteria:-
 - Angel Investor
 - a tax resident whose income is not solely derived from business;
 - none of his family members makes any investment in the IC;
 - the investment is solely for the purpose of financing the activities of the IC approved by the MOF; and
 - does not hold more than 30% of the total paid-up share capital of the IC
 - IC
 - incorporated under the Companies Act 1965 (or the Companies Act 2016 subsequent to the repeal of the Companies Act 1965) and a resident in Malaysia;
 - minimum of 51% of the issued share capital is directly owned by a Malaysian citizen (other than the Angel Investor); and
 - carries on the qualifying activities approved by the MOF
- Effective for application received by the MOF from 1st January 2018 to 31st December 2020

8. Exemption of Income for Women Returning to Work After Career Break

- Tax exemption on employment income up to 12 consecutive months be given to female taxpayers who return to work after being on a career break for at least 2 years on 27th October 2017
- Application must be submitted to Talent Corporation Malaysia Berhad from 1st January 2018 to 31st December 2019
- Effective YA 2018 to YA 2020

B. Income Tax – Changes Affecting Companies and Unincorporated Businesses

1. Notification of Change of Accounting Period of a Company, Limited Liability Partnership, Trust Body or Co-Operative Society and Consequences for Failure to Submit the Notification

- A new Section 21A(3A) of the ITA 1967 be introduced to provide that where a company, limited liability partnership, trust body or co-operative society has made up its accounts for a period of 12 months and has failed to make up its accounts ending on the corresponding day in the following year (i.e. changed its accounting period), the company, limited liability partnership, trust body or co-operative society shall notify the DGIR in a prescribed form:-
 - in the case where the accounting period is shorten, 30 days before the end of the new accounting period; or
 - in the case where the accounting period is lengthen, 30 days before the end of the original accounting period
- In the event that the company, limited liability partnership, trust body or co-operative society fails to comply with the new Section 21A(3A) of the ITA 1967:-
 - any penalties imposed under Sections 107C or 112(3) of the ITA 1967 based on the original accounting period be continued to be recoverable by the DGIR from the company, limited liability partnership, trust body or co-operative society [new Sections 107C(11B) and 112(3A) of the ITA 1967]
 - upon conviction, the company, limited liability partnership, trust body or co-operative society be liable to a fine of not less than RM200 and not more than RM20,000 or to imprisonment for a term not exceeding 6 months or to both [new Section 120(1)(i) of the ITA 1967]
- Effective YA 2019 [Sections 21A(3A), 107C(11B) and 112(3A) of the ITA 1967] and effective upon coming into operation of the Finance (No. 2) Act 2017 [Section 120(1)(i) of the ITA 1967]

2. Review of Deduction of Management Expenses for the Shareholders' Fund of *Takaful* Business

- The scope of deduction of management expenses [Sections 60AA(9)(b)(iii) and 60AA(10)(b)(iii) of the ITA 1967] be amended as follows:-
 - *wakalah* fee receivable in relation to general fund, inward re-*takaful* fund, offshore fund or family re-*takaful* fund;
 - any other fee receivable in relation to the general fund, inward re-*takaful* fund, offshore fund or family re-*takaful* fund; or
 - any other fee receivable in relation to an investment fund from the family fund
- The prescribed formula for the computation of management expenses [new Section 60AA(10B) of the ITA 1967] to be deducted from any other fee receivable is as follows:-

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

where :

- A is the total amount of gross income for that period in respect of any other fee receivable (i.e. excluding *wakalah* fee);
- B is the total amount of gross income for that period in respect of any other fee receivable (i.e. excluding *wakalah* fee for commission); and
- C is the total management expenses incurred for the basis period for a year of assessment

- Effective YA 2018

3. Expansion of Scope for Failure to Furnish Country-by-Country Report, Incorrect Returns, Information Returns or Report and Failure to Comply with Rules Made under Section 154(1)(c) of the ITA 1967

