

October 22, 2016

To:
Our valued clients, friends and affiliates.

BUDGET 2017

SUMMARY & COMMENTS

We are proud to once again present to you this year our BUDGET 2017, 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:

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SECTION A

COMMENTARY

In this time of economic difficulty globally and domestically, our Malaysian national budget for 2017 tabled in Parliament by the prime Minister on Friday, 21st October 21, 2016 is pragmatic and at the same time strategic. It is inclusive, prudent in spending and aim's to generate economic growth.

The Budget projected an optimistic increase of more than 4% GDP growth that will generate sufficient income to meet the Budget allocation of RM 260.8 billion with a small fiscal deficit of 3%. Out of the allocation, about 80% is for operating expenditure, 10% for economic development and 5% each for security as well as general administration.

The allocation for economic development covers a broad spectrum of strategies and a clear direction that include MySuria Programme, Mobilepreneur Programme, Agropreneur Programme, eUsahawan and eRezeki Programme; to rejuvenate the creative industry.

Economic development requires a conducive and healthy living environment, especially digital connectivity. Therefore emphasis is given to upgrade e-commerce ecosystem, digital marketing and high speed broadband coverage. The introduction of the first Digital Free Zone in the world, merging physical and virtual zones will facilitate international e-commerce and invigorate internet based innovation.

In respond to the expectation of the business community for the tax rate to decrease and make Malaysia more competitive, the Budget has reduced the tax rate of first RM 500,000 of qualified SME from 19% to 18%.

The innovative incentive to reduce tax rate for all companies that's based on a percentage increase in income compared to the previous year of assessment is new. The tax rate will be reduced 1, 2, 3 or 4 percentage point from the corporate rate of 24% for increase of taxable income of less than 10%,15%,20% and 20% respectively. For example, an increase of taxable income of RM 2million from RM10million would have a tax saving of RM 80,000.

In terms of social equality, the Budget has identified the economic well beings of the people into the Top 20%, Middle 40% and Bottom 40% so that the allocation of social assistants can be channeled to those in need. This is especially noticeable in housing and BRIM financial aids. The Budget also recognizes the inefficient bulk subsidy system that burdens the Government's financial position.

As an effort to raise sufficient government revenue to fund the expenditure, the Budget has place serious emphasis and warning on tax compliance. In this respect the Inland Revenue Board, the Royal Malaysian Custom Department and the Companies Commission of Malaysia has established the Collection Intelligence Arrangement. Taxpayers must therefore focus on understanding the tax legislation, good accounting practice and have a policy of due compliance tax management.

SECTION B**HIGHLIGHTS**

***“Ensuring Unity and Economic Growth
inclusive Prudent Spending
Wellbeing of The Rakyat”***

PROJECT RAKYAT CENTRIC

1. Implementing Rakyat-Centric Project comprising of installation of street lights in villages nationwide (RM100 million), building and upgrading village roads and bridges as well as maintenance of state roads (RM5.8 billion).
2. Building and refurbishing houses in remote villages as well as Orang Asli settlements (RM350 million).
3. Upgrade the new supply of electricity and water facilities in rural areas, flats and People Housing Programme (PPR) (RM2.6 billion).
4. Other new projects (RM800 million) and continuation of existing project (RM490 million).

INCREASE HOME OWNERSHIP

Building 71,100 new units under various government programmes such as MyBeautiful New Home, People’s friendly Home and PR1MA.

GENERATE INCOME FOR THE RAKYAT

Implementation of MySuria Programme, Mobilepreneur Programme, Agropreneur Programme and eUsahawan and eRezeki Programme totalling RM275 million.

SUBSIDIES AND INCENTIVES

Paddy farmers (1.3 billion), rubber smallholders (RM510 million), fishermen (RM250 million), cooking gas subsidy (RM1.6 billion) and electricity (RM124 million)

1MALAYSIA PEOPLE’S AID

Increase of BR1M benefitting 7 million recipients with a budget allocation of RM6.8 billion.

ENHANCE TVET PROGRAMMES

Transformation of IPG campus (RM400 million), upgrading teaching equipment (RM270 million), and the creation of Skill Development Fund (RM360 million).

SPORTS DEVELOPMENT

Constructing and upgrading various infrastructure projects (RM172 million) as well as development and preparatory programmes (RM124 million)

IMPROVING HEALTHCARE

1. Upgrading hospital facilities (RM536 million), financing operations of 1Malaysia clinics (RM4.5 billion), supply of drugs, consumables, vaccines and reagents (4 billion)
2. Providing medical assistances, one-off grant and initiative empowerment health programme (RM190 million)

INCREASING FOOD PRODUCTION AT A COMPETITIVE PRICE

RM1.3 billion allocated for the development of agriculture infrastructure and marketing mechanism at the same time encouraging the development of the dairy industry.

STIMULATING PRIVATE INVESTMENT

Allocation of RM2.1 billion for various infrastructure & socioeconomic development and RM522 million for MIDA funds.

INVIGORATING THE DOMESTIC CAPITAL MARKET

1. Allocation of special funds up to RM3 billion from GLCs and the establishment of Capital Market Research Institute with funding worth RM75 million.
2. Extending income tax exemption period for Islamic Banking and Takaful business entities dealing with foreign currency activities.

ENCOURAGING LONG TERM INVESTMENT.

Allocation of RM165 million to introduce the Private Retirement Scheme.

INCREASE EXPORT

1. Allocation of RM130 million for export promotion programme, financing and insurance credit facilities to SMEs totalling RM200 million and RM1 billion, respectively.
2. RM286 million to increase production and quality of palm oil, rubber, cocoa and pepper, whilst RM100 million is allocated for research and upgrading the palm oil industry.

PROMOTING TOURISM SECTOR

- RM400 million to improve tourism facilities.
- Extension of applications for the Pioneer Status promotion and Investment Tax Allowance for the new 4 and 5 star hotels.
- Increase tax deduction up to RM700,000 to encourage sponsorships by the private sector in local and foreign arts, culture and heritage performances.

DIGITAL ECONOMY

- MDEC to implement new digital programmes and introduce Malaysia's Digital Hub (RM162 million)
- Introduction of the first Digital Free Zone in the world.
- Widen the coverage and enhance the quality of broadband up to 20Mbps throughout the nation (RM1 billion)

ENTREPRENEURSHIP

- Implement programmes under SME Master Plan (RM75 million)
- Provide 2% Rebate on interest rates charged to SME Borrowers under SJPP scheme
- Working Capital Guarantee Scheme fund for start-ups (RM200 million)
- To invigorate the creative industry & film production (RM80million)

EARLY CHILDHOOD AND PRESCHOOL EDUCATION

- Allocation to improve early childhood and preschool education (RM332 million)

PRIMARY AND SECONDARY EDUCATION

- Malaysian Communications and Multimedia Commission to provide tablets to 430,000 teachers to lessen their workload (RM340million)
- To complete and reconstruct schools throughout the country (RM1,048million)
- To extend the English language proficiency (RM90million)
- Provide Schooling Assistance Programme (RM350million)
- Provide Hostel Meal Assistance Programme to 365,000students (RM1.1 billion)
- 1Malaysia Supplementary Food Programme (RM300million)
- Provide Additional Assistance for Payment of School Fees (RM1.1billion)
- Provide matching grants of up to RM50
- Provide Special Needs Student Allowance of RM150 monthly.
- Allocation for the Special Fund for Improvement and Maintenance of Schools (RM600million)

EMPOWERING HIGHER EDUCATION

- Allocation for 20 public and research universities (RM7.4billion)
- Replace book vouchers with student debit cards worth RM250, benefitting 1.3 million students
- Continue providing scholarships (RM4.3billion)
- 15% discount on full settlement of PTPTN, 10% on 50% payment, 10% via salary reduction or direct debit.

SOCIAL SAFETY NET

- Financial Assistance to poor families benefitting 69,000 families
- Socio economic assistance to senior citizens (RM424million)
- Allocation for persons with disabilities (RM535million)

PUBLIC TRANSPORT

- Implementation of the new East Coast Rail Line (600km) project (RM55 billion)
- Restore the East Coast railway line along Gua Musang –Tumpat (RM100 million)
- Increase frequency of ETS service– purchase of 19 train sets (RM1.1 billion)

WELFARE OF ORANG ASLI

- Increase allowance for village heads to RM900 monthly.
- Water treatment and entrepreneurship programmes as well as land survey (RM272 million)

CHINESE AND INDIAN COMMUNITY

- Provide allocation for programmes and development for Chinese and Indian community (RM350 million)

EMPOWERING ECONOMY OF BUMIPUTERA

- Business opportunities through SME Bank (RM100million)
- Entrepreneurship programme under AIM (RM100million)
- To assist TEKUN's and TEMANITA small-scaled entrepreneurs (RM300million)
- Entrepreneurship and Business Premises Financing Programme through *Perbadanan Usahawan Nasional Berhad* (PUNB) (RM200million)
- MARA's entrepreneurship programmes (RM120million)
- TERAJU's facilitation fund (RM500million)
- TERAJU's Export Fund (RM100million)
- Yayasan Peneraju Pendidikan Bumiputera (RM100million)

CORPORATE TAX

- Reduce tax rate between 1 & 4% point for companies with significant increase in taxable income for year of assessment 2017 and 2018.
- Reduce tax rate from 19% to 18% for SMEs with taxable income up to the first RM500,000.

