September 28, 2012

To:
Our valued clients, friends and affiliates.

BUDGET 2013
Summary & Comments

We are proud to once again present to you this year our BUDGET 2013, Summary & Comments.

This summary focuses on matters which we reckon 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:

Disclaimer:

SECTION A

COMMENTARY

The formulation of the 2013 Malaysian National Budget has been an undoubtedly daunting task in view of the recent global economic decline which implications are still prevalent today.

The Prime Minister, in presenting the 2013 National Budget has demonstrated Malaysian integrity in managing the economy in a prudent manner. Allocation in expenditure has been made in the broad spectrum of social fabric and channeled to appropriately to where it is most needed.

With particular emphasis on living standards, the budget continues to focus on national development efforts whilst maintaining a controlled fiscal deficit of 4% to the Gross Domestic Production (GDP). To this end, and in the interest of protecting the well being of the people, the Government has allocated a total of RM251.6billion, where RM201.9billion budgeted for operating expenditure and RM49.7billion for development expenditure.

Part of the operating expenditure will also include allocations for the fishermen insurance scheme, preschool education, enhancement of neighborhood security, health, sports, housing and schooling assistance.

The budget also reflects the Government's intention to accelerate the implementation of the 12 National Key Economic Areas (NKEAs) by allocating RM3billion for the implementation of entry point projects (EPPs).

In order to increase the disposable income of the lower middle income group, income tax rates will be reduced marginally for individuals at 1% for those with income below RM 50,000. As for the co-operative societies, income tax rate is reduced by 1% and up to 7% at all chargeable income bands.

The revised Real Property Gain Tax rate is widely seen as an effort to curb excessive speculation in real property without adversely dampening the housing industry. At the same time, prospective first home owners will look to benefit from the revised qualification income limit from RM3,000 to RM5,000.

The Government has also established the Domestic Investment Strategic Fund worth RM1billion to encourage domestic investment. At the same time, companies with funds to invest might find the tax incentives for investments in commercialisation efforts of the Public Sector's R&D findings an attractive consideration. The highlighted benefits would be that these investments would

be tax deductible for the investors and tax exemption allocation for the subsidiary companies that undertake the venture.
As for the oil and gas industry, in order to facilitate the participation of private operators, special tax incentives have been announced. These incentives include financial assistance for public-private partnership projects and 100% income tax exemption for 10 years.

The extension of tax exemption for tour operators in the year of assessment of 2013 to 2015 would also serve as a boost to the development of tourism in Malaysia, which has contributed approximately 26% of the total GDP.

The establishment of a retail bond market to encourage retail participation in the market also serves to provide safer investment and savings options to the people. Tax exemptions will be extended to establishments with Tun Razak Exchange (TRX) status. TRX will look to stimulate Foreign Direct Investments (FDI) into the country and will also provide additional investment options by connecting the local business community to the global market.
It is heartening to note the numerous funds proposed to be set up, which include:-

Domestic Investment Strategic Fund.	(RM 1 billion)
SME development Scheme.	(RM 1 billion)
Halal Industry Fund.	(RM200 million)
Danajamin guarantee fund	(Additional RM 400 million)
Bumiputra SME working capital guarantee scheme	(RM 10 billion)
Skill development Fund PTPK	(RM 440 million)
Intellectual Property Financing Fund	(RM 200 million)
Green Technology Financing Scheme Fund	(Additional RM 1.2 billion)

The Government has allocated RM1billion to accelerate the growth of Small and Medium Enterprises and the expansion of industrial areas. This is also inclusive of the RM30million announced for the recently launched SME Masterplan (2012-2020) to be utilized for the implementation of 32 initiatives and 6 high-impact programmes.

Towards the development of the business community, the Government has also provided a provision of assistance for the young entrepreneurs aged 30 and below with a start up fund allocation of RM50million, disbursed in the form of soft loans up to RM100,000 at an interest rate of 2%.

In recognising the contribution of the agriculture sector in enhancing national income and food security, the Government has allocated RM5.8billion to the Ministry of Agriculture and Agro-Based Industry for various initiatives. The introduced AgroSukuk framework will also look to provide investment avenues into the agriculture industry.

Our professional team members in AljeffriDean have prepared a summary analysis of the 2013 Budget Proposal to assist our valued clients and associates in grasping the salient facts of the Budget and to take further advantage of the provisions included. At the same time, we at AljeffriDean would happy to attend to any requests for additional information.

We may be contacted via telephone: 03-23811170 or email at summarybudget2013@aljeffridean.com or info@aljeffridean.com.

Truly yours,

AljeffriDean
Kuala Lumpur
September 28, 2012

SECTION B

HIGHLIGHTS

1 BOOSTING INVESTMENT ACTIVITY

- Private investment is to increase to RM148.4 billion.
- RM3.0 billion allocated to launch Entry Point Projects (EPPs).
- RM500 million allocated for the River of Life project to beautify Klang River, where RM300 million is used to restore pipes and sewerage network system for services and access to water.
- Domestic Investment Strategic Fund of RM1 billion to be established under the Malaysian Investment Development Authority (MIDA) for outsourcing activities and technology acquisition by local companies.
- Halal Industry Fund will provide RM200 million to fund working capital for SME's that produce halal products.
- Government to set up group insurance coverage scheme for hawkers and small business owners.
- Tax Incentives for private entrepreneurs in the oil & gas industry including 100% income tax waiver for 10 years, exemption of withholding tax and stamp duty.
- RM5.8 billion allocated to the Ministry of Agriculture and Agro-Based Industry to give priority to the agriculture sectors to increase national income and ensure food security.
- RM30 million allocated for developing agricultural programmes.
- Income tax exemption of 10 years for companies with Tun Razak Exchange status, stamp duty exemption for companies with TRX Marquee-status and tax exemption for property developers.
- RM230 million in incentives for fishermen, RM 2.4 billion in subsidies and incentives for paddy sectors.
- RM9 billion or 43% from the cost of the MRT infrastructure project are allocated to Bumiputera Companies.
- RM350 million allocated for TEKUN Financing for small to medium entrepreneurs, including RM50 million for the Indian Social Entrepreneurship Scheme.

2 STRENGHTHENING EDUCATION AND TRAINING

- RM38.7 billion to improve quality of the education in the country with an additional RM500 million to training teachers in the core subjects of English, Bahasa Malaysia, Science and Maths.
- Tax free incentive and grant for setting up of new nurseries and kindergartens. RM1.2 billion allocation for pre-school development.
- The Graduate Employability Taskforce will be established with an allocation of RM200 million.
- SOCSO will allocate RM200 million to enable its 1.4 million members to undertake free health screening.

3 INCULCATING INNOVATION, INCREASING PRODUCTIVITY

- RM19 million allocated to the Intellectual Property Corporation to establish a platform for the intellectual property market and conduct training programmes for local intellectual property valuers.
- Subsidiary companies that conduct activities which commercialised the discovery of R&D will be given 100% income tax exemption over statutory income over a period of 10 years.

4 FISCAL CONSOLIDATION AND ENHANCING THE PUBLIC SERVICE DELIVERY

- Minimum pension to be increased to RM820 for those who had served government for at least 25 years.
- The processing fee for each housing loan application by civil servant is to be fixed at RM100 regardless of the loan amount.

5 ENHANCING THE WELL-BEING

- Government to give school bus operators assistance of RM10,000 cash rebate and a 2% interest rate subsidy on full loans for the purchase of new buses.
- RM540 million for the Schooling Assistance of RM100 to all primary and secondary school students, to commence January 2013.
- 50% discount on KTM Komuter fares extended to all Malaysian with a monthly income of RM3,000 and below and who travel by KTM Komuter.
- Individual income tax rate to be reduced by 1 percentage point for each grouped annual income tax exceeding RM2,500 to RM50,000.
- Tax Relief on the children's higher education will be increased from RM4,000 to RM6,000 per person.

SECTION C

SUMMARY OF AMENDMENTS TO DIRECT TAXATION

REVIEW OF INDIVIDUAL INCOME TAX

PRESENT

- Resident individual income tax rates are progressive from between 0% to 26% on chargeable income.
- The income tax rates effective from year of assessment 2010 are as follows:

Chargeable Income (RM)	Tax Rates
1-2,500	0%
2,501-5,000	1%
5,001-20,000	3%
20,001-35,000	7%
35,001-50,000	12%
50,001-70,000	19%
70,001-100,000	24%
Exceeding 100,000	26%

PROPOSED

- Resident individual income tax rates be reduced by 1 percentage point for chargeable income bands from RM2,501 to RM50,000.

- The comparison between current and proposed individual income tax rates are as follows:

Chargeable Income (RM)	Current Tax Rates	Proposed Tax Rates
1-2,500	0%	0%
2,501-5,000	1%	0%
5,001-20,000	3%	2%
20,001-35,000	7%	6%
35,001-50,000	12%	11%
50,001-70,000	19%	19%
70,001-100,000	24%	24%
Exceeding 100,000	26%	26%

- Income tax savings from the reduction of tax rates above are as follows:

Chargeable income	Current			Proposed			Savings	
	Tax Rate	Tax Without Rebate (RM)	Tax Payable* (RM)	Tax Rate	Tax Without Rebate (RM)	Tax Payable* (RM)	(RM)	(%)
1-2,500	0%	0		0%	0			
		0	0		0	0	**	**
2,501-5,000	1%	25		0%	0			
		25	0		0	0	**	**
5,001-20,000	3%	450		2%	300			
		475	75		300	0	75	100%
20,001-35,000	7%	1,050		6%	900			
		525	1,125		1,200	800	325	29%
35,001-50,000	12%	1,800		11%	1,650			
		3,325	3,325		2,850	2,850	475	14%
50,001-70,000	19%	3,800		19%	3,800			
		7,125	7,125		6,650	6,650	475	7%
70,001-100,000	24%	7,200		24%	7,200			
		14,325	14,325		13,850	13,850	475	3%
Exceeding 100,000**	26%			26%				

* After tax rebate of RM400 for chargeable income up to RM35,000
**Not applicable

IMPACT

- To reduce the cost of living.
- To increase the disposable income of the rakyat.