- Currently, under the provisions of the ITA 1967, it is an offence where a person:-
 - fails to furnish a country-by-country report [Section 112A of the ITA 1967];
 - makes any incorrect return, information return or report by omitting the information required to be provided or gives any incorrect information in relation to information required to be provided [Section 113A of the ITA 1967]; or
 - fails to comply with any rules made under Section 154(1)(c) of the ITA 1967 [Section 119B of the ITA 1967],
 to implement or facilitate the operation of the mutual administrative assistance arrangement under 132B of the ITA 1967
- It is now proposed that the above offences under Sections 112A, 113A and 119B of the ITA 1967 be expanded to include non-compliance of the rules made under Section 154(1)(c) of the ITA 1967 to implement or facilitate the operation of a double taxation arrangement under Section 132 of the ITA 1967 or tax information exchange arrangement under Section 132A of the ITA 1967
- It is unknown for now the effective date of the proposed amendment

4. Refund of WT on Income Distributed by REITs

- WT on income distributed by REITs to unit holders be refunded if the unit holders are exempted from tax
- Effective upon coming into operation of the Finance Act (No. 2) 2017

5. Implementation of Earning Stripping Rules to Replace Thin Capitalisation Rules

- Earning Stripping Rules ["ESR"] be introduced to replace the Thin Capitalisation Rules which has been deferred for enforcement until 31st December 2017
- Under the ESR, interest deduction on loans between related companies within the same group will be limited to a ratio ranging from 10% to 30% of the company's Earning Before Interest and Taxes ["EBIT"] or Earning Before Interest, Tax, Depreciation and Amortisation ["EBITDA"]
- Effective 1st January 2019

6. Amendment to Residual Expenditure of Assets Classified as Held for Sale

- Where an asset is classified as an asset held for sale in accordance with generally accepted accounting principles, it shall be deemed to have ceased to be used for the purposes of a business
- Currently, there are 3 scenarios to compute the balancing charge or allowance for asset held for sale
- Scenario 1 : Where an asset is sold in the basis period in which it was classified as an asset held for sale (i.e. Year 1), the balancing charge or allowance to be computed in Year 1 shall be based on the difference between the following:-
 - the disposal value of the asset determined based on the greater of:-
 - the market value at the date it was classified as asset held for sale; and
 - net sales proceed
 - the residual expenditure of the asset
- Scenario 2 : Where an asset is sold in the following basis period after it was classified as an asset held for sale (i.e. Year 2), the balancing charge or allowance to be computed in Year 2 shall be based on the difference between the following:-
 - the disposal value of the asset determined based on the greater of:-
 - the market value at the end of Year 1; and
 - net sales proceed
 - the residual expenditure of the asset, after deducting notional allowance of the asset in Year 2
- Scenario 3 : Where the asset is not sold as at the end of the following basis period (i.e. not sold in Year 2), it shall be deemed to be disposed of in Year 2 and the balancing charge or allowance to be computed in Year 2 shall be based on the difference between the following:-
 - the disposal value of the asset determined based on the market value at the end of Year 2
 - the residual expenditure of the asset, after deducting notional allowance of the asset in Year 2
- For Scenario 2 and Scenario 3, it is proposed that the deduction of the notional allowance in arriving at the residual expenditure of the asset be amended from Year 2 to Year 1
- Effective upon coming into operation of the Finance (No. 2) Act 2017

7. Income Tax Exemption on Green SRI Sukuk Grant

- Income tax exemption be given to the recipient of the Green Sustainable and Responsible Investments ["Green SRI"] *sukuk* grant to finance the external review expenditure incurred for the issuance of *sukuk*
- Effective for applications received by the SC from 1st January 2018 to 31st December 2020
- Pending the gazette of the relevant legislations, it is unknown whether the external review expenditure incurred out of the grant received will be disallowed for tax deduction