SECURITY AND PUBLIC ORDER

- Increase allocation to The Ministry of Defence (RM15.1billion)
- The Ministry of Home Affairs (KDN) is allocated (RM12.8 billion) including sum of RM8.7 billion for the Royal Malaysia Police.
- Allocation for over 200,000 RELA members (RM80 million)
- Grants to registered Residence Association (RM40 million)

WOMEN DEVELOPMENT AND FAMILY WELL-BEING

- Implement programmes to mainstream women's role in the nation's development (RM2billion)
- Mammogram screenings and free Human Papilloma Virus (HPV) vaccination (RM30million)
- Tax exemption up to RM1,000 for purchase of breastfeeding equipment.
- Tax exemption up to RM1,000 for parents sending their children aged 6 and below to registered nurseries and preschools starting from year of assessment 2017.

APPRECIATING THE ROLE OF RELIGIOUS MEN & KEMAS

- Develop *tahfiz* education through National Tahfiz Education Policy (RM30 million)
- Increase in monthly allowance of Imams (RM850) and KAFA teachers (RM900)
- Increase in monthly allowance for KEMAS assistants (RM500)

PERMATA DEVELOPMENT PROGRAMMES

- Allocation for PERMATA programme (RM85 million)

APPRECIATION FOR THE CIVIL SERVANTS

- Increase the public servants' housing loans eligibility to RM200,000 and RM750,000.
- Complete 30,000 units of 1Malaysia Civil Servants Housing (PPA1M) with selling price between RM90,000– RM300,000.

NATIONAL TRANSFORMATION

- Ministry of Youth and Sports to conduct the 2050 National Transformation (TN50) which is to chart the nation's direction

SECTION C

SUMMARY OF AMENDMENTS TO DIRECT TAXATION

REVIEW OF CORPORATE INCOME TAX FOR SMALL AND MEDIUM ENTERPRISES (SME)

PRESENT	A company with paid up capital of up to RM2.5 million or a Limited Liability Partnership (LLP) with total contribution of capital of up to RM2.5 million are categorised as SME for the purpose of income tax and subject to income tax rate of 19% on chargeable income up to RM500,000. The remaining chargeable income is subject to income tax rate of 24%.
PROPOSED	The tax rate for the above entities be reduced by 1 percentage point from 19% to 18% on chargeable income up to RM500,000.
IMPACT	Assist the above business entities to be more competitive in the current challenging economic situation.
EFFECTIVE DATE	From the year of assessment 2017.

REDUCTION OF CORPORATE INCOME TAX BASED ON THE INCREASE IN CHARGEABLE INCOME**PRESENT**

Companies and entities are taxed at a fixed rate of 24% as follows:

- i. A company with paid up capital of more than RM2.5 million or Limited Liability Partnership (LLP) with total contribution of capital more than RM2.5 million;
- ii. A company with paid up capital of up to RM2.5 million or a Limited Liability Partnership (LLP) with total contribution of capital of up to RM2.5 million on the chargeable income more than RM500,000;¹ and
- iii. Trust body, executor of an estate of an individual who was domiciled outside Malaysia at a time of his death and receiver appointed by the court.

PROPOSED

Reductions in the income tax rate based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment be given to the above entities that fulfill the criteria as follows:

Percentage of increase chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction	Income tax rate after reduction (%)
Less than 5.00	NIL	24
5.00-9.99	1	23
10.00-14.99	2	22
15.00-19.99	3	21
20.00 and above	4	20

IMPACT

Reduce cost of doing business and encourage businesses to strive in order to increase their chargeable income during the current challenging global economic situation.

EFFECTIVE DATE

For the year of assessment 2017 and 2018.

Note ¹ - For chargeable income up to RM500,000 the prevailing income tax rate is 19%

TAX RELIEF FOR LIFESTYLE

PRESENT

Individual tax payers are eligible to claim tax relief as follows:

- i. Tax relief of up to RM1,000 for the purchase of reading materials (excluding newspapers and banned reading materials);
- ii. Tax relief of up to RM300 for the purchase of sports equipment for sports activities as defined under the Sports Development Act 1997;
- iii. Tax relief of up to RM3,000 for the purchase of a computer to be claimed once in 3 years; and
- iv. Tax relief of up to RM500 for the subscription of broadband internet (from year of assessment 2010 until year of assessment 2012).

PROPOSED

These reliefs be combined into a new relief known as the lifestyle relief with a limit of up to RM2,500.

The scope of the lifestyle relief is extended to include:

- i. Purchase of printed daily newspaper;
- ii. Purchase of smartphone or tablet;
- iii. Internet subscription; and
- iv. Gymnasium membership fee.

IMPACT

To provide flexibility for taxpayers to claim tax relief on the purchase of reading materials, computer and sports equipment

EFFECTIVE DATE

From the year of assessment 2017.

TAX RELIEF FOR FEES PAID TO CHILD CARE CENTRES AND KINDERGARTENS

PRESENT

Fees paid to child care centres and kindergartens are not eligible for individual tax relief.

PROPOSED

New tax relief of up to RM1,000 be provided to individual taxpayers who enroll their children aged up to 6 years, in child care centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education.

This relief can only be claimed by either parent of the children.

IMPACT

To ease the burden of tax payers with regard to the cost of child care and early childhood education

EFFECTIVE DATE

From the year of assessment 2017.

TAX RELIEF FOR THE PURCHASE OF BREASTFEEDING EQUIPMENT

PRESENT

The purchase of breastfeeding equipment is not eligible for individual tax relief.

PROPOSED

A new tax relief of up to RM1,000 be provided for the purchase of breastfeeding equipment. The purchase can be made either in a complete set or separate parts consisting of breast pump (manual or electric), cooler bag, containers for collection and storage.

Women tax payers with children aged up to 2 years are eligible to claim this relief.

This relief can be claimed once in 2 years.

IMPACT

To encourage and support women to return to work while continuing to breastfeed their infant and to reduce cost of living.

EFFECTIVE DATE

From the year of assessment 2017.

EXTENSION OF INCOME TAX AND STAMP DUTY EXEMPTIONS FOR ISLAMIC BANKING AND TAKAFUL BUSINESSES**PRESENT**

International Currency Business Unit (ICBU) which operate Islamic banking and takaful business activities transacted in foreign currencies are given tax incentives as follows:

- i. Full tax exemption on income received by Islamic banks licensed under the Islamic Financial Services Act 2013 and financial institutions licensed under the Financial Services Act 2013 operating Islamic banking business transacted in foreign currencies including transactions with Malaysian residents;
- ii. Full tax exemption on income received by takaful companies and takaful unit licensed under the Islamic Financial Services Act 2013 and Financial Services Act 2013 operating takaful business transacted in foreign currencies including transactions with Malaysian residents; and
- iii. Full stamp duty exemption on instruments executed pertaining to Islamic banking and takaful activities transacted in foreign currencies.

The tax incentive in (i) and (ii) is effective from year of assessment 2007 to year of assessment 2016.

The tax incentive in (iii) is effective for instruments executed from 8 September 2007 until 31 December 2016.

PROPOSED

Incentives be extended for another 4 years.

IMPACT

To further widening Islamic financial markets chain through the enhancement of Islamic banking and takaful businesses.

EFFECTIVE DATE

- i. The tax incentives in (i) and (ii), from year of assessment 2017 to year of assessment 2020.
- ii. The tax incentive in (iii), is effective for instruments executed from 1 January 2017 to 31 December 2020.

EXTENSION OF STAMP DUTY EXEMPTION FOR THE PURCHASE OF FIRST RESIDENTIAL HOME

PRESENT	<p>50% stamp duty exemption on instrument of transfer and loan agreement for the purchase of first home priced not exceeding RM500,000.</p> <p>Sales and purchase agreement executed from 1 January 2015 to 31 December 2016.</p>
PROPOSED	<p>100% stamp duty exemption be given on instrument of transfer and loan agreement for the purchase of first home priced not exceeding RM300,000.</p> <p>For the purchase of first home priced exceeding RM300,000 up to RM500,000, stamp duty is fully exempted but limited to first RM300,000 of the value of the home. The exemption be given on instrument of transfer and loan agreement. The remaining balance of the value of the home is subject to the prevailing rate of stamp duty.</p> <p>Malaysian citizens who have yet to own a home are eligible for this duty exemption.</p>
IMPACT	<p>To further encourage Malaysian citizens to purchase of first residential home and to reduce financial burden of affected house purchasers.</p>
EFFECTIVE DATE	<p>For sales and purchase agreement executed from 1 January 2017 to 31 December 2018.</p>