EFFECTIVE DATE

- Year of assessment 2013.

REFERENCE

- Part 1 Schedule 1 Income Tax Act 1967.

REVIEW OF CO-OPERATIVE INCOME TAX

PRESENT

- Income tax treatment on co-operatives is as follows:

  i. Income tax rates on co-operatives are progressive from between 0% to 26% on chargeable income; and

  ii. Co-operatives are exempted from tax for the first 5 years from the date of registration. After that period, co-operatives are still exempted from income tax if Members' Fund is less than RM750,000.

- Dividends received by members of co-operatives are exempted from tax.

PROPOSED

- Co-operatives income tax rates be reduced by 1 percent to 7 percent at all chargeable income bands.

- A comparison between current and proposed co-operative income tax rates are as follows:

Chargeable Income (RM)	Current Tax Rates	Proposed Tax Rates
1-20,000	0%	0%
20,001-30,000	2%	0%
30,001-40,000	6%	5%
40,001-50,000	9%	5%
50,001-60,000	12%	5%
60,001-75,000	12%	10%
75,001-100,000	16%	10%
100,001-150,000	20%	15%
150,001-250,000	23%	20%
250,001-500,000	26%	22%
500,001-750,000	26%	24%
Exceeding 750,000	26%	25%

- Income tax savings from the reduction in tax rates above are as follows:

Chargeable Income (RM)	Current		Proposed		Savings	
	Tax Rate	Tax Payable (RM)	Tax Rate	Tax Payable (RM)	(RM)	(%)
1-20,000	0%	0	0%	0		
		0		0	*	*
20,001-30,000	2%	200	0%	0		
		200		0	200	100%
30,001-40,000	6%	600	5%	500		
		800		500	300	38%
40,001-50,000	9%	900	5%	500		
		1,700		1,000	700	41%
50,001-60,000	12%	1,200	5%	500		
		2,900		1,500	1,400	48%
60,001-75,000	12%	1,800	10%	1,500		
		4,700		3,000	1,700	36%
75,001-100,000	16%	4,000	10%	2,500		
		8,700		5,500	3,200	37%
100,001-150,000	20%	10,000	15%	7,500		
		18,700		13,000	5,700	30%
150,001-250,000	23%	23,000	20%	20,000		
		41,700		33,000	8,700	21%
250,001-500,000	26%	65,000	22%	55,000		
		106,700		88,000	18,700	18%
500,001-750,000	26%	65,000	24%	60,000		
		171,700		148,000	23,700	14%
Exceeding 750,000	26%		25%			

*Not applicable

IMPACT

- To release the burden of tax rate of co-operatives.
- To enable the co-operatives expanding their businesses.

EFFECTIVE DATE

- Year of assessment 2013.

REFERENCE

- Part IV Schedule 1 Income Tax Act 1967

REVIEW OF REAL PROPERTY GAINS TAX RATES ("RPGT")

PRESENT

- Gains from disposal of real property and shares in real property companies are taxed between 0% and 30% depending on the holding period of property and shares:

Disposal period	RPGT Rates		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non-Citizens)
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 to 31 December 2009.

- RPGT at 5% was re-imposed from 01 January 2010 on gains from the disposal of real properties within 5 years from the date of acquisition. RPGT is not imposed on disposal of real properties held for a period exceeding 5 years.

- From 01 January 2012, the RPGT rates were reviewed as follows:

Disposal period	RPGT Rates		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non-Citizens)
0-2 years	10%	10%	10%
3-5 years	5%	5%	5%
6th year onwards	0%	0%	0%

PROPOSED

- The RPGT rates on gains from the disposal of real properties and shares in real property companies be reviewed as follows:

Disposal period	Proposed RPGT Rates		
	Companies	**Individuals (Citizens & Permanent Residents)**	**Individuals (Non-Citizens)**
0-2 years	15%	15%	15%
3-5 years	10%	10%	10%
6th year onwards	0%	0%	0%

IMPACT

- To further curb speculative activities in the real property market.

EFFECTIVE DATE

- For disposal of real properties and shares in real property companies commencing from 01 January 2013.

REFERENCE

- To be gazetted by way of statutory order.

REVIEW OF TIME BAR FOR INCOME TAX ASSESSMENT

PRESENT	▪ Assessment or additional assessment may be raised within a period not exceeding 6 years after the expiration of the relevant year of assessment if it is found that a tax payer did not submit an assessment or submitted an assessment with lower tax compared to the actual tax payable.
PROPOSED	▪ Time bar for raising income tax assessment or additional assessment be reduced from 6 years to 5 years. ▪ It is not applicable for cases related to investigation, false declaration, wilful late payment and negligence. ▪ It does not change the requirement to keep records for 7 years in accordance with Sections 82 and 82A of the Income Tax Act 1967.
IMPACT	▪ To provide certainty to taxpayer and in tandem with best practices.
EFFECTIVE DATE	▪ From 01 January 2014.
REFERENCE	▪ Section 91 Income Tax Act 1967

EXTENDING THE TAX INCENTIVES FOR COMMERCIALISATION OF PUBLIC SECTOR RESEARCH AND DEVELOPMENT (R&D) FINDINGS

PRESENT

- Tax incentives for commercialisation of resource-based R&D findings of public research institutions are as follows:

  i. Investor company

  Tax deduction equivalent to the value of investment made in the subsidiary company that involves in commercialisation of R&D findings of public research institutions; and

  ii. Subsidiary company that involves in commercialisation of R&D findings of public research institutions

  Income tax exemption of 100% of statutory income for 10 years.

- The incentive is effective for applications received by the Malaysia Investment Development Authority ("MIDA") from 11 September 2004.

PROPOSED

- Tax incentives for commercialisation of non-resource based R&D findings are as follows:

  i. Investor company

  Tax deduction equivalent to the value of investment made in the subsidiary company that involves in commercialisation of R&D findings of public research institutions; and

  ii. Subsidiary company that involves in commercialisation of R&D findings of public research institutions

  Income tax exemption of 100% of statutory income for 10 years.

- Non-resource based activities/products are subject to the list of promoted activities/products under the Promotion of Investment Act 1986.

IMPACT	▪ To ensure that the R&D findings of the public research institutions are widely commercialised.
EFFECTIVE DATE	▪ The incentive is effective for applications received by the MIDA from 29 September 2012 until 31 December 2017.
REFERENCE	▪ To be gazetted by way of statutory order.

REVIEW OF TAX INCENTIVE FOR ANGEL INVESTOR

PRESENT

- An angel investor who invests in a venture company at seed capital financing, start-up financing and early stage financing is eligible to claim deduction on the total value of investment.
- The deduction is limited to business income.

PROPOSED

- The deduction on the total value of investment is against all income.
- Among the qualifying criteria for the incentive are as follow:

  A. Angel investor

  i. An individual is not associated to the venture company prior to investing;
  ii. A tax resident with an annual income not less than RM180,000;
  iii. Holds at least 30% of the shares in the venture company for a period of at least 2 years; and
  iv. All his shares in the venture company must be paid in cash.

  B. Venture company

  i. 51% shares in the company is owned by Malaysians;
  ii. Qualifying activities of venture company are approved by the Minister of Finance; and
  iii. Accumulated profit is not more than RM5 million and has a track record of less than 3 years (based on the latest financial report at the time of application).

IMPACT

- To attract more angel investors to provide funding to venture companies.

EFFECTIVE DATE

- Effective for applications received by the Ministry of Finance from 01 January 2013 until 31 December 2017.

REFERENCE

- To be gazetted by way of statutory order.

TAX EXEMPTION ON INCOME OF THE ANNUITY FUND

PRESENT

- Life insurance and family takaful companies also offer annuity products.
- Investment in annuity products is an alternative or additional investment for retirement.
- Returns from annuity products are paid periodically to the investors upon reaching the age of 55 years.
- Premiums paid by annuity scheme investors are consolidated in the life fund or family fund.
- Investment income from both funds is subject to income tax rate of 8%.
- Investment income from retirement schemes (including annuity scheme) is given the following tax treatment:

A. Individuals

i. Tax exemption on pension income upon mandatory retirement according to any written law;

ii. Tax exemption on income received from annuity schemes of Malaysian insurance and takaful companies;

iii. Tax exemption on contributions withdrawn from the Employees Provident Fund (“EPF”) upon mandatory retirement;

iv. Tax exemption on gratuity received upon:

a. mandatory retirement upon reaching the age of 55 years;

b. mandatory retirement as determined under any written law;

c. early retirement due to ill health; and

d. mandatory retirement according to employment agreement or collective agreement that stipulates the retirement age upon reaching 50 years but not exceeding 55 years subject to the condition that the period of services is not less than 10 years with the same employer.

