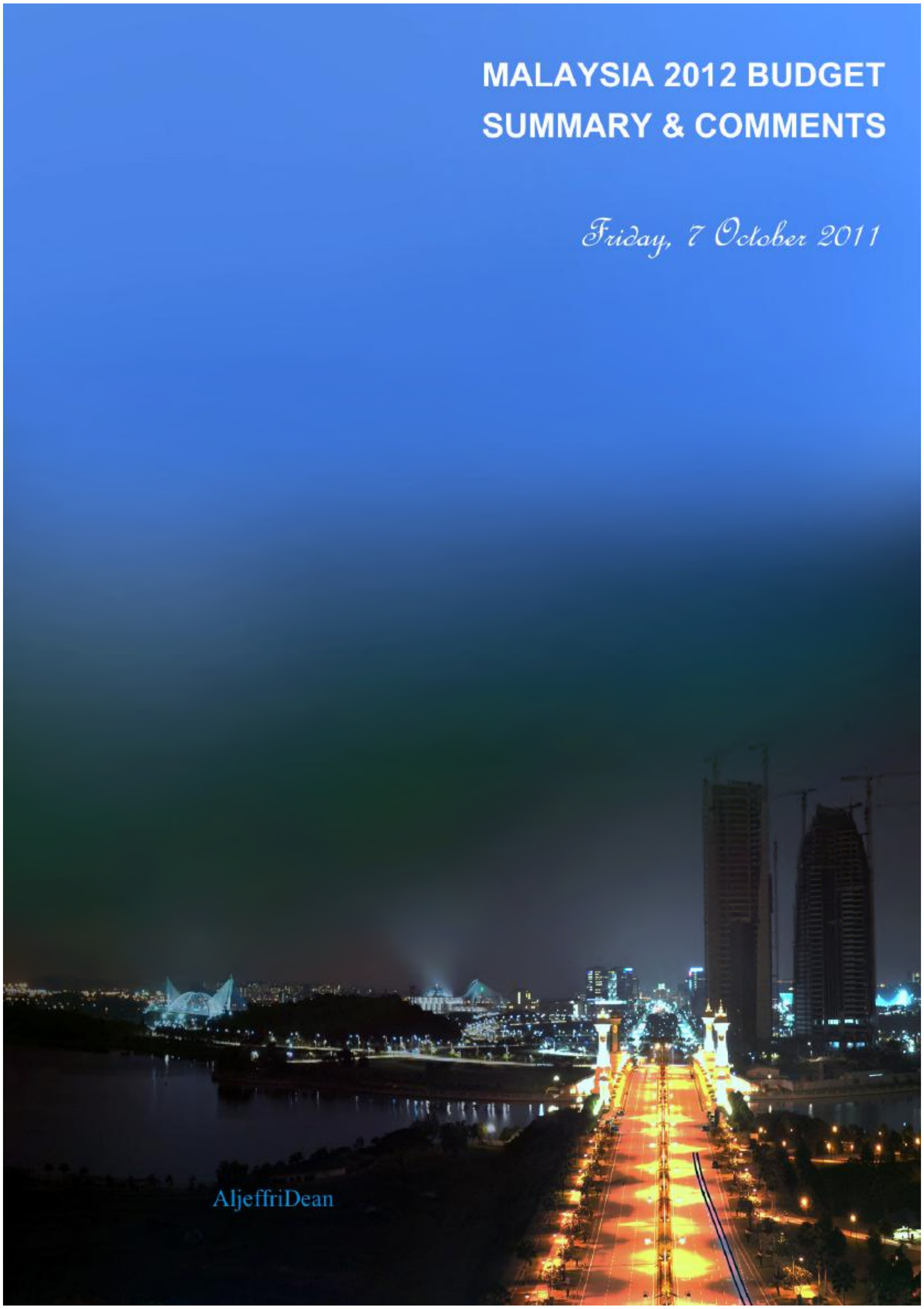
MALAYSIA 2012 BUDGET
SUMMARY & COMMENTS
Friday, 7 October 2011
AljeffriDean

October 7, 2011

To:
Our valued clients, friends and overseas affiliates

BUDGET 2012
Summary & Comments

We are proud to once again this year present our BUDGET 2012: Summary & Comments.

This summary focuses on matters which we reckoned are important and useful to readers, with updated information to assist them in their planning and decision making process in the year to come.

For ease of reference and reading, the summary has been arranged into eight sections which are as follows:

SECTION A

COMMENTARY

The 2012 Malaysian National Budget tabled in Parliament by the Prime Minister and Minister of Finance of Malaysia, Right Honourable Dato' Sri Mohd Najib Tun Abdul Razak has presented bold measures to reiterate the Government initiatives outlined within the Economic Transformation Programme (ETP), with an integrated objective to transform the nation into a high income economy by the year 2020. Announced during a period of increasing global economic uncertainty, certain immediate relief policies were announced with the intention to cushion the affected domestic economy. However, significant long term growth and development projects continue to take a position of priority, ensuring the continuity of domestic economic stimulation and foreign direct investment in the country.

The Government has allocated a total of RM232.8billion to be spent on all development plans for the year. This reflects a 10% increase from the RM212billion budgeted for 2011. Development expenditure allocation showed a slight 1% reduction from last year to 22% or RM51.2billion, while the balance of RM181.6billion will be spent on operating expenditure to address the more immediate economic concerns for 2012, a 10% increase from the RM162.8billion allocated for 2011.

53% of the total operating expenditure will be spent on Grants and Fixed charges, 34% on Emoluments, and 17% on Supplies and Services. A residual RM1.1billion is provided for Purchase of Assets and the balance RM1.5billion for other expenditures. As for the development expenditure, the bulk allocation of 58% or RM29.8billion has been allotted for the support of infrastructure, industry, agricultural and rural development.27% or RM13.6billion shall be reserved for the social sector, including education and training, health, welfare, housing and community development. The securities sector take up 9% of the total development expenditure amounting to RM4.4billion, while RM1.4billion or 3% is slated for general administration and the balance of RM2billion or 4% reserved for contingencies.

With an expected increase of 1.9% in total revenue from RM183.4billion budgeted in 2011 to RM186.9billion for 2012, the Federal Government deficit is also expected to improve from 5.4% in 2011 to 4.7% of the total Gross Domestic Production (GDP) in 2012. This improvement is seen as an encouraging sign as to the resilience of the Malaysian economy amidst the present global economic environment.

While it is encouraging to note the broad measures introduced to strengthen the domestic economy, the efficiency of the detailed administrative plan remains to be seen. The capacity of the present civil service to cope with the numerous and concurrent projects is also viewed as a concern, with their participation and cooperation seen as an integral part to ensure effective implementation of the various initiatives. This is where the Government review of an additional minimum of RM500 or half month salary bonus can be perceived as a timely announcement, expected to boost the performance of the civil sector and at the same time assist the civil servants in coping with the rising cost of living. The increase salary structure for educators in public service will also look to boost the public education sector, by attracting more skilled individuals into the industry, simultaneously increasing the overall standard of public education in the country.

As the Government continues to reduce dependency on the export of raw material, with a view to make Malaysia a more service-driven economy, the focus areas of the 2012 Budget are inclined towards the enhancement of Human Capital Development. The five focus areas are categorised as follows:

a. Accelerating Investment.
b. Generating Human Capital Excellence, Creativity and Innovation.
c. Rural Transformation Programme.
d. The Strengthening of Civil Service.
e. The Easing of Inflation and Enhancing the Well-Being of the *Rakyat.*

To accelerate investment in the country, the Government will look to focus on the implementation and enhancement of:

a. The Services Sector
   - Accounting for 58% of the total GDP, the services sector will be further liberalised, with particular plans for the private medical and specialist services, architectural, engineering, accounting and taxation, legal, courier, education, training and telecommunication services.
b. The Second Rolling Plan (RP2)
   - Expected to largely focus on high-impact development projects, including the main transportation infrastructure projects of highways and the redevelopment of the Sungai Besi Kuala Lumpur Air Base.
c. The Public-Private Partnerships (PPP) Facilitation Fund
   - Allocation to assist the development of private projects with strategic value, including emphasis on high-impact as well as Bumiputera projects.
d. The Development of the Five Regional Corridors
   - Includes coastal highway and heritage tourism development, agropolitan scheme, palm oil industrial cluster and water supply projects.
e. The Acceleration of Banking, Finance and Capital Markets

- With particular focus on Treasury Management and the Islamic Finance sectors. Various tax and product innovation incentives have been introduced to stimulate activities in these sectors. Product diversification will look to target the equity, capital and Small and Medium Enterprise (SME) markets. The green technology, franchise and tourism industries will also benefit from the measures introduced.

As part of the Government efforts to enhance human capital excellence, creativity and innovation, the focus shall mainly be on:

a. Research and Development
   - To encourage innovation of existing products and the commercialisation of successful innovations.
b. Education
   - Extensive plans to improve public education infrastructure and the making available of and accessibility to private education.

The Rural Transformation Programme (RTP) is not only seen as a complementary initiative to the high-impact development projects, but the creation of employment will assist and encourage the younger generation to work in rural areas. Some of the initiatives introduced under the RTP are:

a. Various Rural Development Programmes
   - Includes the establishment of Rural Transformation Centres (RTCs), Professional Services Fund and the Rural Mega Leap Programme.
b. Basic Rural Infrastructure
   - Includes logistics and amenities development such as public transportation, road works, water supply and greater accessibility to banking services.
c. Orang Asli Development
   - Includes the extension and improvement of living standards for Orang Asli settlements.

Strengthening the civil service is also regarded as an integral part of the Government plan to transform the economy. In order for the civil service to be more dynamic, responsive and excellence-driven, the Government plans to implement several policies, such as:

a. Radical Changes in Recruitment, Placement and Career Development
   - Performance based remuneration and employment systems will be introduced, coupled with improvements to the present salary and promotion structure. The programme also includes tuition fee assistance for higher learning courses with public institutions.
b. Civil Service Financial Welfare
   - Includes additional incentives for pensioners, Public Finance Reform and the extension of the compulsory retirement age.
c. National Security

- Includes allocation for the development of the Royal Police and Armed Forces, as well as improving career prospects via job opportunities and training.

In view of the current global economic climate, the Government have also introduced both short and long-term measures to combat the direct effects of the economic uncertainty, such as through the easing of inflation and enhancing the well-being of Malaysians. These measures include:

a. Development of the Agriculture Sector
   - The launching of the National Agro-Food Policy and various new development projects, the scope expansion of the Commercial Agriculture Fund and contract farming are projects introduced to ensure sufficient food supply, enhancing product value, the strengthening of the supply chain and to provide trained labour for the agriculture sector.
b. Various Subsidies on Domestic Goods
   - Includes rationalised subsidies on rice, sugar, cooking oil, petroleum products and household electricity.
c. Rakyat Welfare Programme or KAR1SMA
   - Includes monetary assistance to poor senior citizens, poor children and the disabled.
d. Easing of Rising Costs and to Increase Disposable Income and Encourage Savings.
   - Includes the increase of commercial government assisted facilities such as the Kedai Rakyat 1Malaysia (KR1M), the opening of 30 Agro Bazaar Kedai Rakyat and the introduction of the Retail Shop Transformation (TUKAR) programme, and the extension of the Menu Rakyat 1Malaysia. The Government is also due to introduce the Skim Amanah Rakyat 1Malaysia (SARA 1MALAYSIA).
e. Housing
   - Includes the review of the My First Home Scheme and the establishment of the 1Malaysia People's Housing (PR1MA), the continuous implementation of the Program Perumahan Rakyat (PPR), the RumahMesra Rakyat (RMR) Programme and the Abandoned Housing Rehabilitation Programme. Also includes the introduction of Special Housing fund for Fishermen.
f. Health and Transportation Services
   - Includes increased allocation for development of the public health services sector throughthe upgrading of the Kuala Lumpur General Hospital. Also includes the introduction of measures to improve taxi services and welfare.
g. Development of Bumiputeras
   - Includes the continuous operation of Unit Peneraju Agenda Bumiputra (TERAJU) and the introduction of an integrated entrepreneur development programme.

h. Pension Plans
   - Includes tax reliefs for Private Retirement Scheme contributors and increased employers contribution to the EPF.

AljeffriDean expresses concern over the increasing compliance costs to taxpayers, primarily the SMEs. Whilst struggling to face the challenges of the present economic uncertainty, volatile foreign currency exchange and high operating costs, taxpayers will now be fronted with a new challenge, with such empowerment given to the Director General to direct taxpayers to make advance payments on accounts of tax. Furthermore, the Director General is able to impose late payment penalties for official incorrect returns. In addition to filing the annual employer returns, companies will be required to file special returns on payments made to agents, dealers and distributors which will further compound their compliance cost.

While we applaud the 15% low tax rate offer to returning expats on their employment income, it may seem unfair to those expats who have remained loyal and have not migrated.

While the 2% per annum compensation on late refunds of overpaid tax is a positive measure, the consequence of the subsequent 10% penalty in the event of subsequent discovery of returns discrepancies will need to be implemented with caution.

In service to our valued clients, once again AljeffriDean is pleased to present our Annual Budget Commentary, in assisting our clients to better understand the impact of the 2012 National Budget. We sincerely hope it will be a useful read to our esteemed clients and associates.

We may be contacted via telephone: 03-23811170 or email at summarybudget2011@aljeffridean.com or info@aljeffridean.com.

Truly yours,

AljeffriDean
Kuala Lumpur
October 7, 2011

SECTION B

HIGHLIGHTS

1 ACCELERATING INVESTMENT

- The Government will further liberalise 17 services sub-sectors, in phases enabling up to 100 percent foreign equity participation.
- Rolling Plan 2 will be allocated RM98.4 billion, to be split evenly between 2012 and 2013.
- The Government allocated RM20 billion under the Public Private Partnership Facilitation Fund which will be used for high impact projects and Bumiputera entrepreneurs.
- The Government will also allocate RM978 million in 2012 to accelerate the development of five regional corridors.
- The Treasury Management Centre will be established to offer incentives which will develop Malaysia as a competitive financial centre.
- Kuala Lumpur International Financial District to be developed, with incentives including income tax exemptions for firms.
- RM2 billion syariah-compliant SME Financing Fund managed by selected Islamic banks will be established in 2012.
- RM100 million SME Revitalisation Fund offering loans up to maximum of RM1 million for entrepreneurs.
- A syariah compliant Commercialisation Innovation Fund totalling RM500 million will be established, to enable SME's to commercialise their research products.
- A review on the real property gains tax to curb real estate speculative activities.
- To extend tax exemption on issuance and trading on foreign currency sukuk by three years.
- To implement RM6 billion projects for infrastructure works through the special stimulus package.

2 GENERATING HUMAN CAPITAL EXCELLENCE, CREATIVITY AND INNOVATION

- RM50.2 billion will be allocated to the education sector so that it can continue to develop the education system.
- Private schools registered with the Education Ministry will be given incentives including an income tax exemption of 70% and Investment Tax Allowance.

3 RURAL TRANSFORMATION PROGRAMME

- Introduces a Rural Transformation Programme, so that rural areas can attract private investment and create employment.
- RM5 billion to develop rural infrastructure.
- To provide greater access to banking services for the rural population, Bank Simpanan Nasional (BSN) will appoint agents in the rural areas nationwide.

4 STRENGTHTHENING THE CIVIL SERVICE

- Civil service salary increased of between 7 and 13 percent.
- Government will extend the compulsory retirement age from 58 to 60 years old to optimise civil servants' contribution.

5 EASING INFLATION AND ENHANCING THE WELL-BEING OF THE RAKYAT

- The National Agro-Food Policy 2011-2020 will be launched and RM1.1 billion allocated for the development of the agriculture sector.
- To provide one-off cash assistance of RM500 to all households with a monthly income of RM3,000 and below, costing RM1.8 billion to benefit 3.4 million households.
- In the spirit of "People First", all subsidies, incentives and assistance totalling RM33.2 billion will be continued.
- My First Home Scheme will be expanded to increase the limit of house prices from a maximum of RM220,000 to RM400,000.
- Healthcare will be allocated RM15 billion operating expenditure and RM1.8 billion development expenditure.
- For those in private sector earning RM5,000 and below, employers' EPF contribution will increase from 12 percent to 13 percent.
- My Creative Venture Capital with an initial fund of RM200 million to be established.

SECTION C

SUMMARY OF AMENDMENTS TO DIRECT TAXATION

STAMP DUTY EXEMPTION ON LOAN AGREEMENT UNDER *SKIM PERUMAHAN RAKYAT 1MALAYSIA (PR1MA)*

PRESENT	▪ Stamp duty on loan agreements for the acquisition of residential properties is 0.5% on the loan amount. ▪ Full stamp duty exemption is given for the acquisition of low residential properties up to RM42,000 in Peninsular Malaysia and up to RM47,000 in Sabah, Sarawak and Labuan. ▪ Stamp duty exemption of 50% on loan agreements are given for the acquisition of the first residential property up to RM350,000 on the condition that the sale and purchase agreement which is executed from 01 January 2011 until 31 December 2012.
PROPOSED	▪ Full stamp duty exemption be given on loan agreements for the acquisition of residential properties under the PR1MA Scheme priced up to RM300,000.
IMPACT	▪ To increase excess of the middle income group to own quality and comfortable residential properties.
EFFECTIVE DATE	▪ For sale and purchase agreements executed from 01 January 2012 until 31 December 2016.
REFERENCE	▪ To be gazetted by way of statutory order.

REVIEW OF REAL PROPERTY GAINS TAX (RPGT)

PRESENT

- Gains from disposal of residential and commercial properties are taxed between 0% and 30% depending on the holding period of real properties as follows:

Disposal	RPGT Rates		
	Companies	Individual (Citizen & Permanent Resident (PR)	Individual (Non-Citizen)
0-2 years	30%	30%	30%
3rd year	20%	20%	30%
4th year	15%	15%	30%
5th year	5%	5%	30%
6th year onwards	5%	0%	5%

- RPGT was exempted from 01 April 2007 until 31 December 2009.

- RPGT at 5% is imposed on gains from the disposal of residential and commercial properties within 5 years. The rate was imposed from 01 January 2010.

PROPOSED

- The RPGT rates on the gains from the disposal of residential and commercial properties is proposed as follows:

Holding Period	Proposed RPGT Rates		
	Companies	Individual (Citizen & Permanent Resident (PR)	Individual (Non-Citizen)
0-2 years	10%	10%	10%
>2-5 years	5%	5%	5%
> 5 years	0%	0%	0%

IMPACT

- To ensure the low and middle income groups are able to own houses at affordable prices.

- To release the burden of the property owners as they are given exemption and the payment of RPGT is based on net gains as follows:

  i. Citizen or a permanent resident of Malaysia are given RPGT exemption on gains from the disposal of one unit of residential property once in a life time;

ii) Gains from the disposal of property between parents and children, husband and wife, grandparents and grandchildren are given RPGT exemption;

iii) RPGT is charged on net gains after deducting all related costs i.e. purchase price, renovation costs and incidental costs e.g. legal fees and stamp duty; and

iv) Individual is exempted up to RM10,000 or 10% of the net gains, whichever is higher.

EFFECTIVE DATE	▪ For disposal of properties commencing from 01 January 2012.
REFERENCE	▪ To be gazetted by way of statutory order.

