ALJEFFRI & CO.

PUBLIC ACCOUNTANTS (M)

1996
Budget Summary

Friday, October 27, 1995

October 27, 1995

To : Our clients, friends and overseas affiliates

1996 BUDGET SUMMARY

This is the thirteenth year of our firm's tradition in the presentation of the Budget Summary on the budget day. We are happy to once again furnish for your appreciation our summary and synopsis of the 1996 Budget Proposals.

This summary is based on the budget speech delivered by the Honourable The Minister of Finance, Dato Seri Anwar Ibrahim to the Parliament on October 27, 1995. In compiling this summary we have concentrated on those matters which we consider to be of importance or interest to the readers. Our synopsis comprising particulars of budget proposals on a comparative basis over a period of seven years together with the summaries of the taxation amendments affords an opportunity to the readers to assimilate information useful to them.

The summary is divided into the following sections :

SECTION A

1996 BUDGET: FOREWORD AND COMMENTARY

THE 1996 Budget can be best described as a focus budget aimed at managing and sustaining the heating economy.

This year's budget is formulated to allow for:

* growth to be sustained at a low inflationary level;
* the capabilities of the service sector to be strengthened;
* human resource and technological capability developments to be upgraded; and
* the agenda for social development to be continued.

The government aimed to raise an income of RM54.376 Billion next year as compared to RM50,380 Billion in 1995. Of this amount RM12.209 Billion will be used to run the country. Another RM14,201 Billion will be expended on developmental programmes. In 1995, it cost the government RM38,292 Billion to run the country. It also incurred RM11,502 Billion on development.

Various monetary and fiscal policies have been drawn up to meet the above objectives. These range from the reduction of personal and cooperative income taxes to increases in road taxes and extending the coverage of investment incentives to new industries.

SUSTAINING GROWTH

To ensure that the growth is maintained with low inflation the government will continue its tight monetary policies. The use of credit cards will be discouraged by increasing the minimum monthly payments to 15% and savings encouraged by increasing the EPF contribution of the employees by one percent to 11 percent.

At the same time, the maximum deduction for tax purposes in respect of contribution by employers to EPF and other approved schemes will be increased by 1% to 17 percent.

There will also be yet another issue of natinal savings bonds of RM1 Billion in 1996. In addition, interests income received by individuals on savings and fixed deposits with financial institutions will be exempted from tax, subject to specific conditions.

Above all the reduction and abolishment of import duties and sales taxes on over 1510 items would reduce the costs of business.

SERVICE SECTORS

The most significant contributor to the current account deficit is the services balance. Malaysia has consistently been showing a deficit in this account as this sector of the economy is largely underdeveloped. It is therefore timely that this sector be modernized and made more dynamic to enable it to act as a catalyst for economic development and explore opportunities for export services. In this regard the present tax incentives have been increased and also extended to include sectors that were previously not included such as the communication and broadcasting, public utility and transport.

Existing facilities for domestic tourism resorts and medium accommodation will be increased to encourage tourism. In addition to increasing the capacity and efficiency of existing ports, a new port will be built in Tanjong Pelepas in Johore. Whilst, Port Klang will be converted into a free port and with its advantages to embark into entrepot trade.

93% of specialised insurance services is still ceded abroad in the form of reinsurance. In order to reverse this trend, Malaysia will have its own reinsurance to meet Malaysian needs thereby saving outflow of funds.

LABOUR SHORTAGE AND TECHNOLOGICAL CAPABILITIES

To overcome the tight labour market, investments in low-tech and labour intensive industries will not be encouraged. Additional incentives like investments in Research and Development of Science and Technology will be introduced to stimulate the shift of emphasis to the use of sophisticated capital intensive technology.

Institutes of Higher Learning would be increased and improved to enhance technical capabilities of the Malaysian labor force. Industrial Building Allowance in now extended to educational buildings.

CONTINUING AGENDA FOR SOCIAL DEVELOPMENT

In line with the government aspirations to develop social fundamentals, the budget has provided for women to embark on entrepreneurial and management programmes.

The government has also launched and promoted activities for youths in various norms to harness their potentials and talents towards the developments of the economy and in turn to be swayed from unhealthy activities.

CONCLUSION

As the economy moves into the Seventh Malaysia Plan the challenge of the economic management in 1996 will be the ability to manage for growth, to ensure that the momentum is sustainable. Similarly strains that have emerged in the current account deficit of the balance of payments and in the labour markets reflected by high-wage-low-productivity pressure must be overcome.

We are at the turning point. Technological breakthrough and crumbling national barriers are pressuring public and private sectors to become more efficient and entrepreneurial in order to compete in the globalised markets.

It is up to us Malaysians to make the 1996 Budget work. Therefore, let us be experts at working to improve productivity rather than being expert passengers. At the same time, be in the habit of saving. This is not for purpose of denying the citizen the right to a better standard of living; rather, there must be a conscious, concerted effort to reduce the supply of money in the markets — a necessary step to reduce inflation.

The visionary leadership of today can plan for strategic changes. The Rakyat can make the changes a reality.

for ALJEFFRI & CO

Syed Amin Aljeffri
Managing Partner

HIGHLIGHTS

* REDUCTION OF INCOME TAX RATES FOR INDIVIDUALS

  - MAXIMUM RATE REDUCED FROM 32% TO 30%

  - REMAINDER TIERS, THE RATES WILL BE REDUCED BETWEEN 1% TO 2%

* REDUCTION OF INCOME TAX FOR COOPERATIVES

  - MAXIMUM RATE REDUCED FROM 32% TO 30% ON CHARGEABLE INCOME EXCEEDING RM500,000

  - REDUCED BETWEEN 1% TO 2% ON CHARGEABLE INCOME LESS THAN RM500,000

* INCREASE TAX RELIEF FOR INDIVIDUALS

  - INCREASE TAX RELIEF FOR CONTRIBUTIONS TO APPROVED PENSION FUNDS AND INSURANCE PREMIUMS BY RM2,000 SPECIALLY TO COVER PREMIUMS ON EDUCATION AND MEDICAL INSURANCE.

  - EITHER HUSBAND OR WIFE TO CLAIM TAX RELIEF FOR CHILDREN

* ADDITIONAL TAX RELIEF FOR THE ELDERLY AND HANDICAPPED

  - HANDICAPPED CHILDREN - INCREASED FROM RM1,600 TO RM5,000 PER CHILD

  - THE PURCHASE OF SUPPORT EQUIPMENT FOR THE HANDICAPPED - INCREASED FROM RM3,000 TO RM5,000

  - MEDICAL EXPENDITURE INCURRED ON PARENTS - INCREASED FROM RM1,000 TO RM5,000

* INCREASE EPF CONTRIBUTION BY EMPLOYEES FROM 10% TO 11%

* TAX RELIEF FOR EMPLOYERS CONTRIBUTIONS TO EPF AND APPROVED SCHEMES

  - THE MAXIMUM RATE IS INCREASED FROM 16% TO 17%

* INCREASE REAL PROPERTY GAIN TAX ON DISPOSALS

	NOW	BEFORE
- WITHIN TWO YEARS	30%	20%
- WITHIN THREE YEARS	20%	15%
- WITHIN FOUR YEARS	15%	10%
- NON CITIZEN INDIVIDUALS	30%	AS ABOVE

* LEVY ON FOREIGN PROPERTY BUYER

  - A LEVY OF RM100,000 BE IMPOSED BY THE RELEVANT STATE AUTHORITY ON EVERY PURCHASE OF REAL ESTATE BY FOREIGN INTERESTS

* EXEMPT FROM TAX ON INTEREST INCOME

  - SAVING ACCOUNTS OF UP TO RM100,000
  - FIXED DEPOSITS OF LESS THAN 12 MONTHS AND UP TO A MAXIMUM OF RM100,000
  - ALL FIXED DEPOSITS OF 12 MONTHS OR MORE

* ABOLISHMENT OF IMPORT DUTIES AND SALES TAXES ON ALL BASIC MEDICAL EQUIPMENT

* INCREASE MINIMUM PAYMENT OF CREDIT CARDS MONTHLY BALANCES FROM 10% TO 15%

* INCREASE ROAD TAX

  - FOR CARS EXCEEDING 2,000 C.C. THE RATE IS INCREASED BY 25% (BETWEEN 20 SEN TO 90 SEN PER C.C.)