B. <u>Retirement Scheme Fund</u>

i. Tax exemption on income received by EPF fund;

ii. Tax exemption on income received by private pension fund approved under Section 150 of the Income Tax Act 1967; and

iii. Tax exemption on income received by the fund of Private Retirement Scheme approved by the Securities Commission.

PROPOSED

- Tax exemption is given on income received by annuity funds.
- The annuity funds must be approved by Bank Negara Malaysia and maintained in accounts separate from life funds or takaful family funds.

IMPACT

- To encourage individuals to invest in annuity schemes to add savings during the retirement.

EFFECTIVE DATE

- Year of assessment 2012.

REFERENCE

- Paragraph 20A Schedule 6 Income Tax Act 1967.

REVIEW OF TAX INCENTIVES FOR TOUR OPERATORS

PRESENT

- Tax incentives for tour operators are as follows:

  i. 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 500 inbound tourists per year;

  ii. 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,200 local tourists per year.

- The incentive was given from year of assessment 2007 to year of assessment 2011.

PROPOSED

- 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 750 inbound tourists per year;

- 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,500 local tourists per year.

IMPACT

- To make Malaysia as an attractive destination and a preferred choice among local and foreign tourists.

EFFECTIVE DATE

- From year of assessment 2013 until 2015.

REFERENCE

- To be gazetted by way of statutory order.

TAX INCENTIVE FOR CHILDCARE CENTRES

PRESENT

- Employers who provide childcare centres to their employees are given the following tax incentives:

  i. Deduction on expenditure incurred for the provision and maintenance of childcare centres;

  ii. Deduction on childcare allowance for employees;

  iii. Industrial Building Allowance at an annual rate of 10% for buildings used as childcare centres.

- Operators of private childcare centres are not given tax incentives.

PROPOSED

- Tax incentive for childcare centres consist of:

  i. Tax incentives for employers enhanced as follows:

    a. Double deduction on expenditure incurred for the provision and maintenance of childcare centres;

    b. Double deduction on childcare allowance for employees.

  ii. Tax incentives for operators of new and existing private childcare centres are as follows:

    a. Tax exemption at the statutory level on all income for a period of 5 years;

    b. Industrial Building Allowance at an annual rate of 10% for buildings used as childcare centres.

- New and existing private childcare centres must be registered with the Social Welfare Department.

IMPACT

- To encourage more employers to provide childcare centres.

EFFECTIVE DATE

- Year of assessment 2013.

REFERENCE

- To be gazetted by way of statutory order.

TAX INCENTIVES FOR PRE-SCHOOL EDUCATION

PRESENT

- Operators running private pre-school that is integrated with private primary school are given the following tax incentives:

  i. Income tax exemption of 70% on statutory income for 5 years; or

  Income tax exemption equivalent to 100% of capital expenditure incurred within a period of 5 years. This exemption is allowed to be set-off against up to 70% of statutory income for each year of assessment.

  The incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2015.

  ii. Industrial Building Allowance with an annual allowance rate of 10% for school building.

PROPOSED

- Tax exemption at the statutory level on all income for a period of 5 years.
- Industrial Building Allowance with an annual rate of 10% on pre-school buildings.
- New and existing private pre-schools must be registered with the State Education Department.

IMPACT

- To reduce the operational cost of maintenance new and existing private pre-schools and to enhance the quality of new and existing private pre-schools.

EFFECTIVE DATE

- Year of assessment 2013.

REFERENCE

- To be gazetted by way of statutory order.

INCOME TAX TREATMENT FOR BUSINESS TRUST

PRESENT

- Business Trust ("BT") is established under the Capital Market and Services Act 2007 and adopts the unit trust structure as a basis for its business.
- BT's business operations are conducted by the trustee-manager ("TM") who acts as a trustee on behalf of BT and the unit holders.
- Being suitable for businesses which are capital incentive with stable cash flow, BT is able to distribute quicker returns.
- The introduction of BT will broaden the range of investment products and asset classes in capital market.

PROPOSED

- BT will be given with the following incentives:

  i. BT be given income tax, stamp duty and real property gains tax treatments similar to that of a company;

  ii. BT be given stamp duty exemption on instruments of transfer of businesses, assets or real properties acquired;

  iii. The disposer of real properties or shares in a real property company to BT be given real property gains tax exemption.

- The incentives in paragraphs (ii) and (iii) above are provided on a one-off basis at the initial stage of the establishment of BT.

IMPACT

- To promote the development and investment in BT.

EFFECTIVE DATE

- Incentive (i) from year of assessment 2013.
- Incentive (ii) for instruments executed from 01 January 2013.
- Incentive (iii) for disposal of real properties or shares in a real property company from 01 January 2013.

REFERENCE

- Schedule 2 Income Tax Act 1967.

TAX INCENTIVES FOR ISSUANCE OF AGRO-*SUKUK*, RETAIL *SUKUK* AND RETAIL BONDS

PRESENT	▪ Expenses incurred in the issuance of *sukuk* including retail *sukuk* are eligible for tax deduction. ▪ Expenses incurred in the issuance of bonds including retail bonds are not eligible for tax deduction. ▪ Instruments to subscribe *sukuk* and bonds in Bursa Malaysia are imposed stamp duty at the rate of 0.1% on the value of the *sukuk* and bonds subject to a maximum limit of RM200.
PROPOSED	i. Double deduction be given on the expenses for the issuance of Agro-*Sukuk* approved by the Securities Commission or the Labuan Financial Services Authority. ii. Double deduction be given on additional expenses for the issuance of retail *sukuk* and retail bonds. iii. Stamp duty exemption be given on instruments relating to the subscription of retail *sukuk* and retail bonds executed by individual investors.
IMPACT	▪ To promote the issuance of *sukuk* primarily for the agricultural sector.
EFFECTIVE DATE	▪ Incentive (i) from year of assessment 2013 until 2015. ▪ Incentive (ii) from year of assessment 2012 until 2015. ▪ Incentive (iii) from 01 October 2012 until 31 December 2015.
REFERENCE	▪ To be gazetted by way of statutory order

REVIEW OF STAMP DUTY EXEMPTION FOR THE PURCHASE OF FIRST RESIDENTIAL PROPERTY

PRESENT	▪ 50% stamp duty exemption on the first residential property not exceeding RM350,000 which is effective only for sales and purchase agreement executed from 01 January 2011 to 31 December 2012.
PROPOSED	▪ Stamp duty exemption will be extended to 31 December 2014 and the qualifying price of the residential property be raised to not exceeding RM400,000.
IMPACT	▪ To increase the access of the middle income group to quality and comfortable residential properties.
EFFECTIVE DATE	▪ For sale and purchased agreements executed from 01 January 2013 until 31 December 2014.
REFERENCE	▪ To be gazetted by way of statutory order.

TAX INCENTIVES TO REVIVE ABANDONED HOUSING PROJECTS

PRESENT

- No tax incentives given to support efforts to revive abandoned housing projects.

PROPOSED

- It is proposed that the parties involved in the revival of such projects be given the following:

  i. Banking and financial institutions

  Tax exemption on interest income received from the rescuing contractor.

  ii. Rescuing contractor

  a. Double deduction on interest expenses and all costs involved in obtaining loans to revive the abandoned project;

  b. Stamp duty exemption on instrument of loan agreements to finance the revival of the abandoned housing project; and

  c. Stamp duty exemption on instruments of transfer of land or houses in the abandoned housing project.

  iii. Original house purchaser in the abandoned project

  a. Stamp duty exemption on instrument of loan agreements for additional financing; and

  b. Stamp duty exemption on instruments of transfer of the house.

- Abandoned housing projects eligible for the above tax incentives must be certified by the Ministry of Housing and Local Government.

IMPACT

- To reduce the burden borne by house purchasers in abandoned housing projects and that these projects are successfully revived.

EFFECTIVE DATE

- Incentive (i) for loans approved from 01 January 2013 to 31 December 2015 and applicable for 3 consecutive years of assessment from the year the loans are approved.

- Incentive (ii)(a) for loans approved from 01 January 2013 to 31 December 2015 and applicable for 3 consecutive years of assessment from the year the loans are approved.

- Incentive (ii)(b) and (c) for sales and purchase agreement executed from 01 January 2013 to 31 December 2015.

- Incentive (iii) for sales and purchase agreement executed from 01 January 2013 to 31 December 2015.

REFERENCE

- To be gazetted by way of statutory order.

REVIEW OF TAX INCENTIVE FOR SECURITY CONTROL AND SURVEILLANCE EQUIPMENT

PRESENT

- Accelerated Capital Allowance ("ACA") is given on expenses incurred for:

  i. Security control equipment installed in factories and all business premises; and

  ii. Global Positioning System installed in lorry containers bearing Carrier License A and cargo lorries bearing Carrier License A and C.

- This allowance is eligible to be fully claimed within 1 year.

- The list of security control and surveillance equipment eligible for ACA is as follows:

  i. Anti-theft alarm system;
  ii. Infra-red motion detection system;
  iii. Siren;
  iv. Access control system;
  v. Close circuit television;
  vi. Video surveillance system
  vii. Security camera;
  viii. Wireless camera transmitter;
  ix. Time lapse recording and video motion detection equipment; and
  x. Global Positioning System.

- The incentive is given from the year of assessment 2008 to 2012.

PROPOSED

- Accelerated Capital Allowance be extended for another 3 years.

- This capital allowance be extended to companies that install security control and surveillance equipment in residential areas.

