



B U D G E T

2020

Summary & Comments

11 OCTOBER 2019

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SECTION A

COMMENTARY

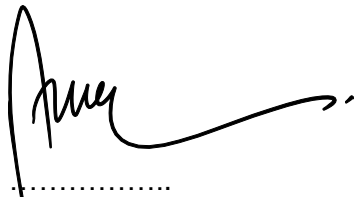
This is the second budget tabled under the Pakatan Harapan government by the Hon. Finance Minister Mr. Lim Guan Eng with the theme being “Driving Growth And Equitable Outcomes Towards Shared Prosperity”

Budget 2020 has four thrusts involving driving economic growth in new economy and digital era, investing in people and revitalization of public institutions and finances utilising 15 budget strategies as follows:

1. Making Malaysia the Preferred Destination for Investment through offering a unique opportunity for Malaysia to be a choice destination for high value-added FDI by setting up the National Committee on Investment (NCI) to overcome delays in approving investments and embarking on comprehensive review and revamp of existing incentive framework comprising Promotion of Investment Act 1986, Special Incentive Package and incentives under the Income Tax Act 1967;
2. Accelerating the Digital Economy through building digital infrastructure, digital applications, digital companies and digital Malaysians;
3. Strengthening Access to Financing for Businesses through facilitating access to financing for SMEs, restructuring development financial institutions and growing Islamic finance;
4. Strengthening Economic Diversity through green growth and energy for the future, commodity development, increasing income of farmers, enhancing research & development framework and visit Malaysia 2020;
5. Enhancing job opportunities for Malaysians through creating better employment opportunities for youth and women and reducing over-dependence on low-skilled foreign workers;
6. Modernising the Labour Market through creating new employment opportunities and enhancing employment conditions as well as social protection of workers;
7. Investing in Education and Talent through upgrading of schools, mainstreaming of TVET programme and education withdrawal from EPF to encourage adults learning in fields relating to IR4.0;
8. Inclusive Development through narrowing inequality and rural-urban divide;
9. Towards Better Health Services to ensure access to quality healthcare for all;
10. Enhancing the Transportation Ecosystem through prioritising public transport, reducing highway toll burden and targeted fuel subsidy;
11. Promoting Access to Housing through funding for affordable homes;
12. Unity through Sports to unite the Rakyat;
13. Promoting Environmental Sustainability through preserving our forests and natural biodiversity as well as defence and public security;
14. Commitment to Fiscal Consolidation through enhancing Government revenue, rationalizing Government expenditure and local content procurement policy;
15. Strengthening Institutions, Governance & Integrity through uplifting the public service.

The Government has been successful in controlling inflation and reducing inflation rate to its lowest since 2007 by abolishing GST and replacing it with SST. The Government is committed to bringing stability to its finances and achieving the Vision 2020 goal under the foundation of “Shared Prosperity Vision 2030”.

The budget is growth oriented with measures designed to optimize the impact on economic growth, job creation and structural change, without compromising commitment to restore fiscal health in the medium term



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SECTION B

HIGHLIGHTS

"Driving Growth and Equitable Outcomes Towards Share Prosperity"

THRUSTS

- Driving economic growth in the new economy and digital era;
- Investing in Malaysians: Levelling up human capital;
- Creating a united, inclusive and equitable society;
- Revitalisation of public institutions and finances.

TAXES

- Tax rate for those earning over 2 million ringgit increased to 30% from current 28% rate
- Tax incentives for arts and tourism sector to support Visit Malaysia 2020
- Increase the donation reporting threshold to RM20,000 under Subsequent 44(6) of the Income Tax Act 1967.
- Tax deduction on donation will be increase from 7% to 10% from the aggregate income.
- Tax exemption for all income will be extended to religious institution or organization registered as a Company Limited By Guarantee with the Companies Commission of Malaysia (CCM)
- Training and coaching services provided by training service provider to the disabled persons will be exempted from services tax.
- Enhanced Real Property Gain Tax (RPGT) treatment by revising the base year for asset acquisition price for the disposal of real properties at 1 January 2013 for asset acquired before 1 January 2013.
- Increased the SME's Chargeable Income up to the first RM600,000 from current RM500,000.
- The Digital Services Tax will be implemented which include services such as downloaded software, music, video or digital advertising.

HUMAN CAPITAL

- Introducing Malaysian@Work costing RM6.5 billion over 5 years to create employment opportunities;
- To increase minimum wage to 1,200 ringgit a month in the main urban areas in 2020.