  - FOR PETROL PASSENGER CARS OWNED BY COMPANIES, THE RATE IS INCREASED FROM TWO TO THREE TIMES THE RATE LEVIED ON PRIVATE PETROL PASSENGER CARS

* EXTEND THE ELIGIBILITY OF THE REINVESTMENT ALLOWANCE TO INCLUDE THE PRODUCTION OF ESSENTIAL FOOD ITEMS

* RATIONALISE THE MECHANISM OF GRANTING OF REINVESTMENT ALLOWANCE TO BE CONSISTENT WITH THAT OF PIONEER STATUS OR INVESTMENT TAX ALLOWANCE

  - EXEMPTED UP TO 70% OF THE STATUTORY INCOME FOR ANY PARTICULAR YEAR

  - UNABSORBED ALLOWANCE WOULD BE ALLOWED TO BE CARRIED FORWARD INTO THE FOLLOWING YEARS UNTIL FULLY UTILISED

  - QUALIFYING CAPITAL EXPENDITURE IS INCREASED FROM 50% TO 60%

  - COMPANIES LOCATED IN THE EASTERN CORRIDOR OF PENINSULAR MALAYSIA, SABAH AND SARAWAK WOULD BE ALLOWED FLEXIBILITY TO UTILISE FULLY THE ALLOWANCE IN A SINGLE YEAR

* EXTENT OF REINVESTMENT ALLOWANCE TO INCLUDE THE PRODUCTION OF ESSENTIAL FOOD ITEMS SUCH AS PADDY, MAIZE, FRUITS, VEGETABLE, THE REARING OF LIVESTOCK AND THE PRODUCTION OF AQUACULTURE

* REDUCTION OR ABOLISHMENT OF IMPORT DUTIES AND/OR SALES TAXES TO REDUCE THE COST OF BUSINESS

- 800 ITEMS COMPRISING OF FOOD PREPARATIONS FROM FRUITS, MATERIALS FOR PLASTICS PRODUCTS, TEXTILES, PRECIOUS STONE, AND SILVER FOR JEWELLERY, IRON AND STEEL AND A VARIETY OF ELECTRIC MOTOR, GENERATORS AND PRINTING EQUIPMENTS

- 710 ITEMS COMPRISING OF PLASTIC PIPES AND TUBES, TEXTILES, IRON AND STEEL-BASED PRODUCTS, WATER HEATERS, ELECTRIC CONTROL PANELS AND INSULATED CABLES

* INCLUDE RECONDITIONED HEAVY MACHINERIES AND EQUIPMENT IN THE PROMOTION OF INVESTMENT ACT 1986

* EXTENSION OF TAX INCENTIVES IN THE SERVICE SECTOR LIKE HOTEL, TOURISM AND SHIPPING TO INCLUDE APPROVED SERVICE PROJECTS IN THE COMMUNICATIONS, PUBLIC UTILITIES AND TRANSPORTATION SUB-SECTORS

  - INCOME TAX EXEMPTION OF BETWEEN 70% TO 100% ON STATUTORY INCOME FOR A PERIOD OF BETWEEN FIVE TO TEN YEARS

  - INVESTMENT ALLOWANCE OF BETWEEN 60% TO 100% ON QUALIFYING CAPITAL EXPENDITURE FOR A PERIOD OF FIVE YEARS. THIS ALLOWANCE IS ALLOWED AS A DEDUCTION OF BETWEEN 70% TO 100% OF STATUTORY INCOME

  - INDUSTRIAL BUILDING ALLOWANCE FOR THE CONSTRUCTION OF BUILDINGS UNDER APPROVED SERVICE PROJECTS

* INCREASE AIRPORT TAX FOR INTERNATIONAL TRAVEL FROM RM20 TO RM40 EFFECTIVE JANUARY 1, 1996

* TO ENCOURAGE THE UTILISATION OF MALAYSIAN PORTS AND SHIPPING

  - THE ELECTRONIC DATA INTERCHANGE (EDI) WILL BEGIN OPERATION ON OCTOBER 31, 1995 TO ENABLE CARGO CLEARANCE PROCEDURES MORE EFFICIENTLY

- INCREASED THE RATE OF LEVY ON GOOD VEHICLES LEAVING THIS COUNTRY FROM RM100 TO RM200 EXCLUDING THOSE TRANSPORTING PERISHABLE GOOD.

- FOR LADEN VEHICLES ENTERING MALAYSIA, A LEVY OF RM100 WILL BE IMPOSED

* THE SETTING OF THE MALAYSIAN RE INTERNATIONAL INSURANCE (LABUAN) LIMITED

* ENCOURAGE THE USE OF COMPUTERS AMONG THE RAKYAT

  - ABOLISHMENT OF SALES TAX ON COMPUTERS AND THEIR COMPONENTS INCLUDING SOFTWARE

  - THE CAPITAL ALLOWANCE RELATED TO EXPENSES ON COMPUTERS AND OTHER INFORMATION TECHNOLOGY EQUIPMENT BE ALLOWED OVER A PERIOD OF TWO YEARS

* PROMOTING ARTS AND CULTURE AND THE BROADCASTING INDUSTRY

  - EXEMPTION OF ENTERTAINMENT DUTY ON ADMISSIONS TO STAGE PLAYS ORGANISED BY LOCAL THEATER GROUPS IN FEDERAL TERRITORIES OF KUALA LUMPUR AND LABUAN

* INCREASE LEVY ON FOREIGN WORKERS EXCEPT DOMESTIC HELPERS AND UNSKILLED WORKERS IN AGRICULTURAL SECTOR

	NOW	BEFORE
- UNSKILLED WORKERS	RM840	RM420
- SEMI-SKILLED WORKERS	1,200	600

  - FOR THOSE WHO ARE SUBJECT TO INCOME TAX INCLUDING PROFESSIONALS, THE LEVIES PAID WILL BE ALLOWED AS A REBATE

* CONCESSION GRANTED TO INVESTOR FOR DEVELOPMENT OF THE WAFER INDUSTRY

  - PIONEER STATUS OR INVESTMENT TAX ALLOWANCE FOR A PERIOD OF 10 YEARS OR MORE

  - SPECIAL GRANTS FOR THE TRAINING OF MALAYSIAN ENGINEERS AND SCIENTISTS

  - THE PROVISION OF UNINTERRUPTED SUPPLY OF ELECTRICITY, CLEAN WATER, TOXIC WASTE STORAGE FACILITIES AND THE CONSTRUCTION OF ELECTRIC SUBSTATIONS

  - RECRUITMENT OF FOREIGN ENGINEERS AND SCIENTISTS AS REQUIRED

  - OTHER FISCAL INCENTIVES

SECTION C

ANALYSIS ON AMENDMENTS TO DIRECT TAXATION

1. DEDUCTION FOR EMPLOYEES PROVIDENT FUND (EPF) & APPROVED SCHEMES BY EMPLOYER

Presently, the maximum deduction allowed for EPF and approved schemes contribution by employers is 16%.

Proposal:

It is proposed that the maximum deduction be increased to 17%.