- The existing list of equipment to also include safety mirrors and panic buttons.

IMPACT	▪ To further support the effort of companies and businesses to enhance their security. ▪ To ensure Malaysia remains a safe nation.
EFFECTIVE DATE	▪ Year assessment 2013 until 2015.
REFERENCE	To be gazetted by way of statutory order.

REVIEW OF TAX RELIEF FOR THE STUDENTS' COST OF LEARNING

PRESENT	▪ Tax relief on the children's higher education are RM4,000 per person. ▪ Tax relief on the savings in the National Education Savings Scheme are RM3,000.
PROPOSED	▪ Tax relief on the children's higher education increased to RM6,000 per person. ▪ Tax relief on the savings in the National Education Savings Scheme increased to RM6,000.
IMPACT	▪ To enhance the level of education of the young generation. ▪ To encourage the savings habit for education. ▪ To ease the financial burden of parents.
EFFECTIVE DATE	▪ Year of assessment 2013.
REFERENCE	▪ Section 46 of the Income Tax Act 1967. ▪ Section 48 of the Income Tax Act 1967.

SECTION D

SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES

I. FUNDS AND SCHEMES UNDER MINISTRIES AND AGENCIES

Ministry of Science, Technology and Innovations (MOSTI)

i. Science Fund – up to RM500,000 for each project

Purpose	To carry out R&D projects that can contribute to the discovery of new ideas and the advancement of knowledge in applied sciences, focusing on high impact and innovative research with objectives: • To support research that can lead to the innovation of products or processes for further development and commercialization • To generate new scientific knowledge and strengthen national research capacity and capability

ii. Tech-no Fund – Between RM1,500,000 to RM3,000,000 for each project

Purpose	To stimulate the growth and successful innovation of Malaysian enterprises by increasing the level of R&D and its commercialisation. The scheme provides funding for technology development, up to pre-commercialisation stage, with the commercial potential to create new businesses and generate economic wealth for the nation.

iii. InnoFund – up to RM500,000 for each project

Purpose	To funds the development or improvementof new or existing products, processes or services with elements of innovation. The project must have economic value and improves the societal well-being of the community. InnoFund can be categorized into Enterprise InnoFund (EIF) and Community InnoFund (CIF).

<u>Ministry of Agriculture and Agro-Based Industry (MOA)</u>

FUNDINGS

1. Development Funds

a. LKIM Fishermen Fund

An Easy Credit Fund specifically for fishermen to increase their income and catch productivity. Purpose of Fisherman Financing Fund:

- Purchase/replace of boats, engines, nets and equipments.
- Emergency loan/immediate
- As revolving capital for Fishermen Association marketing projects

b. Techno Fund

Aimed at the development of new technology as well as the enhancement of technology produced through R&D projects financed by the Science fund scheme. This encompasses research implementation at the pre-commercial level, scale-ups and IntellectualProperty (IP) Procurement which require the active involvement of the private sector.

c. Science fund

Research and development fund under the Agriculture R & D fund of Ministry of Agriculture and Agriculture based Industries which is intended to finance research especially in the agriculture field and to ensure research and agriculture is implemented holistically, thoroughly and as a value chain to achieve the nation's a farming objective.

2. Financing

Agro bank

Agro bank offers various attractive credit facilities in all aspects to modernise and develop the domestic agricultural, livestock and fisheries sectors. Financing facility is meant to provide capital to individual/company to start a new farming project or to expand existing one.

There are 5 types of loans offered to customers either through bank or government funding, namely:

- Term Loan
- Working Capital
- Trade Financing
- Retail Credit Facilities
- Other Facilities

Ministry of Tourism

1. Tourism Infrastructure Fund and Special Tourism Fund

Purpose - To develop infrastructure and special tourism.

Ministry of Information, Communication and Culture

Grant the Creative Industries

A total of RM120 million has been allocated through the Survey aims to accelerate the development of local creative industries to compete and more competitive internationally. The objectives are intended to:

- Enrich the artistic traditions of the country for the continuation of cultural heritage of the nation.
- To stimulate the development of creative industry entrepreneurs more competitive economy for the generation of high-income countries.
- Develop quality human capital in a sustainable manner in order to optimize the potential of the creative arts industry.
- Encourage research and development (R & D) through a network of cooperation with various parties.
- Increase the chances of creative works and creative new products with innovative and competitive.
- Generation of intellectual property (IP) competitive Malaysia.

SME Bank

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.

<u>Perbadanan Nasional Berhad (PNS)</u>

PNS Equity Investment Scheme

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

1. PNS Franchise Investment Scheme

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

2. 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.

3. Contract Financing

Purpose	To finance contract of supply finished products or provide 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.

II. OTHER BUSINESS OPPORTUNITIES AND INCENTIVES *(As proposed in Budget 2013)*

BOOSTING INVESTMENT ACTIVITY

1. Safeguarding the Farmers and Fisherman

Purpose — To continue the Fishermen Insurance Scheme, the Government will allocate RM230 million as an incentive for fish landing as well as payment of living allowances for the fishermen.

Purpose — To continue in providing subsidies and incentives to assist farmers in reducing cost of production which are consist of subsidies and incentives on :

- Paddy price : RM 480 million
- Paddy fertilisers : RM 465 million
- Price of rice : RM 528 million
- High-quality paddy seeds : RM 85 million
- Increase paddy yield : RM 80 million
- Paddy production : RM 563 million

Purpose — To benefit 172,000 paddy farmers who own fields less than 10 hectares, the Government will initially allocates RM 50 million through Paddy Takaful Coverage Scheme (SPTP).

Purpose — To continue AZAM *Tani* Project which has successfully in the prior year, the Government will give an incentives RM 41 million.

2. Stimulating the Capital and Financial Markets

Purpose — To introduce the Graduate Representative Programme to increase the supply of professionals by giving training to 1,000 graduates to meet the needs of the securities and derivatives industry.

3. Promoting Business Trust

Purpose	To allocate an additional RM 400 million to Dana Jamin Nasional Berhad for the next two years which the additional fund will multiply the issuance value between RM 4 billion until RM 6 billion.
Purpose	To continue the establishment of the Capital Market Foundation, RM 100 million will be provided to the Foundation through the Capital Market Development Fund under the Security Commission.
Purpose	To provide new environment opportunities by connecting the business community with the global market by launching Tun Razak Exchange with the gross development value of RM 26 billion.

4. Developing Bumiputera Entrepreneurs

Purpose	To assist Bumiputera SMEs to expand and increase their equity holdings in the economic sector through SME Bank by providing RM 1 billion to the Bumiputera Financing Fund.
Purpose	To attract more Bumiputera companies to benefit from Working Capital Guarantee Scheme by : • Extend the duration of this scheme until 31 December 2013 • Expand this scheme to High-Performing Bumiputera (TERAS) companies.
Purpose	To provide an allocation of RM 350 million to TEKUN including RM 50 million to the Malaysian Indian community.

STRENGTHENING EDUCATION AND TRAINING

1. Malaysia Education Blueprint 2013-2025

Purpose — To allocate another RM 500 million to enhance teaching skills and in cores subject such as Bahasa Malaysia, English, Sciences and Mathematics through the Higher Order Thinking Skill approach.

Purpose — To continue the Special Fund for the Building, Improvement and Maintenance of Schools, by giving RM 1 billion to National schools, Chinese schools , Tamil schools, mission schools, government assisted religious schools, boarding schools and Maktab Rendah Sains Mara.

2. Strengthening the Role of Pre-Schools

Purpose
- To allocate RM 1.2 billion for pre-schools education to Jabatan Kemajuan Masyarakat, MOE, PERMATA, and Department of National Unity and Integration.
- To allocate RM 380 million to the MOE for placement kindergarten teachers.

3. Skills and Training

Purpose — To obtain of knowledgeable, creative and innovative human capital, RM 3.7 billion will be allocated in 2013 to train students in technical and vocational fields.

Purpose — To allocate of RM 200 million though the Graduate Employability Taskforce and to continue the 1Malaysia Training Scheme Programme, to increase employability of graduates by certain training until 31 December 2016.

Purpose
- To allocate RM 440 million to the Skills Development Fund Corporation which provide loans for trainees to undergo skills trainee.
- To allocate RM 366 million to upgrade as well as purchase equipment for Industrial Training Institutes and National Youth Vocational Institutes.

Purpose — To allocate RM 50 million for training 3,200 Malaysian, Indian Students in the estates to equip them with skills in line with market demand.

INCALCULATING INNOVATION, INCREASING PRODUCTIVITY

1. Intellectual Property as Collateral

Purpose

- To establish an Intellectual Property Fund Scheme amounting to RM 200 million by providing 2% interest and guarantee of 50% through Credit Guarantee Corporation Berhad to enable SMEs to further expand their businesses.
- To allocate RM 19 million for training programmes for local Intellectual Property evaluates conducted by Intellectual Property Corporation of Malaysia.

2. Research and Development

Purpose

To allocate RM 600 million to five research universities to conduct high-impact research in strategic fields such as nanotechnology, automotive, biotechnology and aerospace.

3. Green Technology Development

Purpose

To increase RM 2 billion in the Green Technology Financing Scheme an extended the application for another 3 years ending 31 December 2015.

FISCAL CONSOLIDATION AND ENHANCING THE PUBLIC SERVICE DELIVERY

1. Improving the Malaysian Armed Forces Scheme of Services

Purpose

To allocate of RM 224 million which will be equally shared by the Government and Armed Forces Fund Board which involves 224,000 former members of the armed forces.

