

October 23, 1998

To:

Our clients, friends and overseas affiliates

**BUDGET 1999
Summary & Comments**

We are proud once again this year, as has been for the past sixteen years, to present our own BUDGET 1999 Summary & Comments, a summary and synopsis of the 1999 Budget proposals.

Our focus in this summary has been on matters, which we reckoned to be important and useful to the readers. Amendments on taxation receive special emphasis so as to provide readers with useful information to assist them in proper planning and decision making for the year ahead.

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

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SECTION A

COMMENTARY

1999 is a tax free year! It might sound difficult to believe, but is it true. As though that is not enough, losses incurred in that year are allowed to be carried forward for setoffs against future incomes. The 1999 budget is certainly a boon to businesses.

This windfall is due to certain fundamental structural changes that are being introduced in the current budget. Apart from the concept of self-assessment, beginning from the year 2000, tax will become payable on a current basis rather than the present system which is based on assessing a taxpayer on his income of the preceding year. This is a significant departure but, nevertheless a better basis as it now promptly brings to account the obligation of the taxpayer on the basis of his current standing. To facilitate this change in structure, 1999 has been declared a tax free year. This means that income earned for the year 1999 would not be taxable. In this respect, the Government stands to loose approximately RM 18 billion in taxes (based on 1999 budget), representing approximately 38% of the total expenditure budgeted for in 1999. This is a substantial sacrifice but one that is necessary to accommodate the change. Although the Government voluntarily forgoes this revenue, its cash inflow would not be materially affected as in the year 2000 it would already be collecting taxes in respect of the year.

Taxpayers, therefore, should take advantage of this opportunity to bring back their overseas income in 1999, as these would not be subject to income tax. If this is realised it will greatly serve to improve the foreign reserves of the country. However, the ability of this concession to attract the return of such funds depends on the confidence of the taxpayers on the Inland Revenue Board that it would not probe unnecessarily into the hows and wherefores of the income reported. It is therefore important that the Inland Revenue Board makes known a firm and clear stand in this regard and also sets forth the administrative procedures that it entails. The only matter that should be of concern to the Malaysian Treasury for that year would be to detect any evasion of duty and other indirect tax levies that ought to be incurred and paid.

The 1999 Budget is also a follow through of the economic recovery process of the country. The events of the last twelve months were certainly trying. The events leading to the financial crisis that plunged the country has hitherto been unheard off. Equally challenging was the ability to clearly prescribe the remedial measures.

Views as to the remedial measures to weather the crisis were as many as there were advisors, including those who vowed by the recommendations of the IMF. But, Malaysia after some hesitation, defied popular theory and implemented the recommendations of the National Economic Action Council (NEAC) which, much to the chagrin of the proponents of free trade and globalisation , included currency and capital controls.

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The subsequent encouraging signs of recovery vindicated the Malaysian stand which is now gaining growing support. Though, unfashionable in today's age of borderless economies and globalisation, by imposing currency and capital controls, Malaysia has demonstrated that unusual circumstances require unusual measures, even if it sometimes means taking a step back and setting yourself apart from the pack.

However, these measures are not meant to isolate Malaysia from the rest of the world, nor are they to prevent trade between Malaysia and other countries. They are merely necessary safeguards to protect ourselves from exploitation and abuses by unscrupulous profiteers who have no loyalty nor care towards the country they make money from. They behave like locusts that leave behind a trail of destruction and desolation after devouring the crops. Surely, Malaysia is entitled to protect herself from these destroyers. All bona fide entrepreneurs will be honoured by Malaysia.

Therefore, it was not surprising when the Prime Minister, the Rgt. Hon. Dato' Seri Dr. Mahathir Mohamad, proposed a deficit budget for 1999 as a way to stimulating the economy out of recession. In fact, such measures as the establishment of Danaharta and Danamodal to revamp and revitalise the banking sector had already been put in place following the recommendation of NEAC. Also much of the fiscal measures to propel the nation into achieving developed nation status had already been enacted in the previous budget.

Significant proportion of the budget was allocated to revive the infrastructure development, which virtually came to a standstill following the financial crisis. Prior to the crisis, the infrastructure sector comprised a significant contributor of the domestic economy. Revitalising it is certainly a welcome respite for the industry, which in turn would set in motion a host of over 120 other business activities. Exports too got an impetus by way of tax exemptions on statutory income of companies that export substantial part of their products. Also, companies engaged in food production are now allowed to set off losses incurred against income of other companies in the same group. Food imports drain away substantial part of our revenues every year. It is imperative that this trend be reversed, particularly considering that there are abundant resources in the form of uncultivated agricultural land.

Although exports were given due emphasis as a way out of the economic crisis, very little was imposed by way of tariffs to discourage imports and conserve foreign currency reserves. Presumably, this was deemed not necessary, as the depreciation in the Ringgit is enough to keep unnecessary imports on check.

The interest of petty traders and small businesses were not overlooked in this budget. In fact, in an economic downturn it is these groups that suffer the most. Besides, in any economy this sector forms the backbone. Accordingly, RM250 million has been allocated to its development. The aspirations of the NEP too were provided for in the form of an allocation of RM25 Million to be channeled via special financing schemes.

As pointed out earlier, the 1999 budget is a deficit budget. This is a deliberate policy on the part of the Government to infuse greater economic activity against a backdrop of a contracting economy. A deficit implies that the Government expenditure exceeds its revenue.

For the fiscal year a deficits of approximately RM16 billion is being budgeted, representing 6% of the Gross Domestic Product of the country, as opposed to deficit of RM9.6 billion in 1998. In fact, in the 5 consecutive years from 1993, surpluses were registered. And, in respect of the year 1998, a surplus was originally budgeted but became a deficit due to additional budget allocation of RM7 billion along the way. Much of this deficit is expected to be financed by borrowings, presumably from domestic sources.

The Government had been resilient and absolute in it efforts to turn around the economy since the country plunged so unexpectedly into the Asian contagion. The NEAC's efforts are now seeing fruition to the extent that a 1% growth is projected for the year 1999. The 1999 budget has endorsed and supported NEAC's efforts. As a matter of fact all the sectors of the economy has been given a boost. It is now left to us to make this country a dream story. Discipline and hard work is what is called for all Malaysians to make this a success. God willing, barring unfavourable world economic events, we shall succeed.

for **ALJEFFRI & CO**

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Syed Amin Aljeffri
Managing Partner

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SECTION B

HIGHLIGHTS

- **Incentive for trading companies**
 - Approved " International Trading Company " be given income tax exemption for 5 years on 70% of their statutory income arising from increased value of export sales.
- **Interest income of unit trust be exempted from income tax.**
- **Exemption of stamp duty on loan refinancing instruments** with respect to term loan.
- **Income tax treatment on actuarial surplus apportioned to the Shareholders' Fund** be changed from accrual principle to the surplus actually transferred.
- **Abolishing of excise duty** on refrigerators, television sets and air-conditioners.
- **Income tax be based on the current year basis**
- **Concept of Self-assessment system to tax to be introduced**
- **1999 is tax free year**
- **Losses incurred in 1999 be allowed to be carried forward.**
- **50% of the amount in the interest-in-suspense account of NPL's will not be considered as income**, but will be taxed once it is realized.
- **Real property gains tax and stamp duty pertaining to mergers** of financial institutions be exempted.
- **"Group Relief"** - losses incurred by food production companies be allowed as deduction from the profit of other companies within the same group.
- **Further tax exemptions on rental income from the use of Malaysian ships.**
- **Incentives for domestic tourism**
 - Exemption on income derived from domestic tour packages, which are participated by at least 1,200 local tourist per year.