DIGITAL TRANSFORMATION

- To allocate RM21.6 billion in the National Fiberisation & Connectivity Plan to develop high-speed internet connectivity nationwide through public-private partnerships;
- To introduce 5G Ecosystem Development Grant worth RM50 million;
- To provide a 50% matching grant of up to RM5,000 per company to adopt digitalization measures;
- To allocate up to RM2 million per company for manufacturing and service companies to automate business process;
- To build up to 14 one-stop Digital Enhancement Centres worth RM70 million;
- To introduce Coach and Grow Programme (CGP) for high impact technology entrepreneurs worth RM20 million;
- To provide RM10 million to train micro-digital entrepreneurs and technologist.

FINANCING FOR BUSINESS

- To enhance the Skim Jaminan Pinjaman Perniagaan (SJPP) worth RM500 million;
- To provide an annual interest subsidy of 2% worth RM500 million for the two new introduced funds by SME Bank;
- To increase the ceiling per company Market Development Grant (MDG) from RM200,000 to RM300,000 annually;
- To allocate RM50 million to My Co-Investment Fund (MyCIF);
- To provide RM445 million to bumiputera entrepreneurial development;
- To provide a 2% interest subsidy financing programmes under Bank Pembangunan Malaysia Berhad;
- To provide RM100 million for Small Business Loans via Bank Simpanan Nasional and RM20 million to TEKUN Nasional Skim Pembangunan Usahawan Masyarakat India at 4% interest rate;
- Extend the tax deduction on sukuk issuance cost until year assessment 2025 and Sustainable Responsible Investment Sukuk until year assessment 2023.

COMMODITY DEVELOPMENT

- Government to set aside 550 million ringgit for loans for palm oil replanting
- Allocates 810 million ringgit for FELDA settlers
- To allocate RM27 million to support Malaysian Palm Oil Board's (MPOB);
- To provide RM200 million for Bantuan Musim Tengkujuh under RISDA and Lembaga Industri Getah Sabah;
- To provide RM100 million for Rubber Production Incentive;
- Allocation of RM810 million for welfare of FELDA community;
- Allocation of RM738 million for RISDA and FELCRA.

FOREIGN INVESTMENTS

- Tax incentives include income tax exemption up to 10 years to electrical and electronics (E&E) companies in selected knowledge-based services.
- Special Investment Tax Allowance in E&E sector;
- To extend the tax incentives for foreign investors until 2023.

EDUCATON AND HEALTH

- Allocation of 30.6 billion ringgit to health ministry, up from 28.7 billion ringgit in 2019
- Allocation of 64.1 billion ringgit to education ministry, up from 60.2 billion ringgit last year.

SECTION C

SUMMARY OF AMENDMENTS TO THE INCOME TAX ACT 1967

REVIEW OF INCOME TAX TREATMENT FOR SMALL AND MEDIUM ENTERPRISES

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 is categorised as Small and Medium Enterprises (SME) and subjected to income tax rate of 17% on chargeable income up to RM500,000. The remaining chargeable income is taxed at 24%.
PROPOSED	It is proposed that: <ul style="list-style-type: none">i. the chargeable income limit which is subject to 17% tax rate be increased from up to RM500,000 to up to RM600,000; andii. only companies with paid-up capital or LLP with capital contribution of up to RM2.5 million and having an annual sales of not more than RM50 million are eligible for this tax treatment.
IMPACT	The reduction in income tax rate will support the growth of SME and the proposed amendment will ensure that only eligible SME will benefit from the tax reduction.
EFFECTIVE DATE	From year of assessment 2020.
REFERENCE	Part 1 Paragraph 2A and 2D Schedule 1, ITA 1967

REVIEW OF CAPITAL ALLOWANCE FOR SMALL VALUE ASSETS

PRESENT	Capital allowance on Small Value Assets (SVA) of value not exceeding RM1,300 each is eligible to be fully claimed with a limit of up to RM13,000 for each year of assessment. Small and Medium Enterprises (SME) are eligible to fully claim capital allowance on SVA without any limit.
PROPOSED	It is proposed that: <ul style="list-style-type: none">i. the value of each asset be increased from RM1,300 to RM2,000 for the purpose of claiming capital allowance by SME and non-SME; andii. the limit of qualifying capital allowance eligible to be claimed by non-SME be increased from RM13,000 to RM20,000 for each year of assessment
IMPACT	The proposed amendment will increase the amount of allowance and thus reducing the tax burden of the qualifying tax payer.
EFFECTIVE DATE	From year of assessment 2020
REFERENCE	Paragraph 19A Schedule 3, ITA 1967