Purpose

To introduce a Group Insurance Coverage Scheme to serving armed forces and police personnel involving an allocation of RM 12 million.

ENHANCING THE WELL-BEING OF THE RAKYAT

1. Creating a Safe and Harmonious Neighbourhood

Purpose	To allocate RM 20 million to National Legal Aids Foundation for those who cannot afford legal representation.
Purpose	• To promote patrolling activities in neighborhoods by providing grant of RM 40 million for 4,025 residents associations registered under the registry of Societies Malaysia. • To allocate of RM 19 million by providing to 300,000 active members of People's Volunteer Corp (RELA).

2. Malaysian Anti-Corruption Commission

Purpose	To allocate RM 276 million to Malaysian Anti-Corruption Commission to combating corruption.

3. Development for Rural Areas and Orang Asli Community

Purpose	To allocate RM 4.5 billion to implement various rural infrastructure development.

4. Health as the Essence to Well-Being

Purpose	To ensure the rakyat enjoys good health services by allocate RM 19.3 billion for operating expenditure and development expenditure.
Purpose	• To allocate RM 20 million for an additional 70 new 1Malaysia clinics in 2013. • To allocate RM 100 million for upgrading 350 clinics nationwide, and provide an additional 150 dialysis machines in Government Haemodialysis Centre across the country.

5. Development of Women, Family and Community

Purpose	To allocate RM 50 million to support the women's dual roles by implementing the following measures : • Train 500 women as board members under the Women Directors Programme. • Improving The Single Mother's Skills Incubator Programme. • Allocate of RM 50 million to Get Malaysian Business Online Programme for women to promote their businesses.
Purpose	To allocate RM 1.2 billion to 1Malaysia welfare programme comprising assistant programmes for senior citizens, children and disabled workers as well as for chronic illnesses.

6. Youth and Sports

Purpose	To allocate RM 15 million for preparing the athletes for South East Asia Games and ASEAN Para Games 2013 and Commonwealth Games and Asian Games 2014.
Purpose	To allocate RM 80 million to build a covered velodrome and badminton academic to encourage the development of cycling and badminton.
Purpose	To enable the youths to assess the information highway through the Youth Communication Package, a one-off rebate of RM 200 will be provided for the purchase of one unit 3G smartphone from authorized dealers.
Purpose	• To assist young ICT entrepreneurs, a New Entrepreneur Foundation (NEF) will be established by allocation of RM 50 million and a Young Entrepreneurs Fund will be established with an allocation RM 50 million through SME Bank.

7. Expanding Urban Public Transport Network

Purpose	To discount 50% to all Malaysian's with the monthly income of RM3,000.00 and below and who travel by KTM komuter.

8. Housing for Rakyat

Purpose	To allocate RM1.6 billion to build 123,000 affordable housing units in strategic location which are implemented by PR1MA, Syarikat Perumahan Nasional Berhad (SPNB) and Jabatan Perumahan Negara.
Purpose	To provide the Housing Facilitation Fund totaling RM 500 million by PR1MA to build houses in collaboration with private housing developers.
Purpose	To allocate RM 543 million to Jabatan Perumahan Negara for the implementation of 45 projects under the Rakyat Housing Programme involving 20,454 units which will be constructed through the Industrialised Building System.

9. Assistance and Incentives

i. Bantuan Rakyat 1Malaysia (BR1M)

Purpose	To continue the distribution of Bantuan Rakyat 1Malaysia(BR1M 2.0) where the head of household earning less than RM3,000 is eligible for the assistance and will be extended to single unmarried individuals age 21 and above earning not more than 2,000 a month will get RM250.
Purpose	To allocate RM1.5 billion to stabilies the prices of cooking oil in the market.

ii. Price Uniformity Schemes

Purpose	To allocate RM 386 million to ensure the prices of essentials goods in Sabah and Sarawak as well as in Labuan are sold at lower prices by opening another 57 Kedai Rakyat 1Malaysia.
Purpose	To provide 50% discounts for reducing the burden of the rakyat who commute daily by ferry from Labuan to Sabah and Sarawak.

iii. Facilitating Hajj Pilgrimage

Purpose	To allowed the withdraw of EPF savings from Account 2 for the Hajj Cost of Jemaah muassasah with a maximum withdrawal of up to RM3,000.00

iv. Easing the Burden of the Bus Operators

Purpose	To provide RM10,000 cash rebate and a 2% interest rate subsidies on full loans for the purchase new buses to replace buses that have exceeded 25 years.

v. Reducing students' Cost of Learning

Purpose	To continue providing special allocation to schools students which included per capita grant, food supplement programme and purchase textbooks by allocate RM 2.6 billion.
Purchase	To continue the Schooling Assistance of RM100 to all primary and secondary schools.
Purpose	To continue the 1Malaysia Book Voucher Programme for all students in IPT and Pre-Universities level which will be increased from RM200 to RM250.
Purpose	To facilitate loan repayment process for PTPTN several incentives will be introduce such as : • Repayment of full loan within a year upon this announcement effective from 1 October 2012 until 30 September 2013, 20% discount will be given. • Consistent repayment accordance to their repayment schedule, 10% discount per annum.

vi. Promoting Corporate Social Responsibilities(CSR)

Purpose	• To implement and complete new generation housing projects amounting to 20,000 units for a period of five years on 5,000 acres of land in Felda Areas. • To allocate RM300 million through the 1Malaysia development trust to provide educations grants and financial assistance to build *rumah arau* pre-schools students in the interior of Sarawak, 1Malaysia Mobile Clinic and repair houses for the poor and needy. • To allocate RM500 million for CSR in community development, scholarship, education, sports and environment through Government-Linked Investment Companies (GLICs) and GLCs.

SECTION E

SYNOPSIS AND COMPARISON
(Period under review 2007 to 2013)

PERSONAL TAX

Tax Rate, Personal relief and Rebate

Refer to Section H

Requirement to qualify for resident status

2007-2008	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.
2009-2012	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.
2013	No changes.

Tax treatment on bonus and directors fees

2007-2008	Taxed on receive basis but relate back to receivable period.
2009-2012	Taxed in the year such incomes are received.
2013	No changes.

Tax incentive for Malaysian and foreign knowledge workers in Iskandar Malaysia

2007-2009	Tax rate according to normal rate.
2010-2012	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.

2013 No changes.

Tax relief on medical expenses and care for parents

2007-2010 Tax relief for medical expenses for parents amounting to RM5,000 only limit to:-

iv. Treatment in clinics and hospitals;
v. Treatment in nursing homes; and
vi. Dental treatment excluding cosmetic dental

2011-2012 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.

2013 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)

2013 No changes.

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.
2013	No changes.

Income exempted from income tax:

1. Leave passage.

2007-2012	Exemption is extended to meals and accommodation.
2013	No changes.

2. Computer given by employer.

2007	Taxable
2008-2012	Exempted until YA2010. In addition, broadband subscription fee paid by employers is also exempted.
2013	No changes.

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

2007-2012	Tax exemption on royalty up to RM10,000 a year.
2013	No changes.

4. Compensation for loss of employment.

2007-2008	Exemption limit increase from RM4,000 to RM6,000 per complete year of service
2009-2012	Exempted amount is increased to RM10,000 for every completed year of service. Employment ceased on or after 1 July 2008.
2013	No changes.

5. Tax treatment for perquisite

2007	Tax exemption for award received by employees in cash or in kind up to RM1,000
2008-2012	Extended to award related to innovation, productivity and efficiency and exemption be increased to RM2,000 effective from year of assessment 2008 until 2010.
2013	No changes.

6. Dividend received

2007	Taxable unless paid out of tax exempt income
2008-2012	All dividend are exempted (single tier system)
2013	No changes.

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

2007	Expatriates working for International Procurement Centre (IPC) and Regional Distribution Centre (RDC) are taxed on the entire employment received in Malaysia even though they are frequently out of Malaysia in the course of their duties.
2008-2012	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.
2013	No changes.

8. 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.
2009-2012	All interest income be fully exempted. (w.e.f. 30.08.2008)
2013	No changes

9. Allowances and benefits in kind

2007-2008	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.
2009-2012	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.

2013 No changes.

10. Profits from foreign currency sukuk

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
2013	No changes.

11. Income from private retirement scheme fund (PSC)

2005-2011	PSC is not an approved scheme and therefore income is taxable.
2012	PSC is recognised as an approved scheme and the tax exempted under paragraph 20 of Schedule 6 (TA 1967)
2013	Tax exemption is given on income received by annuity funds approved by Bank Negara Malaysia and maintained in accounts separate from life funds or takaful family funds.

CORPORATE TAX

Tax Rates

Refer to Section H

Imputation system

2007	Company have to deduct tax from dividend paid to shareholders.
2008-2012	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.
2013	No changes.

Offshore Company

2007	Offshore business activity is taxed under Labuan Offshore Business Activity Act 1990.
2008-2012	May choose to be taxed under Income Tax Act 1967.
2013	No changes.

Premium on professional indemnity insurance

2007	Non-deductible
2008-2012	Deductible
2013	No changes.

Non-profit oriented school

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.
2008-2012	Exempted
2013	No changes.