- One Saturday in a month be declared a holiday for the public sector.
- **Tax exemption in respect of leave passage abroad** be capped at the maximum of RM3,000.
- **Tax incentives for the use of sports, culture and arts complexes.**
 - Tax exemption on income derived by non-residents performing in art and cultural shows, exhibitions, games and sports.
 - Income tax exemption of 50% on income earned by organizers of sports, cultural shows, art exhibition and festival involving foreign participation.
 - Exemption of entertainment duty on tickets for cultural performance, art exhibition , carnivals and sports.
 - Exemption of import duty and sales tax on goods sold during approved sales carnivals held in the National Sport Complex, Bukit Jalil by companies operating in free Industrial Zones or Licensed manufacturing warehouse.
- **Tax incentives for car and motorcycle racing**
 - Income earned by racing be exempted.
 - 50% of income earned by organizers be exempted.
- **The repair and maintenance of luxury boat yacht in Langkawi be granted income tax exemption for 5 years.**
- **Increase in import/excise duties on cigarettes, tobacco products and alcoholic beverages**
 - Import duty on cigarettes and other tobacco products be increased to RM180 per kg.
 - Excise duty on local manufactured cigarettes be increased to RM40 per kg.
 - Import duty and excise duty on all types of alcoholic beverages be increased by 20%
- **Increase on tax/duty on gambling activities**
 - The gaming tax be increased to 8%.
 - The pool betting duty be increased to between 10% and 12%.

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- Casino win duty rates be standardized to a single rate of 25%.
- **Road tax for vintage car be reduced by 10%.**
- **Windfall profit levy on crude palm oil and crude palm kernel oil when their prices exceed RM2,000 per ton.**

SECTION C**SUMMARY OF AMENDMENT TO DIRECT TAXATION****INCENTIVES TO PROMOTE EXPORTS**

PRESENT	Companies are eligible for the following tax incentives: <ol style="list-style-type: none">1. Double deduction for promotion of exports;2. Double deduction on export credit insurance premium ; and3. Double deduction on insurance premium for exporters
PROPOSED	It is proposed that tax exemption amounting to 70% of the statutory income derived from the increased value of export sales be given to "International Trading Companies"
IMPACT	To enhance exports and heighten competitiveness of Malaysian made products in the international market.
EFFECTIVE DATE	Year of Assessment 1999

EXEMPTION OF STAMP DUTY ON LOAN REFINANCING INSTRUMENTS

PRESENT	All loan instruments, including loan refinancing instruments for the purpose of settlement of original loans, are liable to stamp duty at RM2.50 for every RM500.00.
PROPOSED	It is proposed that stamp duty on loan refinancing instrument be exempted.
IMPACT	To lessen the burden on borrowers who are compelled to restructure their borrowings.
EFFECTIVE DATE	With immediate effect.

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INTEREST INCOME OF UNIT TRUST AND PROPERTY UNIT TRUST

PRESENT	Interest income of unit trusts and property unit trusts are subject to income tax at 28%. Interest income received by an individual are also subject to income tax.
PROPOSED	It is proposed that interest income of the units trusts and property unit trusts be exempted from tax. Interest income earned by unit holders is also exempted from tax
IMPACT	<ol style="list-style-type: none">1. To develop unit trust and property unit trusts as a collective investment vehicle.2. To boost development of unit trust and property unit trusts
EFFECTIVE DATE	Year assessment 1999

TAX TREATMENT ON ACTUARIAL SURPLUS

PRESENT	Effective from year of assessment 1995, Life Insurance Companies are taxed separately on its Life Fund and Shareholders Fund of 8% and 28% respectively. In addition, actuarial surplus apportioned Form Life to Shareholders Fund is taxed based on actuarial surplus available for apportionment on accrual principle; and not according to the actuarial apportioned.
PROPOSED	It is proposed that the income tax treatment on apportioning actuarial surplus to Shareholders Funds be changed from accrual principle to the surplus actually transferred.
IMPACT	To encourage shareholders to retain their surplus in the Life Fund so that it could further boost to the development of Life Insurance Industry.
EFFECTIVE DATE	Year assessment 1999

REVIEW OF TAX ASSESSMENT SYSTEM

PRESENT Income is assessed on the income earned on the preceding year basis and is assessed according to the Official Assessment System.

PROPOSED As a measure to modernise and streamline tax administration system, it is proposed that;

1. The tax assessment system be changed to the current year, income basis beginning from year 2000.
2. The official Assessment System be changed to Self Assessment System in stages as follows:

GROUP	Year of Implementation
Companies	2001
Businesses, partnerships and cooperatives	2003
Salaried groups	2004

In implementing the new system, it is proposed that;

1. The income derived in 1999 be waived from income tax
2. Losses incurred in 1999 be allowed to be carried forward

IMPACT 1. To increase efficiency and responsiveness in the collection of the income tax

 3. Tax is assessed on the economic performance and the ability to pay

TAX TREATMENT ON INTEREST-IN-SUSPENSE ACCOUNTS

PRESENT The interest from non-performing loan (NPL) is credited into the interest in-suspense accounts, which are taxed based on accrual basis. NPLs are loan, which are in arrears for a period of 6 months or more.

PROPOSED It is proposed that 50% of the interest-in- suspense accounts will not be considered as income for purpose of income tax. However, such income will be taxed once it is realised.

IMPACT To assist the financial institution during the economic downturn

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EFFECTIVE
DATE

Year of assessment 1999 and 2000

REAL PROPERTY GAINS TAX AND STAMP DUTY EXEMPTIONS MERGERS OF FINANCIAL INSTITUTIONS

PRESENT The mergers between financial institutions which involve the purchase and disposal of assets, are subject to Stamp Duty and Real Property Gains Tax.

PROPOSED It is proposed that the stamp Duty and Real Property Gains Tax pertaining to mergers be exempted.

IMPACT To encourage mergers of the financial institution to strengthen the financial sectors.

EFFECTIVE
DATE

Mergers completed between 24th October 1998 to 30th June 1999

"GROUP RELIEF" FOR FOOD PRODUCTION

PRESENT The mergers between financial institutions which involve the following tax incentives.

- a) Pioneer status
- b) Investment tax allowances
- c) 100% capital allowances
- d) Reinvestment allowance

PROPOSED It is proposed that companies engaged in food production be given "group relief" where losses incurred by these companies are Allowed as deductions from the income of other companies in the same group. The qualifying criteria are as follows:

- a) The term "companies in the same group" refers to related companies where 70% of the equity is being owned by the same shareholder

- b) The Minister of Finance must approve product that is eligible for the incentives.
- c) At least 80% of sales is for domestic market.
- d) The project must be implemented within one year from the date of approval
- e) This incentive is mutually exclusive with pioneer status, investment tax allowance, capital allowance and reinvestment allowance.