**REVIEW OF TAX TREATMENT FOR EXPENSES INCURRED ON
SECRETARIAL FEE AND TAX FILING FEE**

PRESENT	Effective from assessment year 2015, expenses incurred on secretarial and tax filing fees by taxpayers are allowed tax deduction as follows: <ul style="list-style-type: none">i. secretarial fee up to RM5,000; andii. tax filing fee up to RM10,000.
PROPOSED	It is proposed that tax deduction limit on expenses incurred on secretarial fee and tax filing fee be combined and allowed up to RM15,000 each year of assessment.
IMPACT	The proposed amendment provides flexibility to tax payers and will enhance compliance with the revenue and company laws by taxpayers
EFFECTIVE DATE	From year of assessment 2020
REFERENCE	Income Tax Rules to be gazetted.

TAX DEDUCTION ON COST OF LISTING IN BURSA MALAYSIA

PRESENT	Expenses incurred for listing of a company in Primary Market (Main Board), Access, Certainty, Efficiency (ACE) Market and Leading Entrepreneur Accelerator Platform (LEAP) Market in Bursa Malaysia is not eligible for tax deduction.
PROPOSED	<p>It is proposed that deduction of up to RM1.5 million be given to technology-based companies and Small and Medium Enterprises that incur the following listing costs-</p> <ul style="list-style-type: none">i. fees to authorities;ii. professional fees; andiii. underwriting, placement and brokerage fees.
IMPACT	The proposed amendment will assist technology-based companies and Small and Medium Enterprises in raising additional capital through listing in ACE Market or LEAP Market for business growth.
EFFECTIVE DATE	From year of assessment 2020 until year of assessment 2022
REFERENCE	Income Tax Rules to be gazetted.

INCOME TAX EXEMPTION TO RELIGIOUS INSTITUTION

OR ORGANISATION REGISTERED AS A COMPANY LIMITED BY GUARANTEE

PRESENT	Income tax exemption is given on all income received by religious institution or organisation established for the purpose of religious worship and advancement of religion and registered under the Registrar of Societies Malaysia or under any written law governing the institution or organisation. The exemption does not apply to institution or organisation registered under the Companies Commission of Malaysia [Suruhanjaya Syarikat Malaysia (SSM)].
PROPOSED	<p>To provide similar treatment, it is proposed that this income tax exemption be extended to religious institution or organisation registered as Company Limited By Guarantee (CLBG) with SSM. This exemption is subject to the following conditions-</p> <ul style="list-style-type: none">i. income and profit received, and real property acquired is used solely in achieving the objective of the establishment for the purpose of religious worship and advancement of religion;ii. the CLBG is not operated primarily for the purpose of profit; andiii. the CLBG is required to submit tax return annually to the Inland Revenue Board of Malaysia (IRBM) and comply with other requirements set by IRBM.
IMPACT	The proposed amendment will provide similar treatment to the religious institution/organisation registered as CLBG with SSM and will relieve them from tax burden. The tax saving could be used to achieve their objective in religion advancement.
EFFECTIVE DATE	For CLBG approved by IRBM from year of assessment 2020.

REVIEW OF INCOME TAX RATE FOR RESIDENT INDIVIDUAL**PRESENT**

The income tax structure for resident individual is based on progressive rates ranging from 0% to 28% on chargeable income. Effective from the year of assessment 2018, the rates are as follows:

Chargeable Income (RM)	Current Tax Rate (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	8
50,001 - 70,000	14
70,001 - 100,000	21
100,001 - 250,000	24
250,001 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
Exceeding 1,000,000	28

Non-resident individual is subject to income tax at a fixed rate of 28%

PROPOSED

It is proposed that chargeable income band exceeding RM2,000,000 be introduced and income tax rate for resident individual with chargeable income of more than RM2,000,000 be increased by 2 percentage points as follows:

Chargeable Income (RM)	New Tax Rate (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	8
50,001 - 70,000	14
70,001 - 100,000	21
100,001 - 250,000	24
250,001 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
1,000,001 - 2,000,000	28
Exceeding 2,000,000	30

The fixed income tax rate for non-resident individual be increased by 2 percentage points from 28% to 30%.

REVIEW OF INCOME TAX RATE FOR RESIDENT INDIVIDUAL...CONT'D.