Profit oriented private schools

2007-2009	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)
2013	i. Tax exemption at the statutory level on all income for a period of 5 years. (new and existing private schools must be registered with the State Education Department) ii. Industrial Building Allowance with an annual allowance rate of 10% for pre-school buildings. (from year assessment 2013)

Profit oriented international schools

2007	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)
2013	No changes.

Deductible Expenses

1. Donation to approved institution

2007-2008	Deduction restricted to 7% of aggregate income.
2009-2012	Deduction restricted to 10% of aggregate income.
2013	No changes.

2. Infrastructure available for public use (community project)

2007	Non-deductible
2008	Deductible
2009-2012	Extended to project related to increase the income of the poor as well as for the conservation/preservation of the environment.
2013	No changes.

3. Expenses to establish Islamic stock broking company.

2007-2009	Allowable for company that commence its business within a period of 2 years from the date of approval.
2010-2012	Extended to application received by Securities Commission (SC) until 31 December 2015.
2013	No changes.

4. Recruitment cost

2007-2008	Allowable accept incurred before the commencement of business.
2009-2012	Expenses incurred before commencement of business is allowable such as cost in participating in job fairs, payment to employment agencies and head-hunters
2013	No changes.

5. Renovation of workplace for disabled workers.

2007	Not deductible
2008-2012	Deductible
2013	No changes.

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

2007-2009 Not allowed

2010-2012 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.

2013 No changes.

7. Franchisee fee

2007-2011	Not deductible
2012	Deductible for local franchise brands
2013	No changes.

Double Deduction

1. Training expenses (Malaysian).

2008	Double deduction be given for training of employees at approved training institutions such as INCIEF and PSDC.
2009-2012	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.

2013 No changes.

2. 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.

2010-2012 Extend to year of assessment 2015.

2013 No changes.

3. Export credit insurance premium

2007-2010 Double deduction on payment of conventional insurance premium to companies approved by MOF

2011-2012 Extended to takaful concept and premium must be purchased from operators approved by MOF

2013 No changes.

4. Profit oriented private schools and international schools

2007-2011 Single deduction for expenses.

2012 Double deduction for overseas promotion expenses.

2013 No changes.

5. Structured Internship programme

2007-2011 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)

2013 No changes.

6. Awarding scholarships

2007-2011	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)
2013	No changes.

7. Career fair abroad

2007-2011	Single deduction
2012	Double deduction if the fair is endorsed by Talent Corporation Malaysia Bhd (TalentCorp) (for year of assessment 2012 until 2016)
2013	No changes.

8. 1Malaysia Training Scheme Programme

2013	Double deduction on expenses incurred for soft skills and on-job-training to increase employability of graduates. (effective from 1 June 2012 until 31 December 2016)

<u>Capital Allowance</u>

1. Class of Plant & Machinery

2007-2008	Accelerated Capital Allowance for companies provide services in conserve energy and recycling activities.
2009-2012	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.
2013	No changes

2. Computer and ICT equipment

2007-2008	Initial allowance @ 20% Annual allowance @ 40%
2009-2012	Accelerated Capital Allowance be given on expenses incurred on ICT equipment, computer and software w.e.f 2009 to 2013.
2013	No changes

3. Cost of dismantling and removing assets

2007-2008 Cost for dismantling and removing assets as well as restoring the site where assets was located do not qualify for allowance under Schedule 3.

2009-2012 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.

2013 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.

2009-2012 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.
x. Global Positioning System (GPS).

Effective from year of assessment 2009 to 2012.

2013 i. Extended for another 3 years.

ii. Extended to companies that install security control and surveillance equipment in residential areas.

iii. Equipment also include safety mirrors and panic buttons.

(Effective from year assessment 2013 to 2015)

5. Capital allowances on small value assets

2007-2008 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.

2007-2008 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.

2009-2012	SMEs not subject to the maximum limit of RM10,000.
2013	No changes

Industrial Building Allowance

1. Disposal of industrial building by company to REIT.

2007	Subject to balancing charge
2008-2012	Not subject to balancing charge
2013	No changes

2. Industrial Building Allowance for Pre - School

2013	An annual rate of 10% on pre-school buildings Must be registered with the State Education Department.

3. Industrial Building Allowance for Childcare Centres

2013	An annual rate of 10% for buildings used as childcare centres. Must be registered with the Social Welfare Department.

WITHHOLDING TAX

1. Technical fee paid to non-residents.

2007-2008	10% on computation for gross income included reimbursements such as travelling cost, hotel accommodation and telephone bills.
2009-2012	Reimbursements for hotel accommodation in Malaysia be excluded in computation of gross income.
2013	No changes

2. Technical training services.

2007-2008	10%
2009-2012	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
2013	No changes

3. 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

2013 No changes

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

2007-2011 No exemption.

2012 Exempted.

2013 No changes

5.Witholding tax Oil and Gas industry for private operators

2013 Exempted

TAX ON COOPERATIVES

Refer to Section H

TRADE ASSOCIATION

Professional associations

2005-2008 Not trade association.

2009-201 Professional associations be incorporated in the definition of trade associations.

2013 No changes

TAX TREATMENT ON CLUB

2007-2008 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.

2009-2012

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.

2013 No changes

TAX TREATMENT FOR UPSTREAM PETROLEUM COMPANIES

2007-2009 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

2010-2012 Changes the system to:-

ii. Current year assessment system; and
iii. Self assessment system.

2013 No changes

FLEXIBILITY IN ESTIMATING TAX PAYABLE FOR COMPANIES

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.

2008-2012 Newly set-up company with paid-up capital of RM2.5M not required to make estimate and instalment payment for 2 years

2013 No changes

TAX TREATMENT ON TAKAFUL BUSINESS

2007 Income derived from business transacted in international currencies including with Malaysian residents will be exempt starting from YA2007 until YA2016

2008-2012 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.

2013 No changes

TAX TREATMENT OF COMPANY MANAGING FOREIGN ISLAMIC FUNDS

2007	Management fee is tax exempted for 10 years starting from YA2007 until YA2016. The Islamic fund must be approved by SC
2008-2012	All fee received from managing the funds will tax exempted from YA2008 until YA2016. The Islamic fund must be approved by SC
2013	No changes

INCENTIVES

1. Reinvestment Allowance (RA)

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.

2009-2012 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.

2013 No changes

2. Pioneer Status

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)

2013 No changes

3. Investment Tax Allowance (ITA)

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)

2013 Investment in refinery activities on petroleum products be given ITA of 100% for the period of 10 years.

4. Incentive on issuance of Islamic securities

2007-2009 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.

2013 No changes

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

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.

2010-2012 Extended to SPV establish under Offshore Companies Act 1190 electing to the taxed under Income Tax Act 1967.

2013 No changes

6. Incentives to Promote Tourism

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.

2013 i. 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 750 inbound tourists per year.
ii. 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,500 local tourists per year.
iii. Extended the incentives for another 3 years
iv. Effective from year assessment 2013 to 2015.

7. Incentive for Venture Capital Companies (VCC)

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.

2009-2012 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.

2013 i. The investment by an angel investor in VSs be allowed as a deduction against all income.
ii. The qualifying criteria are as follow:-
a) Angel Investor
i. An individual is not associated to the venture company prior to investing;
ii. A tax resident with an annual income not less than RM180,000;
iii. Holds at least 30% of the shares in the venture company for a period of at least 2 years; and
iv. All his shares in the venture company must be paid in cash.

b) Venture Company
i. 51% shares in the company is owned by Malaysians;
ii. Qualifying activities of venture company are approved by the Minister of Finance; and
iii. Accumulated profit is not more than RM5 million and has a track record of less than 3 years.
(Effective from 01.01.2013 until 31.12.2017)

8. Incentives to promote export

2007-2010 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.

2011-2012 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.

2013 No changes

9. Incentive to increase food production

2007-2010 Incentives extended to application received until December 31, 2010.

2011-2012 Incentives extended for another 5 years from January 2011 until December 2015.

2013 No changes

10. Group relief

2007-2008 50% of current year adjusted losses may be transferred within group of companies with paid-up capital of RM2.5m and above.

2009-2012 The rate of current year losses allowed to be set-off in group relief treatment be increased to 70%.

2013 No changes

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

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.
2010-2012	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.
2013		No change

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

2007-2010	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.
2011-2012		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.
2013		No changes

13. Incentives for conservation of Energy

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.

2011-2012
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.

2013 No changes

14. Incentives to increase the planting of rubber wood trees

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.

2008-2012 Incentives will be effectives until year of assessment 2010.

2013 No changes

15. Incentives for commercialisation of public sector R&D

2005-2012
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

2013
i. Tax incentives applicable to both resources based and non-resource based. Non-resource based activities/products are subject to the list of promoted activities/products under the Promotion of investment Act 1986.
ii. The incentive is effective for applications received by the (MIDA) from 29 September 2012 until 31 December 2017.

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

2007-2008
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.

2009-2012
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.

(Effective from year of assessment 2009 to year of assessment 2010)

2013 No changes

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

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.

2008-2012 Stamp duty exemption on all instruments pertaining to mergers and acquisitions be extended for another 3 years until 2010

2013 No changes

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

2008-2010 Income derived from trading of Certified Emission Reductions (CERs) certificates are exempted.

2011-2012 The exemption will be extended for another 2 years.

2013 No changes

19. 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.

2011-2012 Exempted will be extended by another 2 years w.e.f 01 January 2011 to 31 December 2012.

2013 No changes

20. Real Estate Investment Trusts (REITs)

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 1stJanuary 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.