IMPACT To encourage import substitution of food items

EFFECTIVE DATE For those application received by the Ministry Of Agricultural by 31st December 1999

TAX EXEMPTION ON RENTAL INCOME FROM THE USE MALAYSIAN SHIPS

PRESENT Income received by resident companies from business of transporting cargoes and passengers on board of 'Malaysian ship' is exemption from income tax. However, income from operation through "time charter" and "voyager charter" is not exempted from income tax.

PROPOSED It is proposed that the rental income received by resident from time charter" and "voyager charter" of " Malaysian Ships " are also exempted from tax.

IMPACT To further encourage the local shipping industry and to reduce the currency outflows of foreign freight payments.

EFFECTIVE DATE Year of Assessment 1999

INCENTIVE FOR DOMESTIC TOURISM

PRESENT The inbound tourist trade is given incentives such as Pioneer Status or Investment Tax Allowances and tax exemption on income from least 500 tourist and double deduction on expenditure incurred in promoting tourism overseas. No incentive are presently available for domestic tourist trade.

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PROPOSED	It is proposed that income tax exemption be also given on income derived from domestic tour packages, which are participated by at least 1,200 local tourist per year.
IMPACT	To enhance the tourism sector.
EFFECTIVE DATE	Year of Assessment 1999 and 2000

TAX TREATMENT ON OVERSEAS LEAVE PASSAGE

PRESENT	Leave passages provided by the employer for the employee not exceeding three times within the country and one passage abroad in a calendar year are exempted from income tax.
PROPOSED	It is proposed that the tax exemption in respect of leave passages abroad be capped at the maximum of RM3,000 and tax exemption for leave passage within the country will be maintained.
IMPACT	To encourage and promote domestic tourism and to restrict the outflow of fund
EFFECTIVE DATE	With immediate effect

TAX INCENTIVES FOR THE USE OF SPORTS, CULTURE AND ARTS COMPLEXES

PRESENT	No tax incentive have been given to the users of high class facilities which are of the international standard and can accommodate large number of audience.
PROPOSED	It is proposed that cultural and arts shows, exhibitions, festival and sports activities of international standards held at these places be given the following incentives :- 1. Income tax exemption is given on income earned by non-resident from performing in arts and cultural shows, participating in exhibition, games and sports. This exemption will be given up to the year of assessment 2001.

2. Income tax exemption of 50% is given on income earned by the organizer from organizing sport, cultural and shows, exhibition and festival involving foreign participation. This exemption will be given up to the year of assessment 2001.
3. Admission tickets to cultural and art shows, exhibitions festivals and sports competitions be exempted from the entertainment duty.
4. Exemption of import duty and sales tax on goods sold by companies operating in the industrial free Zone or operating as Licensed Manufacturing warehouse during and approve sales Carnival held at Bukit Jalil Sports Complex.

IMPACT To encourage the use of sports, cultural and arts complexes.

EFFECTIVE DATE With immediate effect

TAX INCENTIVES FOR CAR AND MOTORCYCLE RACING

PRESENT No tax incentives are given for participating and organising the car and motorcycle racing event in Malaysia.

PROPOSED It is proposed that drives and organizers of such racing be given the following incentives :-

1. Income earned by the drivers be exempted from tax ; and
2. Income earned by the organizers be given tax exemption of 50% .

IMPACT To attract large number of tourist
EFFECTIVE DATE Year of Assessment 1999

TAX INCENTIVES FOR THE REPAIR AND MAINTENANCE OF LUXURY BOAT AND YACHT IN LANGKAWI

PRESENT No tax incentives are given for repair and maintenance activities involving luxury boat and yacht.

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PROPOSED	It is proposed that repair and maintenance of luxury boats and yachts in Langkawi be granted income tax for a period of 5 years.
IMPACT	To promote Langkawi to become a leading regional centre for such activities.
EFFECTIVE DATE	With immediate effect

SECTION D**SUMMARY OF AMENDMENTS TO INDIRECT TAXATION****NEW PROPOSAL**

PROPOSED	Import duty and sales tax on goods sold during approved sales carnivals held at the national sports complex, Bukit Jalil to be exempted for companies operating in free industrial zones or licensed manufacturing warehouses
IMPACT	To encourage the use of facilities provided by the national sports complex to the optimum
EFFECTIVE DATE	October 23, 1998

REVIEW IN EXCISE DUTY

PRESENT	Refrigerators, television sets and air-conditioners that are manufactured locally are subject to excise duty
PROPOSED	<ol style="list-style-type: none">1. Excise duty on refrigerators, television sets and Air-conditioners be abolished2. Excise duty on locally manufactured cigarettes to be increased from RM28.60 per kilogram to RM40.00 per kilogram3. Excise duty on all types of alcoholic beverages to be increased by 20%
IMPACT	<ol style="list-style-type: none">1. To enable the local manufacturers to be more competitive.2. To further promote healthy lifestyles and reduce social Problems
EFFECTIVE DATE	October 23, 1998

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REVIEW IN IMPORT DUTY, GAMING TAX, POOL BETTING DUTY AND CASINO DUTY

- PRESENT
1. Import duty on cigarettes and other tobacco products be Increased from between rm 138.00 and rm 162.00 per kilogram to rm 180.00 per kilogram
 2. Import duty on all types of alcoholic beverages be increased by 20%
 3. Gaming tax be increased from 7% to 8%
 4. Pool betting duty be increased from between 5% and 11.5% to between 10% and 12%
 5. Casino duty be standardised to 25% from its present rates Of between 22% and 25%

IMPACT To further promote healthy lifestyles and reduce social problems

EFFECTIVE DATE October 23, 1998 for import duty
November 1,1998 for gaming tax, pool betting duty and casino duty

SECTION E

SYNOPSIS AND COMPARISON

PARTICULARS	YEARS	CHANGES
PERSONAL TAX		
<u>Tax Rate</u>		
a. Income Tax	1993-1994	2% - 34%
	1995	Chargeable income <RM2,500=0% Max. rate reduced to 32% Other income group = 3%-31%
	1996-1998	Chargeable income < RM2,500 = 0% Chargeable income > RM150,000 = 30% Other income group = 2%-29%
	1999	Tax on income derived in 1999 be waived. Losses be allowed to be carried forward.
<u>Personal relief</u>		
a. Self relief	1993-1999	RM5,000
b. Additional relief for disabled person	1993-1994	Nil
	1995-1999	RM5,000 for disabled tax payer RM2,500 for disabled wife (for joint assessment only)
c. Wife relief (for joint assessment only)	1993-1999	RM3,000
d. Normal children below 18 years old	1993-1994	RM800 each up to 5 children
	1995-1999	RM800 each with no limit
e. Unmarried handicapped child	1993-1995	RM1,600 each
	1996-1999	RM5,000 each
f. Unmarried child age above 18 & studying in higher learning institutions		
i. Overseas institutions	1993	4 X Normal rate
	1994-1997	2 X Normal rate
	1998-1999	Normal rate (w.e.f 17.10.97)