EXTENSION OF INCOME TAX INCENTIVES FOR NEW 4 AND 5 STAR HOTELS

PRESENT	<p>Hotel operators undertaking investments in new 4 and 5 star hotels are eligible for the following tax incentives:</p> <p>i. PENINSULAR MALAYSIA:</p> <p>A. Pioneer Status Exemption of 70% of statutory income for a period of 5 years; OR</p> <p>B. INVESTMENT TAX ALLOWANCE Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. This allowance can be set- off against up to 70% of statutory income for each year of assessment</p> <p>The above incentives are for applications received by the Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2016.</p> <p>II. SABAH AND SARAWAK:</p> <p>A. PIONEER STATUS Exemption of 100% of statutory income for a period of 5 years; OR</p> <p>B. INVESTMENT TAX ALLOWANCE Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. This allowance can be set- off against up to 100% of statutory income for each year of assessment.</p> <p>The above incentives are for applications received by MIDA from 30 August 2008 until 31 December 2016</p>
PROPOSED	<p>Application period for Pioneer Status or Investment Tax Allowance for investments in new 4 and 5 star hotels in Peninsular Malaysia, Sabah and Sarawak be extended for another two years.</p>
IMPACT	<p>To reduce business cost and continue providing international standard accommodation facilities that meet the requirements of high-end tourists</p>
EFFECTIVE DATE	<p>For applications received by MIDA from 1 January 2017 to 31 December 2018.</p>

EXPANSION OF THE SCOPE OF HALAL PRODUCTS ELIGIBLE FOR INCENTIVES FOR HALAL INDUSTRY PLAYERS

PRESENT	<p>Tax incentives for Halal Industry Players operating in Halal Parks, promoted by Halal Development Corporation (HDC) are as follows:</p> <ol style="list-style-type: none">i. Full income tax exemption on qualifying capital expenditure for a period of 10 years; orii. Income tax exemption on increase of export sales for a period of 5 years.iii. Import duty exemption on raw materials used for the development and production of promoted halal products; andiv. Double deduction on expenses incurred in obtaining international quality standards certification such as HACCP, GMP Codex Alimentarius (food standards guidelines of FAO and WHO), Sanitation Standard Operating Procedures and regulations for compliance for export markets such as Food and Traceability from farm to fork. <p>The qualifying halal products are as follows:</p> <ol style="list-style-type: none">i. Specialty processed food;ii. Pharmaceuticals, cosmetics and personal care;iii. Livestock and meat products; andiv. Halal ingredients.
PROPOSED	<p>The existing incentives be extended to include production of nutraceutical and probiotic products by Halal Industry Players in Halal Parks.</p>
IMPACT	<p>To increase investments as well as enhance Malaysia's competitiveness in the halal products industry.</p>
EFFECTIVE DATE	<p>For applications received by HDC from 22 October 2016.</p>

INCREASE IN THE LIMIT OF TAX DEDUCTION FOR SPONSORING ARTS, CULTURAL AND HERITAGE ACTIVITIES

PRESENT	A company that sponsors local as well as foreign arts, cultural and heritage activities in Malaysia, approved by the Ministry of Tourism and Culture, is allowed tax deduction on expenditure incurred for sponsoring such activities up to RM500,000 per year, where the deduction allowed for sponsoring such foreign arts, cultural and heritage activities is limited up to RM200,000 per year.
PROPOSED	The limit of tax deduction for a company that sponsors such activities be increased up to RM700,000 per year, where the deduction limit allowed for sponsoring foreign arts, cultural and heritage activities be increased up to RM300,000 per year.
IMPACT	To further encourage arts, cultural and heritage activities in Malaysia
EFFECTIVE DATE	From year of assessment 2017.

EXTENSION OF TAX INCENTIVE FOR ANCHOR COMPANIES UNDER THE VENDOR DEVELOPMENT PROGRAMME

PRESENT

Anchor companies that develop local vendors under the Vendor Development Programme (VDP) and have signed the Memorandum of Understanding (MoU) with the Ministry of International Trade and Industry (MITI) are given double deduction for the following operating expenses:

- i. cost of product development, R&D, innovation and quality improvement;
- ii. cost of obtaining ISO/Kaizen/5S certifications, evaluation programme and business process reengineering for the purpose of increasing vendor capabilities; and
- iii. cost of vendor skills training, capacity building, lean management system and financial management system.

The qualifying criteria for double deduction are as follows:

- i. the qualifying operating expenses must be certified by MITI before the anchor companies can claim the deduction;
- ii. qualifying operating expenses are capped at RM300,000 per year; and
- iii. deduction is given for 3 years of assessment.

The incentive is given to anchor companies that have signed a MoU with MITI from 1 January 2014 to 31 December 2016.

PROPOSED

The incentive for anchor companies that implement Vendor Development Programme be extended for another 4 years.

IMPACT

To encourage the participation of anchor companies in developing more competitive local vendors.

EFFECTIVE DATE

The incentive is given to anchor companies that have signed MoU with MITI from 1 January 2017 to 31 December 2020.

EXTENSION OF THE PERIOD AND EXPANSION OF SCOPE OF DOUBLE DEDUCTION INCENTIVE FOR THE STRUCTURED INTERNSHIP PROGRAMME (SIP)

PRESENT	<p>Companies that participate in the Structured Internship Programme (SIP) approved by the TalentCorp are eligible for double deduction on expenses incurred in implementing the programme. This programme is made available for Malaysian students pursuing full-time degree and diploma courses in institutions of higher learning (IHL) that are registered with the Ministry of Higher Education or for equivalent vocational level (Malaysian Skills Certificate Level 4 and 5) as recognized by Malaysian Qualifications Agency or Department of Skills Development as follows:</p> <ul style="list-style-type: none">i. Degree Level – from year of assessment 2012 until year of assessment 2016; andii. Diploma and Vocational Level – from year of assessment 2015 until year of assessment 2016.
PROPOSED	<p>The current incentive be extended for a period of 3 years.</p> <p>This programme will also be expanded to include Malaysian students pursuing full-time vocational level (Malaysian Skills Certificate Level 3).</p>
IMPACT	<p>To encourage more companies to participate in SIP and contribute towards the employability of local graduates through an early exposure to the working environment</p>
EFFECTIVE DATE	<p>From year of assessment 2017 until year of assessment 2019.</p>

SECTION D

SUMMARY OF AMENDMENTS TO INDIRECT TAXATION

REVIEW OF GST RELIEF FOR DISABLED PERSONS

PRESENT

According to Item 7, First Schedule of Goods and Services Tax (Relief) Order 2014, GST relief is provided to Private Charitable Entities (PCE) for persons with disabilities registered with the Social Welfare Department on the purchase of equipment specially designed for disabled persons as follows:

- i. Artificial limbs;
- ii. Wheelchair;
- iii. Electrically/mechanically adjustable bed designed for handicapped;
- iv. Braille embossers;
- v. Pick-up sticks;
- vi. Text telephone;
- vii. Whistling cup;
- viii. White canes;
- ix. Specialised footwear;
- x. Hearing aid; and
- xi. Low vision aid.

The relief is subject to the condition that the equipment are to be given free or sold at a nominal value for members of the PCE concerned and the members who are registered under the Persons with Disabilities Act 2008.

REVIEW OF GST RELIEF FOR DISABLED PERSONS...CONT'D.**PROPOSED**

To enable more disabled persons including non-PCE members to benefit from the relief, it is proposed that the GST relief be given directly to the valid OKU card holders on the purchase of approved equipment from the suppliers designated by the Social Welfare Department.

The list of equipment that are eligible for the GST relief will be widened to include the following:

- i. Callipers;
- ii. Artificial prosthetic and orthotic;
- iii. Motorized wheelchair;
- iv. Home care or hospital bed;
- v. Braille display;
- vi. Vibrating alarm indicators;
- vii. Flashing or signalling device;
- viii. Magnifier;
- ix. Special lenses;
- x. Optical character recognition (OCR) equipment;
- xi. Medical cushion;
- xii. Ripple mattress;
- xiii. Walking frame;
- xiv. Crutches and rubber ends;
- xv. Vehicle wheelchair lift and restraints;
- xvi. Portable ramps;

REVIEW OF GST RELIEF FOR DISABLED PERSONS...CONT'D.

- xvii. Hand controls for driving;
- xviii. Shower chair;
- xix. Commode chair; and
- xx. Teletypewriter

IMPACT To provide similar benefits for OKU card holders especially non-PCE members on the purchase of approved equipment.

EFFECTIVE DATE 1 January 2017.

REVIEW OF GST TREATMENT IN FREE ZONES**PRESENT**

Goods and Services Tax Act 2014 is applicable to free zones namely Free Commercial Zone (FCZ) and Free Industrial Zone (FIZ) established under the Free Zones Act 1990. Special treatment is provided under Section 162(a) of the Goods and Services Tax Act 2014 whereby GST is not imposed on imported goods into FCZ for the following purposes:

- i. Commercial activities; or
- ii. Retail trade activities approved under the Free Zones Act 1990.

GST is imposed on goods imported into the FCZ if it is to be consumed within the zone. GST is also levied on goods imported into the FIZ, on the supply or removal of goods made within FIZ and between FIZ and between FIZ and FCZ.

The removal of goods made from FCZ and FIZ to the Designated Areas i.e. Langkawi, Labuan and Tioman, vice versa and also removal to an approved warehouse under the Warehousing Scheme, vice versa is subjected to GST.