EXTENSION OF TAX INCENTIVE PERIOD FOR REAL ESTATE INVESTMENT TRUSTS (REITs)

PRESENT

- REITs are given the following tax incentives:

  i. Foreign institutional investors, particularly pension funds and collective investment funds receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 01 January 2009 until 31 December 2011;

  ii. Non-corporate investors including resident and non-resident individuals and other local entities receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 01 January 2009 until 31 December 2011;

  iii. Gains from the disposal of properties by individuals or companies to REITs from 13 September 2003 are being exempted from the real property gains tax;

  iv. The deeds of assignment relating to the sales of properties from individuals or companies to REITs executed from 26 October 2005 being exempted from stamp duty;

  v. Income of REITs if 90% of such total income is distributed to unit holders from year of assessment 2007 are fully exempted; and

  vi. Income tax deduction on expenses for consultancy, legal and valuation services fees for the establishment of REITs from year of assessment 2006.

PROPOSED

- Tax incentive in paragraphs (i) and (ii) above is extended for another 5 years.

IMPACT

- To further promote and invigorate the development of REITs as well as the capital and property market.

EFFECTIVE DATE

- 01 January 2012 until 31 December 2016.

REFERENCE

- Paragraph 6(1)*(i)* Income Tax Act 1967.

TAX INCENTIVE FOR THE ISSUANCE OF ISLAMIC SECURITIES BASED ON *WAKALAH* PRINCIPLE

PRESENT

- Expenses incurred in the issuance of Islamic securities issued under the principles of *Mudharabah, Musyarakah, Ijarah, Istisna', Murabahah* and *Bai' Bithamin Ajil* based on *Tawarruq* are eligible for tax deduction if the issuance of such Islamic securities are approved by the Securities Commission or the Labuan Financial Services Authority.

- The incentive is given from the years of assessment 2003 until 2015.

PROPOSED

- Expenses incurred in the issuance of Islamic securities issued under the principles of *Wakalah* are eligible for tax deduction if the issuance of such Islamic security is approved by the Securities Commission or the Labuan Financial Services Authority.

IMPACT

- To promote the growth of the Islamic capital market in tandem with the Malaysia's position as the leading global *sukuk* market.

EFFECTIVE DATE

- The incentive will be given from the years of assessment 2012 until 2015.

REFERENCE

- Subsection 2(8) Income Tax Act 1967.

EXTENSION OF EXEMPTION PERIOD ON INCOME FROM THE TRADING OF NON-RINGGIT SUKUK

PRESENT

- Tax are exempted on the following incomes:

    i. Fees received by qualified institutions in undertaking activities related to the arranging, underwriting and distribution of non-ringgit *sukuk* originating from Malaysia; and

    ii. Profits of qualified institutions received from the trading of non-ringgit *sukuk* originating from Malaysia.

- These incentives are subject to the condition that such *sukuk* are approved by the Securities Commission or the Labuan Financial Services Authority.
- These incentives are given from the years of assessment 2009 until 2011.

PROPOSED

- The above tax incentives are extended for another 3 years.

IMPACT

- To promote Malaysia as an international issuance and trading base for non-ringgit *sukuk.*

EFFECTIVE DATE

- Year of assessment 2012 to 2014.

REFERENCE

- To be gazetted by way of statutory order.

TAX INCENTIVE FOR NEW 4 AND 5 STAR HOTELS IN PENINSULAR MALAYSIA

PRESENT

- Reinvestments for expansion, modernization and refurbishment of existing 4 and 5 star hotels are given the following tax incentives:

  i. Pioneer Status with income tax exemption of 70% of statutory income for 5 years; or

  ii. Investment Tax Allowance (ITA) of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment.

- The above incentives are given for three rounds. However, for the third round, only ITA is given.

- For new investments in 4 and 5 star hotels, tax incentives are given only in Sabah and Sarawak, whereas no tax incentives are given in Peninsular Malaysia.

PROPOSED

- Investors undertaking new investments in 4 and 5 star hotels in Peninsular Malaysia be given the following:

  i. Pioneer Status with income tax exemption of 70% of statutory income for 5 years; or

  ii. Investment Tax Allowance (ITA) of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment.

IMPACT

- To encourage development of new 4 and 5 star hotels.

- To provide better accommodation facilities to attract high-spending tourists.

EFFECTIVE DATE

- For applications received by Malaysia Investment Development Authority (MIDA) from 08 October 2011 until 31 December 2013.

REFERENCE

- To be gazetted by way of statutory order.

EXTENSION OF TAX INCENTIVES FOR HYBRID AND ELECTRIC CARS

PRESENT

- Franchise holders of hybrid and electric cars are given 100% exemption from import duty and excise duty on new completely-built-up (CBU) hybrid and electric cars. These exemptions are given for 1 year commencing from 01 January 2011 until 31 December 2011 and subject to the following criteria and conditions:

  Hybrid Car:

  i) Hybrid cars should comply with the United Nations' definition as "*A vehicle with at least 2 different energy converters and 2 different energy storage systems (gasoline and electric) on-board the vehicle for the purpose of vehicle propulsion*";

  ii) Limited to new CBU hybrid passenger cars with engine capacity below 2000 cc;

  iii) Engine specification of at least Euro 3 technology;

  iv) Hybrid car certified by the Road Transport Department, obtaining Vehicle Type Approval and certified to have achieved not less than a 50% increase in the city-fuel economy or not less than a 25% increase in a combined city-highway fuel economy relative to a comparable vehicle that is an internal combustion gasoline fuel; and

  v) Emission of carbon monoxide of less than 2.3 gram per kilometre.

  Electric Car:

  i. Electric car should comply with the United Nations' definition as "*A vehicle with bodywork intended for road use, powered exclusively by an electric motor whose traction energy supplied exclusively by a traction battery installed in the vehicle*";

  ii. Limited to new CBU electric car with electric motor power below 100kW; and

  iii. Electric car certified by the Road Transport Department, obtaining Vehicle Type Approval.

PROPOSED

- The full exemption of import duty and excise duty for new CBU hybrid and electric cars is extended for another 2 years.

IMPACT

- To promote assembling of hybrid and electric cars in Malaysia.
- To ensure sustainable growth of the nation.

EFFECTIVE DATE

- Applications received by Ministry of Finance from 01 January 2012 until 31 December 2013.

REFERENCE

- To be gazetted by way of statutory order.

TAX INCENTIVES FOR TREASURY MANAGEMENT CENTRE (TMC)

PRESENT

- TMC is a centre that provides financial and fund management services to a group of related companies within or outside the country.
- The establishment of TMC in Malaysia by multinational companies will inject new funds into the local banking sector and improve liquidity through the increase of business in foreign currencies as a result of centralised group fund management in Malaysia.
- This activity will also provide quality employment opportunities with high salaries for Malaysians and accelerate the transformation of Malaysia into a knowledge-based economy and a high income nation.

PROPOSED

- The TMC will be given the following incentive package:

  i. 70% tax exemption on the statutory income arising from the following qualifying treasury services rendered by the TMC to its related companies for a period 5 years:

     a. All fees income and management income from providing qualifying services to related companies in Malaysia and overseas;
     b. Interest income received from lending to related companies in Malaysia and overseas;

c. Interest income and gains received from placement of funds with licensed onshore banks or short term investments (onshore and offshore) as part of managing surplus funds within the group;
d. Foreign exchange gains from managing risks for the group e.g. exchange rate risk, interest rate risk and commodity risk; and
e. Guarantee fees.

ii. Exemption from withholding tax on interest payments on borrowings by the TMC to overseas banks and related companies, provided the funds raised are used for the conduct of qualifying TMC activities;

iii. Full exemption from stamp duty on all loan agreements and service agreements executed by TMC in Malaysia for qualifying TMC activities; and

iv. Expatriates working in a TMC are taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia.

Qualifying Services

i. Cash management, which include maintaining cash pooling arrangement through a centralised account with licensed onshore bank.

ii. Current account management, which include:

a. Managing account payables and receivables; and
b. Maintaining inter-company offsetting arrangement.

iii. Financing and debt management, which include:

a. Arranging for competitive financing from surplus funds within the group or from financial institutions in Malaysia and overseas and through the issuance of bonds in ringgit or foreign currency; and
b. Providing or arranging for financial and non-

financial guarantee for its group of companies.

iv. Investment services, which include:

a. Investing funds within the group in domestic money market and in foreign currency assets onshore and offshore.

v. Financial risk management, which include hedging of:

a. Exchange rate risk;
b. Interest rate risk;
c. Market risk;
d. Credit risk;
e. Liquidity risk; and
f. Commodity price risk.

vi. Corporate and financial advisory services, which include:

a. Economics or investment research and analysis;
b. Treasury forecasting and financial trend analysis; and
c. Credit administration and control.

IMPACT

- To develop Malaysia as a competitive financial centre in this region.
- To attract multinational corporations to choose Malaysia as the preferred location for their TMC.

EFFECTIVE DATE

- Applications received by Malaysian Investment Development Authority (MIDA) from 08 October 2011 until 31 December 2016.

REFERENCE

- Subsection 39(3) Income Tax Act 1967.

TAX INCENTIVES FOR PROVIDERS OF INDUSTRIAL DESIGN SERVICES IN MALAYSIA

PRESENT

- Industrial design services based on creativity and innovation is able to contribute towards improvement of functionality and safety of products, reduction in cost as well as fulfil the customer's preferences. No tax incentive provided to the providers of industrial design services.

PROPOSED

- The pioneer status will be given to the providers of industrial design services with income tax exemption of 70% on its statutory income for 5 years. This incentive is given to industrial service providers that fulfil the following criteria:

  i. New service providers who employ at least 50% Malaysian designers; and

  ii. Existing industrial design service providers undertaking expansion and non-industrial design service providers which would be carrying out industrial design activities:

     a. Upgrading the design facilities by increasing the capital investment of at least 50%; and
     b. Employ an additional 50% qualified Malaysian designers.

  This incentive is subject to the following conditions:

  i. The industrial design service providers and Malaysian designers must be registered with the Malaysia Design Council;

  ii. The industrial design service providers must be incorporated under the Companies Act, 1965 or registered under the Business Registration Act, 1956 and shall provide industrial design services to non-related companies; and

  iii. The industrial design services provided are meant for the purpose of mass production.

IMPACT	▪ To promote creativity and innovation that results in higher value add.
EFFECTIVE DATE	▪ Applications received by Malaysian Investment Development Authority (MIDA) from 08 October 2011 until 31 December 2016.
REFERENCE	▪ Section 46(1)(c) of Income Tax Act 1967.

<u>RATIONALISATION OF TAX INCENTIVE FOR SHIPPING COMPANIES</u>

PRESENT	▪ Under Section 54A of the Income Tax Act 1967, income of shipping companies is fully exempted from tax. This incentive has been given for 27 years since year of assessment 1984.
PROPOSED	▪ Income tax exemption for shipping companies be reduce from 100% to 70% of statutory income.
IMPACT	▪ To in line with the rationalisation of tax incentive.
EFFECTIVE DATE	▪ Year of assessment 2012.
REFERENCE	▪ Section 54A Income Tax Act 1967.

TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME

PRESENT

- Under Section 34(6)(n) Income Tax Act 1967, expenses incurred by a company in providing practical training including an internship programme is eligible for tax deduction.

PROPOSED

- Double deduction will be given on the expenses incurred by companies that implement the structured internship programme. The qualifying criteria for this programme among others are as follows:

  i. The internship programme is for full time undergraduate students from the Public/Private Higher Educational Institutions; and

  ii. Internship programme is for a minimum period of 10 weeks with a monthly allowance of not less than RM500.

IMPACT

- To identify potential employees who are capable and able to fulfil the companies' requirements.
- To expose the students to the real working environment in the companies.
- To increase companies' participation in this programme.

EFFECTIVE DATE

- Year of assessment 2012 until 2016.

REFERENCE

- Section 34(6)(n) Income Tax Act 1967.

INCENTIVE FOR AWARDING SCHOLARSHIPS

PRESENT	▪ Scholarships awarded by company to Malaysian students to study for diploma and bachelor's degree at local institutions of higher learning that are registered with the Ministry of Higher Education are given deduction for purpose of income tax computation. ▪ Scholarships awarded are for students that fulfil the following criteria: i. Full time student ii. Have no sources of income; and iii. Total monthly income of parents or guardian does not exceed RM5,000.
PROPOSED	▪ The tax incentive for scholarships awarded is given double deduction.
IMPACT	▪ To encourage private companies to carry out social responsibility. ▪ To encourage students to further their study to higher level.
EFFECTIVE DATE	▪ For years of assessment 2012 until 2016.
REFERENCE	▪ Section 34(6)(*l*) Income Tax Act 1967.

INCENTIVE FOR COMPANIES TO PARTICIPATE IN CAREER FAIRS ABROAD

PRESENT

- The Government has given single deduction on expenses incurred by companies in participating in career fairs abroad.

PROPOSED

- Expenses incurred by companies in participating in career fairs abroad that are endorsed by Talent Corporation Malaysia Berhad (TalentCorp) be given double deduction.

IMPACT

- To disseminate information and raise awareness of the Malaysian diaspora on job opportunities and careers available in Malaysia.
- To attract more talented Malaysians and students to return home and work in Malaysia.

EFFECTIVE DATE

- Year of assessment 2012 until 2016.

REFERENCE

- To be gazetted by way of statutory order.

TAX DEDUCTION ON FRANCHISE FEE

PRESENT

- Expenses imposed on franchisee to undertake the franchise business are franchise fee, royalty, promotion fee and advertisement fee, training fee and service fee are allowed deduction except franchise fee as it is an expenditure incurred before commencing a business.

PROPOSED

- The Government proposes that franchise fee borne by local franchisees be allowed tax deduction.

IMPACT

- To further develop a local product brand to become strong in the domestic market and accepted in overseas market.

EFFECTIVE DATE

- From year of assessment 2012.

REFERENCE

- To be gazetted by way of statutory order.

STAMP DUTY EXEMPTION ON LOAN AGREEMENTS FOR MICRO FINANCE AND PROFESSIONAL SERVICES FUND

PRESENT

- Stamp duty at 0.05% on the loan value (or RM0.50 for every RM1,000) on loan agreements up to RM250,000 executed by small and medium enterprise (SME).
- The interpretation of SME under the Stamp Act 1949 is as follows:

Sector	Annual Turnover	Number of Employees
Manufacturing	≤ RM25 million	150 persons
Services	≤ RM5 million	50 persons

- Stamp duty at the rate of 0.5% on the loan value (or RM5.00 for every RM1,000) on the loan agreements executed by parties other than SME.

PROPOSED

- 100% stamp duty exemption to be given on loan agreements up to RM50,000 under the Micro Financing Scheme.
- The exemption is given on loans executed between micro enterprises and SME with any banking and financial institutions.
- 100% stamp duty exemption to be given on loan agreements up RM50,000 undertaken from the Professional Services Fund.
- The exemption is given on loans executed between any professionals with Bank Simpanan Nasional.

IMPACT

- To reduce cost of doing business for micro enterprises and SME.
- To assist professional groups establishing firms in rural areas.

EFFECTIVE DATE

- Effective from 1 January 2012.

REFERENCE

- To be gazetted by way of statutory order.

INCENTIVES FOR PRIVATE SCHOOLS

PRESENT

- Tax incentives have been given to private education, among others:

  i. a. Non Profit Oriented Private Schools

  b. Non Profit Oriented International Schools

  c. Non Profit Oriented Expatriate Schools

  100% income tax exemption on the income received from the management of a school.

  ii. Profit Oriented International Schools

  Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment.

  Tax incentive is for application received by Malaysian Investment Development Authority (MIDA) from 14 July 2010 until 31 December 2015.

PROPOSED

- The tax incentive will be given to private schools and international schools registered and complied with requirement stipulated by Ministry of education as follows:

  i. Profit Oriented Private Schools

     a. Income tax exemption of 70% for a period of 5 years; or

     b. Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of statutory income for each year of assessment.

  ii. Profit Oriented International Schools

     Income tax exemption of 70% for a period of 5 years.

  iii. Profit Oriented Private Schools And International Schools

     a. Import duty and sales tax exemption for educational equipment; and

     b. Double deduction for overseas promotional expenses.

IMPACT

- To further encourage the involvement of private sector in educational service.
- To providing quality education towards creating an excellent future generation.
- To complement the Government's effort in providing the educational infrastructure.
- To ease the burden of parents as result in the reduction of school fees by private school operators.

EFFECTIVE DATE	▪ Profit Oriented Private Schools For application received by Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2015. ▪ Profit Oriented International Schools For application received by Malaysian Investment Development authority (MIDA) from 8 October 2011 until 31 December 2015. ▪ Profit Oriented Private Schools And International Schools i. For application received by Malaysian Investment Development Authority (MIDA) from 8 October 2011; and ii. From year of assessment 2012.
REFERENCE	▪ To be gazetted by way of statutory order.

TAX TREATMENT FOR PRIVATE RETIREMENT SCHEME

PRESENT

- Tax treatment on benefits received from retirement are as follows:

  i. Tax Exemption

  a. Exemption on pension income received by tax payers upon attaining mandatory retirement age;

  b. Exemption on withdrawal of contribution from Employee Provident Fund (EPF) by tax payers upon attaining mandatory retirement age;

  c. Tax exemption on gratuity received upon attaining mandatory retirement age; and

  d. Exemption on income received by EPF fund and approved fund under Section 150 Income Tax act 1967.

  ii. Tax Relief

  a. Relief up to RM6,000 on contributions to EPF, contributions to Private Retirement Scheme (PRS) and life insurance premium; and

  b. Relief up to RM1,000 on annuity

  c. Premium as a component of tax relief on EPF contributions and life insurance premium.

  iii. Tax Deduction

  a. Deduction on contributions to EPF made by employers for their employees and such contributions to approved fund under Section 150 Income Tax Act 1967 up to 19% of employees' remuneration.

PROPOSED	▪ Tax relief up to RM3,000 be given on contributions by individuals to PRS approved by the Securities Commission and annuity premium; ▪ Tax relief of RM1,000 on annuity premium (as a component of the tax relief of RM6,000 on EPF contributions and life insurance premium) is rationalised; ▪ Tax exemption on income received by the PRS fund; ▪ Deduction on contributions by employers for employees to PRS. The deduction is given up to 19% of employees' remuneration and includes contributions to EPF and approved scheme under Section 150 Income Tax Act 1967; and ▪ Withdrawals of contributions from PRS by employees prior to maturity period or prior to attaining mandatory retirement age is subject to tax. ▪ The employer's contribution be increased from 12% to 13% for contributors who earn RM5,000 and below.
IMPACT	▪ To promote sufficient savings upon attaining retirement age. ▪ To spur the development of the capital market. ▪ To ensure the welfare of retirees upon reaching retirement age to live a comfortable life.
EFFECTIVE DATE	▪ From year of assessment 2012.
REFERENCE	▪ Subsection 2(1) Income Tax Act 1967. ▪ Paragraph 49(1)*(a)* Income Tax Act 1967. ▪ Subsection 49(1D) and (1E) Income Tax Act 1967.

COMPENSATION FOR LATE REFUND OF INCOME TAX BY INLAND REVENUE BOARD

PRESENT

- Taxpayers who are late in paying the outstanding tax are subject to penalties at the following rates:

  i. Penalty of 10% are imposed on one day after the due date for income tax return to be filed; and

  ii. Penalty of 5% are imposed on 60 days after the penalty of 10% is charged.

- The taxpayer is not given compensation when Inland Revenue Board (IRB) is late in refunding tax overpaid.

PROPOSED

- The taxpayers will be given compensation of 2% on the amount of tax refunded late by IRB.

- The compensation of 2% is to be paid on a daily basis commencing 1 day:

  i. After 90 days from the due date for e-Filing; and

  ii. After 120 days from the due date for manual tax filing.

- Taxpayers eligible for tax compensation are those who file income tax returns before the expiry of the stipulated due date as follows:

  i. Salaries individuals: not later than 30 April;

  ii. Individuals with business income: not later than 30 June; and

  iii. Companies: not later than 7 months from the expiry of the accounting period.

IMPACT

- To ensure taxpayers are accorded equitable treatment.