Impact:

To increase national savings by establishing private pension funds for the benefit of the workers.

2. TAX EXEMPTION ON INTEREST INCOME

Presently, interest received by individual on savings and fixed deposit accounts with financial institutions are exempted from tax as follows:

i) savings accounts deposit of up to RM50,000 with any approved institutions or bank or finance company licensed under the Banking and Financial Institution Act 1989

ii) six month fixed deposits of up to RM100,000 with Bank Simpanan Nasional

iii) fixed deposits of 12 months or more with Bank Simpanan Nasional

Proposal:

It is proposed that interest income received by individual on savings and fixed deposit accounts with financial institutions are exempted as follows:

i) savings accounts of up to RM100,000;

ii) fixed deposits of less than 12 months and up to a maximum of RM100,000; and

iii) fixed deposits of 12 months or more.

This exemption also applies to gains on savings and investment accounts under the Interest Free Banking Scheme (IFBS).

Impact:

To encourage savings among Malaysians and indirectly contained inflation through in consumption.

3. TAX RELIEF ON APPROVED PENSIONS FUNDS AND PREMIUMS ON LIFE INSURANCE

Presently, the tax relief provided for contribution to approved pensions funds and premiums on life insurance (or Takaful) is subject to maximum deduction of RM5,000.

Proposal :

It is proposed that the relief to be increased by RM2,000 specifically to cover premiums on education and medical insurance.

Impact :

To encourage savings for education and health, as well as to develop the education and health care industries.

4. REDUCTION OF INCOME TAX RATES FOR INDIVIDUALS AND COOPERATIVES

4.1 RESIDENT INDIVIDUAL TAX RATES

Presently, the maximum tax rate is 32%.

Proposal :

It is proposed that the maximum tax rate for individuals be reduced to 30%. The rate for the other income groups are reduced between 1 to 2% points.

4.2 COOPERATIVES

Presently, the maximum tax rate is 32%.

Proposal :

It is proposed that the maximum tax rate for cooperatives be reduced to 30%. The rate for the other income groups are reduced between 1 to 2% points.

Impact :

The reduction of income tax rates for individuals and cooperatives will make the income tax structure more progressive and to lessen the burden of the rakyat.

5. REINVESTMENT ALLOWANCE INCENTIVE

5.1 ELIGIBILITY

Presently, Reinvestment Allowance is only enjoyed by manufacturing concerns.

Proposal :

It is proposed that the eligibility of this incentive is extended to include the production of essential food items such as paddy, maize, fruits, vegetables, the rearing of livestock and the production of aquaculture.

Impact :

To encourage large estate to participate in the food production so as to reduce food prices.

5.2 TAX RELIEFS

Presently, the rate of qualifying capital expenditure is 50% and deducted against adjusted income.

Proposal :

It is proposed that the rate be increased to 60% and exemption up to 70% of the statutory income. The balance of the income would be taxed at the prevailing tax rate. However, companies located in the eastern corridor of Peninsular Malaysia, Sabah and Sarawak would be allowed to utilise fully the allowance in that year.

Impact :

To ensure the Reinvestment Allowance remains attractive as well as to create more investment.

6. INCREMENT OF REAL PROPERTY GAINS TAX (RPGT) RATE

Presently, the RPGT rate are as follows:-

Disposal within 2 years after date of acquisition	20%
Disposal in the 3rd. year after date of acquisition	15%
Disposal in the 4th. year after date of acquisition	10%
Disposal in the 5th. year after date of acquisition	5%

The above rate is also applicable to non-citizen.

Proposal :

It is proposed that the rate be increased as follows :-

Disposal within 2 years after date of acquisition	30%
Disposal in the 3rd. year after date of acquisition	20%
Disposal in the 4th. year after date of acquisition	15%

The disposal of any real property by non-citizen individuals will be subject to a flat tax rate of 30%.

Impact :

To curb speculation in real estate.

7. INTEREST INCOME FROM SPECIFIC BONDS

Presently, interest income from specific bonds received by listed closed-end funds and unit trusts are taxable.

Proposal:

It is proposed that the above interest income are exempted from tax.

Impact :

To further encourage the development of the bond market.

8. ADDITIONAL PROMOTED ACTIVITIES

Presently activity of reconditioning heavy machineries and equipment for construction sector is not recognised as promoted activity and therefore not eligible for Pioneer Status and Investment Tax Allowance.

Proposal :

These activities are recognised as a promoted activity and therefore eligible for Pioneer Status or Investment Tax Allowance.

Impact :

To reduce the import of new machinery and equipment for construction sector and to encourage domestic machinery and engineering industries.

9. TAX INCENTIVES

Presently, tax incentives are only available to selected industries in the services sector like hotel, tourism and shipping.

Proposal:

It is proposed that tax incentives is to be granted to approved service projects in the communications, public utilities and transportation sub-sectors. The incentives are as follows :-

i) income tax exemption of between 70 to 100% on statutory income for a period of between 5 to 10 years;

ii) Investment Allowance of up between 60 to 100% on qualifying capital expenditure for a period of five years. This allowance is allowed as a deduction of between 70 to 100% of statutory income; and

iii) Industrial Building Allowance for the construction of buildings under approved service projects.

Impact :

To modernise service sector so that they can act as catalyst to economic development and to explore opportunities to export services.

10. DOUBLE DEDUCTION

Presently, the expenses incurred wholly and exclusively in the production of business income is eligible for single deduction.

Proposal :

It is proposed that qualifying expenditure incurred to promote the export of services are entitle for double deduction.

Impact :

To promote export of services and to enhance the competitiveness of this sector.

11. CAPITAL ALLOWANCE RATE ON COMPUTERS

Presently, computers and accessories are eligible of initial allowance of 20% and annual allowance of 16%.

Proposal :

It is proposed that the annual allowance be increased to 50%.

Impact :

To encourage the use of computers among the rakyat as well as modernising private sector operations.

12. INDUSTRIAL BUILDING ALLOWANCE

Presently, expenditure on buildings and hostels used for education, including technical and vocational training are not entitled to claim industrial building allowance.

Proposal :

It is proposed that the above expenditure be given Industrial Building Allowance of 10% per annum.

Impact :

To make Malaysia a regional educational centre and a focal point in the field of technology.

13. DEDUCTION ON TRAINING EXPENDITURE

Presently, expenditure incurred to train workers before commencement of business is not deductible except for small and medium-scale manufacturing concerns.

Proposal :

It is proposed that expenditure incurred for the purpose of preparing skilled and trained workers is deductible.

Impact :

As an incentive to companies providing appropriate training for new workers.

14. DOUBLE DEDUCTION ON RESEARCH & DEVELOPMENT (R & D) EXPENDITURE

Presently, local universities are not recognised as approved research institutions under the Income Tax Act 1967. Therefore, company undertaking R & D activities in this institutions are also not eligible for the incentives.

Proposal :

It is proposed that local universities be recognised as approved institutions for R & D.

Impact :

To strengthen the linkages between institutions in the public sector and industry.

15. TAX INCENTIVE FOR WAFER INDUSTRY

Presently, wafer industry is not entitled to claim Pioneer Status or Investment Tax Allowance.

Proposal :

It is proposed that the above industry is entitle to claim Pioneer Status or Investment Tax Allowance for a period of 10 years or more.

Impact :

To encourage the development of the wafer industry.

16. OPTION TO CLAIM CHILD RELIEF

Presently, only husband can claim child relief.

Proposal :

It is proposed that either husband or wife be given the option to claim tax relief for their children.

Impact :

To ensure fairness to women and tax planing.

17. TAX RELIEF FOR CONTRIBUTION TOWARDS APPROVED WELFARE AND SOCIAL SERVICES PROJECTS

Presently, only contributions to approved institution is deductible.