PROPOSED

To streamline the GST treatment in the free zones which consist of FIZ and FCZ, it is proposed that the GST treatment be determined as follows:

- i. GST is not chargeable on the supply and removal of goods made within and between FCZ;
- ii. GST shall not be due and payable on the goods imported into the FIZ;
- iii. GST is not chargeable on the supply and removal of goods made within and between FIZ;
- iv. GST is not chargeable on the supply and removal of goods made within FCZ and FIZ, vice versa;
- v. GST is suspended on the removal of goods from free zone to Designated Areas i.e. Langkawi, Labuan and Tioman, vice versa; and
- vi. GST is suspended on the removal of goods from free zone to an approved warehouse under the Warehousing Scheme, vice versa.

REVIEW OF GST TREATMENT IN FREE ZONES...CONT'D.

The above GST treatment shall not be applicable on the following supplies:

- i. Goods as prescribed under the Free Zones (Exemption of Goods and Services) Order 1998;
- ii. Goods and services as prescribed under Goods and Services Tax (Imposition of Tax for Supplies in Respect of Designated Areas) Order 2014; and
- iii. Any other goods prescribed by the Minister of Finance.

IMPACT To smoothen the GST treatment between FCZ and FIZ.

EFFECTIVE DATE 1 January 2017.

REVIEW OF GST TREATMENT UNDER THE WAREHOUSING SCHEME**PRESENT**

Under Section 70 Warehousing Scheme, Goods and Services Tax Act 2014 allows GST to be suspended on goods imported and deposited into the approved warehouse. Approved warehouses under this scheme include Licensed Manufacturing Warehouse, Public Bonded Warehouse, Private Bonded Warehouse, Duty Free Shops and Inland Clearance Depot. Under the scheme, imported goods deposited into the warehouse and supplied within and between warehouse is not subjected to GST. Removal of goods from the warehouses are subjected to the imposition of GST.

Goods from the Principal Custom Area (PCA) and Free Industrial Zone (FIZ), deposited into and supplied within the warehouse is not entitled for the facility provided under the warehousing scheme and such supply of goods made within and between the warehouse is subject to GST.

PROPOSED

To streamline GST treatment between imported goods and goods from PCA and to facilitate the GST administration under the Warehousing Scheme, it is proposed that no GST shall be charged on the goods from PCA which consist of the Licensed Manufacturing Warehouse, Excise Warehouse and FIZ that are deposited into and supplied within and between warehouse under the Warehousing Scheme.

IMPACT

To abolish GST charged on the goods from among PCA entities under the Warehouse Scheme.

EFFECTIVE DATE

1 January 2017.

SECTION E**SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES****1. RAKYAT-CENTRIC PROJECTS**

- RM100 million will be allocated to install 97,000 street lights and 3,000 LED lights in 7,500 villages nationwide including Sabah and Sarawak.
- RM1.2 billion to build and upgrade 616 kilometres of village roads and bridges.
- RM4.6 billion will be allocated to Malaysian Road Records Information System (MARRIS) to maintain the state roads.
- To build and refurbish 17,000 units of destitute and dilapidated houses in remote villages and Orang Asli settlements with an allocation of RM350 million. Each unit will be given assistance for renovation between RM1,000 to RM15,000 depending on the condition.
- Clean Water Supply:
 - RM732 million to supply clean water to 5,200 houses, including the upgrading of FELDA water supply.
 - RM156 million for grant and RM509 million for loans will be allocated to address water supply issues in improving capacity and supply.
 - RM500 million to establish Water Supply Fund.
- RM460 million will be allocated to provide electricity supply to 10,000 houses in rural areas.
- To maintain and repair facilities at flats and 113 People's Housing Programme (PPR) in urban and suburban areas with an allocation of RM300 million has been set through 1Malaysia Maintenance Fund (TP1M).
- RM800 million will be allocated to implement People-Friendly Projects such as upgrading and building *surau*, small bridges, drainages, community halls, markets and kiosks.
- RM495 million in continuing 69 projects of Flood Mitigation Plans

PURPOSE To enhance connectivity of villages, towns and cities, providing clean water supply and improving the well-being of the Rakyat.

2. ENHANCING HOME OWNERSHIP

- RM200 million will be allocated to the implementation of MyBeautiful New Home through National Blue Ocean Strategy to build 5,000 units houses for B40 with price range from RM40,000 to RM50,000 per unit. The Government will finance RM20,000 while the remaining will be paid as instalments by owners.
- To build 9,850 new houses and complete the current 11,250 houses under People's Housing Programme (PPR) with an allocation of RM134 million and RM576 million respectively under Ministry of Urban Wellbeing, Housing and Local Government (KPKT).
- To build more than 30,000 houses at strategic locations with price range between RM150,000 to RM300,000. Government will provide vacant land to GLCs and Perumahan Rakyat 1Malaysia (PR1MA).
- To build 10,000 houses in urban areas for rental up to five years to eligible youths.
- RM200 million will be allocated to Syarikat Perumahan Negara Berhad (SPNB) to build 5,000 houses of People's Friendly Home (PMR) with subsidy of RM20,000 per unit.
- For PR1MA programme, special "step-up" end-financing will be announced in collaboration with Bank Negara Malaysia (BNM), Employees Provident Fund (EPF) and four local banks, namely, Maybank, CIMB, RHB, and AmBank.
- Provide allocation for Second-Generation House infrastructure development with a sum of RM200 million for FELDA, RM100 million for FELCRA and RM100 million for RISDA.
- Stamp duty exemption on instruments of transfer and loan agreement for first home ownership for the period 1 January 2017 until 31 December 2018.

PURPOSE To increase the quality of life of B40 households and enhance first home buyers' affordability.

3. RAKYAT'S INCOME OPPORTUNITIES

The Government will allocate RM275 million for the following:

- RM45 million will be allocated to expand MySuria Programmes, where solar panels is installed in more than 1,600 housing units with each participant receiving RM250 per month.
- RM30 million will be allocated to GIATMARA to expand the Mobilepreneur Programme for 3,000 participants.
- RM100 million will be allocated to implement Agroprenuer Programme which will produce 3,000 young entrepreneurs to be involved in the production of high-value agricultural products.
- RM100 million will be allocated to intensify eUsahawan and eRezeki programmes for 300,000 participants under Malaysia Digital Economy Corporation (MDEC).
- For BR1M recipients and B40 group, RM4,000 will be provided for the purchase of Proton Iriz to encourage their participation as ride-sharing drivers such as UBER drivers.

PURPOSE To generate additional income especially for B40 group.

4. SUBSIDIES AND INCENTIVES

The Government will allocate RM10 billion for the following:

- Paddy farmers – RM1.3 billion to subsidise paddy rice, seeds and fertilisers including hill paddy.
- Rubber smallholders – RM250 million to implement Rubber Production Incentive.
– RM260 million to set up Rainy Season Assistance during the rainy seasons which includes RM200 monthly for three months (November, December and January) to 440,000 rubber tappers and small holders.
- Fisherman – RM250 million in continuing the monthly allowance of RM200 to RM300.
- RM1.6 billion will be allocated to cooking gas subsidy.
- RM124 million will be allocated to electricity subsidy.
- BR1M – RM6.8 billion will be allocated to 7 million recipients for the following categories:

CATEGORIES	INCOME	2017 BUDGET (RM)
Household	e-Kasih < RM3,000	1,200
	RM3,001 – RM4,000	900
Single Individual	RM2,000 below	450

PURPOSE To ease the cost of living of Rakyat.

5. ENHANCE TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET)

- RM400 million will be allocated to transform 9 unused Teachers' Training Institute (IPG) into four Polytechnics, four Vocational Colleges and one training institute for TVET trainers.
- RM270 million will be allocated to upgrade educational equipment in TVET institutions.
- RM360 million for Skills and Development Fund Corporation.
- Training matching grants will be provided to TVET institutions which successfully obtained assistance in the form of equipment from industries.

PURPOSE To produce local workforce that meets the industries' requirement and open up more applications opportunities in TEVT programs.

6. HUMAN CAPITAL

- RM50 million will be allocated to extend the 1Malaysia Training Scheme (SL1M) programme by GLCs for 20,000 graduates.

PURPOSE To enhance graduate employability.

7. NATIONAL BLUE OCEAN STRATEGY (NBOS)

- RM100 million will be allocated to build four more Urban Transformation Centres (UTC) in Negeri Sembilan, Perlis, Pulau Pinang and Selangor and three more Rural Transformation Centres (RTC) in Selangor, Sabah and Sarawak.
- RM40 million will be allocated to implement NBOS initiatives: 1Malaysia English, Coding in schools, Volunteering for International Professional, Global Entrepreneurship Community 2.

PURPOSE To facilitate transactions for the communities and to provide Job Centres in every UTC for job matching.

8. SPORTS DEVELOPMENT

- RM450 million will be allocated to host the 29th SEA Games & 9th Para ASEAN Games.
- RM50 million will be allocated for the construction of the Football Academy Phase II in Gambang, Pahang.
- RM122 million will be allocated to build and upgrade Youth and Sports Complex, 1Malaysia Futsal Complex & Community Sports Complex.
- RM70 million will be allocated to continue Elite Sports Podium Development Programme.
- RM54 million will be allocated to continue Sportsmen Development Programmes including Athlete & Paralympic Athlete Preparation Programmes.