- To enhance efficiency in tax administration.

EFFECTIVE DATE

- From year of assessment 2013.

REFERENCE

- Section 111D Income Tax Act 1967.

TIME BAR FOR TAX AUDIT

PRESENT	▪ Under the Self-Assessment System, tax audit is major activity of Inland Revenue Board (IRB) to enhance voluntary tax compliance. ▪ Time bar for tax audit is 6 years from the date tax assessment is made.
PROPOSED	▪ The time bar for audit be reduced from 6 years to 5 years from the date tax assessment is made but it is not applicable for cases of false declaration, wilful late payment and negligence. ▪ The proposal will not alter the requirement to keep records for 7 years in accordance with Section 82 and 82A Income Tax Act 1967.
IMPACT	▪ To increase certainty of cost of doing business. ▪ To enhance investor's confidence and in tandem with best practices.
EFFECTIVE DATE	▪ From year of assessment 2013.
REFERENCE	▪ Section 82 Income Tax Act 1967. ▪ Section 82A Income Tax Act 1967.

ENHANCING ADMINISTRATION SYSTEM AND TAX COMPLIANCE

PRESENT

- In year 2004, e-Filing system was introduced to enhancing tax administration and increase compliance by facilitating tax payers to submit tax returns via computer.
- Individual tax payers using the e-Filing system are still required to key-in information such as total income, scheduler tax deductions (PCB), contributions to Employee Provident Fund (EPF), Insurance and zakat.

PROPOSED

- Individual taxpayers are allowed to furnish tax returns through e-Filing via mobile devices; and
- Information on total income, PCB deductions, EPF contributions, insurance and zakat are pre-filled by Inland Revenue Board (IRB) for salaried taxpayers using the e-Filing system. Such information must be submitted by their employers to IRB.

IMPACT

- To further enhance the e-Filing system in line with current technological advances.

EFFECTIVE DATE

- From year of assessment 2012.

REFERENCE

- To be gazetted by way of statutory order.

SECTION D

SUMMARY OF AMENDMENTS TO INDIRECT TAXATION

ASSISTANCE FOR INDIVIDUAL OWNERS OF BUDGET TAXIS AND HIRE CARS

PRESENT

- 100% excise duty exemption on purchase of new locally manufactured cars used as budget taxis.
- 100% excise duty exemption on purchase of new locally assembled cars used as hire cars.
- Road tax at RM20 per year.

PROPOSED

i. 100% sales tax exemption on purchase of new locally manufactured cars used as budget taxis or hire cars.

ii. Exemption of excise duty and sales tax on sale or change of ownership of budget taxis and hire cars after seven years of registration.

iii. Road tax on budget taxis and hire cars to be abolished.

iv. Interest rate subsidy of 2% per annum for 2 years on full loans for financing the purchase of new locally manufactured cars used as budget taxis and hire cars

v. Assistance of RM3,000 for replacement of budget taxis and hire cars aged more than seven years but less than 10 years. For budget taxis and hire cars aged 10 years and above, an assistance of RM1,000 will be given.

IMPACT

- To assist individual owners of budget taxis and hire cars in reducing cost of operations.
- To deliver better quality service.
- To be more customer-friendly and at the same time improve the country's image as a tourist-friendly nation.

EFFECTIVE DATE	▪ Incentive (i) and (ii) from 8 October 2011. ▪ Incentive (iii) from 1 January 2012; and ▪ Incentive (iv) and (v) from 1 January 2012 until 31 December 2013.
REFERENCE	▪ To be gazetted by way of statutory order.

SECTION E

SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES

I. FUNDS AND SCHEMES UNDER MINISTRIES AND AGENCIES

Ministry of Science, Technology and Innovations (MOSTI)

i. Enterprise Innovation Fund

Purpose — To encourage Malaysian companies to be more innovative in using and adapting to the existing technologies and creating new technologies, products and processes, as well as promoting closer co-operation between the private and public sector. The scheme would facilitate Malaysian companies to establish strategic global and regional linkages in research and development to enhance indigenous technology development.

ii. Science Fund

Purpose — To generate more research and expertise within country.

iii. Tech-no Fund

Purpose — To enhance global competitiveness and research and development culture among Malaysian medium and large enterprise.

iv. Content Industry Development Fund (eContent Fund)

Purpose — To spur the development of quality local ICT content for domestic and export market and also to develop a more resilient and competitive local content industry in Malaysia.

Ministry of Agriculture and Agro-Based Industry (MOA)

1. Bumiputra Industrial and Trade Society Financing Scheme

Purpose — To encourage the development of Bumiputra entrepreneurs in production, marketing and processing of agricultural products.

Ministry of Tourism

1. Tourism Infrastructure Fund

Purpose To develop infrastructure tourism.

Ministry of Information, Communication and Culture

1. Seed Capital Scheme (Batik and Craft)

Purpose To promote Malaysian Batik and craft industry by providing financing to Bumiputera batik and craft operator.

2. Fiction Film Financing Scheme

Purpose To encourage Malaysian film company to produce successful fiction film for local or international market.

Bank Pembangunan Malaysia

1. Tourism Infrastructure Fund (TIF)

Purpose To finance the incremental cost of new/existing projects excluding working capital. For acquisition of land, a maximum amount of 40% of the land cost or project cost whichever is lower is allowed.

2. Maritime Fund

Purpose
(i) To finance the acquisition of all type of brand new/second hand vessels;
(ii) To finance the acquisition of land, construction of shipyard infrastructure and its related machinery and equipment;
(iii) To finance the acquisition of land, construction of building, plant and machinery of port, bonded warehouse, port yard and haulage for the maritime activities; and
(iv) To part finance the working capital requirement.

3. Contract Financing Scheme

Purpose To part finance working capital requirements.

4. Deferred Payment Scheme

Purpose To finance contracts awarded by federal government.

5. Private Finance Initiative Scheme

Purpose	To part finance the working capital requirements of established constructions, engineering and fabrication companies who have been awarded related contracts by the respective contract awarder.

Malaysian Venture Capital Management Berhad

1. Venture Capital Financing

Purpose	To provide venture capital financing.

Perbadanan Nasional Berhad (PNS)

1. PNS Equity Investment Scheme

Purpose	To develop the number of medium class Bumiputera entrepreneurs through financial assistance or SME equity financing.

2. PNS Franchise Investment Scheme

Purpose	To develop the number of Middle-Level Bumiputera Enterpreneurs (MLBE) in franchise businesses through PNS equity investment scheme.

3. PNS Franchisee Financing Scheme

Purpose	To develop the number of Middle-Level Bumiputera Entrepreneurs (MLBE) in franchise businesses via financial assistance for purposes of business expansion and starting-up franchise companies.

4. Contract Financing

Purpose	To finance contract of supply finished products or services.

Perbadanan Usahawan Nasional Berhad (PUNB)

1. SME Financial Packages

Purpose	To provide funds to help Bumiputera enterprises set up and grow their businesses in areas related to product, market and operation.

2. PROSPER Runcit

Purpose To offer financing on the principle of Qard Al-Hassan.

3. PROSPER Siswazah

Purpose To equip young Bumiputera graduates and certificate holders with skills and knowledge

4. Pemborong PROSPER

Purpose To develop Bumiputera entrepreneurs involved in bulk buying and selling activity of goods and supplies.

5. Siswazah Perantis PUNB

Purpose To provide opportunities for young graduates to venture into retail and distributive business.

SME BANK

1. Contract Financing

Purpose To offer financing to Main Contractors or Nominated Sub-Contractors having secured contract from approved awarding parties mainly government ministries, department and agencies.

2. Business Loan

Purpose To offer financing for manufacturing, services, construction, tourism, oil and gas, ICT and biotechnology. The facilities to be offer includes term loan, leasing, industrial hire purchase, fixed working capital, revolving working capital, bank guarantee, loan stock, and comfort letter.

3. Public Transport Development Fund (TPPA)

Purpose TPPA is a loan financing fund specifically for bus and taxi operators licensed under the Commercial Vehicles Licensing Board Act 1987 (Act 334). The fund is provided for the purchase of vehicles in order to increase the quality of service (which includes individual and company/ cooperative/ firm operators).

4. Business Premise Financing Scheme

Purpose	This scheme is to finance the purchase of shop houses/office space pr factories whether completed or under construction.

5. Graduate Entreprenuer Fund (TUS)

Purpose	The provision are intended to encourage more university graduates entered the field of entrepreneurship.

6. i-Cash

Purpose	To offer financing up to RM250,000 with low monthly installment for enterprises.

7. iQ-dagang

Purpose	To offer collaborative together with the bank to develop business idea or plan become reality.

BSN Micro Finance

Purpose	To offer financing in developing business of manufacturing, servicing and retailing through three types of products; TemaNiaga, TemanMesra and TemaNiaga-i.

II. OTHER BUSINESS OPPORTUNITIES AND INCENTIVES *(As proposed in Budget 2012)*

Accelerating Investment

- **Second Rolling Plan (RP2) – RM98.4 billion allocation**

Purpose	To encourage economic growth.
Mechanism	The main projects to be implemented are: (i) Gemas – Johor Bahru double tracking rail project. (ii) Lebuhraya Pantai Timur Jabor-Kuala Terengganu, Lebuhraya Pantai Barat Banting-Taiping, Lebuhraya Segamat-Tangkak and Lebuhraya Central Spine as well as the construction of Kota Marudu-Ranau road. (iii) Redevelopment of the Sungai Besi Kuala Lumpur Air Base.

- **Public-Private Partnership (PPP) Facilitation Fund – RM20 billion allocation**

Purpose	To assist the private sector to develop projects with strategic value.

- **Exchange Traded Funds (ETFs) – RM200 million allocation**

Purpose	To enable the investors to re-evaluate their investments risks' appetite and venture into new investments opportunities through the ETF market.

- **Small Medium Enterprise (SMEs) – RM2.11 billion allocation**

Purpose	To further strengthen SMEs' contribution to economic growth.
Mechanism	(i) A Shariah compliant SME Financing Fund totaling RM2 billion to be managed by selected Islamic banks. (ii) SME Revitalisation Fund amounting to RM100 million which offers soft loan for entrepreneurs to revive their businesses. (iii) SME Emergency Funds amounting to RM10 million to assist SMEs affected by natural disaster.

(iv) To establish a Shariah compliant Commercialisation Innovation Fund totalling RM500 million to finance SMEs whose products have undergone market commercialisation verification process.

- **Tourism Sector – RM420 million allocation**

Purpose: To further promote tourist arrivals as well as domestic tourism.

Mechanism:
(i) Tourist destination, in particular Pulau Langkawi, will be re-develop through the launching of Langkawi Five Year Tourism Development Master Plan.

Generating Human Capital Excellence, Creativity and Innovation

- **National Innovation Movement – RM100 million allocation**

Purpose: To enables the economic value chain to be shifted to a higher level.

Mechanism:
(i) To establish Market Validation Fund with an initial allocation of RM30 million to ensure commercial viability of products.
(ii) To establish MyCreative Venture Capital, a pioneer project with an initial fund of RM200 million.

- **Education – RM50.2 billion allocation**

Purpose: To produce talented, highly-skilled, creative and innovative workforce.

Mechanism:
(i) Development allocation on all types of school consisting of national schools, national-type Chinese and Tamil schools, mission schools and Government-assisted religious schools.
(ii) The abolishment of primary and secondary education fees.

- **National Sports – RM149 million allocation**

Purpose	To promote futsal, football and also high performance sports including badminton, squash, bowling, diving, archery and cycling amongst youth, to produce young potential athletes.
Mechanism	To built a total of 1,100 futsal courts nationwide to achieve the "One Court for One Mukim" as well as football fields with artificial turfs and equipped with floodlight.

Rural Transformation Programme (RTP)

Purpose

To transform the rural areas to attract private investment, create employment and economic activities as well as provide opportunities for the younger generation to return and work in rural areas.

Mechanism

(i) To establish the Professional Services Fund to encourage professionals to setup firms in small town.
(ii) To implement Rural Mega Leap Programme nationwide for the cultivation of commodity and cash crops as well as fish caged culture.
(iii) To implement new planting and rubber replanting programmes by Rubber Industry Smallholders Development Authority (RISDA).
(iv) To appoint agents in the rural areas nationwide to by Bank Simpanan Nasional (BSN) to provide greater access to banking services for the rural population with provision of RM50 million.
(v) To establish the Public Transport Development Fund of RM150 million in the SME Bank to provide a more comfortable, reliable and quality service.
(vi) To allocate RM90 million for the provision of basic necessities for the development and welfare of Orang Asli.
(vii) To provide RM1 billion to construct and upgrade amenities.

Easing Inflation and Enhancing the Well-Being of the Rakyat

- **Agriculture Sector – RM1.1 billion allocation**

  Purpose: To develop the agriculture sectors.

  Mechanism:
  (i) The main projects are the Northern Terengganu Integrated Agricultural Development Project, Sabah and Sarawak Irrigation Projects, TEKUN and NKEA projects.
  (ii) To provide RM300 million for Commercial Agriculture Fund to increase the number and income of agropreneurs.
  (iii) To provide RM14 million for contract farming programme handled by the Federal Agricultural Marketing Authority (FAMA).

- **1Malaysia Programme**

  Purpose: To ease the burden and benefit of the rakyat.

  Mechanism:
  (i) To allocate RM1.2 billion for the 1Malaysia Rakyat's Welfare Programme or KAR1SMA.
  (ii) To increase the number of Kedai Rakyat 1Malaysia (KR1M) nationwide that offers 250 types of 1Malaysia products.
  (iii) To open 30 units of Agro Bazaar Kedai Rakyat nationwide to market agriculture produce and 1Malaysia brand products.
  (iv) To promote the Menu Rakyat 1Malaysia which offers popular menu sets at reasonable prices with a maximum of RM2 for breakfast and RM4 for lunch.

- **Housing Ownership**

  Purpose: To empathise with the rakyat's need to own affordable houses particularly, the poor and lower income group.

  Mechanism:
  (i) To establish the 1Malaysia People's Housing (PR1MA) to develop and maintain affordable quality houses for middle-income group.
  (ii) To implement the Program Perumahan Rakyat (PPR) for the lower income group by building 75,000 units of affordable houses nationwide under the 10MP.

(iii) To part subsidise the cost of houses under the Rumah Mesra Rakyat (RMR) programme, to help the low-income group own decent houses.

(iv) To allocate RM63 million to rehabilitated 1,270 abandoned houses and RM14 million for restoration and maintenance of public and private low-cost housing through the Abandoned Housing Rehabilitation Programme.

(v) To allocate RM300 million to build and refurbish houses with basic infrastructure under the Special Housing Fund for Fishermen.

- **Health Services**

Purpose	To provide quality health services for the rakyat.
Mechanism	To upgrade Hospital Kuala Lumpur with state-of-the-art equipment to construct a new outpatient block with an allocation of RM300 million.

- **Investment**

Purpose	To increase disposable income and encourage savings among the low-income group.
Mechanism	To introduce Skim Amanah Rakyat 1Malaysia or SARA 1Malaysia for households with income below RM3,000 per month.

- **Entrepreneurship**

Purpose	To ensure the development of the Bumiputera community is in tandem with economic growth.
Mechanism	(i) To establish the Unit Peneraju Agenda Bumiputera (TERAJU) to guide 1,100 high performing Bumipetera companies with potential to be listed on Bursa Malaysia. (ii) To allocate RM200 million for the development of Bumiputera entrepreneur and contractors.

- **Women and Youth**

Purpose — To recognise the potential of women in leadership and managerial skills.

Mechanism
(i) To allocate RM10 million to implement suitable training programme to encourage female professional to return to work.
(ii) To provide RM2.1 billion for micro financing loan by Amanah Ikhtiar Malaysia (AIM) to women entrepreneurs.
(iii) To provide free Human Papilloma Virus (HPV) immunisation.
(iv) To construct a hospital for women and children in Kuala Lumpur with a cost of RM700 million.
(v) To allocate RM200 million for skill training to youth who do not continue their schooling through Strategic Action for Youth (SAY 1Malaysia) programme.

- **Others**

Purpose — To ease the rakyat's high cost of living.

Mechanism
(i) Assistance of RM500 to households with the monthly income of RM3,000 and below.
(ii) Schooling assistance of RM100 to all primary and secondary students nationwide.
(iii) Book voucher worth RM200 to all Malaysian students in public and private local institutions of higher learning, matriculation and Form 6 students nationwide, with an allocation of RM260 million.

SECTION F

SYNOPSIS AND COMPARISON
(Period under review 2004 to 2011)

PERSONAL TAX

Tax Rate, Personal relief and Rebate

Refer to Section H

Requirement to qualify for resident status

2005-2008	Required to be in Malaysia for at least 182 days. If less than 182 days he is only eligible for residence status if the said period of less than 182 days is linked to another period of consecutive stay of 182 days in a preceding year. Both these periods are deemed linked (31st December of that year and 1st January of the following year). However, starting assessment year 2003, the requirement to be in Malaysia on 31st December of the current year and 1st January of the following year is abolished.
2009-2011	Where a citizen is employed in the public services or statutory authority having and exercising his employment outside Malaysia or attending any course of study in any institution or professional body outside Malaysia which is fully sponsored by the employer.
2012	No changes

Tax treatment on bonus and directors fees

2005-2008	Taxed on receive basis but relate back to receivable period.
2009-2011	Taxed in the year such incomes are received.
2012	No changes

Tax incentive for Malaysian and foreign knowledge workers in Iskandar Malaysia

2005-2009	Tax rate according to normal rate.
2010-2011	15% tax rate applicable to who apply and commence employment from 24 October 2009 to 31 December 2015. The qualifying activities are:- i. green technology;

	ii.	biotechnology;
	iii.	educational services;
	iv.	healthcare services;
	v.	creative industries;
	vi.	financial advisory and consulting services;
	vii.	logistics services; and
	viii.	tourism.
2012	No changes	

Tax relief on medical expenses and care for parents

2005-2010 — Tax relief for medical expenses for parents amounting to RM5,000 only limit to:-

i. Treatment in clinics and hospitals;
ii. Treatment in nursing homes; and
iii. Dental treatment excluding cosmetic dental

2011 — Extended to care of parents who suffer from diseases or with physical or mental disabilities and need regular treatment certified by a qualified medical practitioner. Treatment include care at home, day care centre and home care centre, qualifying expenses as follows:-

i. Treatment and medical expenses supported with receipts issued by registered medical centres, pharmacies or licensed medical stored.
ii. Expenses for the care of parents supported with the receipts or written certification by carers. For foreign carers must possess valid visa or special work permit for the care.
iii. Expenses on special needs for parents must be certified by qualified medical practitioner and evidenced by receipt.

2012 — No changes

Expatriate working in a Treasury Management Centre (TMC)

2012 — Taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia (Application received by MIDA from 8 October 2011 until 31 December 2016)

Assistance for individual owners of budget taxis and hire cars

2012 — i. Interest rate subsidy of 2% per annum for 2 years on full loans for financing the purchase of new locally manufactured cars used as budget taxis and hire cars.

ii. Assisting of RM3,000 for replacement of budget taxis and hire cars aged more than seven years but less than 10 years. For budget taxis and hire cars aged 10 years and above, an assistance of RM1,000 will be given.