IMPACT	The increase in the tax rate will ensure more progressive individual income tax structure and generate more revenue to the government.
EFFECTIVE DATE	From year of assessment 2020
REFERENCE	Part 1 Paragraph 1 and 1A Schedule 1, ITA 1967

EXPANSION OF THE SCOPE OF INCOME TAX RELIEF FOR MEDICAL EXPENSES

PRESENT	Income tax relief of up to RM6,000 is given to taxpayers on medical expenses for serious diseases for self, spouse and children. This tax relief is entitled to be claimed with proof of receipts and certification issued by medical practitioners registered with the Malaysian Medical Council. This tax relief includes expenses of up to RM500 for full medical check-up.
PROPOSED	It is proposed that the scope of income tax relief on medical treatment expenses be expanded to cover the cost of fertility treatment.
IMPACT	The proposed amendment will ease the financial burdens of married couples in seeking fertility treatment.
EFFECTIVE DATE	From year of assessment 2020
REFERENCE	Section 46(1)(g) ITA 1967

INCREASE IN THE LIMIT OF TAX RELIEF FOR FEES PAID TO CHILDCARE CENTRES AND KINDERGARTENS

PRESENT	Effective from the year of assessment 2017, tax relief of up to RM1,000 is given to individual taxpayers who enrol their children aged up to 6 years in childcare 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 child.
PROPOSED	It is proposed that the individual tax relief be increased from RM1,000 to RM2,000.
IMPACT	The proposed increase in tax relief will reduce the financial burden of parents in providing childcare and early childhood education.
EFFECTIVE DATE	From year of assessment 2020
REFERENCE	Section 46 (1) (r) ITA 1967

INCOME TAX REBATE FOR DEPARTURE LEVY IMPOSED ON OUTBOUND AIR PASSENGER PERFORMING *UMRAH* AND PILGRIMAGE TO HOLY PLACES**PRESENT**

Departure levy is imposed on outbound air passengers beginning 1 September 2019 as follows:

Flight Class	Destination / Rate	
	ASEAN (RM)	Other than ASEAN (RM)
Economy	8	20
Other than Economy	50	150

Departure levy for outbound air passengers performing Hajj is borne by Lembaga Tabung Haji. However, departure levy for outbound air passengers performing *umrah* and pilgrimage to holy places is borne by themselves.

PROPOSED

It is proposed that the individual income tax rebate equivalent to the amount of levy paid be given and can be claimed twice in a lifetime. The rebate is to be claimed with proof of boarding pass and subject to either one of the following:

- i. *umrah* visa; or
- ii. confirmation letter on pilgrimage to holy place from religious body recognised by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Department of National Unity and Integration, Prime Minister's Department.

IMPACT

The tax rebate will encourage the Muslims to perform *umrah* and pilgrimage and further encourage the travel industry to grow.

EFFECTIVE DATE

From year of assessment 2019

REFERENCE

Section 6A ITA 1967

**REVIEW OF TAX TREATMENT ON DONATION FOR CHARITABLE AND SPORTS
ACTIVITIES AND PROJECTS OF NATIONAL INTEREST**

PRESENT	<p>Tax deduction of up to 7% of aggregate income for taxpayers other than company and up to 10% of aggregate income for company is given on cash donation or cost of contribution in kind, where applicable, made to:</p> <ol style="list-style-type: none">i. institutions or organisations approved under subsection 44(6), Income Tax Act (ITA) 1967;ii. sports activity approved under subsection 44(11B), ITA 1967; and/oriii. projects of national interest approved under subsection 44(11C), ITA 1967.iv. There is no specific tax treatment on cash wakaf and endowment contributions under the ITA 1967.
PROPOSED	<p>It is proposed that the tax deduction on contribution for charitable and sports activities as well as projects of national interest currently capped at 7% of aggregate income for taxpayers other than company be increased and streamlined to 10%.</p> <p>The tax deduction is also expanded to include contribution as follows:</p> <ol style="list-style-type: none">i. cash wakaf contribution to state religious authority or body established by the state religious authority to administer wakaf;ii. cash wakaf contribution to public university approved by the state religious authority to receive wakaf; andiii. cash endowment contribution to public university.
IMPACT	<p>To encourage philanthropic culture among Malaysians</p>
REFERENCE	<p>Section 44(6), 44(11B), 44(11C), ITA 1967</p>
EFFECTIVE DATE	<p>From year of assessment 2020.</p>