PURPOSE To develop national sports.

9. IMPROVE HEALTHCARE

- Build & upgrade new hospitals and clinics in Perlis, Kuching, Mukah, Jempol, Muar and Johor Bahru.
- RM536 million will be allocated to upgrade hospital facilities including cardiology treatment equipment and purchase of 100 ambulances.
- RM4.5 billion will be allocated for finance operations of 340 1Malaysia Clinics, 11 1Malaysia Mobile Clinics, 959 Health Clinics and more than 1,800 rural clinics.
- RM4 billion will be allocated for supply of drugs, consumables, vaccines and reagents.
- RM20 million will be allocated to reduce overcrowding in public hospitals by cooperating with the private sector and NGOs by providing soft loans to purchase equipment.
- RM70 million will be allocated for medical assistance to 10,000 underprivileged patients.
- RM40 million will be allocated for one-off grant worth RM200,000 for purchase of equipment in new haemodialysis centres.
- RM80 million will be allocated to prevent and control dengue and Zika and expand National Community Health Empowerment Programme.

PURPOSE To enhance health level of the Rakyat and quality of the healthcare in country and to strive for the best world-class health quality.

10. INCREASE FOOD PRODUCTION WITH COMPETITIVE PRICES

- Developing agricultural infrastructure such as drainage and irrigation, farmroads and marketing of agricultural products.
- RM140 million will be allocated for Distribution of Necessary Goods Programme, opening 4 MyFarmOutlets and upgrading 150 Agrobazaar Rakyat 1Malaysia.
- Encouraging dairy, *madu kelulut* and coconut industries.
- Reduce imported animal feed – corn plantation.

PURPOSE To increase the quality of food production at a competitive price.

11. INCENTIVES FOR TAXI DRIVERS

- Provide grant of RM5,000 to purchase new vehicles and offer individual taxi permits, benefitting 12,000 taxi drivers – RM60 million.
- Introduce SOCSO scheme for individual taxi drivers <RM3,000 per month with a launching grant of RM60 million.

PURPOSE To improve and develop the welfare for taxi drivers.

12. STIMULATE PRIVATE INVESTMENT

- Build and upgrade infrastructure: Jalan Lok Kawi – Pengalat – Papar, in Sabah; Jalan Kampung Keruak – Gua Musang – Kuala Berang; Batang Lupar Bridge, Sri Aman; Reconstruction of the Sandakan Power Station Project.
- RM2.1 billion will be allocated for infrastructure and socioeconomic development in five economic corridors (Iskandar Malaysia, Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER), Sabah Development Corridor (SDC) and Sarawak Corridor of Renewable Energy (SCORE)).
- Malaysian Investment Development Authority (MIDA) will be allocated a fund of RM522 million for identified sectors such as chemicals, electric and electronics.

PURPOSE To attract more private investment.

13. INVIGORATING THE CAPITAL MARKET

- Introduce Small and Mid-Cap PLC Research Scheme to conduct research on 300 companies.
- Special fund up to RM3 billion from Government-linked investment companies (GLCs) to potential companies.
- Establish Capital Market Research Institute with initial funding of RM75 million through Capital Market Development Fund.
- RM165 million will be provided for a one-off increase in Private Retirement Scheme (PRS) incentive up to RM1,000 for PRS contributors.

PURPOSE To invigorate domestic capital market and to encourage youths to make long-term investment.

14. INCREASE EXPORTS

- RM130 million will be allocated for National Export Promotion Fund for exports promotion programmes by MATRADE, MIDA and SME Corp.
- EXIM Bank provides financing totalling RM200 million and insurance credit facilities with coverage value up to RM1 billion to SMEs.
- RM286 million will be allocated to increase production and exports of palm oil, rubber, cocoa and pepper.
- RM100 million will be allocated to improve the quality of palm oil products, replantation of palm oil and upgrade estate roads.

PURPOSE To further strengthen export activities.

15. ACCELERATE TOURISM SECTOR

- RM400 million will be allocated to the Ministry of Tourism and Culture to intensify promotion and improve tourism facilities.
- The Government will also extend the eVisa facilities to countries in the Balkans and South Asia regions to achieve the target of 32 million tourist arrivals.

PURPOSE To generate income for the tourism industry.

16. DIGITAL ECONOMY

- RM162 million will be allocated to implement programmes such as e-commerce ecosystem and Digital Maker Movement as well as the introduction of new location category as Malaysia Digital Hub.
- In January 2017, fixed line broadband service providers will offer services at a higher speed for the same price.
- Ethernet broadband services in public universities will be increased to a maximum of 100 gigabytes per second.
- RM1 billion will be allocated to ensure the coverage and quality of broadband nationwide reaches up to 20 megabytes per second.

PURPOSE To introduce the first Digital Free Zone in the world which will merge physical and virtual zones, with additional online and digital services to facilitate international e-commerce and invigorate internet based innovation.

17. ENTREPRENEURSHIP

- RM75 million will be allocated to implement programmes under SME Master Plan.
- Extend all schemes under *Syarikat Jaminan Pembiayaan Perniagaan* (SJPP) to 2025.
- The Government will provide 2% rebate on interest rates charged to SME borrowers under SJPP scheme and the rebate is limited to a total accumulated funding of RM1 billion.
- RM200 million from the Working Capital Guarantee Scheme (WCGS) Fund will be allocated to start-ups.
- Introduce new pass category, namely Foreign Knowledge Tech Entrepreneurs to encourage investment in high technology start-ups.
- Film in Malaysia Incentive, Arts and Culture Revitalisation Agenda as well as FINAS Content Creation Hub in Santubong, Sarawak and Kota Kinabalu, Sabah will be implemented to rejuvenate creative industry and film production.

PURPOSE To increase the rate of SME's in significantly contributing to the nation's growth and labour market.

18. EARLY CHILDHOOD AND PRESCHOOL EDUCATION

- RM140 million will be allocated to continue the Additional Food Assistance and Per Capita Grant to children in TABIKA and TASKA.
- RM200 million will be allocated to improve daily nutritional food packages includes 250ml of milk, raisins and eggs.
- RM132 million will be allocated to improve access to preschool education in government schools for free.

PURPOSE To ensure the children receive appropriate education during their essential phase of physical and mental growth.

19. PRIMARY AND SECONDARY EDUCATION

- RM570 million will be allocated to reconstruct 120 destitute schools, comprising 60 in Peninsular, 30 in Sabah and 30 in Sarawak using Industrial Building System and upgrade 1,800 science laboratories.
- RM478 million will be allocated to complete the construction of 227 primary and secondary schools including 8 new schools.
- RM90 million will be allocated to strengthen the English Language proficiency programmes such as Cambridge English, Dual Language and Highly Immersive programmes.
- RM340 million will be allocated to provide free tablets to 430,000 teachers to lessen their workload.
- Provide Schooling Assistance Programme of RM100 each to students from families earning up to RM3,000.
- RM1.1 billion will be allocated for Hostel Meal Assistance Programme.
- RM300 million will be allocated to continue 1Malaysia Supplementary Food Programme for primary school students.
- RM1.1 billion will be allocated to provide Additional Assistance Payment for School Fees such as Textbook Assistance and Per capita Grant Assistance.
- Provide matching grants of up to RM50 for accumulated savings in SSPN-I to Year 1 students in fully-assisted government schools.
- Provide Special Needs Student Allowance of RM150 monthly to 67,000 students and replace buses for 21 special education schools.
- RM600 million will be allocated to Special Fund for Improvement and Maintenance of Schools. Of which:
 - RM250 million for National Schools;
 - RM50 million for National-type Chinese Schools;
 - RM50 million for National-type Tamil Schools;
 - RM50 million for Religious Schools;
 - RM50 million for Fully residential schools;
 - RM50 million for Government-aided religious schools;
 - RM50 million for registered *Sekolah Pondok*; and
 - RM50 million for MARA Junior Science Colleges.

PURPOSE To ensure students receive complete access to education.

20. EMPOWERING HIGHER EDUCATION

The Government will allocate RM7.4 billion to 20 public universities, among others:

- RM1.4 billion allocated to 4 university hospitals.
- RM300 million allocated to empowerment of five research universities.
- RM100 million allocated to research funds for higher education institutions.

PURPOSE To ensure higher education is at par with the global standards.

- RM300 million allocated to provide book vouchers that will be replaced with student debit cards worth RM250 for purchases of books, stationeries, computer devices and internet access, benefitting 1.3 million students.

PURPOSE To enhance assisting students in institutions of higher learning.

- RM4.3 billion will be awarded to continue providing scholarships to the following:
 - RM1.6 billion through Public Service Department (JPA);
 - RM2 billion through Majlis Amanah Rakyat (MARA);
 - RM208 million through Ministry of Health;
 - RM194 million through Ministry of Education;
 - RM28 million through Ministry of Human Resources; and
 - RM21 million through Ministry of Youth and Sports.

PURPOSE To ease cost of education.