2013 No changes

21. 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)

2010-2012
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.

2013 No changes

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

2007-2008 Corporate advisors are not motivated to attract foreign companies and foreign product listings due to high marketing cost.

2009-2012 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)

2013 No changes

23. Incentive for employing local retrenched

2007-2008 Single deduction

2009-2012 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 employers 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.

2013 No changes

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

2007-2009 No exemption

2010-2012 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.

2013 No changes

25. Incentives for health tourism

2007-2009 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.

2010-2012 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.

2013 No changes

26. Incentives for Treasury Management Centre (TMC)

2007 - 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.

2013 No changes

27. Tax incentive for providers of industrial design services

2007-2011 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)

2013 No changes

28. Tax incentive for shipping companies

2007-2011 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.

2013 No changes

29. Tax on the disposal of real property

2007-2009 Exempted from 1 April 2007 until 31.12.2009

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

i. tax is collected through a withholding mechanism whereby the purchaser withhold 2% of the purchase value and pays to the Inland Revenue Board;
ii. exemption up to RM10,000 or 10% of the gains, which ever is higher be given to individuals; and
iii. 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)

2013 0% - 15% taxed as disclosed in section (H) and exemption under RPGT Act 1967 are retained.

30. Tax incentives to revive abandoned housing projects

2013 The parties involved in the revival of such projects be given the followings:

i. Banking and financial institutions
   Tax exemption on interest income received from the rescuing contractor

ii. Rescuing contractor
   a. Double deduction on interest expenses and all costs involved in obtaining loans to revive the abandoned project;
   b. Stamp duty exemption on instrument of loan agreements to finance the revival of the abandoned housing project; and
   c. Stamp duty exemption in instruments of transfer of land or houses in the abandoned housing project.

iii. Original house purchaser in the abandoned project
   a. Stamp duty exemption on instrument of loan agreements for additional financing; and
   b. Stamp duty exemption on instruments of transfer of the house.

(Abandon housing projects eligible for tax incentive must be certified by Ministry of Housing and Local Government)

31. Tax incentive to corporate wakaf

2013 i. Income tax exemption for 10 years for TRX-status companies;

ii. Stamp duty exemption;
   industrial building allowance;
   accelerated capital allowance for TRX Marquee-status companies; and

iii. Tax exemption for property developers.

32. Tax incentive for issuance of Agro-*Sukuk,* Retail *Sukuk* and Retail Bonds

2013 i. To promote the issuance of *Sukuk* primarily for the agricultural sector, it is proposed that double deduction be given on the expenses for the issuance of Agro-*Sukuk* approved by the Securities Commission or the Labuan Financial Services Authority.

ii. To reduce the cost of the issuance of retail *sukuk* and retail bonds and to encourage more individual investors to participate in the capital market, it is proposed that:
   a. Double deduction be given on additional expenses

for the issuance of retail *sukuk* and retail bonds; and

b. Stamp duty exemption be given on instruments relating to the subscription of retail *sukuk* and retail bonds executed by individual investors.

Effective Date
Proposal A : From year of assessment 2013 to 2015
Proposal B(i) : From year of assessment 2012 to 2015
Proposal B(ii) : For instruments executed from 1.10.2012 to 31.12.2015

SERVICE TAX

Rates and Prescribed Establishments

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 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.

2011-2012 Tax rate for all taxable services will be increased from 5% to 6%. (w.e.f 01.01.2011)

2013 No Changes

Broadcasting services

2007-2010 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

2011-2012 6% of service tax is extended to paid television broadcasting services (w.e.f 01.01.2011)

2013 No Changes

SALES TAX

Exemption

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
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

2013 No changes

IMPORT DUTIES

Reduction in duties

2007-2008 51 goods be reduced from between 25% and 30% to between 20% and 25%. 10% of import duties be imposed on 3 product.

2009-2012 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)

2013 No changes

Exempted

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	i.	Food product in air tight containers (w.e.f 4.00 p.m on 29 August 2008**)**
	ii.	Solar photovoltaic system equipment for the usage by third parties given to importers including photovoltaic service providers approved by the Energy Commission
	iii.	Energy Efficiency (EE) equipment and isolation materials to importers including authorized agents approved by the Energy Commission
	iv.	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.
2013	Full exemption on new CBU hybrid and electric cars will be extended for application received until 31.12.2015

Abolished

2009	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)
2011-2012	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)
2013	No changes

<u>EXCISE DUTY</u>

Increased

2007	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%
2009-2012	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)

2013 No changes

Exemption

2007 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

2013 No changes

Abolished

2005-2012 National car purchased by car rental operators

2013 No changes

Vehicles for the physically disabled

2007-2010 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

2011-2012 Increased to 100% exemption and also extended to disabled persons who have hearing and speaking disabilities

2013 No changes

OTHER SIGNIFICANT TAXES AND FEES

Stamp Duty

1. Instruments of transfer of property

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
2011-2012	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)
2013	Exemption will be extended until 31 December 2014 with the price limit on residential properties raised to RM400,000

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

2007-2009	20% exempted
2010-2012	Exemption will be extended until 31 December 2015.
2013	No changes

3. Real property assessment of stamp duty

2007	Stamp duty payable is based on the official valuation by the Valuation and Property Services Department (JPPH)
2008-2012	Private valuation is accepted as an alternative for the purpose of stamp duty payment.
2013	No changes

4. 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)
2011-2012	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)
2013	Exemption extended to 31 December 2014 and given for property not exceeding RM400,000 (w.e.f sale and purchase agreement from 01.01.2013 to 31.12.2014)

5. Stamp duty on loan agreements and service agreements

2007-2008	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)
2013	50% stamp duty exemption are given for property not exceeding RM400,000 and extended to 31 December 2014

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

2007-2009	No exemption.
2010-2012	Exemption Condition: For sales and purchase agreements from 24 October 2009 until 31 December 2014.

2013 No changes

Road tax

1. Bus for workers

2007-2008	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
2009-2012	Reduce to RM20 per year
2013	No changes

2. Private diesel vehicle

2007-2008	Private diesel vehicles exceeding 1600 c.c be reduced by 40%, except in Sarawak
2009-2012	Will be reduced to similar to petrol vehicle
2013	No changes

3. Taxis/Hired cars

Hire and Drive Vehicles/Limousines

2007-2008	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
2013	No changes

4. Green Diesel Vehicles

2007-2008	Road tax is 50% lower than diesel vehicle
2009-2012	Reduce rate withdrawn
2013	No changes

<u>INCOME TAX ADMINISTRATION</u>

1. Enhancing the competency of tax agents

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.

2008-2012 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

2013 No changes

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

2007-2008 Not clearly provided

2009-2012 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)

2013 No changes

3. Self amendment for additional assessment of income tax

2007-2008 Tax payers are not allowed to amend the submitted tax return.

2009-2012 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)

2013 Addition tax assessment reduced from 6 years to 5 years effective from 01.01.2014

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

2007-2008 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.

2009-2012 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)

2013 No changes

5. E-filing system

2007-2011 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.

2013 No changes

6. Compensation for late refund of income tax by IRB

2007-2011 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)

2013 No changes

7. Provision to allow tax assessments after six years

2006-2012 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.

2013 No changes

8. Extending the scope of fund for tax refund

2006-2012 The scope of fund for tax refund be extended to include refunds for petroleum income tax, real property gains tax and stamp duty.

2013 No changes

9. Introduction of Advance Rulings in Income Tax Administration

2007-2012 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.

2013 No changes

10. Framework for tax audit and investigation by IRB

2007-2012 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.

2013 No changes

11. 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)

2013 No changes

12. 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

2007-2012 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.

2013 No changes

SECTION F

SUMMARY OF REVENUE AND ALLOCATION

1. STATISTICS

	2013 RM Millions	2012* RM Millions	Percentage of Total 2013 %	2012 %	Increase/ (Decrease) %
Source of revenue:					
Income tax & other direct taxes	121,954	116,825	58.5	56.4	4.4
Indirect taxes and duties	37,200	35,668	17.8	17.2	4.3
Non-tax revenues	49,496	54,753	23.7	26.4	(9.6)
Total	**208,650**	**207,246**	**100.0**	**100.0**	**0.7**
Budget allocation					
Operating expenditure:					
Emolument, pension, gratuities	72,217	73,385	35.8	36.2	(1.6)
Debt servicing charges	22,245	20,453	11.0	10.1	8.8
Supply & services	33,659	31,960	16.7	15.8	5.3
Grant & other expenditures	73,796	76,819	36.5	37.9	(3.9)
Total	**201,917**	**202,617**	**100.0**	**100.0**	**(0.3)**
Development expenditure:					
Economic	30,040	30,361	62.9	60.9	(1.1)
Social	11,113	13,643	23.3	27.4	(18.5)
Security	4,592	4,394	9.6	8.8	4.5
General administration	2,005	1,424	4.2	2.9	40.8
	47,750	**49,822**	**100.0**	**100.0**	**(4.2)**
Total expenditure	**249,667**	**252,439**			**(1.1)**
Deficit	**(41,107)**	**(45,193)**			
%	**16**	**18**			**(9.0)**

* Revised estimate

(Sources: Economic Report 2012/2013)

2. REVENUE

Total revenue in 2013 is estimated to increase by 0.7% to RM208,650 million. This increase is largely supported by firm crude oil prices, resilient domestic consumption and investment activity, coupled with concerted administrative measures to enhance the revenue base. Tax revenue is expected to increase by 4.4% to RM159,154 million, which represent 76% of the total revenue. Of this, direct taxes represent RM121.954 million while indirect tax amount to RM 37,200 million. Main component of direct tax revenue are petroleum income tax (PITA) as well as corporate and individual income taxes.