SPECIAL INVESTMENT INCENTIVE FOR ELECTRICAL AND ELECTRONIC SECTOR

PRESENT	Electrical and electronic (E&E) companies engaged in manufacturing activities are eligible for tax incentives under the Promotion of Investment Act 1986 and are entitled for Reinvestment Allowance (RA) for 15 consecutive years of assessment for qualifying capital expenditure incurred on modernisation, expansion and diversification. The special RA is given from the year of assessment 2016 until the year of assessment 2018 to companies that have exhausted the eligibility period of 15 consecutive years to claim RA.
PROPOSED	It is proposed that E&E companies that have exhausted the eligibility period of 15 consecutive years to claim RA be given income tax exemption equivalent to Investment Tax Allowance of 50% on qualifying capital expenditure incurred within a period of 5 years. This allowance can be set-off against 50% of statutory income for each year of assessment.
IMPACT	To encourage E&E companies to continue investing in Malaysia.
EFFECTIVE DATE	For applications received by Malaysian Investment Development Authority from 1 January 2020 until 31 December 2021.

TAX INCENTIVE FOR DEVELOPMENT OF INTELLECTUAL PROPERTY

PRESENT	<p>Tax incentives provided for research and development (R&D) activities among others are as follows:</p> <ul style="list-style-type: none">i. double deduction on in-house R&D expenditure approved by Inland Revenue Board of Malaysia;ii. double deduction on R&D contributions to approved research institutions or expenditures for R&D services obtained from approved institutions or research companies;iii. tax deduction for cost of acquisition of proprietary rights;iv. income tax exemption for companies that commercialise resource based and non-resource based R&D findings; andv. income tax exemption for R&D contract companies that provide R&D services.
PROPOSED	<p>It is proposed that income tax exemption of 100% up to 10 years be given on qualifying intellectual property income derived from patent and copyright software of qualifying activities.</p> <p>For the purpose of computation of the income tax exemption, the Modified Nexus Approach will be adopted to ensure that only income derived from intellectual property developed in Malaysia is eligible for this tax incentive.</p>
IMPACT	<p>To increase intellectual property development activities in Malaysia.</p>
REFERENCE	<p>Income Tax Exemption Order to be gazetted.</p>
EFFECTIVE DATE	<p>For applications received by Malaysian Investment Development Authority from 1 January 2020 until 31 December 2022.</p>

REVIEW OF GREEN TECHNOLOGY INCENTIVE

PRESENT	<p>Effective from 2014, tax incentives for green technology are provided as follows:</p> <ul style="list-style-type: none">i. Green Investment Tax Allowance (GITA) Investment Tax Allowance (ITA) of 100% on capital expenditure for qualifying green activity for the period until 31 December 2020. This allowance can be set-off against up to 70% of statutory income.ii. Green Income Tax Exemption (GITE) Income tax exemption of 100% of statutory income for qualifying green services activity for a period until year of assessment 2020.
PROPOSED	<p>It is proposed that:</p> <ul style="list-style-type: none">i. GITA ITA of 100% on capital expenditure be extended for a period of 3 years for qualifying green activities. This allowance can be set-off against up to 70% of statutory income.ii. GITE<ul style="list-style-type: none">a) Income tax exemption of 70% of statutory income for qualifying green services activities be extended for a period of 3 years of assessment; andb) New tax incentive for solar leasing activities be introduced with income tax exemption of 70% of statutory income for a period of up to 10 years of assessment for solar leasing companies certified by Sustainable Energy Development Authority (SEDA).
IMPACT	<p>To further increase investment in renewable energy.</p>
EFFECTIVE DATE	<ul style="list-style-type: none">i. For item (i): Applications received by Malaysian Investment Development Authority (MIDA) until 31 December 2023.ii. For item (ii): Applications received by MIDA from 1 January 2020 until 31 December 2023.

TAX INCENTIVE FOR THE PURCHASE OF TOURISM VEHICLES

PRESENT	<p>Capital expenditure incurred on the purchase of new buses is eligible for Accelerated Capital Allowance (ACA) under the Income Tax (Accelerated Capital Allowance) (Bus) Rules 2008. ACA can be claimed within one year with initial allowance of 20% and annual allowance of 80% from the year of assessment 2009 until the year of assessment 2011.</p> <p>Excise duty exemption of 50% is given to tour operators on the purchase of locally assembled four wheels drive (4WD) vehicle effective from 2 September 2006.</p>
PROPOSED	<p>It is proposed that licensed tour operators be given:</p> <ol style="list-style-type: none">i. ACA on expenses incurred on the purchase of new locally assembled excursion bus with initial allowance of 20% and annual allowance of 40% to be fully claimed within 2 years; andii. excise duty exemption of 50% on the purchase of new locally assembled vehicles used as tourism vehicles.
IMPACT	<p>The above incentives will encourage tour operators to buy new tourism vehicles to support Visit Malaysia Year 2020</p>
REFERENCE	<p>Income Tax Rules</p>
EFFECTIVE DATE	<ol style="list-style-type: none">i. For item (i): From assessment year 2020 to 2021.ii. For item (ii): For applications received by Ministry of Finance from 1 January 2020 to 31 December 2021.