- Discounts to encourage repayments of PTPTN loans effective 22 October 2016 till December 2017. The following incentives will be given:
 - 15% discount on the outstanding debt for full settlement
 - 10% discount for payment at least 50% of the outstanding debt made in a single payment; and
 - 10% discount for repayment through salary deduction or direct debit in accordance with the repayment schedule.

PURPOSE To encourage repayments of PTPTN loans.

21. SOCIAL SAFETY NET

- Government will provide financial assistance to 69,000 poor families:
 - General Assistance up to RM300 per month;
 - Children Assistance up to RM450 per month.
- RM424 million will be provided to senior citizens with Socioeconomic Assistance of RM300 per month, benefitting 120,000 senior citizens as well as setting up eight Citizen Activity Centres.
- RM535 million allocated to persons with disabilities, including employee allowance, disabled children training allowance and assistance for PWDs who are unable to work benefitting 150,000 PWDs.
- Government will increased the allowance of village heads, chairman of Village Development and Security Committee including heads of New Villages and Orang Asli from RM800 to RM900.

PURPOSE To ensure the welfare of vulnerable groups are protected.

22. LOGISTIC INFRASTRUCTURE

- The 600-km rail of new east Coast Rail Line project in the implementation phase with an estimated cost of RM55 billion.
- Accelerating the implementation of Pan Borneo Highway in Sabah and Sarawak.
- Allocation of RM100 million to restore East Coast railway line along Gua Musang – Tumpat that was destroyed during the flood.
- Increase frequency of ETS service by purchasing 19 more trains with allocation of RM1.1 billion.

PURPOSE To upgrade the public transport in terms of it being safer, more efficient and comfortable for those in rural areas.

23. WELFARE OF ORANG ASLI COMMUNITY

- RM222 million will be allocated to implement the water treatment project involving 42 Orang Asli villages, economic and entrepreneurship development programmes, village resettlement between Sungai Rul, Cameron Highland.
- RM20 million will be allocated for land survey in Sabah and RM30 million in Sarawak through Native Customary Rights project.

PURPOSE To enhance the welfare and infrastructure of the Orang Asli community.

24. CHINESE AND INDIAN COMMUNITY

- RM50 million will be allocated for developments of new Chinese villages.
- RM90 million will be provided for loans for Chinese Communities through:
 - RM50 million SMEs loans through KOJADI;
 - RM20 millions for microcredits loans through Malaysian Chinese Woman Entrepreneurs Foundation;
 - RM20 millions through 1Malaysia Hawkers and Petty Traders Foundation for Chinese hawkers communities.
- RM50 million will allocated for programme to increase capacity and income of Indian communities.
- RM150 million allocated for business financing programmes through TEKUN and Amanah Ikhtiar Malaysia.
- For the National-type Tamil school, RM10 million is allocated for pre-school programmes to 50 schools.

PURPOSE To enhance entrepreneurship among the Chinese and Indian community.

25. EMPOWERING ECONOMY OF BUMIPUTERA

- RM100 million will be allocated to SME Bank to enhance the viability of entrepreneurs and to expand their business capacity.
- RM100 million will be allocated to Amanah Ikhtiar Malaysia (AIM) to various entrepreneurship programmes.

- RM300 million will be allocated to TEKUN to assist small scaled entrepreneurs and TEMANITA to develop their business.
- RM200 million will be allocated to Perbadanan Usahawan Nasional Berhad (PUNB) to implement the Entrepreneurship and Business Premises Financing Programme.
- RM120 million will be allocated to MARA for entrepreneurship programmes such as halal industry enterprises, youth entrepreneurship development and training.
- RM500 million will be allocated to TERAJU to provide Facilitation Fund to assist Bumiputera companies to expand their business or to start a new business.
- RM100 million will be allocated for Export Fund under TERAJU for Bumiputera companies to penetrate into international markets.
- RM100 million will be allocated to Yayasan Peneraju Pendidikan Bumiputera for Peneraju Skil dan Iltizam, Peneraju Professional as well as Peneraju Tunas programmes

PURPOSE To increase ownership and strengthen Bumiputera entrepreneurship and businesses.

26. SECURITY AND PUBLIC ORDER

- The Government will provide Special Insurgency Incentive Payments to veteran Malaysian Armed Forces with an allocation of RM55 million.
- RM1.8 billion will be allocated for defence assets maintenance such as aircraft, patrol vessels, communication equipment, building and weaponry.
- RM1.3 billion will be allocated for communication devices, rations and uniforms.
- RM323 million will be allocated for deployment of personnel at the eastern border of Sabah to enhance the effectiveness of ESSZONE.
- RM114 million will be allocated for build and upgrade interior roads in Sarawak under the Jiwa Murni Programme by ATM.
- RM15 million will be allocated for expand the Armed Forces School Ferry services involving 15,000 children of ATM.
- RM8.7 billion will be allocated for the Royal Malaysian Police, among others, to build 12 district police headquarters, Commando 69 training centres and purchases of vehicles and equipment.
- RM60 million will be allocated to enhance the effectiveness of crime prevention in cities including the omnipresence and Motorcycle Patrol Unit.
- RM80 million will be allocated for more than 200,000 RELA members.
- RM40 million will be allocated for Residence Association Grant to the registered associations up to RM10,000 to finance security control equipment, cleaning and maintenance of neighbourhoods.

PURPOSE To strengthen the national security by improving the force facilities and national assets.

27. WOMEN DEVELOPMENT AND FAMILY WELL-BEING

- RM2 billion will be allocated to implement programme such as I-KIT, I-KeuNita and Women Career Comeback.
- RM30 million for women to undergo mammogram screening and receive free Human Papilloma Virus (HPV) vaccination to prevent cancer.

PURPOSE To mainstream women's role in the nation's development and provide better healthcare.

28. APPRECIATING THE ROLE OF RELIGIOUSMEN & KEMAS

- Monthly allowance of Imam under JAKIM will be increased from RM750 to RM850 which benefitting 15,000 Imam throughout the nation.
- One-off payment amounting RM500 will be given to nearly 16,000 Bilal and *Siak*.
- Monthly allowance of KAFA teachers' will be increased from RM800 to RM900, benefitting nearly 33,000 teachers.
- RM30 million will be allocated for the development of tahfiz education through National Tahfiz Education Policy.

PURPOSE To appreciate religious men and to expand the eminence of Islam on the right path.

29. PRESCHOOL AND PERMATA DEVELOPMENT PROGRAMMES

- Monthly allowance of KEMAS assistances will be increased from RM400 to RM500, benefitting 11,000 assistances.
- RM85 million will be allocated for PERMATA programmes involving 50,000 children, among which, establish the Top STEM Talents Excellence Centre at Academy of Sciences Malaysia.
- Transform Institut Pendidikan Guru (IPG) Raja Melewar Campus in Negeri Sembilan and Tuanku Bainun Campus in Pulau Pinang to PERMATA Pintar and Berbakat Centre.

PURPOSE To provide a better platform for preschool children and expose them to be future leaders.

30. APPRECIATING THE CIVIL SERVANTS

- Extend fully paid Study Leave with Scholarship to the Support Group.
- Grant Quarantine Leave up to five days for public servant whose children are infected with infectious diseases and required to be quarantined.
- Extend the existing Computer Loan facility to encompass the purchase of smartphone, with a maximum loan of RM5,000 for every 3 years.
- Increase the motorcycle loan limit from RM5,000 to RM10,000.
- Increase the public servants' housing loans eligibility from RM120,000 and RM600,000 to between 200,000 and RM750,000.
- To complete 300,000 units of 1Malaysia Civil Servants Housing (PPA1M) with selling price between RM90,000 and RM300,000.
- Extend the contract of service and contract for service officers for at least one year.
- Introduce grade 56 between 54 and JUSA C for medical and dental specialists
- Appoint the first group of doctors, dentists and pharmacists on contract latest by December 2016 benefitting nearly 2,600 doctors who were unable to undergo housemanships in any hospitals.

PURPOSE An appreciation towards the civil servant contributions towards the nation.

SECTION F
SUMMARY OF REVENUE AND ALLOCATION
1. STATISTIC

			Percentage of total		Increase/ (Decrease)
	2017 RM Millions	2016 RM Millions	2017 %	2016 %	
Source of revenue:					
Income tax & other direct taxes	120,739	110,500	54.9%	52.0%	9.3%
Indirect taxes	59,841	56,601	27.2%	26.6%	5.7%
Non-taxes revenue	39,146	45,494	17.8%	21.4%	-14.0%
Total	219,726	212,595	100.0%	100.0%	3.4%
Budget allocation					
Operating expenditure:					
Emolument, pension, gratuities	99,185	92,859	46.2%	44.8%	6.8%
Debt servicing charges	28,866	26,639	13.4%	12.9%	8.4%
Supply & services	32,020	29,702	14.9%	14.3%	7.8%
Grant & other expenditures	54,729	57,926	25.5%	28.0%	-5.5%
	214,800	207,126	100.0%	100.0%	3.7%
Development expenditure:					
Economic	25,862	27,623	56.2%	61.4%	-6.4%
Social	12,180	10,812	26.5%	24.0%	12.7%
Security	5,286	5,041	11.5%	11.2%	4.9%
General administration	2,671	1,524	5.8%	3.4%	75.3%
	45,999	45,000	100.0%	100.0%	2.2%
Total expenditure	260,799	252,126			3.4%
Deficit	(41,073)	(39,531)			
%	16%	16%			

* Revised estimate

(Sources: Economic Report 2016/2017)

2. REVENUE

Total revenue in 2017 is estimated to increase by 3.4% to RM219,726 million, largely supported by an expected higher collection of tax revenue. Tax revenue is estimated to increase by 8% to RM180,580, which represent 82.2% of the total revenue. The tax revenue consisting direct and indirect taxes represent RM120,739 million and RM59,841 million, respectively. Direct tax is expected to be increased by RM10,239 million or 9.3% as compared to 2016 due to higher collection of corporate income taxes (CITA). On the other hand, the revenue increase from indirect tax which is mainly generated from GST collection, is projected to be higher at RM40,000 million.