Income exempted from income tax:

1. Leave passage.

2005-2006	Exemption for overseas trip is restricted to RM3,000.
2007-2010	Exemption is extended to meals and accommodation.
2012	No changes

2. Computer given by employer.

2005-2007	Taxable
2008-2011	Exempted until YA2010. In addition, broadband subscription fee paid by employers is also exempted.
2012	No changes

3. Royalty received by non-resident franchisors from franchised education scheme approved by the Ministry of Education.

2005	Exempted.
2006-2011	Tax exempted from withholding tax for a period of 5 years.
2012	No changes

4. Royalty received by resident on royalty from art artistic works.

2006-2011	Tax exemption on royalty up to RM10,000 a year.
2012	No changes

5. Export of qualifying services by resident.

2005-2011	Exemption equivalent to 50% of the increased in export value
2012	No changes

6. Rental of ISO containers received by non- residents from shipping companies in Malaysia.

2005-2006	Exempted from income tax w.e.f 20.10.2001
2007-2011	Exemptions included rental payment of ships under voyage charter, time charter and/or bare boat charter.
2012	No changes

7. Compensation for loss of employment.

2005-2008	Exemption limit increase from RM4,000 to RM6,000 per complete year of service
2009-2011	Exempted amount is increased to RM10,000 for every completed year of service.

	Employment ceased on or after 1 July 2008
2012	No changes

8. Fees or honorarium received by lecturers/experts from LAN (not from official duties)

2005-2011	Exempted
2012	No changes

9. Honorarium or royalty for researchers to commercialise research finding.

2005-2011	Exempted
2012	No changes

10. Income from foreign source remitted by a resident.

2005-2011	Exempted
2012	No changes

11. Interest income derived by non-resident companies from investments in Islamic securities and debentures and Government Securities

2005-2011	Exempted
2012	No changes

12. Chargeable income distributed to unit holders of REIT or PTF approved by Securities Commission.

2005-2011	Exempted
2011	No changes

13. Retirement Gratuities at compulsory retirement of age 50 and up to 55.

2005-2006	Exemption up to RM6,000 per complete year of service
2007-2011	Full exemption
2012	No changes

14. Income of a seafarer working on board a foreign ship chartered by their Malaysian employer.

2005-2006	Taxable
2007-2011	Exempted
2012	No changes

15. Tax treatment for perquisite

2005-2007	Taxable
2007-2008	Tax exemption for award received by employees in cash or in kind up to RM1,000
2009-2011	Extended to award related to innovation, productivity and efficiency and exemption be increased to RM2,000 effective from year of assessment 2008 until 2010.
2012	No changes

16. Dividend received

2005-2007	Taxable unless paid out of tax exempt income
2008-2011	All dividend are exempted (single tier system)
2012	No changes

17. Income received by expatriates working for International Procurement Centre (IPC) and Regional Distribution Centre (RDC).

2005-2007	In contrast, expatriates working for Operational Headquarters (OHQ) and Regional Offices (RO) taxed only on portion of employment income attributable to the number of days they are in the country.
2008-2011	Expatriates working for IPC and RDC will also be taxed only on portion of employment income attributable to the number of days they are in the country.
2012	No changes

18. Interest Income from deposits

2008
- i. Interest received from Lembaga Tabung Haji and Bank Simpanan Nasional.
- ii. Fixed deposits up to RM100,000 in all banking institutions approved under BAFIA 1989, Bank Pertanian, Bank Rakyat, Borneo Housing Mortgage Finance Bhd and Malaysia Building Society Bhd.
- iii. Fixed deposit account exceeding 12 months.

2009-2011 All interest income be fully exempted. (w.e.f. 30.08.2008)

2012 No changes

19. Allowances and benefits in kind

2005-2008
- i. Medical and dental care.
- ii. Childcare benefits centres provided by employers.
- iii. Value employer's own products or services received by employees up to RM200
- iv. Mobile phones and telephone bills exceeding RM300
- v. Free transport from certain pick-up points or between home and workplace.
- vi. Meals and drinks provided free of charge.
- vii. Group insurance premiums to cover workers.

2009-2011 Exemption extended to:
- i. Petrol allowance or travel allowance between home and work place and for official duties up to RM2,400 and RM6,000 respectively.
- ii. Allowance for parking and meal provided.
- iii. Allowance or subsidies from childcare up to RM2,400 per

year.

iv. Telephone, mobile phone, telephone bills, pager, PDA and internet subscription.

v. Value employer's own products or services received by employees free of charge or discounted where value of discounted not exceed RM1,000 and cannot be transferable.

vi. Subsidies on interest on loans totalling up to RM300,000 for housing, passenger motor vehicle and education.

vii. Maternity and traditional medicines.

2012	No changes

20. Profits from foreign currency sukuk

2005-2007	Taxable
2008-2009	Exempted for sukuk approved by Securities Commission and issued in Malaysia
2010-2011	Extended to sukuk approved by Labuan Offshore Financial Services Authority.
2012	Extended for another 3 years from 2012 until 2014

21. Income from private retirement scheme fund

2005-2011	Not applicable
2012	Not taxable (w.e.f year of assessment 2012)

CORPORATE TAX

Tax Rates

Refer to Section H

Imputation system

2005-2007	Company have to deduct tax from dividend paid to shareholders.
2008-2011	Company which have no credit balance of section 108 account on 1 January 2008 shall not deduct tax from dividend. Company with credit balance in the section 108 is given an option whether to deduct or not.
2012	No changes

Offshore Company

2005-2007	Offshore business activity is taxed under Labuan Offshore Business Activity Act 1990.
2008-2011	May choose to be taxed under Income Tax Act 1967.
2012	No changes

Premium on professional indemnity insurance

2005-2007	Non-deductible
2008-2011	Deductible
2012	No changes

Non-profit oriented school

2005-2007	Income from school fees, public donations, rental and interest are taxable if this school are not approved as charitable organisation under Income Tax Act 1967.
2008-2011	Exempted
2012	No changes

Profit oriented private schools

2005-2009	Taxable
2010-2011	Income received is taxable.
2012	Income tax exemption of 70% for period of 5 years; or Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application received by MIDA from 8 October 2011 until 31 December 2015)

Profit oriented international schools

2005-2011	Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application received by MIDA from 14 July 2010 until 31 December 2015)
2012	Income tax exemption of 70% for period of 5 years. (application received by MIDA from 8 October 2011 until 31 December 2015)

Deductible Expenses

1. Donation to approved institution

2005-2006	Deduction restricted to 5% of aggregate income.
2007-2008	Deduction restricted to 7% of aggregate income.
2009-2011	Deduction restricted to 10% of aggregate income.
2012	No changes

2. Sponsoring arts and cultural activities approved by Ministry of Cultural Arts performed in Malaysia.

2005-2006	Deductible up to RM300,000 provided RM100,000 is paid to sponsor performance by local artists.
2007-2011	Deduction increase up to RM500,000
2012	No changes

3. Hire of motor vehicle (other than commercial vehicle)

2005-2011	Restricted to RM100,000 if on the road price is not more than RM150,000 and brand new
2012	No changes

4. New computer given to employees

2005-2007	Not deductible
2008-2011	Deductible. In addition, broadband subscription fee paid by employers is also deductible (expiry date 2010)
2012	No changes

5. Infrastructure available for public use (community project)

2005-2007	Non-deductible
2008	Deductible
2009-2011	Extended to projects related to increase the income of the poor as well as for the conservation or preservation of the environment.
2012	No changes

6. Expenses to obtain halal and quality certifications.

2005	Single deduction
2005-2011	Double deduction on expenses in obtaining quality systems and standards certification as well as halal certification from JAKIM and obtaining international quality systems and standards certification
2012	No changes

7. Expenses to establish Islamic stock broking company.

2005-2006	No deduction
2007-2009	Allowable for company that commence its business within a period of 2 years from the date of approval by the Securities Commission (SC).
2010-2011	Extended to application received by Securities Commission (SC) until 31 December 2015.
2012	No changes

8. Entertainment incurred in relation to business

2005-2011	i. Full deduction for promotional purposes. ii. 50% for others purposes
2012	No changes

9. Recruitment cost

2005-2008	Allowable accept incurred before the commencement of business.
2009-2011	Expenses incurred before commencement of business is allowable such as cost in participating in job fairs, payment to employment agencies and head-hunters
2012	No changes

10. Audit fee

2005	Allowable on consensus.
2006-2011	The expenses incurred on audit fees by companies are deemed as allowable expenses.
2012	No changes

11. Renovation of workplace for disabled workers.

2005-2007	Not deductible
2008-2011	Deductible
2012	No changes

12. Expenses on patents and trademarks for Small and Medium Enterprise (SME)

2005-2009 Not allowed

2010-2011 Deductible expenses for SME company from year assessment 2010 until 2014. Allowable including fees or payment made to patent and trademark agents registered under the Patents Act 1983 and Trade Marks Act 1976.

Definitions of SME for the purpose of incentives are as follows:-

i. Companies as defined under Para. 2A and 2B, Sch. 1, Income Tax Act 1967.
ii. Manufacturing Industries, Manufacturing Related Services Industries and Agro-Based Industries – enterprises with full-time employees not exceeding 150 persons, OR with annual sale turnover not exceeding RM25 million.
iii. Services Industries, Primary Agriculture and Information & Communication Technology (ICT) – enterprises with full time employees not exceeding 50 persons, OR with annual sales turnover not exceeding RM5 million.

2012 No changes

13. Franchisee fee

2005-2011	Not deductible
2012	Deductible for local franchise brands

Double Deduction

1. Expenses incurred for advertising Malaysian brand names registered overseas and professional fees paid to companies promoting Malaysian brand names.

2005-2006 Double deduction (must be owner of the brand name).

2007-2011 Extended to a company within same group subject to:

i. Company owned more than 50% by registered proprietor of Malaysian brand name; and

ii. Can only be claimed by one company in year of assessment.

2012	No changes

2. Promotion of export of good
   i. Participation in virtual trade shows
   ii. Participation in trade portals for the promotion of local product
   iii. Cost of maintaining warehouses overseas

2005-2011	Double deduction
2012	No changes

3. Promotion of export of services
   i. Feasibility studies for overseas projects identified for the purpose of tender
   ii. Participation in trade or industrial exhibitions in the country or overseas
   iii. Participation in exhibition held in Malaysian Permanent Trade and Exhibition Centres overseas

2005-2011	Double deduction
2012	No changes

4. Promotion of export of professional services (Legal, accounting, architectural, engineering and integrated engineering, medical and dental).

2005	Double deduction
2005-2011	Double deduction for expenses incurred in preparing architectural & engineering models, perspective drawings & 3-D animations for participating in competitions at international level
2012	No changes

5. Employment of unemployed graduates registered with Economic Planning Unit.

2005	Double deduction
2006	Double deduction be given for a period of 3 years to listed companies on the allowances paid to participants of Unemployed Graduated Training Programme endorsed by the Securities Commission.
2007-2011	Extended to unlisted companies for double deduction under the supervision of the Securities Commission w.e.f 02.09.2006
2012	No changes

6. Expenses to obtain halal & quality certification.

2005-2011	Double deduction
2012	No changes

7. Training expenses (Malaysian).

2008	Double deduction be given for training of employees at approved training institutions such as INCIEF and PSDC.
2009-2011	Double deductions be given on selected fields: i. Post graduate courses in ICT, electronics and life sciences. ii. Post basic courses in nursing and allied health care. iii. Aircraft maintenance engineering courses.
2012	No changes

8. Expenses incurred on promoting Malaysia as an International Islamic Financial Centre (MIFC)

2008-2009	Allowable for expenses as follows: i. Market research and feasibility study; ii. Preparation of technical information relating to type of services offered; iii. Participation in an event to promote MIFC; iv. Maintenance of sales office overseas; and v. Publicity and advertisement in any media outside Malaysia. The incentive is given for three (3) years from year of assessment 2008 until 2010 and the expenses are to be verified by the MIFC secretariat.
2010-2011	Extend to year of assessment 2015.
2012	No changes

9. Export credit insurance premium

2005-2010	Double deduction on payment of conventional insurance premium to companies approved by MOF
2011	Extended to takaful concept and premium must be purchased from operators approved by MOF
2012	No changes

10. Profit oriented private schools and international schools

2005-2011	Single deduction for expenses.
2012	Double deduction for overseas promotion expenses.

11. Structured Internship programme

2005-2011	Single deduction
2012	If the internship programme is for full time undergraduate students from Public/Private Higher Educational Institutions; and internship programme is for a minimum period of 10 weeks with monthly allowance not less than RM500 (w.e.f year of assessment 2012 until 2016)

12. Awarding scholarships

2005-2011	Single deduction given if scholarships is awarded to students by the following criteria:- i. A full time Malaysian students study for diploma and bachelor’s degree at local institutions or higher learning registered with the Ministry of Higher Education; ii. Have no sources of income; iii. Total monthly income of parents/guardian does not exceed RM5,000
2012	Double deduction. (for year of assessment 2012 until 2016)

13. Career fair abroad

2005-2011	Single deduction
2012	Double deduction if the fair is endorsed by Talent Corporation Malaysia Bhd (TalentCorp) (for year of assessment 2012 until 2016)

<u>Capital Allowance</u>

1. Class of Plant & Machinery

2005-2008	Accelerated Capital Allowance for companies provide services in conserve energy and recycling activities.
2009-2011	i. SMEs will be given Accelerated Capital Allowance on expenses incurred on plant and machinery acquired in year of assessment 2009 and 2010. ii. Bus purchased by bus operator eligible for Accelerated Capital Allowance for 100% w.e.f 2009 until 2011.
2012	No changes

2. Computer and ICT equipment

2005-2008	Initial allowance @ 20% Annual allowance @ 40%
2009-2011	Accelerated Capital Allowance be given on expenses incurred on ICT equipment, computer and software w.e.f 2009 to 2013.
2012	No changes

3. Cost of dismantling and removing assets

2005-2008	Cost for dismantling and removing assets as well as restoring the site where assets was located do not qualify for allowance under Schedule 3.
2009-2011	Cost for dismantling and removing assets as well as restoring the site be given balancing allowance subject to the following

	conditions: i. Eligibility only applies where obligation to carry out works on dismantling and removing is provided for under any written law or agreement: and ii. Such plant and machinery is not allowed to be used by that person in another business or in the business of another person.
2012	No changes

4. Security control equipment

2008	Fully written off within 1 year for factory premises of companies licensed under the industrial Coordination Act 1975.
2009-2011	Extended to all business premises. Type of security control equipment eligible: i. Anti-theft alarm system ii. Infra-red motion detection system iii. Siren iv. Access control system v. Closed circuit television vi. Video surveillance system vii. Security camera viii. Wireless camera transmitter ix. Time lapse recording and video motion detection equipment. Effective from year of assessment 2009 to 2012.
2012	No changes

5. Capital allowances on small value assets

2006-2008	The CA on qualifying expenditure on such assets be given 100% allowances for assets value not exceed RM1,000 but assets are capped at RM10,000.
2009-2011	SMEs not subject to the maximum limit of RM10,000.
2012	No changes

<u>Industrial Building Allowance</u>

1. Qualifying Expenditure for purchased Industrial Building Allowance (IBA).

2005	Based on the purchase price
2006-2011	IBA for a period of 10 years be given to owners of new buildings occupied by MSC status companies in Cyberjaya.
2012	No changes

2. Disposal of industrial building by company to REIT.

2005-2007	Subject to balancing charge
2008-2011	Not subject to balancing charge
2012	No changes

WITHHOLDING TAX

1. Technical fee paid to non-residents.

2005-2008	10% on computation for gross income included reimbursements such as travelling cost, hotel accommodation and telephone bills.
2009-2011	Reimbursements for hotel accommodation in Malaysia be excluded in computation of gross income.
2012	No changes

2. Technical training services.

2005-2008	10%
2009-2011	Exemption in the field below: i. Post graduate courses in ICT, electronics and life sciences. ii. Post basic courses in nursing and allied health care. iii. Aircraft maintenance engineering courses
2012	No changes

3. Penalty of withholding tax

2005-2006	10% penalty on withholding tax be imposed on the total payment made to a non-resident.
2007-2011	10% penalty on withholding tax be imposed on the amount of unpaid tax.
2012	No changes

4. Real Estate Investment Trusts (REITs)

2009-2011	i. Foreign institutional investors, particular pension funds and collective investments funds receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011. ii. Non-corporate investors including resident and non-resident individuals and other local entities receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011.
2012	Extended to 31 December 2016

5. Interest payment on borrowing by the Treasury Management Company to overseas banks and related companies.

2005-2011	No exemption.
2012	Exempted.

TAX ON COOPERATIVES

Refer to Section H

TRADE ASSOCIATION

Exemption from income tax

2005-2011	Statutory income from members' subscription fees that is exempted, be calculated according to the attributable method by taking into consideration actual expenditure incurred
2012	No changes

Professional associations

2005-2008	Not trade association.
2009-2011	Professional associations be incorporated in the definition of trade associations.
2012	No changes

TAX TREATMENT FOR CHARITABLE ORGANISATIONS

Condition for income tax exemption

2005-2011	50% of the income received in the preceding year must be disbursed annually for charitable purposes
2012	No changes

TAX TREATMENT ON INCOME OF INVESTMENT HOLDING COMPANY (IHC)

2006-2011	The income of IHCs listed on Bursa Malaysia be treated as business income and the expenses be given full deduction. An IHC is redefined as a company that derives at least 80% of its gross income from holding of investment.
2012	No changes

TAX TREATMENT ON CLUB

2005-2008	Tax treatment based on general taxation principle as follows: i. Member's fee or income from transactions with members is not subject to tax based on the principle of mutuality; and ii. Income derived from transactions with non-members is subject to tax.
2009-2011	i. Income derived from transactions with members not subject to tax while transactions with non members subject to tax. ii. Income from investment and external sources being non-mutual receipts be subject to tax. iii. Deduction be only allowed on expenses incurred in the production of chargeable income and limited only on the portion attributable to non members. It is also applicable to institutions similar to clubs. Effective from year of assessment 2009.
2012	No changes

TAX TREATMENT FOR UPSTREAM PETROLEUM COMPANIES

2005-2009	Upstream petroleum companies are subject to Petroleum (Income Tax) Act 1967 and uses:- i. Preceding year assessment system; and ii. Official assessment system undertaken by the IRB
2010-2011	Changes the system to:- ii. Current year assessment system; and iii. Self assessment system.
2012	No changes

FLEXIBILITY IN ESTIMATING TAX PAYABLE FOR COMPANIES

2006-2007	The estimates for companies be lowered from not less than 100% to not less than 85% of the preceding year's estimates or revised estimates.
2008-2011	Newly set-up company with paid-up capital of RM2.5M not required to make estimate and instalment payment for 2 years
2012	No changes

TAX TREATMENT ON BENEFIT FROM EMPLOYEES' SHARE OPTION SCHEME

2006-2011	The value of the benefit for each share option be determined based on the difference between the market price on the date the share option is exercised or exercisable, whichever is the lower, and the discounted price offered by the employer. The benefit is liable to tax in the year the option is exercised.
2012	No changes

TAX TREATMENT ON ISLAMIC BANKING

2005-2006	All income derived from transacted from local or international currencies are taxable
2007-2011	For income derived from business transacted in international currencies including with Malaysian residents will be exempt starting from YA2007 until YA2016
2012	No changes

TAX TREATMENT ON TAKAFUL BUSINESS

2005-2006	All income derived from transacted from local or international currencies are taxable
2007	For income derived from business transacted in international currencies including with Malaysian residents will be exempt starting from YA2007 until YA2016
2008-2011	Special provision introduced for Takaful business as follows:- i. Management expenses borne from shareholders' fund will allowed a deduction from gross income of the shareholders' income; ii. Share of profits distributed from the family fund and general takaful fund will allowed as tax deduction; iii. Share of profits distributed to the participants in relation to investment income be taxed on the participants through a final withholding tax mechanism; iv. Tax imposed on the Wakalah fee received by the shareholder from the family takaful fund and general takaful fund; and v. Deduction be allowed for Qard from the shareholders' fund and to impose tax on the repayment of Qard.
2012	No changes

TAX TREATMENT OF COMPANY MANAGING FOREIGN ISLAMIC FUNDS

2005-2006	Local or foreign companies to manage foreign investors' funds licensed by SC under the Approved Foreign Fund Management Status will be tax at 10% on management fee received from foreign investors.
2007	Management fee is tax exempted for 10 years starting from YA2007 until YA2016. The Islamic fund must be approved by SC
2008-2011	All fee received from managing the funds will tax exempted from YA2008 until YA2016. The Islamic fund must be approved by SC
2012	No changes

INCENTIVES

1. Reinvestment Allowance (RA)

2005-2007 Scope of the existing incentive extended to reapers of parent and grand parent stocks if :-

i. they rear at least 20,000 parent or grand parent stock of chicken /ducks per cycle

2008 Reinvestment Allowance for shifting from opened house system to closed house system for chicken and duck rearers.

i. RA of 60% on qualifying capital expenditure incurred with the allowance deducted in each year of assessment to be set off against 70% of the statutory income for a period of 15 consecutive years will be effective until year of assessment 2010.