Proposal :

It is proposed that the contribution to approved welfare and social projects is deductible.

Impact :

To encourage corporate sector to give contribution toward welfare and social projects.

18. TAX RELIEF FOR THE LESS FORTUNATE INDIVIDU

Presently :-

i) Tax relief for handicapped children is RM1,600 per child

ii) Tax relief for the purchase of support equipment for the handicapped which includes self, spouse, child or parent is restricted to RM3,000

iii) Tax relief for medical expenditure incurred for parents is restricted to RM1,000

Proposal :

It is proposed that all the above tax relief be increased to RM5,000.

Impact :

To assist in the care of aged parents and the unfortunate in line with a caring society and respect for the elders.

19. CAPITAL ALLOWANCE ON ENVIRONMENTAL EQUIPMENT

Presently, qualifying capital expenditure on equipment is eligible for initial allowance of 20% and annual allowance of 12%.

Proposal :

It is proposed that capital allowance related to the expenses incurred on the above equipment be allowed as a deduction over a period of three years.

Impact :

To encourage corporate sector to participate in environment protection.

SECTION D

AMENDMENTS TO INDIRECT TAXATION

1. IMPORT DUTY

1.1 REDUCTION.

Materials used for the Production of Domestic Market Products

Import duties for more than 710 items which include plastic goods, textiles, iron and steel based products, and electrical apparatus will be reduced.

Impact:

This will encourage competition among the producers and will ensure sufficient supplies for domestic market.

1.2 ABOLISHMENT/EXEMPTION

a) All Basic Medical Equipment

Impact:

It is hoped that the quality of health care services in this country will be improved so that citizen will enjoy better health.

b) Specific Equipment and Inputs used in the Production of Food.

Impact:

To increase production so as to meet the demand and therefore curbing inflation.

c) Raw Material/Components and Equipment used by Manufacturing Sector

Import duties for 800 items which comprise food preparation from fruits, materials for plastic products, textiles, precious stones and silver for jewellery, iron and steel, printing equipment, and variety of electric motors and generators.

Impact:

To reduce the cost of production so that the manufacturers can produce cheaper goods.

2. EXPORT DUTY

Export duty on processed palm oil will be suspended for one year effective from 1 November 1995.

Impact:

To ensure that the competitiveness of processed palm oil in the international market is continued.

3. ENTERTAINMENT DUTY

The entertainment duty on admissions to stage plays organised by local theatre groups in the Federal Territories of Kuala Lumpur will be exempted.

Impact:

To cultivate interest in our local arts and culture, and therefore it is hoped to curb the bad influences from foreign culture.

4. SALES TAX

4.1 ABOLISHMENT

a. Basic Medical Equipment

Impact:

It is hoped that the quality of health care services in this country will be improved so that citizen will enjoy better health.

b. Raw Material/Components and Equipment used by Manufacturing Sector

Sales tax for 800 items which comprise food preparation from fruits, materials for plastic products, textiles, precious stones and silver for jewellery, iron and steel, printing equipment, and variety of electric motors and generators.

Impact:

To reduce the cost of production so that the manufacturers can produce cheaper goods.

c. Computer, components and software.

Impact:

To reduce the cost of computers and therefore this will encourage the use of computers among Malaysian and at the same time to promote the modernisation of private sector operations.

5. AIRPORT TAX

Airport tax for international flight will be increase from RM20 to RM40 effective from January 1996.

Impact:

To discourage Malaysian from travel abroad and therefore reduce the outflow of Malaysian Ringgit. At the same time, it is hoped that Malaysian will travel locally and hence promote domestic tourism industry.

However it is doubtful whether the additional RM20 will have any influence on the consumers.

6. LEVY

6.1 Real Property

A levy of RM100,000 will be imposed on every purchase of real estate by foreigners.

Impact:

To curb price increment in real property.

6.2 Goods Vehicles

The levy imposed on goods vehicles leaving Malaysia will be increased from RM100 to RM200, except vehicles transporting perishable goods.

For laden vehicles entering Malaysia, a levy of RM100 will be imposed.

Impact:

To encourage the utilisation of the domestic ports and make Port Klang an entrepot used by ships all over the world.

However, the intention of the increase in levy may be defected if there is an existing long term contract to utilise foreign port for exporting of the goods , the present condition of domestic ports are not condusive, and the avoidance of using the causeway by using tug-boats.

6.3 Foreign Workers

The levy imposed on foreign workers will be increased by 100 per cent for the unskilled and semi-skilled workers in the manufacturing and construction sectors. This increment will not include domestic helpers and unskilled workers in the agricultural sector.

The levies for those who are subjected to income tax will be allowed as a rebate.

Impact:

To reduce the dependence on foreign workers, and at the same time, to accelerate the shift from labour-intensive industry to capital and technology-intensive industry.

SECTION E
SYNOPSIS AND COMPARISON

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
1. PERSONAL TAX				
A) Tax rates				
a) Income Tax	1990: 5% - 40% 1991: 4% - 35%	1992 :4% - 35% 1993 :2% - 34%	1994: 2% - 34% 1995: Chargeable income of first $2,500 previously taxed at 2% now not taxable. Maximum tax rate reduced from 34% to 32%	Chargeable income of first $2,500 = 0% Chargeable income exceeds $150,000 = 30% Other income group = 3%-29%
b) Development Tax	1990: 4% 1991: 3%	1992 :2% 1993 :Abolished	1994: Abolished 1995: Abolished	No change
c) Excess Profit Tax on chargeable income > RM300,000	1990: 5% 1991: Abolished	1992 :Abolished 1993 :Abolished	1994: Abolished 1995: Abolished	No change
B) Separate assessment for wife's income	1990: Restricted to employment, pension (optional & statutory retirement) & profession income 1991: Wife can elect for separate assessment for all of her income	1992: Wife's income is assessed separately unless the wife elect in writing that her income be aggregated with the husband's income 1993 :No change	1994: No change 1995: No change	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
C) Personal Relief				
a) Additional Relief for Disabled tax payer	1990: Nil 1991: Nil	1992 :Nil 1993 :Nil	1994 :Nil 1995 :RM5,000	No change
b) Wife Relief (Joint Assessment)	1990: RM2,000 1991: RM3,000	1992 :RM3,000 1993 :RM3,000	1994 :RM3,000 1995 :RM3,000	No change
c) Additional Relief for Disabled Wife (Joint Assessment)	1990: Nil 1991: Nil	1992 :Nil 1993 :Nil	1994 :Nil 1995 :RM2,500	No change
d) Children (Normal)	1990: 1st child - RM650 2nd child - RM750 3rd to 5th - RM800 each 1991: RM800 each for the first 5 children	1992 :No change 1993 :No change	1994 :No change 1995 :RM800 each (No limit)	No change It is now an option for either the husband or wife to claim child relief.
e) Handicapped child	1990: RM400 each 1991: RM1,000 each	1992 :RM1,600 each 1993 :No change	1994 :No change 1995 :No change	Increased to RM5,000.00