	1995-1999	RM110
b. Wife (Joint assessment)	1993	RM30
	1994	RM50
	1995-1999	RM60
c. Tax rebate for personal computer (PC)	1993-1997	Nil
	1998-1999	Rebate of RM400 is given to individuals to purchase PC. Rebate is given every 5 years and limited to 1 PC per family
<u>Income exempted from income tax:</u>		
a. Interest on saving accounts with:		
i. Bank and Finance Co. licensed under BAFIA	1993	Deposit up to RM50,000
	1994-1995	Extended to Interest Free Banking Scheme
	1996-1999	Deposit up to RM100,000
ii. Bank Simpanan Nasional	1993-1999	All interest are tax exempt
iii. Co-operative, Bank Pertanian M'sia, M'sia Building Society Bhd, Boneo Housing Mortgage Finance Bhd or any approved institution	1993-1995	Deposit up to RM50,000
	1996-1999	Deposit up to RM100,000
b. Interest from fixed deposit:		
i. Less than 12 months	1993-1995	Taxable
	1996-1999	Exempted, if deposit <RM100,000
ii. More than 12 months	1993-1999	Exempted
c. Interest from Corporate Bonds other than Convertible loan stocks issued by Unquoted companies rated by Rated Agency Malaysia Bhd and received by individual	1993-1999	Tax exempt
d. Royalty on literary works	1993	Up to RM12,000
	1994-1999	Up to RM20,000
e. Income from translation of books and literary work	1993	Up to RM6,000
	1994-1999	Up to RM12,000

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f. Cash award received by writers, scientist and artist from Government / Local Authority	1993-1999	Tax exempt
g. Investment income received by annuitant from the disposal of annuities by Life Insurance and Takaful companies	1993-1994 1995-1999	No exemption Tax exempt
h. Non resident lecturer / speaker lecture in an approved education & training institution / organisation in the field of science, engineering & technical skill, high technology & critical disciplines	1993 1994 1995-1996 1997-1999	Income taxed at 34% Income taxed at 32% Income taxed at 30% 50% of income is exempted from tax & the balance is taxed at 30%. Exemption period YA 1997-2001
i. Income of individual participating in performances recognised by Ministry of Culture as national culture	1993-1996 1997-1999	Taxable Exempted if the performance is not in their official capacity (w.e.f YA1998)
j. Income derived by non residents performing in art and cultural shows, exhibitions, games and competitions held at the National Sports Complex, National Theatre, National Art Gallery and Petronas Philharmonic Hall	1993-1998 1999	Taxable Exempted
k. Income derived by organisers of sports, cultural shows, art exhibition and carnival involving foreign participation held at the National Sports Complex, National Theatre, National Art Gallery and Petronas Philharmonic Hall	1993-1998 1999	Taxable Tax exemption of 50%
l. Income derived by drivers of 'Formula One' and motor racing internationally recognised and held in Malaysia	1993-1998 1999	Taxable Tax exempted
m. Income derived by organisers of 'Formula One' and motor racing internationally recognised and held in Malaysia	1993-1998 1999	Taxable Tax exemption of 50%
n. Leave passage between Malaysia and any place outside Malaysia one a year	1993-1998 1999	Not taxable Tax exemption capped at the maximum of RM3,000

o. Income from activity in leisure boats & yacht repair & maintenance in Langkawi	1993-1998 1999	Taxable Exempted from income tax for 5 years
CORPORATE TAX		
<u>Tax Rates</u>		
a. Income tax	1993 1994 1995-1997 1999	34% 32% 30% 28%
b. Withholding Tax on payment made to Non Resident in respect of:		
i. Interest	1993-1994 1995-1999	15% 10%
ii. Technical fee / Royalty	1993-1994 1995-1999	15% 10%
<u>Assessment system</u>	1993-1998 1999	Preceding year basis Current year basis. Income derived in calendar year 1999 will not be taxed. Losses incurred during the year are allowed to be carried forward
<u>Insurance company</u>		
a. Basis of charges	1993-1994	The adjusted income for life insurance business is calculated using the aggregate commission provided that the commission shall not exceed 2% of the balance of revenue account. The income is taxed at Company rate and commission paid are not deductible
	1995-1997	Chargeable income for shareholders fund is taxed at 30%
	1998	5% tax is imposed on inward life re-insurance business
	1999	Income tax is imposed on actuarial surplus actually transferred to shareholders funds. Previously it was based on accrual principle

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b. Claims incurred but not reported (IBNR)	1993-1994	Not deductible
	1995-1999	Deductible if confirmed by Bank Negara
Shipping industry	1993-1998	Statutory income from business of transporting passengers or cargo by sea on board Malaysian Ship carried on by resident is exempted from tax.
	1999	Income received by residents from "time charter" and "voyage charter" of Malaysian Ship will be exempted from tax
Deductible Expenses		
a. Promotional Item	1993-1994	Not deductible except :-
		<ul style="list-style-type: none"> i) promotional sample of product that Business ii) promotional gift at trade fair / trade or industrial exhibition held outside Malaysia for the promotion of export iii) entertainment for cultural or sporting events open to the public wholly to promote the business of that person
	1995-1999	Deductible if the item incorporate a conspicuous advertisement/logo of the company.
b. Donation	1993	Donation to approved institution is deductible from the aggregate income. Cash contribution to approved research institute is deductible from gross business income and this contribution is eligible for double deduction.
	1994	Organization established exclusively for conservation/protection of environment be included as an approved institution. Contribution up to \$100,000 to public libraries and libraries of school and higher

	1995	Cash contribution to Government and Quasi-Government training institutes and vocational/technical training institution are Vocational/technical institution are deductible in arriving at total income.
	1996	Social service projects in the fields of education, health, housing & public amenities
	1997	Cash contribution to a trust accounts under the Ministry of Culture to sponsor culture performances recognised by the Ministry as a national as a national culture, Cash contributions to a trust accounts under the Ministry of national Unity to fund research & activities to overcome social problems; Cash contributions to a trust account under the Dept. of Museum and National Archives to fund research & activities related to preservation of national heritage; Contribution of artifacts or manuscript to Govt. based on valuation by Dept. of National Archive/Dept. of Museum; Expenses incurred by company to establish in-house cultural groups if the activities are recognised as national culture by Ministry of Culture.
	1998	Contribution of local artworks to the State or National Art Gallery is deductible. Cash contribution to sponsor local & foreign cultural performances approved Ministry of Culture is deductible. Foreign cultural performances must be performed in Malaysia
c. Expenses incurred on publishing and translation of books	1993-1999	Deductible from business income if it was incurred on : 1) translation into; or cultural, literary, professional, scientific or technical books approved by Dewan Bahasa dan Pustaka
d. Expenses incurred in providing library facilities accessible to the public	1993 1994-1999	Not deductible Deductible from business income but maximum deduction is RM100,000