8. Expansion of Scope of Tax Exemption for Fund Management Services

- Currently, tax exemption is given to companies providing management services to foreign investors, local investors, business trusts and REITs in Malaysia if the *Shariah*-compliant funds are approved by the SC
- The tax exemption be extended to include management fee income from management of conventional and *Shariah*-compliant SRI funds approved by the SC
- Effective YA 2018 to YA 2020

9. Capital Allowance for ICT Equipment, Computer Software Packages and Customised Software

- Expenditure incurred on the following be allowed for the claim of capital allowance at the initial and annual rates of 20% respectively:-
 - i. purchase of ICT equipment and computer packages; and
 - ii. development of customised software comprising of consultation fee, licensing fee and incidental fee related to software development
- Effective YA 2017 for (i) and YA 2018 for (ii)

10. Extension of Tax Incentive Period for Automation in Labour Intensive Industries

- Accelerated capital allowance ["ACA"] of 100% and automation equipment allowance ["AEA"] of 100% on the first RM4 million automation expenditure be extended for another 3 years to encourage automation in the manufacturing sector
- Eligible criteria:-
 - For manufacturing companies which undertake qualifying project relating to rubber, plastic, wood, furniture and textile; and
 - The automation expenditure must be incurred within YA 2015 to YA 2020
- Extended for application received by MIDA from 1st January 2018 to 31st December 2020

11. New Tax Incentive for Transformation to Industry 4.0

- Tax incentives be given in the form of ACA and AEA to encourage companies in the manufacturing and manufacturing related services sectors which adopt advanced technology to transform to Industry 4.0
- The ACA and AEA will be provided on the first RM10 million qualifying capital expenditure incurred in the YA 2018 to YA 2020 and is fully claimable within 2 years of assessment
- Effective for applications received by MIDA from 1st January 2018 to 31st December 2020

12. Further Deductions for Employment of Disabled Person

- Employers be given further deduction on salary paid to an employee who has been affected by accidents or critical illnesses and certified by the Medical Board of SOCSO that he/she is able to work within his/her capabilities
- Effective YA 2018

13. Extension of Tax Incentive Period for Tour Operating Companies

- Income tax exemption of 100% on statutory income derived from the following tour packages operated by tour operating companies licenced under the Tourism Industry Act 1992 be extended for another 2 years:-
 - Tour packages within Malaysia participated by not less than 1,500 local tourists annually; and
 - Tour packages to Malaysia participated by not less than 750 foreign tourists annually
- Effective YA 2019 and YA 2020

14. Double Deduction for Expenses Incurred in Obtaining Certification for Quality Systems and Standards

- Double deduction for expenses, not being capital expenditure, incurred in obtaining certification for quality systems and standards from the following approved certification bodies be given to companies registered with Malaysia Healthcare Travel Council that provide dental and ambulatory healthcare services:-
 - Malaysian Society for Quality in Health – Malaysia;
 - Joint Commission International – United States of America;
 - CHKS Accreditation Unit – United Kingdom;
 - The Australian Council on Health Care Standard – Australia; and
 - Accreditation Canada – Canada
- Effective YA 2018

15. Review of Tax Incentives for VC

- Income of a venture capital management corporation ["VCMC"] that is exempted from the payment of income tax be expanded to include the following statutory income received in managing venture capital companies ["VCC"] funds:-
 - management fees; and
 - performance fees
- The condition for VCC to invest at least 70% of its invested funds in a venture capital ["VC"] in the form of seed capital, start-up or early stage financing in order to qualify for tax exemption be reduced from 70% to 50%
- Tax deduction equivalent to the amount of investment made in a VC given to company and individual with business income be expanded to include the amount of investment made on VCC funds created by VCMC, subject to a maximum of RM20 million per year for each company or individual
- Applications must be received by the SC from 1st January 2018 to 31st December 2018
- Effective YA 2018 to YA 2022