In 2017, non-tax revenue is projected to be lower at RM39,146 million, a reduction of 14% over 2016 and contributing 17.8% to total revenue. The decrease of non-tax revenue is caused by lower receipts from investment income mainly dividend contributed from Petroliam Nasional Berhad (PETRONAS) to Treasury every year.

3. EXPENDITURE

Total Federal Government expenditure for the 2017 Budget is estimated at RM260,799 million, an increase of 3.4% over 2016. Of this, RM214,800 million is for operating expenditure and the remaining of RM45,999 million is allocated for development expenditure. Operating expenditure is expected to increase by 3.7%. This insignificant change is a continuous effort to rationalise and optimise Government spending that prioritizes the well-being of the citizen. Emolument, pension and gratuities is estimated to increase to RM99,185 or 6.8% as compared to 2016 due to the government appreciation to the contributions of civil servants that provide benefit such as salary annual increment, setting minimum starting salary and pension rate which will benefit almost 1.6 million civil servants.

Government development expenditure is projected to increase by 2.2% to RM45,999 million over 2016. The economic services sector will be allocated the largest sum of RM25,862 million or 56.2% of total development expenditure in 2017. It is expected to be largely spent on transport and infrastructure development (RM10,599 million), trade and industry sector (RM4,927 million), public utilities and energy (RM2,582 million) and boosting agricultural productivity as well as accelerating rural development (RM2,416 million). Allocation for social services sector will be for the education and training subsector which has been provided the largest sum at RM5,904 million to empowering human capital, followed by housing (RM870 million), and health (RM1,532 million) to build more affordable houses and better healthcare services.

4. ANALYSIS OF CHANGES

REVENUE

The total estimated revenue for 2017 is RM219,726 million compared to RM212,595 million in 2016. This is due to Government expectation of higher collection from direct tax which consists of corporate income tax (CITA). Meanwhile, the increase in revenue is also derived from indirect tax in the form of higher GST collection.

EXPENDITURE

The total estimated expenditure for 2017 is RM260,799 million compared to RM252,126 million in 2016. This is a reflection of the budgeted increase in operating expenditure by 3.7% as an appreciation to the contribution by the civil servants.

The overall development expenditure has been budgeted to increase by 2.2% particularly in the areas of economic and social services sector to provide a better quality of life for the citizen.

5. MACRO ECONOMY

The Malaysian economy in 2017 is expected to expand between 4% to 5%. This will be largely contributed from growth by domestic demand driven by private consumption and private investment expenditures which are expected to expand 6.3% and 5.8% respectively. In tandem with higher investment activities, the savings-investment gap is expected to narrow to 0.5% - 1.5% of Gross National Income (GNI) (2016: 1% - 1.5%).

In addition, inflation will remain manageable, while the economy continues to operate under full employment.

The broad-based growth from all sectors in the economy, particularly from services and manufacturing sectors, the nominal GNI per capita is expected to increase by 5% from RM37,812 to RM39,699.

SECTION G

TAX INFORMATION

1. RESIDENT INDIVIDUAL INCOME TAX RATES

CHARGEABLE INCOME	ASSESSMENT YEAR							
	2010-2012		2013-2014		2015		2016-2017	
	RM	%	RM	%	RM	%	RM	%
First	2,500	0	0	0	0	0	0	0
Next	<u>2,500</u>	1	<u>25</u>	0	<u>0</u>	0	<u>0</u>	0
First	5,000		25		0		0	
Next	<u>15,000</u>	3	<u>450</u>	2	<u>300</u>	1	<u>150</u>	1
First	20,000		475		300		150	
Next	<u>15,000</u>	7	<u>1,050</u>	6	<u>900</u>	5	<u>750</u>	5
First	35,000		1,525		1,200		900	
Next	<u>15,000</u>	12	<u>1,800</u>	11	<u>1,650</u>	10	<u>1,500</u>	10
First	50,000		3,325		2,850		2,400	
Next	<u>20,000</u>	19	<u>3,800</u>	19	<u>3,800</u>	16	<u>3,200</u>	16
First	70,000		7,125		6,650		5,600	
Next	<u>30,000</u>	24	<u>7,200</u>	24	<u>7,200</u>	21	<u>6,300</u>	21
First	100,000		14,325		13,850		11,900	
Next	<u>150,000</u>	26	<u>39,000</u>	26	<u>39,000</u>	24	<u>36,000</u>	24
First	250,000		53,325		52,850		47,900	
Next	<u>150,000</u>	26	<u>39,000</u>	26	<u>39,000</u>	24.5	<u>36,750</u>	24.5
First	400,000		92,325		91,850		84,650	
Next	<u>200,000</u>	26	<u>52,000</u>	26	<u>52,000</u>	25	<u>50,000</u>	25
First	600,000		144,325		143,850		134,650	
Next	<u>400,000</u>	26	<u>104,000</u>	26	<u>104,000</u>	25	<u>100,000</u>	26
First	1,000,000		248,325		247,850		234,650	
Above	1,000,000	26		26		25		28

2. NON-RESIDENT INDIVIDUAL INCOME TAX RATES

Assessment Year	2009	2010-2014	2015	2016-2017
Tax Rate (%)	27	26	25	28

3. CO-OPERATIVE INCOME TAX RATES

CHARGEABLE INCOME	ASSESSMENT YEAR					
	2010 - 2012		2013-2014		2015-2017	
	RM	%	RM	%	RM	%
First	20,000	0	0	0	0	0
Next	<u>10,000</u>	2	<u>200</u>	0	<u>0</u>	0
On	30,000		200		0	0
Next	<u>10,000</u>	6	<u>600</u>	5	<u>500</u>	5
On	40,000		800		500	500
Next	<u>10,000</u>	9	<u>900</u>	5	<u>500</u>	5
On	50,000		1,700		1,000	1,000
Next	<u>10,000</u>	12	<u>1,200</u>	5	<u>500</u>	5
On	60,000		2,900		1,500	1,500
Next	<u>15,000</u>	12	<u>1,800</u>	10	<u>1,500</u>	10
On	75,000		4,700		3,000	3,000
Next	<u>25,000</u>	16	<u>4,000</u>	10	<u>2,500</u>	10
On	100,000		8,700		5,500	5,500
Next	<u>50,000</u>	20	<u>10,000</u>	15	<u>7,500</u>	15
On	150,000		18,700		13,000	13,000
Next	<u>100,000</u>	23	<u>23,000</u>	20	<u>20,000</u>	18
On	250,000		41,700		33,000	31,000
Next	<u>250,000</u>	26	<u>65,000</u>	22	<u>55,000</u>	21
On	500,000		106,700		88,000	83,500
Next	<u>250,000</u>	26	<u>65,000</u>	24	<u>60,000</u>	23
On	<u>750,000</u>		<u>171,700</u>		<u>148,000</u>	<u>141,000</u>
Above	750,000	26		25		24

4. COMPANY INCOME TAX RATES

Assessment Year	2007	2008	2009-2015	2016-2017
Tax Rate (%)	27	26	25	24

Company resident and incorporated in Malaysia with paid-up capital of ordinary shares of RM2.5 million and less at the beginning of the basis period income tax rates are as follows:-

CHARGEABLE INCOME	Tax Rate		
	YA 2009 - 2015	2016	2017
First RM500,000	20%	19%	18%
Above RM500,000	25%	24%	24%

Note:

- 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.

5. INCOME TAX REDUCTION FOR COMPANIES, LIMITED LIABILITY PARTNERSHIP, TRUST BODY, EXECUTOR OF AN ESTATE OF AN INDIVIDUAL WHO WAS DOMICILED OUTSIDE MALAYSIA AT THE TIME OF DEATH AND COURT APPOINTED RECEIVER

The above entities are given tax reduction based on the percentage of increase in their chargeable as compared to the immediate preceding assessment year as follows-

PERCENTAGE OF INCREASE IN CHARGEABLE INCOME AS COMPARED TO THE IMMEDIATE PRECEDING ASSESSMENT YEAR	PERCENTAGE POINT REDUCTION	INCOME TAX RATE AFTER REDUCTION (%)
Less than 5.00	NIL	24
5.00 - 9.99	1	23
10.00 - 14.99	2	22
15.00 – 19.99	3	21
20.00 and above	4	20

The above reduction is given for assessment year 2017 and 2018 only.