In 2013, non-tax revenue is estimated at RM49,496 million, a reduction of 9.6% over 2012 and contributing 24% to total revenue. The main sources of non-tax revenue are mainly from investment income (RM37 billion) and licenses/permits (RM11.8 billion).

3. EXPENDITURE

Total Federal Government expenditure for the 2013 Budget is estimated at RM249,667 million, a decrease of 1.1% over 2012. Of this, RM201,917 million is for operating expenditure while the balance, RM47,450 million for development expenditure. Operating expenditure is expected to decrease by 0.3%.This is to reduce expenditure on major components such as subsidies (RM37,612 million), supplies and services (RM33,659 million), debt service charges (RM22,245 million) as well as emoluments (RM58,621 million). The pensions and gratuities is expected to decrease to RM13,597 million or 4.2%, but debt service charges is projected to increase by 8.8%, whereas grants to statutory bodies should experience a decrease of 6.7%.

Government development expenditure is estimated to increase by 7.3% to RM49.8 billion in 2012. Allocation for the economic services sector under the 2013 Budget will be for transport and infrastructure development (RM11 billion), building capacity in trade and industry (RM7.6 billion), boosting agricultural productivity as well as accelerating rural development (RM3.3 billion). Meanwhile, the allocation for the social services sector will be for education and training (RM6.5 billion), health (RM1.9 billion) and housing (RM643 million).

4. ANALYSIS OF CHANGES

Revenue

The total estimated revenue for 2013 is RM208,650 million compared to RM207,246 million in 2012. This is due to strong contribution from direct tax which consists of corporate income tax, individual income tax and the collection of petroleum income tax (PITA).

Expenditure

The total estimated expenditure for 2013 is RM249,667 million compared to RM252,439 million in 2011. This is a reflection of the budgeted decrease in operating expenditure by 0.3% whereas overall development expenditure has been budgeted to decrease by 4.2%. The significant movement in development expenditure is derived from the economic services and education and training related expenditure.

The decrease in operating expenditure is due to lower commitments resulting from prudent spending on subsidies.

5. MACRO ECONOMY

The Malaysian economy in 2013 is projected to expand between 4% to 5.5%. This will be largely contributed from the growth of improving exports and strong domestic demand. This, however is based on the resolution of debt crisis in the euro area and stronger growth momentum in the economies of Malaysia’s major trading partners. Domestic demand, on the other hand, is likely to be driven by private investment and consumption.

The overall public expenditure is expected to increase, led by higher non-financial public enterprises (NFPE) capital investment which will further promote growth.

The broad-based growth from all sectors in the economy, particularly from external trade-related industries, the nominal Gross National Income (GNI) per capita is expected to rise 6.4% to RM32,947 (2012: 4.4%; RM30,956). In terms of Purchasing Power Parity (PPP), per capita income is expected to rise 4.4% to reach USD16,368 (2012: 3.2%; USD15,676).

(Sources: Economic Report 2012/2013)

SECTION G

TAX INFORMATION

Resident individual income tax rates

Chargeable Income		ASSESSMENT YEARS 2002-2008		2009		2010-2012		2013	
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	0	0
On	5,000		25		25		25		0
Next	15,000	3	450	3	450	3	450	2	300
On	20,000		475		475		475		300
Next	15,000	7	1,050	7	1,050	7	1,050	6	900
On	35,000		1,525		1,525		1,525		1,200
Next	15,000	13	1,950	12	1,800	12	1,800	11	1,650
On	50,000		3,475		3,325		3,325		2,850
Next	20,000	19	3,800	19	3,800	19	3,800	19	3,800
On	70,000		7,275		7,125		7,125		6,650
Next	30,000	24	7,200	24	7,200	24	7,200	24	7,200
On	100,000		14,475		14,325		14,325		13,850
Above	100,000	27		27		26		26	

Non-resident individual income tax rates

Assessment Year	1989-1992	1993	1994	1995 – 2000 (PY)	2000 (CY) -2001	2002-2008	2009	2010-2013
Tax Rate (%)	35	34	32	30	29	28	27	26

Co-operative income tax rates

Chargeable Income		**Assessment Years**							
		2002 – 2008		**2009**		**2010-2012**		**2013**	
	RM	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**
First	20,000	0	0	0	0	0	0	0	0
Next	10,000	3	300	2	200	2	200	0	0
On	30,000		300		200		200		0
Next	10,000	6	600	6	600	6	600	5	500
On	40,000		900		800		800		500
Next	10,000	9	900	9	900	9	900	5	500
On	50,000		1,800		1,700		1,700		1,000
Next	10,000	12	1,200	12	1,200	12	1,200	5	500
	60,000		3,000		2,900		2,900		1,500
Next	15,000	12	1,800	12	1,800	12	1,800	10	1,500
On	75,000		4,800		4,700		4,700		3,000
Next	25,000	16	4,000	16	4,000	16	4,000	10	2,500
On	100,000		8,800		8,700		8,700		5,500
Next	50,000	20	10,000	20	10,000	20	10,000	15	7,500
On	150,000		18,800		18,700		18,700		13,000
Next	100,000	23	23,000	23	23,000	23	23,000	20	20,000
On	250,000		41,800		41,700		41,700		33,000
Next	250,000	26	65,000	26	65,000	26	65,000	22	55,000
On	500,000		106,800		106,700		106,700		88,000
Next	250,000	28	70,000	27	67,500	26	65,000	24	60,000
	750,000		176,800		174,200		171,700		148,000
Above	750,000	28		27			26	25	

Company income tax rates

Assessment Year	1989-1992	1993	1994	1995 – 1997	1998 - 2006	2007	2008	2009-2013
Tax Rate (%)	35	34	32	30	28	27	26	25

- For 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" 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.

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 is 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 is 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**	**Individual who is 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 withholds 2% of the purchase value and remit to the Inland Revenue Board towards the RPGT payable by the disposer.

Exemption for individual:

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%

Real Property Gains Tax Rates (w.e.f. 01.01.2013)

Disposal Period	Company	Individual (Citizen & Permanent Resident)	Individual (Non-Citizen)
Within 2 years	15%	15%	15%
In the 3rd to the 5th year	10%	10%	10%
In the 6th year onwards	0%	0%	0%

Income Tax Rebates for individuals

Rebates	Assessment Year			
	2001-2004	2005 – 2006	2007-2008	2009-2013
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 years					
	2006	2007	2008-2009	2010-2011	2012	2013
Self	8,000	8,000	8,000	9,000	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 - above 18, unmarried and studying in tertiary education institute - Local (diploma and above) - Overseas (Degree and above)	1,000 4,000 4,000	1,000 4,000 4,000	1,000 4,000 4,000	1,000 4,000 4,000	1,000 4,000 4,000	1,000 6,000 6,000
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 9,000	5,000 9,000	5,000 9,000	5,000 9,000	5,000 9,000	5,000 11,000
Life insurance premium on tax payer and/or spouse's life and contribution to approved fund	6,000	6,000	6,000	7,000 (Note 1)	6,000	6,000
Private Retirement Scheme	0	0	0	0	3,000	3,000

Personal relief for resident individuals………..contd

Types of Relief	Assessment Years					
	2006	2007	2008-2009	2010-2011	2012	2013
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
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	1,000	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	3,000	3,000	3,000	3,000	3,000
Net deposit in Skim Simpanan Pendidikan Nasional (max)	0	3,000	3,000	3,000	3,000	6,000
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	300	300	300	300
Broadband subscription	0	0	0	500	500	500

Interest on housing loan

Applicable to resident and citizen of Malaysia and to one residential property only and 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.

Note:

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.

2. **Qualified course** – technical, vocational, industrial, scientific or technological skill 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

Capital Allowance Rates………..contd

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
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
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

<u>Small value asset (value not exceeding RM1,000 each)</u>

Effective from YA 2006 the capital allowance is equal to qualifying expenses but is capped at RM10,000. Effective from YA 2009 the RM10,000 cap does not apply to company resident in Malaysia which has paid up capital of ordinary share not exceeding RM2,500,000 at the beginning of the basis period. The cap however still apply 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" 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.

Accelerated Capital Allowance for specified period only

1. **Security control equipment and monitor equipment**

Effective from YA 2009 to 2012.

a) Qualifying security control equipment

Anti-theft alarm system, infra-red motion detection system, siren, access control system, CCTV, video surveillance system, security camera, wireless camera transmitter, time lapse recording and video motion detection equipment.

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

Apply to companies incorporated under the Companies Act 1965 and resident in Malaysia. The GPs 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 allowance: 20% Annual allowance: 80%

2013 Budget Proposal:

a) Validity period extended to assessment year 2015
b) Allowance be extended to companies that install security control and surveillance equipment in residential areas; and
c) List of equipment extended to include safety mirrors and panic buttons.

2. Information and communication technology equipment

Effective: Assessment year 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) equipment used for business purposes

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
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

Industrial Building Allowances (IBA)………..contd

Type of Building	Initial Allowance (%)	Annual Allowance (%)
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
Child care centre (w.e.f YA 2013)	NIL	10
Pre-school buildings (w.e.f YA 2013)	Nil	10

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

Effective from assessment year 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