C. Investment Incentives

1. Extension of Tax Incentive for Principal Hub

- Currently, Principal Hub is given income tax exemption according to 3-tier preferential tax rates of 0%, 5% or 10% based on the following criteria:-
 - Minimum paid-up capital of RM2.5 million;
 - Minimum annual sales of RM300 million;
 - Monitoring and providing services to at least 3 related companies located and operating outside Malaysia;
 - Carrying out at least 3 qualifying services, out of which one must be from "Strategic Services" cluster;
 - Acquiring local professionals and local financial services
- The above income tax exemption be extended for another 3 years until 31st December 2020 subject to the adherence to the criteria of Forum on Harmful Tax Practices
- Effective for applications received by MIDA until 31st December 2020

2. Extension of Tax Incentives for New 4 and 5-Star Hotels in Peninsular Malaysia, Sabah and Sarawak

- The following tax incentives given to investors undertaking new investments in 4 and 5-star hotels be extended for another 2 years until 31st December 2020:-
 - 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 statutory income for each year of assessment
 - Sabah and Sarawak
 - PS with income tax exemption of 100% of statutory income for a period of 5 years; or
 - ITA of 100% on the qualifying expenditure incurred within a period of 5 years to be set off against 100% of statutory income for each year of assessment
- Effective for applications received by MIDA until 31st December 2020

3. Extension of Tax Incentive for Medical Tourism

- Currently, ITA 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 carrying out a new investment or engaging in expansion, modernisation or refurbishment of its existing private healthcare facility business

- Conditions:-
 - Eligible companies must be:-
 - Incorporated under the Companies Act 2016 and residing in Malaysia;
 - Licensed by the Ministry of Health Malaysia; and
 - Registered with the Malaysian Healthcare Tourism Council
 - Eligible healthcare traveller must be:-
 - Non-Malaysian citizen who participates in Malaysia My Second Home programme 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
 - At least 5% of the total number of patients receiving private healthcare services are qualified healthcare travellers per year of assessment; and
 - At least 5% of the company's gross income is derived from qualified healthcare travellers for each year of assessment
 - This tax incentive be extended for another 3 years until 31st December 2020 and all the above conditions remained unchanged except for the following:-
 - At least 10% of the total number of patients receiving private healthcare services are qualified healthcare travellers per year of assessment; and
 - At least 10% of the company's gross income is derived from qualified healthcare travellers for each year of assessment
 - Effective for applications received by MIDA until 31st December 2020
- 4. Review of Tax Incentive for Export of Private Healthcare Services**
- Currently, the private healthcare sector is given an exemption of statutory income equivalent to 50% of the value of increased exports of healthcare services and the exemption can be set-off against 70% of statutory income
 - It is proposed that the income tax exemption be increased from 50% to 100% of the value of increased exports of services, subject to the following additional conditions:-
 - At least 10% of the total number of patients receiving private healthcare services are qualified healthcare travellers per year of assessment; and
 - At least 10% of the company's gross income is derived from qualified healthcare travellers for each year of assessment
 - Effective YA 2018 to YA 2020

D. Real Property Gains Tax

- 1. Retention Sum by Acquirer in relation to Disposal of a Chargeable Asset by Non-Citizen or Non-Permanent Resident**
- The requirement for the acquirer to retain up to 3% of the total consideration value be increased to 7% if the disposer is not a citizen or permanent resident
 - Effective for disposal from 1st January 2018
- 2. Transactions in which Disposal Price is Deemed Equal to Acquisition Price**
- Currently, the disposal price is deemed to be equal to the acquisition price for transfer of chargeable assets between spouses, or transfer of chargeable assets owned by an individual, by his wife or by an individual jointly with his wife or with a connected person to a company controlled by the individual, by his wife or by the individual jointly with his wife or with a connected person for a consideration consisting of shares in the company, or for a consideration consisting substantially of shares in the company and the balance of a money payment
 - Additional condition be introduced for the deeming provision whereby the transferors must be Malaysian citizens
 - Effective for disposal from 1st January 2018