2009-2011 Incentives be given for chicken and duck rearers who reinvest to expand the closed house system in existing or new locations as follows:

i. Projects located in promoted areas be given RA of 60% on qualifying capital expenditure and be set-off against 100% of statutory income.
ii. Projects located outside the promoted areas be given RA 60% on qualifying expenditure and be set-off the statutory income

Effective from YA 2009 to YA 2010.

Reinvestment allowance be improved for criteria and conditions of incentive be amended.

i. Manufacturing activity be given specific and clear definition under Schedule 7A ITA 1967
ii. Company can claim RA must be operation for at least 12 months to extend to 36 months.

iii. Company purchasing an asset from a related company cannot claim RA if RA has been claim for that assets.
iv. Provision to claw back RA assets disposed off within period of 2 years be extended to 5 years.

2012 No changes

2. Pioneer Status

2005 Second round pioneer status with 100% tax exemption for 5 years be given to existing manufacturing company relocating activities to promoted area.

2006 The incentives for Eastern Corridor, Sabah and Sarawak be extended for another 5 years until 31 December 2010. Companies which undertaking multimedia activities outside the Cybercities entitled for the pioneer status - tax exemption of 50% of statutory income for a period of 5 years.

2007 Perlis be declared as a promoted area.

2008
i. Incentives for Small and Medium Industries (SMEs) that supply components, technology or R&D entitled for the Pioneer Status with income tax exemption of 100% of statutory income for a period of 5 years will be effective for applications received not later than 31 December 2010.
ii. Incentives for SMEs that capable of achieving world class standard in terms of pricing, quality and capacity entitled for the Pioneer Status with income tax exemption of 100% of statutory income for a period of 10 years will be effective for applications received not later than 31 December 2010.
iii. Companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralised in the Cybercities and Cybercentres and be given MSC Malaysia status company entitled for the Pioneer status - tax exemption of 100% of statutory income for a period of 10 years starting 8 September 2007.
iv. Incentives for companies which undertaking ICT activities located outside Cybercities and Cybercentres to be discontinued starting 8 September 2007.

2009-2011 For hotel 4 and 5 star in Sabah and Sarawak be given Pioneer Status or Investment Tax Allowance similar to 1 to 3 star hotels. Proposal is effective for applications received by MIDA from 30th August, 2008 until 31st December, 2013.

2012
i. Hotel 4 and 5 star in Peninsular Malaysia be given tax exemption of 70% of statutory income for 5 years (application received from MIDA from 08.10.2011 until

31.12.2013)

ii. Industrial design services be given Pioneer Status with income tax exemption of 70% for 5 years. (application received from MIDA from 08.10.2011 until 31.12.2016)

3. Streamlining tax treatment for pioneer status companies

2006-2011	Companies which incurred accumulated losses and unabsorbed capital allowances during the pioneer period allowed to be carried forward and deducted from post-pioneer income of a business relating to the same promoted activity or promoted product. Effective for companies whose pioneer period will expire on and after 1 October 2005.
2012	No changes

4. Investment Tax Allowance (ITA)

2005	ITA of 100% of qualifying capital expenditure incurred within a period of 5 years for company producing high quality halal food that comply with international standards set off up to 100% of statutory income. Second round of ITA of 100% for 5 years to existing manufacturing company relocating to promoted areas.
2006-2007	Companies which undertaking multimedia activities outside the Cybercities where, Investment Tax Allowance of 50% of qualifying capital expenditure incurred within a period of 5 years to be set-off against 50% of statutory income for each year of assessment.
2008-2011	i. Incentives for Small and Medium Industries (SMEs) that supply components, technology or R&D granted for ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010. ii. Incentives for SMEs that capable of achieving world class standard in terms of pricing, quality and capacity granted for ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010. iii. Companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralised in the Cybercities and Cybercentres and be given MSC

		Malaysia status company where, Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of 5 years to be set-off against 100% of statutory income for each year of assessment starting 8 December 2007.
	iv.	Incentives for companies which undertaking ICT activities located outside Cybercities and Cybercentres to be discontinued starting 8 December 2007.
2012	i.	4 and 5 star hotel in Peninsular Malaysia be given ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-of against 70% of the statutory income for each year of assessment. (after approved by MIDA from 08.10.2011 until 31.12.2013)
	ii.	Profit oriented private schools be given ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years.The allowance to be set-off against 70% of the statutory income for each year of assessment. (application approved by MIDA from 08.10.2011 to 31.12.2011)

5. Incentive on issuance of Islamic securities

2006-2009	Islamic securities based on leasing (Ijarah), progressive sales (Istisna'), profit sharing (Mudharabah) and profit and loss sharing (Musharakah) are deductible.
2010	i. The incentive extended until the YA 2015; and ii. Incentive for Islamic securities approved by the Securities Commission or the Labuan Offshore Financial Services Authority effective from YA 2010 to YA 2015.
2011	Expenses incurred in the issuance of Islamic securities under the principles of Murabahah and Bai'Bithaman Ajil based on tawarruq be given deduction provided that the security is approved by the Securities Commission or the Labuan Financial Services Authority w.e.f YA 2011 to 2015
2012	Expenses on the issuance of Islamic securities based on Wakalah Principles approved by the Security Commission or the Labuan Financial Services Authority be given deduction for the purpose of income tax computation.

6. Special Purpose Vehicles (SPV) established solely for Islamic financing

2006	Taxable.
2007-2009	The SPV is exempted from tax while income from SPV deemed as income of the company that establish the SPV will be subject to tax.

2010-2011	Extended to SPV establish under Offshore Companies Act 1190 electing to the taxed under Income Tax Act 1967.
2012	No changes

7. Incentives to Promote Tourism

2005-2006	Investment in expansion, modernisation and renovation be given another pioneer status increase from 85% to 100% or investment tax allowance increase from 80% 100%.
2007-2010	Tour operators be given 50% excise duty exemption on locally assembled 4WD vehicles (w.e.f. 02.09.2006). Extended the incentives for tour operators for another 5 years until YA 2011. Import duty on most tourism dutiable products with FOB value exceeding RM200 are given exemption under Item 174, Customs Duties (Exemption) Order 1988.
2011	Import duty abolished on tourism dutiable product (duty between 5% to 20%) : i. Handbags, wallets, suitcases, briefcases, apparel, footwear and hats; ii. Jewellery, costume jewellery and ornaments; iii. Toys such as dolls and small scale recreational models. Import duty abolished on cost of daily used products (duty between 10% to 20%): i. Talcum powder, face powder and shampoo; ii. Bedspreads, blankets, curtains and table cloth. w.e.f 15 October 2010.
2012	No changes

8. Incentive for Approved Operational Head Quarters Companies (OHQ)

2004-2011	Income from qualifying services provided by OHQ to its related companies in Malaysia be given tax exemption provided that income does not exceed 20% of the OHQ income from qualifying services.
2012	No changes

9. Incentive for Venture Capital Companies (VCC)

2005-2006	Income from profit sharing between VCC and VCMC is exempted in the hand of VCMC.
2007-2008	VCCs investing at least 50% of its investment funds in VCs in the form of seed capital or at least 70% of funds invested in VCs must be in start-up/early stage financing are given income tax exemption for 10 years.
2009-2011	VCCs investing in VCs with at least 30% of its funds in seed capital and start-up/early stage financing be given income

	tax exemption for 5 years.
2012	No changes

10. Incentives to promote export

2005-2011	Exempted from income tax equivalent to 10% of the increased export value for a period of 5 years provided that: i. Equity holdings by Malaysian in the company be reduced from 70% to 60%. ii. Annual sales turnover be reduced from more than RM25 million to more than RM10 million. iii. Export of goods of related companies is allowed without any restrictions. Double tax deduction on payment of conventional insurance premium for export credit to companies approved by the Minister of Finance.
2011	Payment of insurance premium for export credit based on takaful concept given double deduction commencing from YA 2011. Insurance premium must be purchased from takaful operators approved by the Minister of Finance.
2012	No changes

11. Incentive to increase food production

2005-2010	Incentives extended to application received until December 31, 2010.
2011	Incentives extended for another 5 years from January 2011 until December 2015.
2012	No changes

12. Group relief

2005	Adjusted business losses could not be transferred to another company in the group.
2006-2008	50% of current year adjusted losses may be transferred within group of companies with paid-up capital of RM2.5m and above.
2009-2011	The rate of current year losses allowed to be set-off in group relief treatment be increased to 70%.
2012	No changes

13. Incentives for unit trust

2005-2011	i. REIT or PTF be exempted from income tax on chargeable income distributed to unit holders whereas its undistributed chargeable income be taxed at 28%. ii. Income distributed to unit holders be taxed at their respective tax rates. For a non-resident unit holder, tax

payable is at 28% at shall be withheld by REIT or PTF.
iii. The accumulated income that has been taxed and subsequently distributed is eligible for tax credit in the hands of unit holders.

2012 No changes

14. Incentives for bond market

2005 Stamp duty and real property gains tax on instrument on transfer of assets.

2006-2011 Expenses for financial institution and non-financial institution incurred on discounts or premiums for the issuance of bonds be given deduction on annual basis until the date of maturity of the bonds.

2012 No changes

15. Incentives for providing cold chain facilities and services perishable agricultural produce

2005-2011
i. Pioneer status with tax exemption of 70% (85% for promoted areas) on increased statutory income for a period of 5 years; or
ii. Investment tax allowance of 60% on additional qualifying expenditure incurred within a period of 5 years can be used to set off against 70% (85% for promoted areas) of statutory income in each year of assessment.

2012 No changes

16. Incentives for energy-generating companies and companies using biomass as source of energy (environment-friendly and renewable)

2005-2006 Utilisation of oil palm biomass to produce value added products will be given the following incentives:
i. Pioneer status with tax exemption of 100% of statutory income for a period of 10 years.
ii. Investment tax allowance of 100% on qualifying capital expenditure incurred within a period of 5 years and then can be used to set off against 100% of statutory income.

2007
i. Pioneer status with tax exemption of 100% of statutory income for a period of 10 years is extended to the first year the company derives profit;

ii. New incentives introduce:

- a concessionary tax rate of 20% on income from qualifying activities for 10 years;
- tax deduction equivalent to total investment made in seed capital;

	▪ bionexus merge/ acquisition with biotechnology company, exemption of stamp duty and RPGT within 5 years until 31.12.2005. ▪ building used for biotechnology R&D given IBA for 10 years.
2008	i. For companies generating renewable energy, Pioneer status and Investment tax allowance will de extended to other companies in the same group even though one company in the same group has been granted the incentives. ii. For companies generating renewable energy for own consumption, Accelerated Capital Allowance be replaced with Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be sat-off against 100% of statutory income for each year of assessment. This proposal is effective for applications received from 8 September 2007 until 31 December 2010.
2010-2011	i. Import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties be given to importers including photovoltaic service providers approved by the Energy Commission. ii. Sales tax exemption on the purchase of solar heating system equipment from local manufacturers. The proposal is effective for applications received from 30 August 2008 until 31 December 2010.
2012	No change

17. Incentives for energy-generating from renewable sources biomass, hydro power (not exceeding 10 megawatts) and solar power.

2006-2010	i. Pioneer status with tax exemption of 70% be increased to 100% of statutory income and the incentive period be extended from 5 to 10 years; or ii. Investment tax allowance of 60% be increased to 100% on qualifying capital expenditure incurred within a period of 5 years with the allowance to be set off against 100% of statutory income. In addition, the incentive package of Pioneer and Investment Tax Allowance as well as import duty and sales tax exemption be extended for another 5 years until 31 December 2010.
2011	Application for incentive for companies generating energy from renewable sources and companies generating renewable energy for own consumption to be extended to December 2015 and incentive for non-energy generating

companies which import or purchase equipment to generate energy from renewable sources for consumption of third parties to be extended to December 2012.

2012 No changes

18. Incentives for conservation of Energy

2006-2007

i. Companies providing energy conservation for services :
   - The application period for Pioneer Status, Investment Tax Allowance, import duty and sales tax exemption be extended for another 5 years until 31 December 2010. The company is required to implement the project within one year from the date of approval of the incentives.

ii. Companies which incur capital expenditure for conserving energy for own consumption:
   - Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years with the allowance to be set-off against 70% of statutory income. The proposal is effective for applications received by the (MIDA) from 1 October 2005 until 31 December 2010.

2008

i. Companies providing energy conservation for services:
   - The level and period of Pioneer Status incentives be increased to 100% for 10 years or Investment Tax Allowance be increased to 100% of qualifying capital expenditure incurred within 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

ii. Companies which incur capital expenditure for energy conservation for own consumption:
   - Investment Tax Allowance be increased to 100% of qualifying capital expenditure incurred within 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment. The proposal is effective for applications received from 8 September 2007 until 31 December 2010.

2009-2010

i. Exemption of import duty and sales tax be given on Energy Efficiency (EE) equipment such as high efficiency motors and insulation materials to importers including authorized agents approved by the Energy Commission.

ii. Sales tax exemption be given on the purchase of locally manufactured EE consumer goods such as refrigerator, air conditioner, lightings, fan and television.

	The proposal is effective for applications received from 30 August 2008 until 31 December 2010.
2011	Application for incentive for companies providing energy conservation services and companies which incur capital expenditure for energy conservation for own consumption to be extended to December 2015 and for companies importing or purchasing locally manufactured EE equipment for third party consumption to be extended to December 2012.
2012	No changes

19. Incentives on Practical training for non- employees

2005-2011	Tax deductible if the trainees are resident.
2012	No changes

20. Incentive for companies undertakings an offshore trading via websites in Malaysia approved by Finance Minister

2005-2011	i. Income is taxed at 10% for 5 years. ii. Dividend paid out is tax exempt.
2012	No changes

21. Incentives for machinery and equipment industry

2005-2011	Company which produce machinery & equipment is eligible for pioneer status with 70% income tax exemption and increased statutory income or Investment tax allowance of 60% on additional qualifying expenditure. The allowance can be set off against 70% of statutory income.
2012	No changes

22. Incentives for company undertaking activities relating to the production of Machine tools, Plastic injection machines, Material handling equipment, Robotics and factory automation equipment, Parts and components of the above machines and equipment.

2005-2011	i. Pioneer status with tax exemption of 70% (100% for promoted areas) on increased statutory income arising from reinvestment for a period of 5 years; or ii. Investment tax allowance of 60% (100% for promoted areas) on additional qualifying expenditure incurred within a period of 5 years then can be used to be set-off against 70% (100% for promoted areas) of statutory income.
2012	No changes

23. Incentive to acquire a foreign companies abroad

2004-2011	AA of 20% of the acquisition cost for 5 years is granted to locally owned companies that acquire foreign companies

	for the purpose of acquiring high technology for production within the country; or to gain new export markets for local products.
2012	No changes

24. Incentive to increase export (for locally owned manufacturing company only)

2005-2011	i. Tax exemption on statutory income equivalent to 30% of increased export value provided the company achieves a significant increase in exports. ii. Tax exemption on statutory Income equivalent to 50% of increased export value provided the company succeeds in penetrating new markets. iii. Full tax exemption on increased export value, provided that the company achieves the highest increase in exports.
2012	No changes

25. Incentives to consolidate the management of smallholdings and idle land

2005-2011	i. A company that invest in a wholly owned subsidiary company be allowed a deduction equivalent to the amount of investment. ii. A wholly owned subsidiary company be exempted from service tax.
2012	No changes

26. Incentives for knowledge-based economy

2005-2011	i. Strategic Knowledge-based status company – Pioneer status with tax exemption of 100% or Investment tax allowance of 60% to be set off against 100% of statutory income with the following conditions: a) Must be knowledge-intensive company with the following characteristics: o potential to generate knowledge content o high value added operations o high technology o a large number of knowledge workers b) Must have a Corporate Knowledge Based Master Plan o company for drafting the individual Corporate Knowledge based Master Plan o Deduction in the computation of income tax when the company begins the implementation.
2012	No changes

27. Incentives to increase the planting of rubber wood trees

2005-2007	Non-rubber plantation company that plants at least 10% of its plantation with rubber wood trees be given Accelerated Agriculture Allowance from two years to one year.
2008-2011	Incentives will be effectives until year of assessment 2010.
2012	No changes

28. Incentives for automotive component modules

2004-2011

New and existing companies that undertake design, R&D and production of certain qualifying automotive component modules or systems be given:

i. Pioneer status with tax exemption for 5 years.
ii. Investment Tax Allowance of 60% on qualifying capital expenditure incurred within a period of 5 years with the allowance deducted for each year of assessment to be set-off against 100% of the statutory income.

2012

No changes

29. Incentives for Regional Distribution Centre (RDC)

2005-2011

Approved RDC be granted the following incentives:-

i. Full tax exemption for 10 years
ii. Dividends paid be exempted from tax
iii. Import duty and sales tax exemption
iv. Expatriate posts to be approved according to their requirements

The above incentives is subject to the following conditions:-

i. The RDC is incorporated in Malaysia
ii. Total turnover not less than RM100 million
iii. The RDC must be located in the free zones or licensed warehouse or licensed manufacturing warehouse
iv. The RDC is not permitted to sell more than 20% to the local market.

2012

No changes

30. Incentives for International Procurement Centre (IPC)

2005-2011

Approved IPC be granted the following incentives:-

i. Expatriate posts will be approved based on IPC's requirements
ii. Open foreign currency accounts with any licensed commercial bank to retain export proceeds without limit
iii. enter into foreign exchange forward contracts with any licensed commercial bank to sell forward export proceeds based on projected sales

iv. 100% equity holding by the promoter; and
v. Customs duty exemption on raw materials, components or finished products brought into free trade zones, licensed manufacturing warehouses, free commercial zones and bonded warehouses for repackaging, cargo consolidation and integration.

Conditions:-
i. Incorporated in Malaysia
ii. Min. paid-up capital RM500,000
iii. Min. total business operating expenditure RM1,500,000 per year
iv. Incremental usage of Malaysian ports and airports; and
v. Min. annual sales turnover of RM50 million by the third year of operation
vi. Not permitted to sell more than 20% to the local market.

Full tax exemption of its statutory income for 10 years and dividend paid from the exempt income will be exempted from tax in the hands of its shareholders if the following additional conditions are met-
i. min. annual sales turnover RM100 million;
ii. must serve as a collection and consolidation centre for finished goods, components and spare parts.

2012 No changes

31. Tax treatment for expatriates in operational headquarters (OHQ) and regional offices (RO).

2005-2011 Tax will be charged on the portion of chargeable income attributable to the number of days they are in the Malaysia.