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
f) Unmarried child age above 18 and studying in higher learning Institutions				
i) Overseas Institution	1990: 4 X Normal rate 1991: 4 X Normal rate	1992 :4 X Normal rate 1993 :4 X Normal rate	1994 :2 X Normal Rate 1995 :2 X Normal Rate	No change
ii) Local Institution	1990: Normal rate 1991: Normal rate	1992 :Normal rate 1993 :Normal rate	1994 :4 X Normal rate 1995 :4 X Normal rate	No change
g) Medical expenses for parents	1990: Not deductible 1991: Up to RM1,000	1992 :No change 1993 :No change	1994 :No change 1995 :No change	Increased to RM5,000.00
h) Supporting equipment for disabled person	1990: Not deductible 1991: Not deductible	1992 :Up to RM3,000 1993 :Up to RM3,000	1994 :Up to RM3,000 1995 :Up to RM1,000	Increased to RM5,000.00
i) Life Insurance Premium / EPF Contribution-Maximum limit	1990: RM3,500 shared with wife 1991: RM3,500 for tax payer RM3,500 for wife	1992 :No change 1993 :No change	1994 :RM5,000 each for husband and wife 1995 :No change	Additional relief of RM2,000.00 for premium on education and medical insurance.
j) Fee for education in scientific, technological or vocational	1990: Not deductible 1991: Not deductible	1992 :Not deductible 1993 :Not deductible	1994 :Not deductible 1995 :Up to RM2,000	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
D) Rebate (taxpayer with chargeable income < RM10,000)				
a) Tax Payer	1990: RM60 1991: RM60	1992 :RM60 1993 :RM60	1994 :[illegible] 1995 :RM110	No change
b) Wife (Joint Assessment)	1990: RM30 1991: RM30	1992 :RM30 1993 :RM30	1994 :[illegible] 1995 :RM60	No change
E) Exemption				
a) Interest on saving account with :-				
i) Bank & Finance Co licensed under BAFIA	1990: Interest from deposit of up to RM5,000 exempted 1991: No change	1992 :No change 1993 :Exemption limit increased to RM50,000	1994 :No change and this include interest received from Interest Free Banking Scheme 1995 :No change	Exemption limit is increased to RM100,00[illegible] and this includes interest from interest banking scheme.
ii) Bank Simpanan Nasional	1990: Fully exempted 1991: No change	1992 :No change 1993 :No change	1994 :No change 1995 :No change	No change.
iii) Co - operative, Bank Pertanian Malaysia, Malaysia Building society Bhd, Borneo Housing Mortgage Finance Bhd or any approved institution	1990: Interest from deposit of up to RM10,000 exempted 1991: No change	1992 :Exemption limit increased to RM 50,000 1993 :No change	1994 :No change 1995 :No change	Exemption limit increased to RM[illegible].
iv) Interest from fixed deposit				
- less than 12 months	Taxable	Taxable	Taxable	Exemption limit increased to RM100,000
- more than 12 months	Taxable	Taxable	Taxable	Fully exempted

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
b) Interest earned by individuals from Corporate bonds other than convertible loan stocks issued by companies not listed on KLSE but rated by the Rating Agency Malaysia Bhd	1990: Taxable 1991: Taxable	1992 :Taxable 1993 :Taxable	1994 :Exempted 1995 :Exempted	No change
c) Cash payment in lieu of leave received by Government Servants	1990: Taxable 1991: Taxable	1992 :Taxable 1993 :Exempted	1994 :Exempted 1995 :Exempted	No change
d) Royalty on works of writers - Exemption Limit	1990: RM6,000 1991: RM6,000	1992 :RM12,000 1993 :RM12,000	1994 :RM20,000 1995 :RM20,000	No change
e) Income from translation of books & literary work - Exemption Limit	1990: RM3,000 1991: RM3,000	1992 :RM6,000 1993 :RM6,000	1994 :RM12,000 1995 :RM12,000	No change
f) Cash Award received by writers, Scientist and artist from Government/ Local Authority	1990: Taxable 1990: Taxable	1992 :Taxable 1993 :Exempted	1994 :Exempted 1995 :Exempted	No change
g) Investment income received by annuitant from the disposal of annuities by Life insurance & Takaful companies	1990: Taxable 1990: Taxable	1992 :Taxable 1993 :Taxable	1994 :Taxable 1995 :Exempted	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
2. CORPORATE TAX				
A) Tax rates				
a) Income tax	1990: 35% 1991: 35%	1992 :35% 1993 :34%	1994 :32% 1995 :30%	No change
b) Development tax	1990: 4% 1991: 3%	1992 :2% 1993 :Abolished	1994 :Abolished 1995 :Abolished	No change
c) Witholding Tax On Payment made to Non Resident in respect of :-				
i) Interest	1990: 20% 1991: 20%	1992 :20% 1993 :20%	1994 :20% 1995 :15%	No change
ii) Technical fee/ Royalty	1990: 15% 1991: 15%	1992 :15% 1993 :15%	1994 :15% 1995 :10%	No change
B) Interest income from specific bonds received by listed closed-end funds and unit trusts	Taxable	Taxable	Taxable	Exempted from tax

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
C) Insurance Company				
a) Basis of charges	1990: The adjusted income for life insurance business is calculated using the aggregate of income from investment and realisation of investment and deducting there from a proportion of management expenses and commission provided that the commission shall not exceed 2% of balance of revenue account. The income is taxed at company rate. 1991: No change	1992 :No change 1993 :No change	1994 :No change 1995 :Income from life fund is treated as separate source of income Management expenses and commission paid not deductible in arriving at adjusted income for life fund Chargeable income for life fund is taxed at 8% and chargeable income for shareholders' fund is taxed at 30%	No change
b) Claims Incurred But Not Reported (IBNR)	1990: General provision of IBNR is not deductible 1991: Not deductible	1992 :Not deductible 1993 :Not deductible	1994 :Not deductible 1995 :Deductible if confirmed by Bank Negara	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
D) Deductible Expenses				
a) Promotional Item	1990: Not deductible except :- i) promotional sample of product of that business ii) promotional gift at trade fairs / trade or industrial exhibition held outside Malaysia for the promotion of export iii) entertainment for cultural or sporting events open to public wholly to promote the business of that person 1991: No change	1992 :No change 1993 :No change	1994 :No change 1995 :Deductible if the item incorporate a conspicous advertisement/logo of the company	No change
b) Donation	1990: Donation to approved institution is deductible from aggregate income 1991: Cash contribution to approved research institute is deductible from gross business income and this contribution is eligible for double deduction	1992 :No change 1993 :No change	1994 :Organisation established exclusively for conservation / protection of environment be included as an approved institution Contribution up to $100,000 to public libraries and libraries of school and higher education institution be allowed as deduction in arriving at the adjusted income 1995 :Cash contribution to Government and quasi-Government training institutes and vocational / technical training institution are deductible in arriving at total income	Contribution towards approved welfare and social services projects in the field of:- - education - health - housing - infrastructure - public amenities

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
c) Expenses incurred on publishing and translation of books	1990: Not deductible unless it was incurred wholly and exclusively in the production of income e.g. publishing company 1991: No change	1992 :No change 1993 :Deductible from business income if it was incurred on :- 1) translation into ; or 2) publication in the national language of cultural, literary, professional, scientific or technical books approved by Dewan Bahasa dan Pustaka	1994 :No change 1995 :No change	No change
d) Expenses incurred in providing library facilities accessible to the public	1990: Not deductible 1991: Not deductible	1992 :Not deductible 1993 :Not deductible	1994 :Deductible from business income but maximum deduction is $100,000 1995 :No change	No change
e) Expenses incurred on the provision of equipment to assist disabled employees	1990: Not deductible 1991: Not deductible	1992 :Deductible against gross business income of the employer 1993 :No change	1994 :No change 1995 :No change	No change
f) Hire of motor vehicle	1990: Restricted to $25,000	1992 :No change	1994 :No change	No change
	1991: Restricted to $50,000	1993 :No change	1995 :No change	
g) Expenses incurred to train workers by companies yet to commence business	Not deductible	Not deductible	Not Deductible	Deductible