3. Date of Disposal under Conditional Contracts

- The determination of date of disposal of a chargeable asset in situations where the disposal requires the approval by the Government or a State Government be amended to exclude authority or committee appointed by the Government or a State Government
- Effective 1st January 2018

4. Application of RPGT Rate to an Executor of the Estate of a Deceased Person Who is Not a Citizen or Permanent Resident

- The RPGT rates of an individual who is not a citizen or permanent resident be applied to an executor of the estate of a deceased person who is not a citizen or permanent resident
- Effective 1st January 2018

E. Stamp Duty

1. Extension of Stamp Duty Exemption for Revival of Abandoned Housing Projects

- The stamp duty exemption given to the following parties on instruments executed from 1st January 2013 to 31st December 2017 be extended for another 3 years:-
 - Rescuing contractor / developer
 - Loan agreements to finance the revival of the abandoned housing project
 - Instruments of transfer of title for land and houses in the abandoned housing project
 - Original house purchaser in the abandoned housing project
 - Loan agreements for additional financing facilities
 - Instruments of transfer of the house
- The abandoned housing projects must be certified by the Ministry of Urban Wellbeing, Housing and Local Government
- Effective for loan agreements and memorandums of transfer executed from 1st January 2018 to 31st December 2020

2. Stamp Duty Exemption on Contract Notes for Trading of ETF and SW

- Stamp duty exemption be given on contract notes for trading of Exchange Traded Funds [“ETF”] and Structured Warrants [“SW”] by investors
- Effective for contract notes for trading of ETF and SW executed from 1st January 2018 to 31st December 2020

F. Goods and Services Tax

1. Review of Cessation of Liability to be Registered

- It is proposed that any supply of capital assets made in the course of cessation of business be excluded in determining the value of taxable supply for the purpose of GST deregistration
- Effective upon coming into operation of the Finance (No. 2) Act 2017

2. Power to Assess on a Person Other Than a Taxable Person

- A new Section 43(1A) of the GST Act 2014 be introduced to empower the DGRMC to raise an assessment based on his best judgement to a person (other than a taxable person) who:-
 - fails to furnish a declaration by person other than a taxable person; or
 - furnishes an incomplete or incorrect declaration
- The time bar for the DGRMC to raise an assessment under Section 43(1A) of the GST Act 2014 shall not be more than 6 years from the date on which the GST is due and payable or from the date on which the refund was made except for fraud or wilful default
- Notwithstanding any appeal, the GST and penalty due and payable by a person other than a taxable person shall be paid to the DGRMC except for the amounts in relation to assessment which has been withdrawn
- Effective upon coming into operation of the Finance (No. 2) Act 2017

3. Review of GST Treatment for Local Authorities

- To streamline the GST treatment between the Federal Government, the State Government and the Local Authorities, it is proposed that all supplies made by the Local Authorities be regarded as out of scope supply and not subject to GST
- GST relief be given to the Local Authorities on the acquisition of all goods excluding petroleum, commercial buildings, land and imported motor vehicles
- Effective 1st April 2018 or 1st October 2018 as opted by the Local Authorities

4. GST Treatment on Payment of Human Resources Development Levy

- It is proposed that the payment of human resources development levy under the Pembangunan Sumber Manusia Berhad Act 2001 by an employer be treated as neither a supply of goods nor a supply of services
- Effective upon coming into operation of the Finance (No. 2) Act 2017

5. Harmonising GST Treatment on Reading Materials

- Supply of magazines, journals, periodicals and comics (currently subject to 6% GST) be treated as zero-rated supply in order to streamline the GST treatment on all types of reading materials
- Effective 1st January 2018

6. Exemption of GST in respect of Management and Maintenance Services of Stratified Residential Buildings

- It is proposed that the exemption of GST in respect of management and maintenance services (including recovery of group insurance cost, assessment tax and quit rent) supplied by a joint management body and management corporation to owners of stratified residential buildings be widen to cover the similar supplies made by housing developers
- Effective 1st January 2018