2012 No changes

32. Incentives for commercialisation of public sector R&D

2005-2011
i. A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings be given tax deduction equivalent to the amount of investment made in the subsidiary company
ii. The subsidiary company that undertakes the commercialisation of the R&D findings be given Pioneer Status with 100% tax exemption on statutory income for 10 years

2012 No changes

33. Incentive on expenses incurred for new courses by private higher education institutions (PHEIs)

2006-2011
i. Deductions to be amortised for 3 years be allowed on

expenses incurred by PHEIs on development of new courses and compliance with regulatory requirements for introducing new courses

ii. The commencement of the deduction for the development of new courses be allowed from the year of completion of the process of developing the courses.

iii. For regulatory compliance, the deductions be allowed from the year if completion of the exercise.

2012 No changes

34. Zakat

2005-2006 Deduction been given to company restricted to 2.5% of aggregate income paid zakat on business income.

2007-2011 Deduction been extended to cooperatives and trust bodies.

2012 No changes

35. Incentive to encourage the use of natural for gas vehicles (NGV)

2006-2011

i. Import duty and sales tax exemption on conversion kits and related components for diesel buses and motor vehicles and motor vehicles for transportation of goods to be converted to dual-fuel vehicles given by Petronas

ii. Import duty exemption on chassis fitted with engines for NGV monogas buses and motor vehicles for transportation of goods

iii. Import duty exemption on NGV monogas engines to replace diesel engines for buses and motor vehicles for transportation of goods

2012 No changes

36. Incentives for rearing of chicken and ducks in Eastern Corridor of Peninsular Malaysia

2004-2008

i. Pioneer Status with tax exemption of 85% of statutory income for a period of 5 years

ii. ITA of 80% of capital expenditure incurred within a period of 5 years with the allowance deducted in each YA be limited to 85% of Statutory Income.

2009-2011

i. Projects located in the promoted areas be given RA of 60% on qualifying capital expenditure. The allowance is to be set-off against 100% of the statutory income for each year of assessment.

ii. Projects located outside the promoted areas be given RA of 60% on qualifying capital expenditure. The allowance is to be set-off against 70% of the statutory income for each year of assessment.

	The proposal is effective from year of assessment 2009 to year of assessment 2010.
2012	No changes

37. Incentives for private higher education institutions (PHEIs)

2006-2011	Investment tax allowance of 100% on qualifying capital expenditure incurred within a period of 10 years to be set off against 70% of statutory income be extended to PHEIs in the field of science and existing PHEIs in the field of science that undertake additional investment to upgrade equipment or expand their capacity
2012	No changes

38. Incentives for industrialised building System

2006-2011	Accelerated Capital Allowance (ACA) be given on expenses incurred on the purchase of moulds used in the production of IBS components and to be fully written off within a period of 3 years
2012	No changes

39. Disposal of real property by individual or companies to Property Trust Fund and Real Estate Investment Trusts

2005-2011	Exempted
2012	No changes

40. Disposal of asset by approved Islamic financial & capital market products from Syariah Advisory Council, Bank Negara or Securities Commission

2005-2011	Exempted
2012	No changes

41. Incentives for mergers and acquisition(M&A) of listed companies

2006-2007	Stamp duty and RPGT exemption are given on M&A undertaken by companies listed on Bursa Malaysia in order to encourage public listed companies to expand and compete globally.
2008-2011	Stamp duty exemption on all instruments pertaining to mergers and acquisitions be extended for another 3 years until 2010
2012	No changes

42. Incentive for reduction of greenhouse gas emission (GHG)

2008-2010	Income derived from trading of Certified Emission Reductions (CERs) certificates are exempted.
2011	The exemption will be extended for another 2 years.
2012	No changes

43. Incentive for last mile network facilities provider for broadband

2008-2010	100% tax exemption of the qualifying capital expenditure for 5 years which to be set off against 70% of statutory income for each assessment year and there has to be approved by Ministry of Finance.
2011	Exempted will be extended by another 2 years w.e.f 01 January 2011 to 31 December 2012.
2012	No changes

44. Real Estate Investment Trusts (REITs)

2006	Fees for the consultancy, legal and evaluation services incurred are allowable for deductions.
2007	i. Non-corporate investor who received dividends from REITs listed on Bursa Malaysia subject to withholding tax of 15% for 5 years. ii. Foreign institutional investors that received fund from REITs listed on Bursa Malaysia subject to withholding tax of 20% for 5 years iii. REITs be exempted from tax on all income provided that at least 90% of the income is distributed to the investor. iv. If the 90% distribution condition is not complied, REITs will subject to income tax, while all their investor are eligible to claim tax credit. ((i) and (ii) are effective from 1st January 2007 and (iii) and (iv) effective from year assessment 2007)
2008	Disposal off buildings from companies to REITs is not subject to a balancing charge
2009-2011	Withholding tax rate imposed on foreign institutional investors and non-corporate investors including individual residents and non-residents be reduce to 10%. (w.e.f 01.01.2009 to 31.12.2011)
2012	The exemption will be extended for a period of 5 years commencing 01.01.2012 until 31.12.2016.

45. Low cost housing projects

2006-2011	Estimated losses of low cost housing projects be allowed to be set-off against estimated profits of other property development projects in the preparation of estimates of tax payable for the current year.
2012	No changes

46. Profit or interest income received by non-resident from banking and financial institutions established under Islamic Banking Act 1983

2006	Taxable
2007-2011	Exempted
2012	No changes

47. Incentives for export of financial services

2007-2009	Profit from newly established banking institutions branches overseas or remittances of new overseas subsidiaries be given income tax exemption for 5 years. (w.e.f 2nd September 2006 until 31st December 2009)
2010-2011	i. Extended to insurance companies and takaful companies; ii. 5 years exemption be given flexibility to be deferred from the date of commencement of operations to begin not later than the 3rd year of operations; and iii. New branches or subsidiaries overseas be received by Bank Negara Malaysia not later than 31 December 2015.
2012	No changes

48. Incentive for listing of foreign companies and foreign products in Bursa Malaysia

2005-2008	Corporate advisors are not motivated to attract foreign companies and foreign product listings due to high marketing cost.
2009-2011	Income tax exemption is given on fees received by corporate advisors for primary listing, dual listing or cross listing of: i) Corporation with predominantly foreign based operations ii) Exchange Traded Funds and Real Estate Investment Trusts with foreign based assets iii) Foreign listed securities iv) Foreign financial instruments This subject to listing conditions approved by the Securities Commission. (w.e.f from assessment year 2009 to 2013)
2012	No changes

49. Incentive for employing local retrenched

2005-2008	Single deduction
2009-2011	Double deduction incurred subject to: i. The employee is a citizen and resident in Malaysia whose employment with a previous employer has been

	terminated pursuant to a separation scheme or retrenchment, on or after July 1, 2008; ii. The employment termination has been registered with the Director General of Labour, the Ministry of Human Resources. iii. Remuneration (wages, salary or allowance) eligible for double deduction shall not exceed RM10,000 per month per employee and limited to a maximum period of 12 consecutive months commencing from the first month of the employment; and iv. The employee is employed on full-time basis between 10 March 2009 until 31 December 2010. No double deduction if the former and present employer are associates, or one of whom has control over the other or are controlled by another person; or the employee is employed to replace a former employee for the purpose of carrying out the same and similar function of that former employee.
2012	No changes

50. Incentive for buildings obtaining green building index (GBI) certificate

2005-2009	No exemption
2010-2011	100% exemption of the additional capital expenditure incurred to obtain the GBI certificate. Allowable to be set off against the statutory income. Only for the first GBI certificate issued with effective from 24 October 2009 until 31 December 2014.
2012	No changes

51. Incentives for health tourism

2005-2009	Tax exemption on statutory income to the amount of 50% of the value of increased exports to foreign clients as follows:- i. A company, a partnership, an organisation or a corporate society incorporated or registered outside Malaysia; or ii. non-Malaysian citizens who do not hold Malaysian work permits; or iii. Malaysian citizens who are non-residents living abroad.
2010-2011	The exemption rate of 50% on the value of increased export to be increased to 100% subject to 70% of the statutory income for each year of assessment. Foreign clients exclude: i. A non-Malaysian citizen that participates in Malaysia My Second Home Programme and his dependants;

ii. A non-Malaysian citizen holding a Malaysian student pass and his dependents;
iii. A non-Malaysian citizen holding a Malaysian work permit and his dependants; or
iv. Malaysian citizen who are non-residents living abroad and his dependents.

However, healthcare services offered to such foreign clients as mentioned above continue to enjoy the existing incentives.

2012 No changes

52. Incentives for Treasury Management Centre (TMC)

2005 - 2011 No exemption

2012
i. 70% tax exemption on the statutory income arising from the following qualifying treasury services rendered by the TMC to its related companies for a period of 5 years:
   a. All fees income and management income from providing qualifying services to related companies in Malaysia and oversea.
   b. Interest income received from lending to related companies in Malaysia and oversea.
   c. Interest income and gains received from placement of funds with licensed onshore banks or short term investments (onshore and offshore) as part of managing surplus funds within the group.
   d. Foreign exchange gains from managing risks for the group.
   e. Gurantee fees.
ii. Exemption from withholding tax on interest payments on borrowings by the TMC to overseas banks and related companies, provided the funds raised are used for the conduct of qualifying TMC activities.
iii. Full exemption from stamp duty on all loan agreements and service agreement executed by TMC in Malaysia for qualifying TMC activities.
iv. Expatriates working in a TMC are taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia.

53. Tax incentive for providers of industrial design services

2005-2011 No tax incentive

2012 Pioneer status with income tax exemption of 70% on statutory income for 5 years. The incentive is given to industrial service providers that fulfil the following criteria:

i. New service providers who employ at least 50%

Malaysian designers.

ii. Existing industrial design service providers undertaking expension and non-industrial design service providers which would be carrying out industrial design activities on upgrading the design facilities by increasing the capital investment of at least 50% or employ an additional 50% qualified Malaysian designers.
(application received by MIDA from 08.10.2011 until 31.12.2016)

54. Tax incentive for shipping companies

2005-2011	Income of shipping company is fully exempted under section 54A of ITA 1967 since year of assessment 1984.
2012	The exemption will be reduced to 70% of statutory income.

55. Tax on the disposal of real property

2005-2006 0% - 30%

2007-2009 Exempted from 1 April 2007 until 31.12.2009

2010-2011 5% taxed with collection mechanism and exemption as follows"

iii. tax is collected through a withholding mechanism whereby the purchaser withhold 2% of the purchase value and pays to the Inland Revenue Board;
iv. exemption up to RM10,000 or 10% of the gains, which ever is higher be given to individuals; and
v. existing exemption under the Real Property Gains Tax Act 1976 are retained:
   a. gifts between parent and child, husband and wife, grandparent and grandchild; and
   b. disposal of a residential property once in a lifetime for an individual who is a citizen or permanent resident of Malaysia.

2012 0% - 10% taxed with existing collection mechanism and exemption under RPGT Act 1976 are retained. (w.e.f 01.01.2012)

SERVICE TAX

Rates and Prescribed Establishments

2005-2007 The following services/ establishment are exempted from services tax:

i. wholly owned subsidiary company involved in the consolidation the management of smallholdings and idle land.

	ii. courier services from Malaysia to a place outside Malaysia iii. professional services provided by a company to another companies in the same group
2008-2009	Threshold for professional, consultancy and management services be abolished.
2010	Service tax will be imposed on credit card and charge cards including those issue free of charge as follows : i. RM50 per year on principal card; and ii. RM25 per year on supplement card.
2011	Tax rate for all taxable services will be increased from 5% to 6%. (w.e.f 01.01.2011)
2012	No changes

Asset backed securities

2005-2011	Management service rendered by originator to special purpose vehicles in respect of Asset Backed Securities is exempted.
2012	No changes

Refund of service tax on uncollected debts

2005-2006	Licensee is eligible to apply for refund of the tax under certain conditions.
2007-2011	The tax refund can be claimed 6 months instead of 12 months previously from the date the tax is paid.
2012	No changes

Broadcasting services

2005-2010	All telecommunication service (ex: telephone, facsimile, leased line and bandwith) excluding telecommunication service adoptions satellite application (ex: paid television broadcasting service) are eligible for service tax
2011	6% of service tax is extended to paid television broadcasting services (w.e.f 01.01.2011)
2012	No changes

<u>SALES TAX</u>

Exemption

2005	Companies outsourced their activities to contract manufacturers are exempted from sales tax on raw materials which are not manufactured locally and semi-finished goods imported
2006-2007	Import duty and sales tax exemption be given to equipment

	used in stages shows and performance provided such equipment is basic to the core activity and not produced locally. Sales tax exemption be given to equipment for performing arts if produced locally.
2008	i. Sales tax exemption on broadband equipment and consumer access devices which are basic in providing the broadband services and not produced locally ii. Sales tax exemption on equipment used to generate energy that are not produced locally and purchased from local manufacturers
2009-2010	i. Purchase of locally assembled buses including air-conditioners. (applications received by Ministry of Finance from 30.08.2008 until 31.12.2011) ii. Solar photovoltaic system equipment for the usage by third parties be given to importers including photovoltaic service providers approved by the Energy Commission iii. Solar heating system equipment from local manufacturers.(applications received by the Ministry of Finance from 30.08.2008 until 31.12.2010) iv. Energy Efficiency (EE) equipment and insulation materials to importers including authorized agents approved by the Energy Commission v. Purchase of locally manufactured EE consumer goods (applications received by The Ministry of Finance from 30.08.2008 until 31.12.2010)
2011	i. Exemption on broadband equipment and consumer access devices which received in 2008 will extended for another 2 years ii. Exemption on equipment used to generate energy for companies providing energy conservation services and for own consumption will be extended for application until 31.12.2015 iii. Exemption for EE equipment and insulation materials to importers including authorized agents approved by the Energy Commission will be extended to application received until 31.12.2012 iv. Exemption on equipment used to generate energy for companies generating energy from renewable sources (RE) and for own consumption will be extended to application received until 31.12.2015 v. Exemption on solar photovoltaic system equipment for the usage by third parties will be extended for application received until 31.12.2012 vi. Exemption on the purchase of solar heating on system

		equipment will be extended application received until 31.12.2015
	vii.	Exemption for purchase of locally manufactured EE consumer goods will be extended for application received until 31.12.2012.
	viii.	All mobile phones will be exempted from sales tax (w.e.f 4.00 p.m, 15.10.2010)
2012	i.	Full exemption on purchase of new locally manufactured cars used as budget taxis or hire cars from 8 October 2011
	ii.	Exemption on sale or change of ownership of budget taxis and hire cars after seven years of registration from 8 October 2011
	iii.	Exemption for educational equipment for profit oriented private schools and international schools application received from 8 October 2011

Higher sales tax

2005	Liquor – increased from 15% to 20% Cigarettes - increased from 15% to 25%
2006-2011	Liquor – increased by 9% Cigarettes – increased by 13%
2012	No changes

Sales tax valuation for locally manufactured goods

2005-2011	Based on transaction value
2012	No changes

Refund on sales tax for the uncollected debt.

2005-2006	Licensee may apply for refund of the tax under certain conditions.
2007-2011	The tax refund can be claimed 6 months instead of 12 months previously from the date the tax is paid.
2012	No changes

IMPORT DUTIES

Reduction in duties

2005		118 items be reduced and 27 items be abolished
2006-2008		51 goods be reduced from between 25% and 30% to between 20% and 25%. 10% of import duties be imposed on 3 product.
2009-2011	i.	From 10% and 30% to between 5% and 15% (Food products)

	ii. From 15% and 30% to between 5% and 20% (Electrical goods) iii. From 10% and 30% to between 5% and 20% (Petrochemical and polymer industrial goods) iv. From 20% to 5% (Port cranes) v. From 25% and 60% to between 20% and 30% (Textiles) (w.e.f 4.00 p.m on 29 August 2008)
2012	No changes
Increased duties	
2005	Increment from RM 216 per kg to RM259 per kg for cigarettes and tobacco products
2006-2011	Increment from RM259 per kg to RM340 per kg for cigarettes and tobacco product
2012	No changes
Exempted	
2005	i. Raw material which are not manufactured locally and semi-finished goods imported from contract manufacturers abroad ii. Medical devices which are not manufactured locally imported for the purpose of kitting or producing complete procedural set
2006-2007	i. Import duty and sales tax exemption on conversion kits and related components for diesel buses and motor vehicles and motor vehicles for transportation of goods to be converted to dual-fuel vehicles given by Petronas ii. Import duty exemption on chassis fitted with engines for NGV monogas buses and motor vehicles for transportation of goods iii. Import duty exemption on NGV monogas engines to replace diesel engines for buses and motor vehicles for transportation of goods
2008	i. Import duty exemption on broadband equipment and consumer access devices which are basic in providing the broadband services and not produced locally ii. Import duty exemption on equipment used to generate energy that are not produced locally
2009-2010	. Food product in air tight containers (w.e.f 4.00 p.m on 29 August 2008) . Solar photovoltaic system equipment for the usage by third parties given to importers including photovoltaic service providers approved by the Energy Commission . Energy Efficiency (EE) equipment and isolation

materials to importers including authorized agents approved by the Energy Commission

. 100% exempted on franchise holders of hybrid cars (application received by the Ministry of Finance from 30.08.2008 to 31.12.2010)

2011
- i. Exemption for broadband equipment and consumer access device which received in 2008 will be extended for another 2 years (01.01.2011-31.12.2012)
- ii. Exemption on solar photovolataic system equipment for the usage by third parties will be extended for application received until 31.12.2012
- iii. Exemption for EE equipment and isolation materials to importers including authorized agents approved by the Energy Commission will be extended for application received until 31.12.2012
- iv. Exemption on the energy conservation equipment that are not produced locally for companies providing energy conservation services and for own consumption will be extended to application received until 31.12.2015
- v. Exemption on equipment used to generate energy from RE that is not produced locally and for own consumption will be extended applications received until 31.12.2015
- vi. Full exemption on new CBU hybrid cars is also extended to electric cars as well as hybrid and electric motorcycle (w.e.f 01.01.2011 until 31.12.2011)

2012
- i. Full exemption on new CBU hybrid and electric cars will be extended for application received until 31.12.2013
- ii. Exemption on educational equipment for profit oriented private schools and international schools for application received from 8 October 2011.