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e. Expenses incurred on the provision of equipment to assist disabled employees	1993-1999	Deductible against gross business income of the employer
f. Hire of motor vehicle	1993-1999	Restricted to RM50,000
g. Expenses incurred to train workers by Companies yet to commence business	1993-1995 1996-1999	Not deductible Deductible
h. Acquisition of patents, designs, models, plans, trade marks/brands	1992-1996 1997-1999	Not deductible Deductible
i. EPF contribution by employer	1992-1993 1994-1995 1996-1997 1998-1999	Maximum deductible contribution = 15% Maximum deductible contribution = 16% Maximum deductible contribution = 17% Maximum deductible contribution = 19%
j. Bonus	1993-1997 1998-1999	All bonus paid are deductible Tax deduction is restricted to 2 months bonus
Double deduction		
a. Insurance premium paid by exporter to Malaysian incorporated insurance company in respect of exported cargo	1993-1994 1995-1999	Single deduction Double deduction
b. Freight charges paid to Malaysian incorporated shipping company for transportation on board of Malaysian ship	1993 1994-1996 1997-1999	Single deduction Double deduction Single deduction (wef 1998)
d. Training expenses for handicapped person who is not an employee of the taxpayer	1993-1999	Eligible for double deduction if: <ul style="list-style-type: none"> a. training conducted in Malaysia and approved by Minister of Finance or the training is conducted by a training institution b. purpose of training is to enhance the handicapped person's employment prospect, and c. the handicapped person must be registered with the Ministry of National Unity and Social Development

d. Qualifying expenditure to promote the export of services	1993-1995 1996-1999	Single deduction Double deduction
e. Research and development activities in the approved research institutions	1993-1995 1996-1999	Single deduction Double deduction
f. Revenue expenses incurred in international trade fairs in Malaysia for the promotion of export	1993-1999	Double deduction if approved by MITI but cost of exhibit excluded
g. Revenue expenditure incurred on research approved by the Minister of Finance or undertaken by a person participating in industrial adjustment approved under S31A PIA 1986. The expenses must be incurred within 10 years	1993-1999	Double deduction
h. Payments for use of services of approved research institutions/ companies	1993-1999	Double deduction
i. Local advertisement of local branded products	1993-1997 1998-1999	Single deduction Double deduction if the company is owned by at least 70% Malaysian, the brand is owned by the company & registered in Malaysia and the product is of export quality standards
<u>Capital allowance</u>		
a. Private motor vehicle	1993-1999	Qualifying expenditure is restricted to RM50,000
b. Imported heavy machinery used in the building, construction and primary industry (mining, logging and forestry)	1993-1997 1998-1999	Initial allowance = 20% Annual allowance = 12% or 16% or 20% depends on type of equipment Initial allowance = 10% Annual allowance = 10%
c. Environmental protection equipment	1993-1995 1996-1999	Initial allowance = 20% Annual allowance = 12% Initial allowance = 40% Annual allowance = 20%

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Industrial Building Allowance		
a. Building used or provision for child care facilities for employees	1993-1994 1995-1999	Not qualify Qualified as industrial building and eligible for 10% annual allowance
b. Building used for industrial, technical or vocational training approved by Finance Minister	1993-1994 1995-1999	Not qualify Qualify as industrial building
c. Building used for research undertaken by R&D company	1993-1994 1995-1999	Not qualify Qualify as industrial building
d. Buildings used for storage of goods for export or imported goods for processed and re-export	1993-1997 1998-1999	Initial allowance = 10% (self constructed) Annual allowance = 2% (self constructed) Annual allowance = 10% (self constructed or purchased)
e. Buildings used for educational purposes	1993-1995 1996-1999	Not qualify Qualify as industrial building and eligible for 10% annual allowance
f. Building used for employees accommodation	1993 1994-1996 1997-1999	Qualified for allowance if used in plantation sectors Extended to manufacturing sector Extended to service & tourism sector
WITHOLDING TAX		
Payment (interest, royalty, technical fee and contract) made to non-resident is subject to withholding tax	1993-1996 1997-1999	Failure to pay withholding tax – 10% penalty and the payment made to non-resident not deductible Penalty for failure to pay withholding tax is equivalent to 10% of the total payment made to non-resident. The payment will be deductible once the tax is paid
TAX ON COOPERATIVES		
a. Income tax rate	1993-1994 1995 1996-1999	2%-34% 1%-32% Chargeable income of first RM10,000 = 0% Chargeable income >RM500,000 = 30% Other chargeable income group = 2%-28%

b. S65A (b) Relief	1993-1994	6% of member's fund
	1995-1999	8% of the member's fund
c. Exemption from income tax	1993-1996	If member's fund not > RM500,000
	1997-1999	If member's fund not > RM750,000
INCENTIVES		
a. Reinvestment Allowance (RA)	1993	Granted to the manufacturing and agricultural sectors which carry out expansion, modernisation and diversification projects RA Rate = 40% (big company) = 50% (small scale company)
	1994-1995	RA Rate = 50% regardless of company's size
	1996	Extended to production of essential food items. The rate is increased to 60% of the qualifying capital expenditure. The allowance is deducted against statutory income of up to 70%. Unabsorbed allowance will be carried forward to the following years until they are fully utilised. However, companies located in eastern corridor of Peninsular, Sabah and Sarawak can utilise 100% of the allowance.
	1997	RA is extended to agro-based co-operative society, Area, State or National Farmers' Fishermens' Association which carry out an approved agricultural project for the purpose of expanding, modernising or diversifying their cultivation and farming business.
	1998	RA would only be granted to investmnets which would enhance productivity, subject to the following conditions:- 1. The reinvestment increase productivity 2. The company must be in operation not less than 12 months 3. RA for 5 years commencing from the year the first reinvestment is made 4. Assets acquired from RA cannot be disposed within 2 years
b. Pioneer Status	1993	Statutory business income is exempted. Capital allowance (CA) must be deducted.

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		Unabsorbed CA and losses cannot be carried forward to post-pioneer period. Application on or after 1.11.91: Exemption – 70%. Company participating in promoted activity/product of national and strategic importance to Malaysia still eligible for 100% exemption.
	1994-1995	Pioneer companies located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak are eligible for 85% abatement from their statutory income.
	1996	Extended to wafer company
	1997-1999	Extended to vendors and SMI producing intermediate goods in an approved scheme. Exemption is 100%. If the vendors achieved world class standard, 10 years exemption will be given and the exemption is 100% of the statutory income. Extended to the following projects: <ul style="list-style-type: none"> • Construction of medium & low cost hotels (certified by Ministry of Culture) • Expansion /modernisation of existing hotels • Construction of holiday camps & recreational projects including summer camps • Construction of convention centres with a hall capable of accommodating at least 3,000 participants
c. Investment Tax Allowance (ITA)	1993	Application received on or after 1.11.91 Rate = 60% Deduction restricted to 70% of statutory income. Company participating in activity of national and strategic importance to Malaysia still enjoy ITA of 100% on qualifying capital expenditure (QCE)
	1994-1995	An allowance of 80% on the QCE incurred subject to a maximum of 85% of the statutory income will be given to companies qualifying for ITA and located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak.
	1996	Extended to wafer industry

	1997-1999	<p>Extended to vendors & SMI producing intermediate goods in an approved scheme. ITA rate = 60% and deducted 100% from statutory income.</p> <p>Extended to the following projects:</p> <ul style="list-style-type: none"> • Construction of medium & low cost hotels (certified by Ministry of Culture) • Expansion/modernisation of existing hotels • Construction of holiday camps and recreational projects including summer camps • Camps • Construction of convention centres with a hall capable of accommodating at least 3,000 participants
d. Tax incentives for communication, utilities and transportation sub-sector (approved services projects [ASAP])		
i. exemption under Section 127 of the ITA, 1967	1993-1995 1996-1999	<p>N/A</p> <p>Income tax exemption between 70% to 100% on statutory income for a period between 5 to 10 years from the date of generation of income</p>
ii. Investment Allowance (IA) under Schedule 7B of the ITA, 1967	1993-1995 1996-1999	<p>N/A</p> <p>Under IA, quantum of allowance available to companies undertaking ASP in respect of QCE incurred within 5 years from the date of approval varies between 60% to 100% and the allowances can be utilised as a set off 70% to 100% of the statutory income.</p>
e. Incentives to Promote Tourism		
i. Double deduction	1993-1998	<p>i. Overseas expenses incurred by hotel and tour operators (registered with TDC) for promotion of tourism</p> <p>ii. Training programme conducted by a training institution</p> <p>iii. Training programme conducted by a training institution</p>
ii. Tax exemption	1993	The income of tour operators from bringing in at least 500 tourists through group inclusive tour is exempted from tax. The exemption is extended up to 31.12.93.