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
D) Double Deduction				
a) Insurance premium paid by exporter to Malaysian incoporated insurance company in respect of exported cargo	1990: Single deduction 1991: Single deduction	1992 :Single deduction 1993 :Single deduction	1994 :Single deduction 1995 :Double deduction	No change
b) Freight charges paid to Malaysian Incorporated Shipping Company for transportation on board of Malaysian Ship	1990: Single deduction 1991: Single deduction	1992 :Single deduction 1993 :Single deduction	1994 :Double deduction 1995 :Double deduction	No change
c) Training expenses for handicapped person who is not an employee of the tax payer	1990: Not deductible 1991: No change	1992 :Eligible for double deduction if:- a) Training conducted in Malaysia and approved by Minister of finance or the training is conducted by a training institution; b) Purpose of the training is to enhance the handicapped person's employment prospect; and c) The handicapped person must be registered with the Ministry of National Unity and Social Development 1993 :No change	1994 :No change 1995 :No change	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
d) Qualifying expenditure to promote the export of services	Single deduction	Single deduction	Single deduction	Double deduction
e) Research and Development activities in the approved research institutions	Single deduction	Single deduction	Single deduction	Double deduction
f) Revenue Expenses incurred in international trade fairs in Malaysia for the promotion of export	1990: Single Deduction 1991: Single Deduction	1992 :Double deduction if approved by MITI but cost of exhibit excluded. 1993 :No change	1994 :No change 1995 :No change	No change
g) Revenue expenditure incurred on research approved by the Minister of Finance or undertaken by a person participating in industrial adjustment approved under S31A PIA 1986. The expenses must be incurred within in 10 years	1990: NIL 1991: Double Deduction	1992 :No change 1993 :No change	1994 :No change 1995 :No change	No change
h) Payments for use of services of approved research institutes/companies	1990: NIL 1991: NIL	1992 :Double Deduction 1993 :Double Deduction	1994 :Double Deduction 1995 :Double Deduction	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
E) Capital Allowance Qualifying Expenditure :-				
a) Private Motor vehicle	1990: Restricted to $25,000 1991: Restricted to $50,000	1992 :No change 1993 :No change	1994 :No change 1995 :No change	No change
b) Industrial Building Building used for provision for child care facilities for employees	1990: Not qualify 1991: Not qualify	1992 :Not qualify 1993 :Not qualify	1994 :Qualify as industrial building and eligible for 10% annual allowance 1995 :No change	
c) Building used for industrial, technical or vocational training approved by finance minister	1990: Not qualify 1991: Not qualify	1992 :Not qualify 1993 :Not qualify	1994 :Not qualify 1995 :Qualify as industrial building	No change
c) Building used for research undertaken by R&D company	1990: Not qualify 1991: Not qualify	1992 :Not qualify 1993 :Not qualify	1994 :Not qualify 1995 :Qualify as industrial building	No change
d) Related expenditure on computers and other information technology	Initial allowance - 20% Annual allowance - 10%	No change	No change	Annual allowance - 50%
e) Buildings and hostels used for education	Not qualify	Not qualify	Not qualify	10%
f) Environmental equipment	Initial allowance - 20% Annual allowance - 12%	No change	No change	Deduction over 3 years

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
3. COOPERATIVE INCOME TAX				
A. Income Tax Rate	1990: 5% - 40% 1991: No change	1992 :4% - 35% 1993 :2% - 34%	1994 :2% - 34% 1995 :1% - 32%	Maximum tax rate on chargable income of more than $500,000 is reduced from 32% to 30%. For other income below $500,000, the rate is reduced between 1 and 2 percentage points.
B. S65A (b) Relief	1990: 6% of members' fund 1991: No change	1992 :No change 1993 :No change	1994 :No change 1995 :8% of member's fund	No change
4. INCENTIVES				
A. Reinvestment Allowance (RA) - deducted against adjusted business income - unabsorbed allowance is carried forward and deducted against the adjusted business income of subsequent years - tax free dividends can be declared from exempt income	1990: Given on qualifying capital expenditure incurred on approved project for expansion of existing manufacturing business up to 31.12.90 RA Rate = 40% (big company) 50% (small scale company) 1991: Extended to cover approved qualifying modernization or diversification projects from 1.1.91-31.12.95	1992 :No change 1993 :No change	1994 :RA rate for all manufacturing companies = 50% Incentive period extended indefinitely 1995 :No change	This incentive is extended to include the production of essential food items such as paddy, maize, fruits, vegetables, the rearing of livestock and the production of aquaculture. RA rate is increased from 50% to 60%. Qualifying companies enjoying the RA would be exempted up to 70% of the statutory income and unabsorbed allowance would be allowed to be carried forward into the following years until they are fully utilised. Companies located in the eastern corridor of Peninsular Malaysia, Sabah and Sarawak would be allowed to utilise 100% of the allowance in a single year.

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
B. Pioneer Status	1990: Adjusted income for the first 5 years is exempted from tax. Capital Allowance are not deducted. Qualifying capital expenditure is deemed to be incurred on the first day of the post-pioneer period. Pioneer period may be extended for another 5 years if specific criteria are met. 1991: Statutory business income is exempted. Capital Allowance (CA) must be deducted. Unabsorbed CA and losses cannot be carried forward to post-pioneer period. Application on or after 1.11.91 : - Exemption - 70%. But company participating in promoted activity/ product of national and strategic importance to Malaysia still eligible for 100% exemption.	1992 :No change 1993 :No change	1994 :Pioneer companies located in the Eastern Corridor of Peninsular Malaysia, Sabah & Sarawak are eligible for 85% abatement from their statutory income. 1995 :No change	Extended to wafer industry.

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
C. Investment Tax Allowance (ITA)	1990: ITA is given in respect of qualifying capital expenses (QCE) incurred within 5 years from approval date and deducted against adjusted income. Rate = Not exceeding 100% of QCE Unabsorbed allowance is carried forward and deducted against adjusted income of subsequent years. 1991; Application received on or after 1.11.91. - Rate = 60% - Deduction restricted to 70% of statutory income. Company participating in activity of national and strategic importance to Malaysia still enjoy ITA of 100% on QCE.	1992 :No change 1993 :No change	1994 :An allowance of 80% on the QCE incurred subject to a maximum of 85% of the statutory income will be given to companies qualifying for ITA and located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak. 1995 :No change	Extended to wafer industry.
D. Exemptions	N/A	N/A	N/A	Income tax exemption between 70% to 100% on statutory income for a period between 5 to 10 years to communication, public utilities and transportation sub-sector.