Abolished

2005-2008 27 items

2009-2010
- i. 2% and 25% on import duty on food products
- ii. 5% and 50% import duty on electric goods/components
- iii. 5% and 25% import duty on fertilizers and pesticides
- iv. Import license on port cranes, hydraulic loading cranes and crawler cranes and heavy machinery (w.e.f 4.00 p.m on 29.08.2008)

2011
- i. Duty between 5% and 20% on handbags, wallets, suitcases, briefcases, apparel, footwear and hats
- ii. Duty between 5% and 20% on jewellery, costume

	jewellery and ornaments
	iii. Duty between 5% and 20% on toys such as dolls and small scale recreational models
	iv. Duty between 10% and 20% on talcum powder, face powder and shampoo
	v. Duty between 10% and 20% on bedspreads, blankets, curtains and table cloth (w.e.f 4.00 p.m on 15.10.2010)
2012	No changes

EXCISE DUTY

Increased	
2005	i. Cigarettes & tobacco products Increased from RM 58 per kg to RM 81 per 1,000 sticks ii. Liquor – increased from RM0.05 and RM23.40 to between RM0.10 and RM28 per litre
2006	i. Cigarettes & tobacco products increased from RM81 per kg to RM110 per kg and addition 20% ii. Other manufactured tobacco products increased from RM20 per kg to RM25 per kg and addition 5%. iii. Liquor increased from RM1 and RM28 to between RM1.50 to RM42.50 per litres and addition 15% iv. Beer increased from RM5 to RM6 per litres and addition 15%
2007-2008	i. Cigarettes increased from RM110 per kg to RM120 per kg and addition 20% ii. Tobacco products increased from RM25 per kg to RM27 per kg and addition 5% iii. Beedies increased from RM7 per kg to RM7.50 per kg and addition 5% iv. Liquor product increased from RM25 per litre to RM30 per litre and addition 15%
2009-2011	i. Cigarettes, cheroots and cigarillos, containing tobacco and tobacco substitute's increase from RM150 per kg and 20% to RM180 per kg and 20%. ii. Cigarettes containing tobacco increase from RM0.15 per stick and 20% to RM0.18 per stick and 20%(w.e.f 4.00 p.m 29 August 2008)
2012	No changes
Exemption	
2005-2008	No exemption
2009-2010	50% exemption on new CBU hybrid cars (applications

	received by the Ministry of Finance from 30.08.2008 to 31.12.2010)
2011	Exemption on CBU hybrid cars, electric cars as well as hybrid and electric motorcycles will be increased to 100% exemption (applications received by the Ministry of Finance from 01.01.2011 to 31.12.2011)
2012	i. Full exemption on CBU hybrid cars and electric cars will be extended for application received until 31.12.2013 ii. Exemption on sale or change of ownership of budget taxis and hire cars after seven years of registration from 08.10.2011

Abolished

2005-2011	National car purchased by car rental operators
2012	No changes

Vehicles for the physically disabled

2005-2010	Exemption of 50% for motorcycles, cars and vans subject to following conditions:- i. Applicant registered with Social Welfare Department and possess a Registration Certificate ii. Applicant must have a valid driving license iii. Vehicle bought must be from the stock of unpaid duty and tax iv. Vehicle not be sold or its ownership transferred until the expiry of 5 years except with a written approval from the Treasury v. One vehicle within period of 5 years
2011	Increased to 100% exemption and also extended to disabled persons who have hearing and speaking disabilities
2012	No changes

OTHER SIGNIFICANT TAXES AND FEES

Stamp Duty

1. Instruments of transfer of property

2005-2007	Maximum rate of 3%. 50% exemption for transfer of property without any monetary consideration between husband and wife and between parents and children.
2008-2010	Instruments for transfer of property between husband and wife be exempted effective from 8 September 2007
2011	50% exemption on instruments of transfer of a residential

	property priced not exceeding RM350,000 (for sales and purchase agreements executed from 01.01.2011 to 31.12.2012)
2012	No changes

2. Instruments of Islamic financing approved by the Syariah Advisory Council of Bank Negara Malaysia or the Syariah Advisory Council of the Securities Commission.

2006-2009	20% exempted
2010-2011	Exemption will be extended until 31 December 2015.
2012	No changes

3. Incentives for property trust funds and Real estate investment trusts – Transfer of real property from individuals/companies to PTFs/REITs

2005-2011	Exempted
2012	No changes

4. Contract notes

2005	RM10
2006-2011	For SMEs, remission of stamp duty 50% on applicable charges be given on instruments for a loan up to RM1 million.
2012	No changes

5. Mergers of private institution of higher learning

2005-2011	Stamp duty exempted for mergers undertaken not later than December 31, 2006
2012	No changes

6. Real property assessment of stamp duty

2005-2007	Stamp duty payable is based on the official valuation by the Valuation and Property Services Department (JPPH)
2008-2011	Private valuation is accepted as an alternative for the purpose of stamp duty payment.
2012	No changes

7. Vendors licensed with Petronas carrying out services related to the oil and gas industry

2008-2011	Stamp duty exemption given on all instruments relating to mergers of such vendors involved in upstream activities
2012	No changes

8. Purchase of residential property

2008	Transfer for purchase of a house not exceeding RM250,000 be given 50% stamp duty exemption

2009-2010	50% stamp duty exemption are given for property up to RM250,000 and given to individual Malaysian citizen and limited to one residential only (w.e.f sale and purchase agreement from 30.08.2008 to 31.12.2010)
2011	50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012)
2012	No changes

9. Stamp duty on loan agreements and service agreements

2005-2008	Subject to various rates of stamp duty
2009-2010	All loan and service agreements instruments except for education loans are subject to ad valorem stamp duty rates of RM2.00 for every RM1,000 of part thereof. Fixed rate at RM10 for education loan agreements (w.e.f 01.01.2009)
2011	50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012)
2012	i. Full exemption be given on loan agreements for the purchase of residential properties under Skim Perumahan Rakyat 1Malaysia (PR1MA) priced up to RM300,000.(w.e.f sale and purchase agreement from 01.01.2012 to 31.12.2016) ii. Full exemption be given on loan agreements up to RM50,000 under the Micro Financing Scheme which executed between micro enterprise and SME with any banking and financial institutions. (w.e.f 01.01.2012) iii. Full exemption be given on loan agreement up to RM50,000 undertaken from Professional Services Fund which executed between any professionals with Bank Simpanan Nasional (w.e.f 01.01.2012) iv. Full exemption on all agreements and service agreements executed by Treasury Management Centre (TMC) in Malaysia for qualifying TMC activities (application received by MIDA from 8 October 2011 until 31 December 2016)

10. Instrument of transfer of ownership for buyers of buildings and residential properties awarded Green Building Index (GBI)

2005-2009	No exemption.
2010-2011	Exemption Condition: For sales and purchase agreements from 24 October 2009 until 31 December 2014.
2012	No changes

Leasing Activity

Interest expense for leasing activity

2006-2011	Companies which undertaking leasing and non leasing activities, the interest expense must be apportioned between leasing and non-leasing activities based on the respective amount of funding used.
2012	No changes

Entertainment Duty

2005-2011	Full exemption arts and cultural performance by local artistes held in the Federal Territory of KL, Labuan and Putrajaya upon approval by the Ministry of Arts, Culture and Heritage
2012	No changes

Road tax

1. Motorcycles

2005-2011	Motorcycle below 150 cc is exempted
2012	No changes

2. Vintage car

2005-2011	Reduced from 20% to 10% of the prevailing rate
2012	No changes

3. Multi purpose semi-trailers and prime movers

2005-2011	i. road tax on multi purpose semi-trailers be abolished ii. road tax on prime movers for containers be maintained base only on the kerb weight
2012	No changes

4. Bus for workers

2005-2008	Peninsular Malaysia: i. Engine Capacity 5,000 cc(Diesel) decreased from RM1,476/year to RM738/year ii. Engine Capacity 5,000 cc(Petrol) decreased from RM1,107/year to RM553/year Sabah and Sarawak:- i. Engine Capacity 5,000 cc(Diesel) decreased from RM1,125/year to RM562/year ii. Engine Capacity 5,000 cc(Petrol) decreased from RM1,165/year to RM562/year
2009-2011	Reduce to RM20 per year
2012	No changes

2. Private diesel vehicle

2006-2008	Private diesel vehicles exceeding 1600 c.c be reduced by 40%, except in Sarawak
2009-2011	Will be reduced to similar to petrol vehicle
2012	No changes

3. Taxis/Hired cars
Hire and Drive Vehicles/Limousines

2005-2008	Engine capacity ≤1200cc, RM30 per year and 60 per year Engine capacity >1200cc, RM50 per year and RM100 per year
2009-2011	Reduction of RM20 per year
2012	Abolished

4. Green Diesel Vehicles

2005-2008	Road tax is 50% lower than diesel vehicle
2009-2011	Reduce rate withdrawn
2012	No changes

Customs

1. Enhancing efficiency of customs agents

2005-2011	Approval for customs agent be given to those who have undergone training and are successful in the examinations conducted by Customs Department.
2012	No changes

2. Establishment of Customs Appeal Tribunal (CAT)

2005-2006	Appeal made to Minister of Finance.
2007-2011	Appeal made to the newly established Customs Appeal

	Tribunal (CAT) to decide on appeals against decisions of the Director General of Customs pertaining the matters under the Customs Act 1967, Sales Tax Act 1972.
2012	No changes

3. Introduction of Customs Ruling

2007-2011	The Customs Ruling be introduced under the Customs Act 1967, Sales Tax Act 1972, Service Tax Act 1975 and Excise Act 1976 which issued by the KDRM.
2012	No changes

Compound or fine under declaration and smuggling of high duty goods.
Particularly for cars, cigarettes and liquor.

2005-2006	The offences of under declaration of goods and smuggling are punishable as follows: i. compound of not more than 10 times of the duty or value of the goods; or ii. a fine if charged in court and convicted, other than imprisonment sentence.
2007-2011	i. the minimum compound imposed be 5 times of the total duty; and ii. the fine imposed be in line with the maximum compound for dutiable goods and prohibited goods.
2012	No changes

<u>INCOME TAX ADMINISTRATION</u>

1. Provision to allow tax assessments after six years

2006-2011	The DGIR be empowered to make assessment after 6 years in cases where the assessment is determined by the court or withdrawal, revocation or cancellation of any exemption, relief, remission or allowance.
2012	No changes

2. Extending the scope of fund for tax refund

2006-2011	The scope of fund for tax refund be extended to include refunds for petroleum income tax, real property gains tax and stamp duty.
2012	No changes

3. Enhancing the competency of tax agents

2006-2007	A person who wishes to perform tasks relating to taxation be required to obtain tax agent license. However a licensed auditor who has acquired an audit licensed prior to 1

	January 2006, shall be allowed to continue to be a tax agent.
2008-2011	Tax agents be allowed to file the income tax returns through e-filling for their clients using Personal Identification Number (PIN) assigned to the tax agents
2012	No changes

4. Introduction of Advance Rulings in Income Tax Administration

2007-2011	The advance ruling is introduced under the Income Tax Act 1967. It is a written statement given by the Director General on the tax treatment of an arrangement to be undertaken by the taxpayer which features: i. application in prescribed form; ii. fees charged on advance ruling; iii. only applicable to applicant; iv. ruling issued on actual facts and not on assumptions; and v. advance ruling is not applicable if the facts used are incorrect or different.
2012	No changes

5. Framework for tax audit and investigation by IRB

2007-2011	Issued by IRB where the areas to be covered in the guideline/framework are as follows: i. selection of audit/investigation criteria; ii. methodology; iii. rights and responsibilities – taxpayers, tax agents and investigation officers; iv. audit/investigation settlement; and v. offences and penalties.
2012	No changes

6. Time bar for tax audit (not applicable for cases of false declaration, wilful late payment and negligence)

2005-2011	6 years from the date tax assessment is made
2012	Reduced from 6 years to 5 years (w.e.f YA 2013)

7. Special tax treatment for the property development and construction contract business.

2006	Gross income and adjusted income are ascertained on the percentage of completion method based on the directions given by the Director General and compliance to Income Tax Act 1967 and Public Ruling No. 3/2006
2007-2011	Special regulation need to be formulated and published in the Gazette with the purpose of bringing the business

	within the ambit of paragraph 36(a)(iv) of the Income Tax Act 1967. With specific salient features.
2012	No changes

8. Provision to determine and collect tax on other incomes of non-residents

2005-2008	Not clearly provided
2009-2011	Income deemed derive from Malaysia if: i. if responsibility for the payment of gains or profit lies with Federal Government, States Governments or local authorities ii. if responsibility for the payment of gains or profits lies with the resident iii. if such payment is charged as an outgoing or expenses in the accounts of a business carried on in Malaysia Income under Section 4(f) is taxed on 105 of gross income and collection from non-resident income be implemented under withholding tax mechanism(w.e.f 01.01.2009)
2012	No changes

9. Self amendment for additional assessment of income tax

2005-2008	Tax payers are not allowed to amend the submitted tax return.
2009-2011	May amend subject to the following condition: a. in respect of error resulting in increased assessment b. allowed only once for each year assessment c. within 6 month from due date of furnishing the tax form d. tax payer makes self amendment in specified forms This amendment will not subject to penalty. Tax payer subject to late payment penalty equivalent to the penalty imposed on a tax payer who files a correct return but default in paying tax due within the stipulated period(w.e.f assessment year 2009)
2012	No changes

10. Widening the scope of appeal to special commissioners of income tax

2005-2008	Tax payer with no tax liability is not allowed to file an appeal to the Special Commissioners of Income Tax (SCIT) but can only apply when an assessment is issued in future.
2009-2011	Tax payer may file appeal by using Notification of Non-Chargeability instead of the notice of assessment. Appeal is made using Form Q through DGIR (w.e.f 01.01.09)
2012	No changes

11. E-filing system

2005-2011	E-filing system is introduced in 2004. However, individual tax payers are still required to key-in information such as total income, scheduler tax deductions (PCB), EPF, insurance and zakat.
2012	Individual tax payers are allowed to use e-filing via mobile device and information on total income, PCB deductions, EPF contributions, insurance and zakat are pre-filled by IRB which must be submitted by their employers.

12. Compensation for late refund of income tax by IRB

2005-2011	No compensation is given to the tax payers if IRB is late in refunding their tax overpaid
2012	Compensation of 2% on the tax overpaid is to be paid to the taxpayers on a daily basis commencing 1 day: i. After 90 days from the due date for e-Filing; and ii. After 120 days from the due date for manual tax filing Eligibility for taxpayers: i. Salaried individuals: not later than 30 April; ii. Individuals with business income: not later than 30 June: and iii. Companies: not later than 7 months from the expiry of the accounting period (w.e.f YA 2013)

SECTION G

SUMMARY OF REVENUE AND ALLOCATION

1. STATISTICS

	2012 RM Millions	2011 RM Millions	Percentage of Total 2012 %	2011 %	Increase/ (Decrease) %
Source of revenue:					
Income tax & other direct taxes	102,099	96,457	54.6	52.6	5.8
Indirect taxes and duties	33,519	32,725	18.0	17.8	2.4
Non-tax revenues	51,288	54,193	27.4	29.6	(5.4)
Total	**186,906**	**183,375**	**100.0**	**100.0**	**1.9**
Budget allocation					
Operating expenditure:					
Emolument, pension, gratuities	64,105	62,870	35.3	34.8	1.9
Debt servicing charges	20,453	18,517	11.3	10.3	10.5
Supply & services	30,480	29,532	16.8	16.4	3.2
Grant & other expenditures	66,546	69,364	36.6	38.5	(4.1)
Total	**181,584**	**180,283**	**100.0**	**100.0**	**0.7**
Development expenditure:					
Economic	29,819	28,201	60.5	57.2	5.7
Social	13,623	15,774	27.7	32.0	(13.6)
Security	4,383	4,373	8.9	8.9	0.2
General administration	1,424	957	2.9	1.9	48.8
	49,249	**49,305**	**100.0**	**100.0**	**(0.1)**
Total expenditure	**230,833**	**229,588**			**2.8**
Deficit	**(43,927)**	**(46,183)**			**(4.8)**
%	**19**	**20**			

* Revised estimate

(Sources: Economic Report 2011/2012)

2. REVENUE

Total revenue in 2012 is estimated to increase by 1.9% to RM186,906 million largely supported by a strong turnaround in receipts from company and individual income taxes and sales tax. Tax revenue is expected to increase by 5.8% to RM135,618 million, which represents 73% of total revenue. Of this, direct taxes represent RM102,099 million while indirect taxes amounts to RM33,519 million. Main component of direct tax revenue are corporate tax (RM47,470 million), petroleum income tax (PITA) (RM26,182 million) and individual income tax (RM21,347 million).

In 2012, non-tax revenue is estimated at RM51,288 million, a reduction of 5% over 2011 and contributing 27% to total revenue. The main sources of non-tax revenue are mainly from licenses/permits (RM11,701 million) and investment income (RM33,980 million).

3. EXPENDITURE

Total Federal Government expenditure for the 2012 Budget is estimated at RM230,833 million, an increase of 0.5% over 2011. Of this, RM181,584 million is for operating expenditure while the balance, RM49,249 million for development expenditure. Operating expenditure is expected to increase by 0.7%. This is due to high expenditure on major components such as subsidies (RM33,197 million), supplies and services (RM30,480 million), debt service charges (RM20,453) as well as emoluments (RM52,017). The pensions and gratuities decrease to RM12,088 million or 6.7%, but debt service charges and grants to statutory bodies increases by 10.5% and 6.1%, respectively in line with rising commitments.

Government development expenditure is estimated to decrease 0.1% to RM49,249 million. Allocation for the economic services sector under the 2012 Budget will be for transport and infrastructure development (RM9,973 million), building capacity in trade and industry (RM5,052 million), boosting agricultural productivity as well as accelerating rural development (RM1,880 million). Meanwhile, the allocation for the social services sector will be for education and training (RM8,537 million), health (RM1,948 million) and housing (RM738 million).

4. ANALYSIS OF CHANGES

Revenue

Total estimated revenue for 2012 is RM186,906 million compared to RM183,375 million in 2011. This is due to contribution from direct taxes such as corporate and individual income tax as well as collection of PITA.

Expenditure

The total estimated expenditure for 2012 is RM230,833 million compared to RM229,588 million in 2011. These consist of increase in operating expenditure by 0.7% whereas development expenditure on overall has decreased by 0.1%. The significant movement in development expenditure is derived from the agricultural and rural development related expenditure. The increase in operating expenditure is due to rising commitments resulting from high global fuel and commodity prices, and additional requirements during the year. The decreased in development expenditures is due to lapse of the direct fiscal injection under the second stimulus package proposed in 2010.

5. MACRO ECONOMY

The Malaysian economy in 2012 is projected to expand between 5% to 6%, this will be largely contributed from growth in domestic demand and sustainable support by external sectors. The growth in domestic demand is mainly supported by steady consumer confidence with stable employment outlook, firm prices of commodities that lead to rural household spending and the civil service reform programme resulting to higher disposable income. Improved private investment is likely to be derived by inflows of foreign direct investment (FDI) and acceleration of implementation of Entry Point Projects (EPPs). The nation's external position remains strongly backed up by sustainable intra-regional trade and service related activities.
While the private sector drives the economic growth, the public sector will remain supportive of growth with higher capital spending and provide an enabling environment to facilitate private investment by implementing key initiatives under the National Key Result Areas (NKRAs) and National Key Economic Areas (NKEAs).