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	1994-1996	Exemption is extended up to year 2000
	1997-1998	Extended to local companies promoting conferences held in Malaysia on income from bringing at least 500 foreign participants.
	1999	Income derived from domestic tour packages involving at least 1,200 local tourist annually will be exempted from income tax.
f. Incentive for Approved Operational Head Quarters Companies (OHQ)	1992	Chargeable income from the provision of qualifying services less 10% tax is credited into an exempt income account. Tax free dividend can be paid from this account.
	1993	Initially, OHQ is limited to manufacturing sector only. With effect from 1.1.93 this incentive is extended to cover selected service sector.
	1994	OHQ incentive is extended to cover commercial banks and investment banking companies
	1995-1999	Since 1988 these incentives are given to foreign owned companies. Now, locally owned companies are allowed to set up OHQ. The incentives are also extended to cover all economic sectors.
g. Incentives to promote Malaysian to invest overseas and remit the income to Malaysia	1992	50% of income from overseas construction project remitted to Malaysia by resident is exempted from income tax
	1993	50% of the income from export of services in oil and gas industry is exempted from tax.
	1994	Exemption limit on income from overseas construction project and export of services in oil & gas industry is increased to 70%
	1995-1999	All income arising from source outside Malaysia are exempted from tax except income from banking, insurance, shipping & air transport
i. Incentives for Research and Development Companies / Institution	1993	<ul style="list-style-type: none"> i. Five years tax exemption is given to approved R&D companies / institution ii. Dividends distributed by these companies is exempted from tax in the hand of their shareholders

		<p>iii. Unabsorbed losses can be carried forward after tax exempt period. 5 years tax exemption is given to new technology based firms. These incentives will be effective from YQ 1992</p>
	1994-1997	<p>Approved research companies carrying out R&D projects for holding/affiliate/ associates companies be given research allowance (RA) of 100% of the qualifying capital expenditure (QCE) incurred within a period of 10 years. The allowance will be abated from the statutory income up to 70% of the statutory income. RA of 50% on QCE fir a period of 10 years be given to companies carrying out in-house R&D. This allowance will be abated from statutory income up to 70% of the statutory income.</p>
	1998-1999	<p>R&D incentives is extended to companies carrying out designing or prototyping as an independent activity and the incentives are:</p> <ul style="list-style-type: none"> i. Pioneer status; or ii. Investment tax allowance; or iii. Double deduction on: <ul style="list-style-type: none"> • Expenditure for in-house • Expenditure on R&D undertaken in an approved R&D institution
j. Incentives for Close-end Funds	1993-1995	No incentives
	1996	Interest received from specific bonds is exempted from income tax
	1997-1999	<p>Investment gain is tax exempt; Tax free dividend may be paid out of tax exempt income account; Deductible expenses be given similar treatment as unit trusts</p>
k. Incentives for Labuan	1993-1993	<p>Income from offshore business activities is taxed at 3% or RM20,000; 50% of income received by foreign managers serving in offshore companies is exempted from tax up to YA 1997; 50% of the adjusted income from qualifying professional services provided to offshore companies is exempted from tax up to YA 1997;</p>

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		<p>50% of the adjusted income from construction projects is exempted from tax up to YA 1997</p> <p>Offshore companies' dividend is exempted from tax;</p> <p>No stamp duties, excise duties, sales tax, service tax except for petroleum and petroleum products;</p> <p>No withholding tax on royalty, interest, technical fee paid by offshore company to non-residents</p>
	1997-1999	<p>65% of the statutory income from qualifying professional services provided to offshore companies is exempted from tax up to YA2000;</p> <p>Exemption period for foreign managers is extended to YA2000</p> <p>50% reduction on road tax wef 1.1.1997</p>
l. Incentives to strengthen industrial linkage scheme	1993-1996	Expenses incurred by large companies in providing technical assistance to SMI as suppliers of components are not deductible
	1997-1999	Such expenses are now deductible
m. Tax incentives for Natural Gas Vehicle	1993-1996	Nil
	1997-1999	<p>Tax exemption on kits & components for conversion of vehicle to utilise natural gas be given to local vehicle assemblers / manufacturers (w.e.f 25/10/96);</p> <p>25% reduction in road tax for bi-fuel vehicle (w.e.f YA 1998)</p> <p>Initial allowance (IA) of 40% and Annual Allowance (AA) of 20% be given to equipment required in providing NGV at petrol station</p>
n. Incentives to promote export – income tax exemption	1993-1997 1998	<p>Nil</p> <p>Exemption of statutory income equivalent to 10% of the value of increased export given to manufacturer if the exported goods attain at least 30% value added. If the goods attain at least 50% value added, then the exemption is 15%</p> <p>Exemption of statutory income equivalent to 10% of the value of increased exports is given to:</p>

		<ul style="list-style-type: none"> • Companies exporting fruits & cut flowers • Companies in selected services ie. legal, accounting, engineering, consultancy, architecture, marketing, business consultancy, office services, construction management, building management, plantation management and health education
	1999	70% of statutory income derived by companies granted 'international trading company' status from the increased value of export sales will be exempted from tax
o. Incentive for multimedia faculties of higher learning institution	1993-1997 1998-1999	Nil Tax incentives accorded to MSC companies is extended to multimedia faculties which provides courses in media, computer, IT, telecommunications, communications and contents relating to data, voice, graphics & images
p. Incentives to provide special medical wards to lower income group	1993-1997 1998-1999	Nil Investment allowance of 60% of qualifying capital expenditure is given to private hospital which incur capital expenditure to provide special ward to lower income group.
q. Incentive to increase food production	1993-1998	Pioneer status or investment tax allowance or 100% capital allowance or reinvestment allowance
	1999	Losses incurred by companies engaged in eligible food production will be allowed as deduction against income of other companies within the same group.
r. Incentives for unit trust	1999	Interest income received by unit trusts an property unit trust which was previously subject to 28% income tax, now be exempted from tax
s. Incentives for banking system	1999	50% of the amount of interest in-suspense account will not be recognised as income
t. Incentives for the use of National Sports complex, National Theatre, National Art Gallery & Petronas Philharmonic Hall	1993-1998 1999	No incentives Income earned by non-resident from performing in arts and cultural shows,