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
E. Investment Allowance	N/A	N/A	N/A	Investment allowance of between 60% to 100% or qualifying capital expenditure for 5 years. This allowance is allowable as deduction of between 70% to 100% of statutory income to communication, public utilities and transportation sub-sector.
F. Incentives to Promote Tourism				
a) Double Deduction	1990: NIL 1991: i) Overseas expenses incurred by hotel and tour operators (registered with TDC) for promotion of tourism ii) training programme approved by Ministry of Culture, Arts and Tourism; iii) training programme conducted by a training institution.	1992 :No change 1993 :No change	1994 :No change 1995 :No change	No change
b) Tax Exemption	1990: The income of tour operators from bringing in at least 500 tourists through group inclusive tour is exempted from tax. 1991: The above exemption is extended up to 31.12.93	1992 :No change 1993 :No change	1994 :Exemption is extended up to year 2000. 1995 :No change	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
G. Incentive for Approved Operational Head Quarters Companies (OHQ)	1990: Chargeable income from the provision of qualifying services is taxed at 10%. Normal corporate tax will be deducted from dividend paid from this income 1991: No change	1992 : Chargeable income from the provision of qualifying services less 10% tax is credited into an exempt income account. Tax free dividend can be paid from this account 1993 : Initially OHQ is limited to manufacturing sector only. With effect from 1.1.93 this incentive is extended to cover selected service sector.	1994 : OHQ incentive is extended to cover commercial banks and investment banking companies. 1995 : Since 1988 these incentives are given to foreign owned companies. Now locally owned companies are allowed to set up OHQ. The incentives are also extended to cover all economic sectors.	No change
H. Incentives for Construction Companies.	1990: Income earned from overseas construction project and remitted to Malaysia be abated by 50%. The abated income is credited into exempt accounts and tax free dividend can be paid out of this accounts. 1991: No change	1992 : No change 1993 : No change	1994 : Abatement rate is increased to 70% 1995 : 100% exempted from tax.	No change
I. Incentives to promote Malaysian to invest overseas and remit the income to Malaysia	1990: Generally income remitted to Malaysia by resident is chargeable to tax except income from overseas construction projects (50% exemption) 1991: No change	1992 : No change 1993 : No change except 50 % of the income from export of services in oil and gas industry is exempted from tax.	1994 : No change except 70% of income from overseas construction project and income from export of services in oil and gas industry is exempted from tax. 1995 : All income arising from source outside Malaysia are exempted from tax.	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
J. Incentive for Venture Capital Companies (VCC)	1990: Gain from disposal of shares in a venture company (VC) is exempted from tax but the gain will be taxed if the disposal take place 2 years after the shares are listed on KLSE. Tax free dividend can be paid from the exempt income. Loss in respect of the disposal of such shares is not deductible in computing the aggregate income of the VCC. Unabsorbed permitted expenses cannot be carried forward. 1991: No change	1992 : Exemption period is extended from 2 to 3 years after the shares being listed on KLSE. Loss in respect of the disposal of such shares is allowed as deduction in computing the aggregate / total income of the VCC. Unabsorbed permitted expenses can be carried forward and deducted against future income. 1993 : No change	1994 : Presently VCC is required to invest 100% in high risk projects. W.e.f YA 1994, VCC is only required to have not less 70% of its investment in high risk and new technology project to be eligible for this incentives. 1995 : No change	No change
K. Incentives for Research and Development Companies/ Institution	1990: NIL 1991: i) 5 years tax exemption is given to approved R & D companies/institution ii) Dividends distributed by these companies is exempted from tax in the hand of their shareholders iii) Unabsorbed losses can be carried forward after tax exempt period iv) 5 years tax exemption is given to new technology based firms. These incentives will be effective from YA 1992.	1992 : No change 1993 : No change	1994 : Approved research companies carrying out R & D projects for holding / affiliate/associates companies be given research allowance (RA) of 100% of the qualifying capital expenditure (QCE) incurred within a period of 10 years. The allowance will be abated from the statutory income up to 70% of the statutory income. RA of 50% on QCE for a period of 10 years be given to companies carry out in-house R & D. This allowance will be abated from statutory income up to 70% of the statutory income. 1995 : No change	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
5. REAL PROPERTY GAINS TAX				
Tax rate on gain on disposal of real property by :				
i) citizen	Disposal within 2 years - 20% Disposal within 3 years - 15% Disposal within 4 years - 10% Disposal within 5 years - 5%	No change	No change	Disposal within 2 years - 30% Disposal within 3 years - 20% Disposal within 4 years - 15%
ii) non-citizen	Disposal within 2 years - 20% Disposal within 3 years - 15% Disposal within 4 years - 10% Disposal within 5 years - 5%	No change	No change	Flat tax rate of 30%
6. SERVICE TAX				
a) Rates and Prescribed Establishments	1990: Rate - 5% Prescribed Establishments: i) Hotels having > 25 rooms ii) Restaurants, bars, snack-bars and coffee houses located in hotels iii) Restaurants, bars, snack-bars and coffee houses located out side hotels having an annual sales turnover > $500,000 iv) Private clubs having an annual sales turnover > $500,000 v) Night-clubs, dance halls and cabarets	1992 : Rate - 5% Prescribed Establishments extended to : i) Legal, architectural, accounting, surveying and engineering firms, private hospitals & consultancy firms having turnover >$300,000 p.a ii) Advertising firms with turnover >$500,000 p.a iii) Forwarding agents, large licenced motor vehicle service & repair centres	1994 : Rate - 5% Prescribed Establishments extended to : i) parking services ii) courier services with annual turnover of $150,000 and above iii) Dentist with annual turnover of $300,000 and above iv) Veterinarian with annual turnover of $300,000 and above	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
	vi) Health centres & massage parlours approved by appropriate local authorities or lawfully registered vii) All places licensed under S35 (1)(a) & (b) of Excise Act 76 as 1st class public House and 1st class Beer House Licenses	with turnover > $150,000 p.a iv) Insurance companies for insurance premium paid by business establishments.	1995 : No change	
	1991: No change	1993 : Rate - 5% Prescribed Establishments extended to : i) Teleconunication services ii) Security guard services iii) Estate agents and recreational clubs		
7. SALES TAX				
Imposed	5% on foodstuff, building material and semi processed goods 10% on other goods which are not basic necessities Additionally imposed on other foodstuffs and buliding materials and on certain video cassette tapes	No change	1994 : No change	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
Exemption	1990: Further exemption for the following goods : Pewterware sold to tourists Concrete building material & sawn timber. Meat. 1991: No change	No change	1994 : Machine components including components for generators turbines, boilers and welding machines - abolished. 1995 : Sales tax on heavy machineries abolished	i) all basic medical equipments ii) computers and their components including software - abolished
7. IMPORT DUTIES				
Reduced	1990: - Foodstuff, household, inputs pharmaceutical product and agricultural inputs.	1992 : Textile, printing industries, food chemical, metal.	1994 : Medical equipment, food, building & construction items, stationeries, rubber products, wood & paper products, apparel & clothing acces sories, footwear & headgear, ceramic & glass products, Semi - precious stones building & construction materials, hand tools, implements & cutlery, household safety items, machinery & mechanical appliances, spare parts for vehicles, electrical & electronic equipment & components, furniture, miscellaneous articles including artists brushers & travel sets, motorised home, goods brought in by passanger for personal use	710 items for the following:- - pipes and tubes - textiles - iron - steel-based products - electrical apparatus such as water heater, electric control panels and regulated cables
Increased		Cigarettes, Cigars, cheroots, cigarillos, beer, stout, alcohol & beverage	Superbike of engine capacity 500cc and above	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
Exempted	- CKD Component for locally assembled lorries & buses. - Sports goods.	Non-monetary gold bullion	i) all basic medical equipments ii) equipments and inputs used in producing food on a commercial or group enterprise basis will be exempted	800 items on raw material components and equipments on the followings:- - food preparations from fruits - material for plastic products - textiles - precious stones - silver for jewellery - iron and steel - electric motors and generator
Abolished	- Certain foodstuff, household goods and agricultural inputs.	-	Infant and baby food, ships & floating structures, works of art.	No change
Reduced	1991: No change	1993 : Gold, food, household good, clothing electrical & electronic & electrical goods	1995 : Fish & crustaceans, molluscs & other aquatic invertebrates, milk & creams, dairy products, edible vegetables & certain roots & tubers, edible fruits & nuts, products of the milling industry, oil seeds & oleaginous, animals or vegetable fats, & oil, prepared foodstuffs, cocoa & cocoa preparations, preparation of cereals, preparation of vegetables, fruits, nuts or part of plant, miscellaneous edible preparation, petroleum oils (except monosodium glutamate), essential oils & cosmetic prepation, photographic or cinematographic goods, plastics & articles thereof, rubber & articles thereof raw hides, skins, leather, articles of wood, paper & paper products, products of printing industry, nonwoven yarns, carpets & fabrics, other made up textiles, head gear, articles of iron, steel & other metals, machinery & mechanical appliances, electrical machinery & equipment, optical, photographic & others, furniture, toys & games, miscellaneous manufactured articles	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	[illegible]
Increased	-	Cigars, cheroots, cigarillos, beer, stout, alcohol & beverages.	-	No change
Abolished	-	Vessel >26GWT, component parts used in the production of duty free finished goods, computers & components, food, household goods, clothing, electrical & electronic goods, sports equipment for football & equestrian sports.	Heavy machinery, meat & edible meat offal products of animal origin, vegetable products, coffee mate & spices, cereals, lac, gums, raisins & other vegetables saps & extracts, vegetables plaiting materials, vegetables products, raw sugar, residues & waste from the food industries prepared animal fodder, article related to breast	No change
B. EXCISE DUTY				
Reduced	1990: Matches, lighters, refrigerators, motor cycles <150cc,		1994 : Food seasoning, dry batteries, tyres for motor vehicles.	No change
Increased	Cigarettes, beer/stout	Cigarettes, beer/stout		No change
Exempted	CKD component for locally assembled lorries and buses, sports goods.			No change
Abolished	-	-	1995 : Waters & beverages, petroleum oil products rubber tyres & tubes, primary cells, batteries, goods vehicles.	No change