The broad-based growth from all sectors in the economy, particularly from the construction sector, the nominal Gross National Income (GNI) per capita is expected to rise 7.4% to RM30,856 (2011: 9.7%; RM28,725). In terms of Purchasing Power Parity (PPP), per capita income is expected to increase 5.5% to reach USD17,445 (2011: 17.1%; USD16,529).
(Sources: Economic Report 2011/2012)

SECTION H

TAX INFORMATION

Resident individual income tax rates

Chargeable Income		Assessment Year							
		2000(CY)-2001		2002-2008		2009		2010-2012	
RM		%	RM	%	RM	%	RM	%	RM
First	2,500	0	0	0	0	0	0	0	0
Next	2,500	1	25	1	25	1	25	1	25
On	5,000		25		25		25		25
Next	5,000	3	150	3	150	3	150		150
On	10,000		175		175		175	3	175
Next	10,000	5	500	3	300	3	300		300
On	20,000		675		475		475	3	475
Next	15,000	9	1,350	7	1,050	7	1,050	7	1,050
On	35,000		2,025		1,525		1,525		1,525
Next	15,000	15	2,250	13	1,950	12	1,800	12	1,800
On	50,000		4,275		3,475		3,325		3,325
Next	20,000	20	4,000	19	3,800	19	3,800	19	3,800
On	70,000		8,275		7,275		7,125		7,125
Next	30,000	25	7,500	24	7,200	24	7,200	24	7,200
On	100,000		15,775		14,475		14,325		14,325
Next	50,000	28	14,000	27	13,500	27	13,500	26	13,000
On	150,000		29,775		27,975		27,825		27,325
Next	100,000	29	29,000	27	27,000	27	27,000	26	26,000
On	250,000		58,775		54,975		54,825		53,325
Above	250,000	29		28		27		26	

Non-resident individual income tax rates

Assessment Year	1989-1992	1993	1994	1995 – 2000 (PY)	2000 (CY) -2001	2002-2008	2009	2010-2012
Tax Rate (%)	35	34	32	30	29	28	27	26

Co-operative income tax rates

Chargeable Income		Assessment Year 2000(CY) - 2001		2002 – 2008		2009		2010-2012	
	RM	%	RM	%	RM	%	RM	%	RM
First	10,000	0	0	0	0	0	0	0	0
Next	10,000	1	100	0	0	0	0	0	0
On	20,000		100		0		0		0
Next	10,000	4	400	3	300	2	200	2	200
On	30,000		500		300		200		200
Next	10,000	7	700	6	600	6	600	6	600
On	40,000		1,200		900		800		800
Next	10,000	10	1,000	9	900	9	900	9	900
On	50,000		2,200		1,800		1,700		1,700
Next	25,000	13	3,250	12	3,000	12	3,000	12	3,000
On	75,000		5,450		4,800		4,700		4,700
Next	25,000	17	4,250	16	4,000	16	4,000	16	4,000
On	100,000		9,700		8,800		8,700		8,700
Next	50,000	21	10,500	20	10,000	20	10,000	20	10,000
On	150,000		20,200		18,800		18,700		18,700
Next	100,000	24	24,000	23	23,000	23	23,000	23	23,000
On	250,000		44,200		41,800		41,700		41,700
Next	250,000	27	67,500	26	65,000	26	65,000	26	65,000
On	500,000		111,700		106,800		106,700		106,700
Above	500,000	29		28		27		26	

Company income tax rates

Assessment Year	1989-1992	1993	1994	1995 – 1997	1998 - 2006	2007	2008	2009-2012
Tax Rate (%)	35	34	32	30	28	27	26	25

- For the assessment year 2003 - companies with paid-up capital of RM2.5 million and below will be taxed at 20% on chargeable income of first RM100,000. The remaining income will be taxed at the normal company's tax rate as above. Effective from assessment year 2004 the threshold is increased to RM500,000.

- Effective from assessment year 2009 the 20% tax rate is not applicable to a company having paid up capital (ordinary share) not more than RM2.5 million if more than-

    - 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or

    - 50% of paid capital (ordinary share) of the related company is directly or indirectly owned by the company; or

    - 50% of the paid-up capital (ordinary share) of the company and the related company is directly or indirectly owned by another company.

"Related company" refers to a company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a year of assessment.

Withholding Tax

Types of payment to non-resident	Tax Rate (%)
Interest	15
Royalty	10
Remuneration/fee to public entertainer	15
Technical advice, assistance or technical services rendered outside Malaysia **(w.e.f. 21/9/2002)**. Previously the rate was 10%.	0
Technical advice, assistance or technical services rendered in Malaysia	10
Installation fee and rental of moveable property	10
Income fall under section 4(f) ITA 1967 (w.e.f. 01.01.2009)	10
Non-resident contractor **(w.e.f. 21/9/2002)** Previously the rate was 15% + 5%	10 + 3

Note: If Double Tax Agreement (DTA) between Malaysia and recipient country provides lower rate then rate specified in the DTA prevail

Real Property Gains Tax Rates (w.e.f. 01.01.2010)

	Company	Others	Individuals who are not a citizen and not a permanent resident
Disposal within 2 years after date of acquisition	30%	30%	30%
Disposal in the 3rd. year	20%	20%	30%
Disposal in the 4th year	15%	15%	30%
Disposal in the 5th year	5%	5%	30%
Disposal in the 6th year and thereafter	5%	5%	5%

Real Property Gains Tax (Exemption) (No. 2) Order 2009 provides that disposal of chargeable assets after five years from the date of acquisition is exempted from RPGT.

Where disposal is made within 5 years from the date of acquisition the disposer is exempted from tax on chargeable gain the amount of which is calculated as follows-

A/B X C; where

A = amount of tax charged on the chargeable gain on the person at the appropriate tax rate reduced by the amount of tax charged on such chargeable gain at the rate of 5%

B = amount of tax charged on such chargeable gain at the appropriate tax rate

C = amount of such chargeable gain

After deducting the amount of exempted chargeable gain from the total chargeable gain the effective tax rate will be 5% of the chargeable gain.

Purchaser will have to withhold 2% of the purchase value and remit to the Inland Revenue Board towards the RPGT payable by the disposer.

Exemption for individuals:

1. RM10,000 or 10% of the gains, which ever is higher
2. gifts between parent and child, husband and wife, grandparent and grandchildren
3. disposal of a residential property once in a lifetime for an individual who is citizen or permanent resident of Malaysia

Real Property Gains Tax Rates (w.e.f. 01.01.2012)

Holding Period	**Company**	**Individual (Citizen & Permanent Resident)**	**Individual (Non-Citizen)**
Up to 2 years	10%	10%	10%
Exceeding 2 until 5 years	5%	5%	5%
Exceeding 5 years	0%	0%	0%

Income Tax Rebates for individuals

Rebates	Assessment Year			
	2001-2004	2005 – 2006	2007-2008	2009-2012
Resident individual with chargeable income of RM35,000 or less	350	350	350	400
Rebate for spouse if the tax payer chargeable income is RM35,000 or less and the spouse has no income or opt for joint assessment	350	350	350	400
Personal computer	400	500	Abolished	
Zakat	Amount of zakat paid restricted to amount of tax payable			

Personal relief for resident individuals

Types of Relief	Assessment Year					
	2005	2006	2007	2008-2009	2010-2011	2012
Self	8,000	8,000	8,000	8,000	9,000	9,000
Additional relief for disabled tax payer	6,000	6,000	6,000	6,000	6,000	6,000
Spouse with no income or opt for joint assessment	3,000	3,000	3,000	3,000	3,000	3,000
Additional relief for disabled spouse (spouse has no income or opt for joint assessment)	3,500	3,500	3,500	3,500	3,500	3,500
Normal Child - unmarried and age of 18 and below	1,000	1,000	1,000	1,000	1,000	1,000
- above 18, unmarried and studying in tertiary education institute - Local (diploma and above)	4,000	4,000	4,000	4,000	4,000	4,000
- Overseas (Degree and above)	1,000	4,000	4,000	4,000	4,000	4,000

Types of Relief	Assessment Year					
	2005	2006	2007	2008-2009	2010-2011	2012
Disabled child - unmarried - above 18, unmarried and studying in tertiary education institute (diploma and above in local University or Degree and above in Overseas University)	 5,000 5,000	 5,000 9,000	 5,000 9,000	 5,000 9,000	 5,000 9,000	 5,000 9,000
Life insurance premium on tax payer and/or spouse's life and contribution to approved fund	6,000	6,000	6,000	6,000	7,000 (Note 1)	6,000 (Note 1)
Private Retirement Scheme	0	0	0	0	0	3,000 (Note 1)
Insurance premiums for education or medical benefit for tax payer, spouse or children	3,000	3,000	3,000	3,000	3,000	3,000
Medical expenses on tax payer, spouse and children for serious diseases.	5,000	5,000	5,000	5,000	5,000	5,000
Complete medical examination on tax payer, spouse and children. (max) Total deduction for medical expenses and examination is restricted to RM5,000.	500	500	500	500	500	500

Types of Relief	Assessment Year					
	2005	2006	2007	2008-2009	2010-2011	2012
Medical expenses for parents (max)	5,000	5,000	5,000	5,000	5,000	5,000
Books, journal and magazine for tax payer, spouse or children	700	700	1,000	1,000	1,000	1,000
Basic supporting equipment for disabled tax payer, spouse, parent or children (max)	5,000	5,000	5,000	5,000	5,000	5,000
Personal computer. The relief will be given once in every 3 assessment years (maximum)	0	0	3,000	3,000	3,000	3,000
Net deposit in Skim Simpanan Pendidikan Nasional (max)	0	0	3,000	3,000	3,000	3,000
Education fee on qualified course for tax payer (Note: 2)	5,000	5,000	5,000	5,000	5,000	5,000
Sports & exercise equipment (maximum)	0	0	0	300	300	300
Broadband subscription	0	0	0	0	500	500

Interest on housing loan

Applicable to Permanent Residents and Citizens of Malaysia and to one residential property only, provided no income is derived from that property. Sales & purchase agreement executed between 10.03.2009 to 31.12.2010. Amount of deduction equivalent to amount of interest paid but restricted to RM10,000 per year for 3 consecutive basis years beginning from the year in which the interest was first paid.

Notes:

1. The increased relief amount of RM1,000 is given solely on annuity scheme premium from insurance companies contracted on or after 1 January 2010. Effective from year of assessment 2012, this relief will be revoked. Resident individuals who paid deferred annuity or contributed to a private pension scheme, will be entitled to a relief equivalent to the amount paid or contributed but restricted to RM3,000.

2. **Qualified course** – technical, vocational, industrial, scientific or technological skills or qualification. Accountancy and law courses undertaken at the recognised institution of higher learning (w.e.f YA 2006). Courses in Islamic Finance approved by Bank Negara Malaysia or Securities Commission at local institutions of higher education including at the International Centre for Education in Islamic Finance (w.e.f YA 2007). All field of studies at post graduate level i.e. masters and doctorate (w.e.f YA 2008)

Capital Allowance Rates

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
Heavy machinery & motor vehicle:		
• Building & construction industry	30	20
• Timber industry	60	20
• Tin mining industry	60	20
• Imported heavy machinery used in building & construction, mining, plantation and timber industry	10	10
• Other industry	20	20
Plant & Machinery:		
• Building & construction industry	30	14
• Timber industry	60	14
• Tin mining industry	60	14
• Other industry	20	14
Others:		
• Building & construction industry	30	10
• Timber industry	60	10
• Tin mining industry	60	10
• Other industry	20	10

Capital Allowance Rates …..cont

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
Special plant & equipment:		
• Plant or machinery used by manufacturing company for recycling of wastes **(w.e.f. YA 2001)**	40	20
• Bus using natural gas • Natural gas refuelling equipment used at natural gas refuelling outlet	40	20
• Plant or machinery used for qualifying project under Schedule 7A (w.e.f. YA 2001)	40	20
Qualifying machinery and equipment used in agriculture sector including plantation **(w.e.f. 2005)**	20	40
Qualifying equipment used by companies to ensure quality of power supply **(w.e.f. 2005)**	20	40
Purchase of moulds used in the production of Industrial Building System (IBS) **(w.e.f. YA 2006)**	40	20

Notes:

1. "**Heavy machinery**" – Bulldozers, cranes, ditchers, Excavators, graders, loaders, rippers, rollers, rooters, scrappers, shovels, tractors, vibrator wagons etc.

2. **"Motor vehicles"** – All types of motorized vehicles such as motorcycles, aeroplanes, ships etc.

3. **"Plant & machinery"** – General plant and machinery not categorized as heavy machinery. Example – air conditioners, compressors, lifts, laboratory and medical equipment, ovens etc.

4. **"Others"** – Office equipment, furniture and fittings

Capital Allowance Rates …. Contd.

Small value asset (value not exceeding RM1,000 each)

Effective from YA 2006 the capital allowance is equivalent to the qualifying expenses but is capped at RM10,000. Effective from YA 2009, the RM10,000 cap does not apply to companies who are residents in Malaysia which has paid up capital of ordinary shares not exceeding RM2,500,000 at the beginning of the basis period. The cap however still applies if more than :-

a) 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or

b) 50% of paid capital (ordinary share) of the related company is directly or indirectly owned by the company; or

c) 50% of the paid-up capital (ordinary share) of the company and the related company is directly or indirectly owned by another company.

"Related company" refers to a company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a year of assessment.

Accelerated Capital Allowance for specified period only

1. **Security control equipments and monitoring equipments**

Effective from YA 2009 to 2012

a) Qualifying security control equipments

Anti-theft alarm systems, infra-red motion detection systems, sirens, access control systems, CCTV's, video surveillance systems, security camera's, wireless camera transmitters, time lapse recording systems and video motion detection equipments.

Accelerated Capital Allowance for specified period only…….cont.

Conditions:

i. Individual

- Resident in Malaysia

- Security control equipment must be installed at any building of permanent structure used for his business

ii. Company

- Incorporated under Companies Act 1965, resident in Malaysia and approved under Industrial Co-ordination Act 1975

- The security control equipment is installed at its factory

b) Global Positioning System (GPS) for vehicle tracking

This applies to companies incorporated under the Companies Act 1965 and residents in Malaysia. The GP's must be installed for container lorry of the company bearing Carrier License A and for cargo lorry of the company bearing Carrier Licence A or C used for its business.

Allowance

Initial: 20% ; Annual: 80%

Accelerated Capital Allowance for specified period only…….cont.

2. **Buses (Stage, Charter, Express, Mini, Employees, Feeder, School and excursion bus)**

   Effective from YA 2009 to 2011

   Conditions:

   Claimant

   - Resides in Malaysia;
   - First registered owner of the bus and carries businesses of commercial transportation; and
   - holder of a public service vehicle license issued under the Commercial Vehicles Licensing Board Act 1987 or tourism vehicle license issued under the Tourism vehicle Licensing Act 1999

   Buses

   - used for commercial transportation of passengers or conveyance of tourists
   - locally assembled or constructed and not a reconditioned bus

   Allowance

   Initial: 20% ; Annual: 80%

3. **Plant and machinery**

   Effective from YA 2009 to 2010

   Conditions:

   a) Companies incorporated and is a resident in Malaysia with paid-up capital (ordinary share) not exceeding RM2,500,000 at the beginning of the basis period; and

   b) Plant and machinery used for that business

Accelerated Capital Allowance for specified period only…….cont.

Disqualified:

a) If more than:-

i. 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or

ii. 50% of paid-up capital (ordinary share) of the related company is directly or indirectly owned by the company; or

iii. 50% of the paid-up capital (ordinary share) of the company and the related company is directly or indirectly owned by another company.

"Related company" means a company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a year of assessment.

b) Has been granted any incentive under the Promotion of Investment Act 1986 or Reinvestment Allowance under Schedule 7A of the Income Tax Act 1967 in the basis period for the assessment year; or

c) Qualified for and has claimed capital allowance under paragraph 19A of Schedule 3 of the Income Tax Act 1967 (small value asset)

Allowance

Initial: 20% ; Annual: 80%

4. **Plant and machinery**

Effective from YA 2009

Conditions:

a) person resident in Malaysia
b) incur qualifying plant expenditure between March 10, 2009 to 31 December 2010
c) plant used for business purposes

Accelerated Capital Allowance for specified period only…….cont.

Disqualified:

A person who in the period 10 March 2009 to 31 December 2010:-

a) has been granted any incentive under the Promotion of Investments Act 1986;
b) has made a claim for reinvestment allowance under Schedule 7A of the Income Tax Act 1967;
c) has been granted any exemption under paragraph 127(3)(b) or subsection 127(3A) of the Income Tax Act 1967; or
d) qualifies for capital allowance at a higher rate

Allowance:

Initial: 20% ; Annual: 40%

5. **Information and Communication Technology equipment**

Effective from YA 2009 to 2013

Qualifying assets

Busters/decollators, cables and connectors, computer assisted design (CAD), computer assisted manufacturing (CAM), computer assisted engineering (CAE), card readers, computers and components, central processing unit (CPU), storage, screen, printers, scanner/reader, accessories, communications and network and software system or software package.

Conditions:

a) person resident in Malaysia
b) equipments used for business purposes

Accelerated Capital Allowance for specified period only…….cont.

Disqualified:

A person who in the basis period has been granted any incentive under the Promotion of Investment Act 1986 or Reinvestment Allowance under Schedule 7A of the Income Tax Act 1967.

Allowance:

Initial: 20% ; Annual: 80%

Industrial Building Allowances (IBA)

Type of Building	Initial Allowance (%)	Annual Allowance (%)
Factory, dock, wharf, jetty or other similar building, warehouse (with factory) Building used in the business of supplying water, electricity and telecommunication services, agriculture and mining	10	3
Canteen, rest-room, recreation room, lavatory, bathhouse, bathroom or wash-room (with industrial building) Building for the welfare or living accommodation of persons employed in the working of a farm	10	3
Private hospital, nursing home, maternity home	10	3
Building for the purpose of approved research	10	3
Building for the purpose of approved service project under Schedule 7B	10	3
Hotel registered with the Ministry of Tourism	10	3

Industrial Building Allowance……contd.

Type of Building	Initial Allowance (%)	Annual Allowance (%)
Airport, approved motor racing circuit	10	3
Public road & ancillary structures on which expenditure is recoverable through toll collection	10	6
Warehouse for purpose of storage of goods for export or imported goods to be processed and distributed or re-exported	NIL	10
Living accommodation for employees employed in manufacturing, hotel, tourism business and approved service project	NIL	10
School and approved educational institution, approved industrial, technical and vocational training	NIL	10
Building constructed for accommodation for employees (with industrial building)	40	3
Building constructed under an approved build-lease-transfer agreement with the Government	10	6
New buildings occupied by MSC status companies in Cyberjaya. **(w.e.f YA 2006)**	NIL	10
Building acquired/constructed and used by resident BioNexus status company for its new business or expansion projects (w.e.f 02.09.2006)	NIL	10

Renovation or refurbishment allowance

Conditions:

a) person

b) incur qualifying renovation or refurbishment of business premises between 10 March 2009 to 31 December 2010

c) premises used for business purposes

d) total amount of qualifying expenditure for that period shall not exceed RM100,000

Allowance:

50% for the year the expenditure was incurred and 50% for the immediate following year.

Building under privatisation project and private financing initiatives [P.U.(A) 119/2010]

Effective from the year of assessment 2009 a building is deemed as industrial building if constructed:-

a) under a privatisation project and private financing initiatives approved by the Privatisation/PFI Committee, Public Private Partnership Unit, Prime Minister's Department; and

b) pursuant to an agreement entered into between a person and the Government of Malaysia or statutory body on a build-lease-maintain-transfer basis and for which no consideration has been paid by the Government of Malaysia or statutory body to that person

This rule is applicable to qualifying building expenditure incurred by a person who is a resident in Malaysia and is used for his business.

Initial allowance: 10% ; Annual allowance: 6%.

Residual value shall be reduced by the amount of any compensation received by such person.

Disposal value at the expiry of the agreement = Zero

Kuala Lumpur Office

AljeffriDean
2-5-13 Menara KLH (Business Centre)
No. 2 Jalan Kasipillay, 51200 Kuala Lumpur
Tel: +603 23811170 Fax: +603 23811175

Our branches:

AljeffriDean (Ipoh)
Tingkat 10, Suite 1
Perak Techno-Trade Centre
Bandar Meru Raya
Off Jalan Jelapang
30020 Ipoh, Perak
Tel: 05-5291011
Fax: 05-5291013

AljeffriDean (Cameron Highlands)
68B Persiaran Camelia 3
Bandar Baru Juta Villa
39000 Tanah Rata
Pahang Darul Makmur
Tel: 05-4914953
Fax: 05-4914142

AljeffriDean (Sg Petani)
3A, Tingkat 1
Wisma Bandaran
Jalan Ibrahim
08000 Sungai Petani, Kedah
Tel: 04-4210234
Fax: 04-4244702

AljeffriDean (Bayan Baru)
112B 2nd Floor
Jalan Mayang Pasir
Bandar Bayan Baru
11950 Bayan Lepas, Penang
Tel: 04-6464959
Fax: 04-6449959

AljeffriDean (Georgetown)
Acctax Corporate Centre
No. 2 Jalan Bawasah
10050 Georgetown, Penang
Tel: 04-2280020
Fax: 04-2280023

AljeffriDean (Prai)
No. 29 2nd Floor
Tingkat Kikik Tujuh
Taman Inderawasih
13600 Prai, Penang
Tel: 04-3906482
Fax: 04-3999960