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		<p>participating in exhibitions, games and sports will be exempted from tax.</p> <p>50% of income earned by organisers from organising sports, cultural and art shows, exhibitions and festivals involving foreign participation will be exempted from income tax up to Assessment year 2001.</p> <p>Admission tickets exempted from entertainment duty.</p> <p>Goods sold by companies operating in Industrial Free Zones or Licensed Manufacturing Warehouse during the approved sales carnival held at Bukit Jalil Sports Complex will be exempted from import duty and sales tax.</p>
u. Incentives for sports and recreation	1993-1998	No incentives
	1999	<p>Income earned by drivers of car racing is exempted from tax.</p> <p>50% of income earned by organisers of car racing will be exempted from tax.</p> <p>Income earned from luxury boats and yachts repair and maintenance activities carried on in Langkawi will be exempted from tax for 5 years</p>
NON RESIDENT	1993-1996	Interest received from approved loan is exempted from withholding tax
	1997-1999	Interest received now taxable
REAL PROPERTY GAINS TAX (RPGT)		
i. Disposal by a company	1993-1995	<p>Disposal within 2 years – 20%</p> <p>Disposal in the 3rd year – 15%</p> <p>Disposal in the 4th year – 10%</p> <p>Disposal in the 5th year – 5%</p> <p>Disposal in the 6th year or thereafter – 5%</p>
	1996-1999	<p>With effect from 27/10/95</p> <p>Disposal within 2 years – 30%</p> <p>Disposal in the 3rd year – 20%</p> <p>Disposal in the 4th year – 15%</p> <p>Disposal in the 5th year – 5%</p> <p>Disposal in the 6th year or thereafter – 5%</p>

ii. Disposal by persons other than companies	1993-1995	For disposal in the 2 nd to 5 th year – same rates as company Disposal in the 6 th year and thereafter – NIL
	1996-1999	With effect from 27/10/95 For disposal in the 2 nd to 5 th year – same rates as companies Disposal in the 6 th year and thereafter - NIL
iii. Disposal by an individual who is not a citizen or permanent resident	1993-1995	Same rates as disposal by persons other than companies
	1996-1997	Disposal on 26/10/95 and before – No change From 27/10/95: a. assets acquired before 27/10/95 – no change b. assets acquired after 27/10/95 – flat rate 30%
	1998-1999	RPGY for property disposed off within 5 years of holding is taxed at 30%, disposal after 5 years is taxed at 5%
SERVICE TAX		
a. Rates and Prescribed Establishments	1993	Rate – 5% Prescribed Establishment extended to: 1. Telecommunication services 2. Security guard services 3. Estate agents and recreational clubs
	1994-1996	Rate – 5% Prescribed Establishment extended to: 1. Parking services 2. Courier services with annual turnover of RM150,000 and above 3. Dentist with annual turnover of RM300,000 and above
	1997	Exemption be given on: 1. Export of professional services 2. Services rendered by approved R&D companies (wef YA 1998) Services provided by private hospital excluding accommodation and food is exempted from service tax (wef YA 1998) Service tax of RM50 per card be imposed on all types of credit card (wef YA 1998)

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	1998	5% services tax is imposed on: <ul style="list-style-type: none"> • The provision of hire & drive car and hire car with/without driver and having annual turnover of RM300,000 and above • Services provided by employment agency with annual turnover of RM150,000 and above • Companies providing management services including project management / co-ordination services with annual turnover of RM300,000 and above (wef January 1, 1998)
SALES TAX		
Taxable goods	1992-1996	5% on foodstuff, building material and semi-processed goods; 10% on other goods which are not basic necessities. Other foodstuffs & building materials and certain video cassette tapes
Exempted goods	1992-1993	Pewter ware sold to tourists, concrete building material and sawn timber, meat
	1994	Machine components including components for generators, turbines, boilers and welding machines - abolished
	1995	Heavy machinery
	1996	1. all basic medical equipment 2. computers and their components including software
	1997	Inputs/components used by manufacturers of selected non-taxable goods. Goods for manufacturing of controlled articles, pharmaceutical products, milk products, batik, perfumes, make-up, photographic cameras, wrist watch, pen, computers and peripherals, carton, boxes & case of corrugated paper & paperboard, goods for printing industry, agricultural / horticultural sprayers, retreated tyres, uninterruptible power systems.

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Abolishment of sales tax	1997	Selected paper & printing products, foods, dental/medical materials, electrical equipment, transmission apparatus
	1998	Empty ISO containers (wef 17.10.1997) Other prepared/preserved meat, meat offal or blood, prepared/preserved fish, caviar & caviar substitutes prepared from fish eggs, calculators, automatic goods vending machines
Higher sales tax	1998	Motorcycle 200 cc & above (w.e.f October 17,1997)
IMPORT DUTIES		
Reduction in duties	1993	Gold, food, household goods, clothing, electrical and electronic goods
	1994	Medical equipment, food, building & construction items, stationery, rubber & clothing accessories, footwear & headgear, ceramic & glass products, semi-precious stones building & construction materials, hand tools, implements & cutlery, household safety items, machinery and mechanical appliances, spare parts for vehicles, electrical & electronic equipment and components, furniture, miscellaneous articles including artists brush & travel set, motorised home, goods brought in by passenger for personal use.
	1995	Fish and crustaceans, molluscs & other aquatic invertebrates, milk & creams, dairy products, edible vegetable & certain roots & tubers, edible fruits & nuts, products of the milling industry, seed oil, prepared foodstuffs, cocoa & cocoa preparations, preparation of cereals, part of plant, miscellaneous edible preparation, petroleum oils (except monosodium glutamate) cosmetic preparation, photographic or cinematographic goods, plastics & articles skins, leather, articles of wood, paper & paper products, products of printing industry, non-woven yarns, carpets & fabrics, othr made up textiles, head gear, articles of iron, steel & other metals, machinery &

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		mechanical appliances, electrical machinery & equipment, optical, photographic & others, furniture, toys & games, miscellaneous manufactured articles
	1996	710 items of the followings: <ul style="list-style-type: none"> • pipes and tubes, textiles, iron • steel-based products • electrical apparatus such as water heater, electrical control panel and regulated cables.
	1997	Carpet & floor covering, wire of iron, electrical equipment
	1998	Leather goods & other selected apparel items (wef October 17, 1997)
Increased duties	1993	Cigars, cheroots, cigarillos, beer, stout, alcohol & beverages
	1994	Superbike of engine capacity 500cc and above
	1997	Selected heavy machine
	1998	Certain capital & construction goods & several selected consumer durable which could be produced locally (wef 17.10.1997) Cars above 2,000 cc (CBU & CKD), 4WD & MPV (CBU & CKD) Van 1,000 cc and above (CKD) Van (CBU) Motocycles 200 cc and above
	1999	Cigarettes and tobacco products, alcoholic beverages
Exempted	1994	1. All basic medical equipment 2. Equipment and inputs used in producing food on a commercial or group enterprise basis will be exempted
	1996	800 items on raw material components and equipment on the followings: <ul style="list-style-type: none"> • Food preparations from fruits • Material for plastic products • Textiles • Precious stones • Silver for jewellery • Iron and steel • Electric motors and generator