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	BUDGET 1996
3. OTHER SIGNIFICANT TAXES				
a) Stamp Duty				
i) Instruments of tranfer of property	Nil	1992 : Nil 1993 : Increased from a maximum rate of 2% to 4% which cover properties valued at more than $500,000	No change	No change
ii) Contract notes	$1.00 for every $1,000	No change	1994 : $1.50 for every $1,000 1995 : No change	No change
iii) Instrument of Loan Agreement for Education	Nil	Nil	1994 : Nil 1995 : Subject to stamp duty to the maximum of $6.00	No change
b) Airport tax	Nil	Nil	Nil	Increased from $20 to $40.
c) Levy charges	Nil	Nil	Nil	i) goods on vehicle leaving the country be increased from $100 to $200 ii) laden vehicles entering Malaysia - $100 iii) house purchased by foreigners exceeding $250,000 per unit - $100,000 iv) foreign workers - increase by 100% but excluding domestic helpers and unskilled workers in the agricultural sectors
d) Entertainment duty	Nil	Nil	Nil	Exemption on admission to stage play organised by local theatre groups in KL and Labuan.

PARTICULARS	1990 & 1991	1992 & 1993	1994 & 1995	Budget 1996
10. Road Transport Act 1987				
a) Motor vehicle licence fee	Nil	Nil	1994 : Nil 1995 : Reduced to 50% for new generated diesel powered motor vehicle	
b) Road tax	N/A	N/A	N/A	Individual passenger cars: 2,000 c.c and above, increased by 25% petrol passenger cars owned by companies. the rate is increased to 3 times the rate levied on individual passenger cars.
11. Export duty				
a) Crude Oil	1990: Exemption of 20% on cost oil 1991: Maximum of 50% exemption on actual cost oil	No change	1994 : Reduced from 25% to 20% 1995 : No change	Period extended for another year
12. Other Monetary Measures				
a) EPF Contribution	1990: Employer - 11% (Maximum contribution by employer - 15%) Employee - 9% 1991: No change	1992 : No change 1993 : Employer - 12% Employee - 10%	1994 : Maximum contribution by employer increased to 16% 1995 : No change	Employee - 11% Maximum contribution by employer deductible for tax purposes is 17%
b) Housing Loan	Nil	1992 : Nil 1993 : Interest rate ceiling of 9% for housing loan below $100,000 be maintained. Government will provide 1% interest subsidy to the financial institution	No change	

SECTION F

SUMMARY OF REVENUE AND ALLOCATIAN

1. STATISTICS

	(In RM'000,000) 1996 RM	1995 RM	Percentage of Total 1996 %	1995 %	Increase/ (Decrease) in RM Value %
Source of revenue :					
Income tax & other direct tax	21,077	21,985	38.8	43.6	(4.1)
Indirect taxes and duties	21,466	18,574	39.5	36.9	15.6
Non tax revenues	11,815	9,821	21.7	19.5	20.3
Total	54,358	50,380	100.0	100.0	7.9
Budget Allocation :					
Operating Expenditure :					
Emolument, pension, gratuity	17,805	18,223	32.1	35.7	(2.3)
Debt servicing charges	6,711	6,704	12.1	13.2	0.1
Supply & Services	5,990	6,088	10.8	11.9	(1.6)
Grants & Other expenditure	10,760	7,277	19.4	14.3	47.9
	41,266	38,292			
Development Expenditure :					
Economic	5,769	5,876	10.4	11.5	(1.8)
Social	3,827	3,378	6.9	6.6	13.3
Security	3,162	2,478	5.7	4.9	27.6
Contingency reserve	500	–	0.9	–	–
General Administration	943	970	1.7	1.9	(2.8)
	14,201	12,702			
Total Expenditure	55,467	50,994	100.0	100.0	8.8
Borrowing & use of Government Assets	1,109	614*			

Note : 1995 figures are latest estimates as published in the Economic Report with the exception of the figure * for borrowing and use of Government Assets which amount has not been disclosed in the said report.

2. REVENUE

Total revenue for 1996 is projected at RM54,358 billion with an increase of 7.9% over estimated revenue for 1995.

Direct taxes comprising of income taxes on Companies, individuals and others are expected to decrease by 4.1% from 1995.

The projected increase in revenues from indirect taxes of about 15.6% from 1995 is mainly due to increase in revenues from import and excise duties and sales tax.

Non tax revenue is projected to increase by 20.3%.

3. EXPENDITURE

Total budgeted expenditure are expected to increase from an estimated RM50,994 billion in 1995 to RM55,467 representing a percentage increase of 8.8%.

The operating expenses will increase from RM38,292 billion to RM41,266 billion. Emoluments, pensions and gratuity comprises 1/3 of the total Federal Government expenditure. This could have probably increased. The Government had however managed to curb the increased by way of organisational restructuring of departments and privatisation.

Development expenditure is increased by 11.8% in 1996 from RM12,702 billion to RM14,201 billion. This is in line with the Government policy to improve productivity of the economy through infrastructure and human resource development as well as poverty eradication. Economic services continue to remain the largest sector whereby 46.3% of the total development expenditure is allocated for this sector.

4. ANALYSIS OF CHANGES

The Government projected revenue will increase from RM50,380 billion in 1995 to RM54,358 billion in 1996. Based on past records, this projection is an achieveable target despite substantial reduction in direct and indirect taxes. This is because the revenue will increase due to strong aggregate demand. On top of this, the Government is improving on the tax collection machinery.

With regard to the categories of income it is obvious that there is no overdependency on any one source of income. The slight changes from year to year are due to the Government fiscal policy to adjust to the economic situation.

Emoluments continue to take the largest portion of the total allocation. Emoluments represent 1/3 of the total expenditure. The Goverment should continue its privatisation, reorganisation and redeployment of civil servants so that expenditure on emoluments could be reduced.

5. MACRO ECONOMIC VIEWPOINT

The Malaysian economy had enjoyed another year of robust growth in 1995. Looking ahead the economic growth toward 1996 looks bright. The economic growth will strengthen the demand for Malaysian manufactured and commodity exports. The expansion of the economy is expected to continue to be broad based, emanating from the manufacturing, construction and services as well as the mining and agriculture sectors.

On the external front as has been mentioned earlier the overall balance of payments is expected to continue to record a deficit though this can be countered with expected merchandise surplus and sustained long term capital inflow, is expected to improve during the second half of the decade.

Growth in the aggregate domestic expenditure continues to remain strong with an expected slowdown in public consumption expenditure.

Given the above scenario, the expected rapid rate of expansion, economic and monetary policies must be continued to sustain at combating inflationary pressures, increasing domestic savings, and reducing pressure in the labour market.