6. LIMITED LIABILITY PARTNERSHIP (LLP) RESIDENT IN MALAYSIA

Assessment Year	2015 and before	2016-2017
Tax Rate (%)	25	24

Limited Liability Partnership resident in Malaysia with total contribution of capital (cash or in kind) of RM2.5 million and less at the beginning of the basis period income tax rates are as follows:-

CHARGEABLE INCOME	TAX RATE		
	YA 2015 AND BEFORE	2016	2017
First RM500,000	20%	19%	18%
Above RM500,000	25%	24%	24%

Note:

The 20% and 19% tax rate is not applicable to the above LLP if more than-

- a) 50% of its capital contribution (in cash or in kind) is directly or indirectly contributed by a company; or
- b) 50% of the paid capital (ordinary shares) of the company is directly or indirectly owned by the LLP; or
- c) 50% of the capital contribution (in cash or in kind) of the LLP and 50% of the paid-up capital (ordinary share) of the company is directly or indirectly owned by another company.

“The company”, other than “another company” referred to in the above paragraph, shall have 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.

7. 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 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

8. REAL PROPERTY GAINS TAX RATES (W.E.F. 01.01.2014)

DISPOSAL	COMPANY	NON-CITIZEN AND NON-PERMANENT RESIDENT INDIVIDUAL	OTHER
Within 3 years	30%	30%	30%
In the 4 th . Year	20%	30%	20%
In the 5 th . Year	15%	30%	15%
In the 6 th year onwards	5%	5%	0%

9. INCOME TAX REBATES FOR RESIDENT INDIVIDUALS

REBATES	ASSESSMENT YEAR	
	2007-2008	2009-2017
Resident individual with chargeable income of RM35,000 or less	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	400
Zakat	Amount of zakat paid restricted to amount of tax payable	

10. PERSONAL RELIEF FOR RESIDENT INDIVIDUALS

TYPE OF RELIEF	ASSESSMENT YEAR			
	2013-2014	2015	2016	2017
Self	9,000	9,000	9,000	9,000
Additional relief for disabled tax payer	6,000	6,000	6,000	6,000
Spouse with no income or opt for joint assessment	3,000	3,000	4,000	4,000
Additional relief for disabled spouse who has no income or opt for joint assessment	3,500	3,500	3,500	3,500
Normal child (unmarried and has no income)				
a) age of 18 and below	1,000	1,000	2,000	2,000
b) age above 18 and study in tertiary education institute Local (diploma and above), Overseas (Degree and above)	6,000	6,000	8,000	8,000
Disabled child (unmarried and has no income)	5,000	6,000	6,000	6,000
Age above 18 and studying in tertiary education institute (diploma and above in local education institute or degree and above if study abroad)	11,000	12,000	14,000	14,000

TYPE OF RELIEF	ASSESSMENT YEAR			
	2013-2014	2015	2016	2017
Life insurance premium on tax payer and/or spouse life and contribution to approved fund	6,000	6,000	6,000	6,000
SOCSO	NIL	NIL	250	250
Private retirement scheme	3,000	3,000	3,000	3,000
Education and/or medical insurance for tax payer, spouse and children	3,000	3,000	3,000	3,000
Medical expenses for tax payer, spouse and children with serious diseases	5,000	6,000	6,000	6,000
Complete medical examination on tax payer, spouse and children. Total deduction for medical expenses and examination is restricted to RM5,000	500	500	500	500
Parental care (Note 1)				
a) Father	NIL	NIL	1,500	1,500
b) Mother	NIL	NIL	1,500	1,500
Basic supporting equipment for tax payer, spouse, parent or children who is disabled	5,000	6,000	6,000	6,000
Net deposit in Skim Simpanan Pendidikan Nasional	6,000	6,000	6,000	6,000
Education fee on qualified course for tax payer (Note 2)	5,000	5,000	7,000	7,000
Books, journal and magazine	1,000	1,000	1,000	
Personal computer (once in every 3 years)	3,000	3,000	3,000	
Sports and exercise equipment	300	300	300	
Smartphone and tablet	NIL	NIL	NIL	2,500 (Note 3)
Internet subscription	NIL	NIL	NIL	
Printed newspaper	NIL	NIL	NIL	
Gymnasium membership fee	NIL	NIL	NIL	
Fees paid to child care centres and kindergartens (Note 4)	NIL	NIL	NIL	1,000
Purchase of breastfeeding equipment for child aged up to 2 years. Claimable once in 2 years	NIL	NIL	NIL	1,000

Note:

1. The relief is subject to the following conditions-
 - a) Tax payer does not claim expenses on medical treatment and care of parents;
 - b) Parents are legitimate natural parents and foster parents in accordance to the respective law subject to a maximum of 2 persons;
 - c) Parents aged 60 years and above and reside in Malaysia
 - d) Parents annual income not exceeding RM24,000 for each parent.

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)
3. Effective from assessment year 2017 these relief are combined into new relief known as lifestyle relief with a limit of up to RM2,500
4. The child must be aged up to 6 years, the child care centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education. The relief can only be claimed by either parent.

CAPITAL ALLOWANCE RATES

TYPES OF ASSET	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
Heavy machinery (excluding imported machinery) and motor vehicle: <ul style="list-style-type: none"> • Building & construction industry • Timber industry • Tin mining industry • Imported heavy machinery used in building & construction, mining, plantation and timber industry • Other industry 	<p>30</p> <p>60</p> <p>60</p> <p>10</p> <p>20</p>	<p>20</p> <p>20</p> <p>20</p> <p>10</p> <p>20</p>
Plant & Machinery: <ul style="list-style-type: none"> • Building & construction industry • Timber industry • Tin mining industry • Other industry 	<p>30</p> <p>60</p> <p>60</p> <p>20</p>	<p>14</p> <p>14</p> <p>14</p> <p>14</p>
Others: <ul style="list-style-type: none"> • Building & construction industry • Timber industry • Tin mining industry • Other industry 	<p>30</p> <p>60</p> <p>60</p> <p>20</p>	<p>10</p> <p>10</p> <p>10</p> <p>10</p>
Special plant & equipment: <ul style="list-style-type: none"> • Plant or machinery used by manufacturing company for recycling of wastes (w.e.f. YA 2001) • Bus using natural gas • Natural gas refuelling equipment used at natural gas refuelling outlet 	<p>40</p> <p>40</p>	<p>20</p> <p>20</p>

CAPITAL ALLOWANCE.....CONTD.

TYPES OF ASSET	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
<ul style="list-style-type: none"> Plant or machinery used for qualifying project under Schedule 7A (w.e.f YA 2001) 	40	20
<ul style="list-style-type: none"> Qualifying machinery and equipment used in agriculture sector including plantation (w.e.f. 2005) 	20	40
<ul style="list-style-type: none"> Qualifying equipment used by companies to ensure quality of power supply (w.e.f. 2005) 	20	40
Purchase of mould used in the production of Industrial Building System (IBS) (w.e.f. YA 2006)	40	20
Control equipment used for collecting wastes, limiting environmental pollution and pollution control	40	20

Notes:

1. **“Heavy machinery”** – Bulldozers, cranes, ditchers, Excavators, graders, loaders, rippers, rollers, rooters, scrapers, 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

SMALL VALUE ASSET (VALUE NOT EXCEEDING RM1,000 EACH)

Small value asset refer to asset with cost not exceeding RM1,000.00 each. Effective from assessment year 2015 the limit has been increased to RM1,300 per unit.

Effective from YA 2006 the capital allowance is equal to qualifying expenses but is capped at RM10,000. This limit has been increased to RM13,000.00 effective from assessment year 2015.

Effective from YA 2009 the above limit 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 limit 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 2015

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.

W.e.f. YA 2013 Allowance be extended to companies that install security control and surveillance equipment in residential areas and list of equipment extended to include safety mirrors and panic buttons.

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%

2. Information and communication technology equipment

Effective: Assessment year 2009-2016

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)	10	3
Building used in the business of supplying water, electricity and telecommunication services, agriculture and mining		
Canteen, rest-room, recreation room, lavatory, bathhouse, bathroom or wash-room (with industrial building)	10	3
Building for the welfare or living accommodation of persons employed in the working of a farm		
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

INDUSTRIAL BUILDING ALLOWANCES (IBA).....CONTD

Hotel registered with the Ministry of Tourism	10	3
Public road & ancillary structures on which expenditure is recoverable through toll collection	10	6
Warehouse for purpose of storage of goods for export or imported goods to be processed and distributed or re-exported	NIL	10
Living accommodation for employees employed in manufacturing, hotel, tourism business and approved service project	NIL	10
School and approved educational institution, approved industrial, technical and vocational training	NIL	10
Building constructed for accommodation for employees (with industrial building)	40	3
Building constructed under an approved build-lease-transfer agreement with the Government	10	6
New buildings occupied by MSC status companies in Cyberjaya. (w.e.f YA 2006)	NIL	10
Building acquired/constructed and used by resident BioNexus status company for its new business or expansion projects (w.e.f 02.09.2006)	NIL	10
Child care centre (w.e.f YA 2013)	NIL	10
Pre-school buildings (w.e.f YA 2013)	NIL	10
Old folks care centre	NIL	10
Renovation cost by TRX Marquee status company	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