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	1997	Exemption on imported spares & consumables used by manufacturing companies, imported equipment used by hotels be withdrawn. Exemption level of duties on components used in assembling activities be reduced.
	1998	Antiques > 100 years, collectors' pieces of historical, archaeological, palaeontological, ethnographic or numismatic interest.
Abolished	1993	Vessel >26GWT, component parts used in computers & components, food, household goods, clothing, electrical & electronic goods, sport equipment for football & equestrian sports
	1994	Infant and baby food, ship & floating structures, works of art
	1995	Products of animal origin, vegetable products, coffee mate & spices, cereals, lac, gums, raisins & other vegetables saps & extracts, vegetable plaiting materials, animal fodder, article related to breast, selected dental/medical materials, cosmetic & toilet preparation, soap & washing preparation, photographic plates & film, paper products, vegetable
	1997	Selected transmission apparatus, selected fabrics, razor blades
	1998	Empty ISO containers
EXISE DUTY		
Reduced	1994	Food seasoning, dry batteries, tyres for motor vehicles
Increased	1992	Cigarettes, beer/stout
Exempted	1992	CKD component for locally assembled lorries and buses, sports goods
Abolished	1995	Waters & beverages, petroleum oil products, rubber tyres & tubes, primary cells, batteries, good vehicles
	1999	Air conditioners, refrigerators and TV manufactured locally

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OTHER SIGNIFICANT TAXES AND FEES		
a. Stamp Duty		
i. Instruments of transfer of property	1992	Nil
	1993-1997	Increased from a maximum rate 2% to 4% which cover properties valued at more Than RM500,000
ii. Contract notes	1992-1993	RM1.00 for every RM1,0000
	1994-1999	RM1.50 for every RM1,000
iii. Instrument of Loan Agreement for education	1992-1999	Subject to stamp duty to the maximum of RM6.00
iv. Refinancing instrument to finance business	1999	Exempted
v. Debt restructuring exercises by CDRC and Danaharta		Exempted
b. Entertainment duty	1992-1995	Subject to entertainment duty
	1996-1997	Exemption on admission to stage play organised by local theatre groups in KL an Labuan
c. Road tax		
Motorcycles	1992-1997	Between RM50 to RM130
	1998	Motocycles 200cc & above is increased to between RM150 to RM400
Vintage car	1999	Reduced from 20% to 10% of the prevailing rate
d. International passport	1998	Increase from RM145 to RM300 (32 pages) and from RM265 to RM600 (64 pages)
e. Restricted passport	1998	Increase from RM60 to RM150
f. Driving license (other than motorcycle, international driving permit & 'P' license)	1992-1997	RM20 per year
	1998-1999	Increased to RM50

g. Levy on crude palm oil	1999	Be imposed on crude palm oil and crude palm kernel oil when their prices exceed RM2,000 per ton
h. Tax and duty on gambling activities	1999	Gambling tax increased from 7% to 8% Pool betting duty increased by between 10% to 12% Casino win duty rates standardised to 25%
OTHER MONETARY MEASURE		
a. EPF Contribution	1992	Employer – 11% Employee – 9%
	1993-1999	Employer – 12% Employee – 10%
	1996-1999	Employee – 11%

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SECTION F

SUMMARY OF REVENUE AND ALLOCATION

1. STATISTICS

	1999	1998	<i>Percentage of total</i>		<i>Increase/ (Decrease)</i>
	RM	RM	1999	1998	RM value
	Millions	Millions	%	%	%
Sources of revenue :					
Income tax & Other direct taxes	20,099	27,863	42.62	50.61	(27.86)
Indirect taxes and duties	16,219	15,307	34.39	27.80	5.95
Non tax revenues	10,842	11,884	22.99	21.59	(8.76)
Total	47,160	55,054	100.00	100.00	
Budget allocation					
Operating expenditures :					
Emolument,pensions,gratuity	17,844	17,897	27.62	27.14	(0.29)
Debt servicing charges	9,033	6,531	13.98	9.90	38.31
Supply & services	6,189	4,739	9.60	7.19	30.60
Grant & other expenditures	13,976	17,396	21.60	26.36	(19.65)
	47,042	46,563	72.80	70.59	1.03
Development expenditures :					
Economic	7,890	10,568	12.21	16.03	(25.34)
Social	5,946	4,996	9.21	7.60	19.01
Security	2,650	2,559	4.10	3.88	3.55
General administration	1,067	1,255	1.68	1.90	(14.98)
	17,553	19,378	27.20	29.41	(9.42)
Total expenditures	64,595	65,941	100.00	100.00	(2.04)
	<u>(17,435)</u>	<u>(10,887)</u>			

Note : Statistics are excerpt from the 1999/1998 Economic Report with the exception of the figures marked * which amounts has not been disclosed in the said report.

2. REVENUE

This year all direct taxes component are expected to decline significantly ranging from 21% to 35%. The biggest decline is expected from corporate income tax of 35.02 %, whilst income tax from petroleum is expected to suffer a 31.8% decline due to lower petroleum prices. On the other hand, stamp duties revenue is expected to show a positive increased of 41.02% to RM1.628 billion.

The projection of 1% growth in the economy from a negative of 4.8% in 1998 is expected to bring in extra revenue from indirect taxes to RM16,219 million.

Receipts from domestic tax sources is expected to account for the significant increase of 9.5%. The increase from import duties will be partially offset by the reduction in export duties.

Non tax revenue will show an overall decline of 9.2% due to expected fall in dividend from petronas. Except for collection from licences & permits and service fees, the rest of the non tax revenue are expected to decline between 2.2% and 4.6%.

3. EXPENDITURE

On the whole, operating expenditure is budgeted to increase marginally by 1%. The government's focus on stimulating the economic through deficit budget will see an increase in debt services charges which is expected to increase by 38.3% to RM9.033 million. Apart from emoluments, which is expected to decline, the rest of the expenditure are on the increasing trend of approximately 6%.

In 1999, the development expenditure will decline by 9.4% to RM17,553 million. The economic and general administration sector will also decline by 25.3% and 15.0% respectively. The social service and security sector however are expected to increase by 32.9% and 3.6% respectively. In terms of amount, the economic sector continues to be the largest recipient of the allocation. The government's commitment on education, health and housing reflects the emphasis in caring for her citizens.

4. ANALYSIS OF CHANGES

The deficit in the 1999 budget is a reflection of the current difficult economic environment. Revenue from direct tax on corporate and individual earnings are estimated to fall by 27.86%. Indirect tax is projected to increase as a result of slight improvement in economic activities in 1999.

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Government operating expenditure will be allowed to increase by 1% to ensure that the current account of Federal government achieves a small surplus of RM118 million for the year.

The Government's objective is to revitalise and induce the recovery of the economy. In this regard, allocation of development projects of light rail transit, industrial and training institutes, educational facilities and agriculture development.

5. MACRO ECONOMY

In 1998, in just one month, Malaysia lost what she had earned in the last decade. To rebuild the derailed economy very much hinges on the commitment of all Malaysians in supporting the implementation of the fiscal and monetary measures tabled by the Rt. Honourable Prime minister Dato' Seri Dr Mahathir Mohamad. Also much depends on the development of the economies of our major trading Partners.