7. GST Relief on Construction Services for School Buildings and Places of Worship

- It is proposed that GST relief be given on construction services for the construction of school buildings and places of worship financed through public donations. The GST relief does not apply to the purchase of commercial buildings
- The GST relief is restricted to the construction services for which the invoice has not been issued
- Additional conditions for entitlement to the GST relief:-
 - The approval under Section 44(6) of the ITA 1967 for the construction fund has been obtained;
 - The approvals for development and construction by the Local Authorities, the Ministry of Education Malaysia or State Religious Councils (for *surau* or mosques) have been obtained;
 - The school buildings including hall and sports facilities constructed are directly used for teaching and learning purposes; and
 - The construction services contract is signed on or after 1st April 2017
- Effective for applications submitted to MOF from 27th October 2017

8. GST Relief on Importation of Big Ticket Items

- It is proposed that GST relief be given on importation of big ticket items such as:-
 - aircrafts and ships by companies in the aviation and shipping industries
 - oil rigs or floating structures by companies in the oil and gas industry
- A list of the big ticket items and the terms and conditions of the approvals will be stipulated by MOF
- Effective 1st January 2018

9. Relief from Payment of GST on Importation of Goods under Lease Agreements into Malaysia from Designated Areas

- It is proposed that relief from payment of GST be given to companies involved in the oil and gas industry on the importation of goods under lease agreements into Malaysia from Designated Areas (i.e. Langkawi, Labuan and Tioman)
- A list of goods and the terms and conditions of approvals will be stipulated by the MOF
- Effective 1st January 2018

10. GST Relief on Handling Services Rendered to Operators of Cruise Ships

- Currently, the definition of “ship” under Item 2 of the GST (Zero-Rated Supply) Order 2014 does not include any vessel which is designed or adapted for the purpose of recreation or pleasure such as cruise ship
- It is proposed that GST relief be given to cruise ship operators on handling services [as defined under Item 3(2), Second Schedule of the GST (Zero-Rated Supply) Order 2014] provided by sea port operators in Malaysia
- Effective 1st January 2018 to 31st December 2020

11. The Merger of Customs Appeal Tribunal and GST Appeal Tribunal

- It is proposed that both Customs Appeal Tribunal [“CAT”] and GST Appeal Tribunal [“GSTAT”] be merged to a single tribunal called CAT to ensure smooth and efficient management of appeals and optimum use of resources
- Any taxpayer or company aggrieved by the decision of the DGRMC on matters relating to customs and GST (except for certain prescribed non-appealable matters under the Fourth Schedule of the GST Act 2014) may lodge an appeal to CAT
- Effective 1st January 2019

G. Others**1. Power of Minister to Make Regulations**

- Section 21 of Labuan Business Activity Tax Act 1990 has been amended to empower the MOF to make regulations for implementing or facilitating the operation of double taxation arrangements and tax information exchange arrangements under Sections 132 and 132A of the ITA 1967 respectively; and
- Failure to comply with any of the provisions of the above regulations may be liable to a fine not exceeding RM1,000,000 or imprisonment for a term not exceeding 2 years or both
- It is unknown for now the effective date of the proposed amendment

2. Duty-Free Island

- Pulau Pangkor in Perak will be regarded as duty-free Island. The duty-free status shall exclude alcoholic beverages, tobaccos and motor vehicles

3. Free Industrial Zone

- The Special Border Economic Zone in Bukit Kayu Hitam will be developed as a Free Industrial Zone to stimulate economic growth in the northern area

4. 1Malaysia Retirement Scheme [“SP1M”]

- Government contribution be increased from 10% to 15% or from a maximum of RM120 to RM250 per year
- Effective 1st January 2018 to 31st December 2022

5. Domestic Investment Strategic Fund

- The government will provide a matching grant of RM245 million under the Domestic Investment Strategic Fund in enhancing the Smart Manufacturing Facilities to encourage the transformation to Industry 4.0

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