TAX INCENTIVE FOR ORGANISING CONFERENCES IN MALAYSIA

PRESENT	Companies, associations or organisations in Malaysia whose main activities are promoting and organising conferences are eligible for income tax exemption of 100% of statutory income subject to the organiser bringing in at least 500 foreign participants annually.
PROPOSED	It is proposed that the income tax exemption of 100% of statutory income be expanded to any entities whose main activities are other than promoting and organising conferences provided that the organiser brings in at least 500 foreign participants annually.
IMPACT	To promote Malaysia as the preferred destination for hosting international conferences and tourism in conjunction with Visit Malaysia Year 2020.
REFERENCE	Income Tax Exemption Order to be gazetted
EFFECTIVE DATE	From year of assessment 2020 to 2025.

TAX INCENTIVE FOR ORGANISING ARTS, CULTURAL, SPORTS AND RECREATIONAL ACTIVITIES IN MALAYSIA

PRESENT	<p>The organising of arts and cultural activities approved by Ministry of Tourism, Arts and Culture as well as international sports and recreational competitions approved by Ministry of Youth and Sports are given tax incentives as follows:</p> <ol style="list-style-type: none">i. income tax exemption of 50% of statutory income for organising the approved activities is given to the organiser; andii. income tax exemption is given to a foreigner participating in these activities. <p>These incentives are effective from the year of assessment 1999 until the year of assessment 2000.</p>
PROPOSED	<p>It is proposed that the income tax exemption of 50% be given on statutory income of the company that organise:</p> <ol style="list-style-type: none">i. arts and cultural activities approved by Ministry of Tourism, Arts and Culture; andii. international sports and recreational competitions approved by Ministry of Youth and Sports.
IMPACT	<p>The above incentives will encourage the organising of arts and cultural activities, international sports and recreational competitions in Malaysia. These will attract foreign tourists to visit Malaysia in conjunction with Visit Malaysia Year 2020 program.</p>
REFERENCE	<p>Income Tax Exemption Order to be gazetted.</p>
EFFECTIVE DATE	<p>From assessment year 2020 to 2022.</p>

REVIEW OF TAX DEDUCTION LIMIT FOR SPONSORSHIP OF ARTS, CULTURAL AND HERITAGE ACTIVITIES IN MALAYSIA

PRESENT	Subsection 34(6)(k) Income Tax Act 1967 provides deduction to companies that sponsor local and foreign arts, cultural and heritage activities held in Malaysia and approved by Ministry of Tourism, Arts and Culture. Amount of deduction allowed is equal to amount incurred but shall not in aggregate exceed RM700,000 a year of which the amount deducted in respect of expenditure incurred in sponsoring foreign arts, cultural and heritage activities is limited to RM300,000 a year.
PROPOSED	It is proposed that the above deduction limit of RM700,000 be increased to RM1,000,000 a year out of which amount allowed for sponsoring foreign arts, cultural and heritage activities remains up to RM300,000 a year.
IMPACT	To encourage local arts, cultural and heritage activities in Malaysia.
REFERENCE	Section 34(6)(K) ITA 1967.
EFFECTIVE DATE	From year of assessment 2020.

EXPANSION OF SCOPE OF TAX DEDUCTION ON CONTRIBUTION TO CHARITY AND COMMUNITY PROJECTS

PRESENT	Subsection 34(6)(h) Income Tax Act (ITA) 1967 provides deduction on expenditure incurred by the company on the provision of services, public amenities and contribution to a charity and community project pertaining to education, health, housing, conservation or preservation of environment, enhancement of income of the poor, infrastructure and information and communication technology approved by the Finance Minister.
PROPOSED	It is proposed that the above deduction be extended to include: <ul style="list-style-type: none">i. environmental preservation and conservation projects including forest, island, beach and national park; andii. maintenance and conservation projects for heritage buildings designated by National Heritage Department under the National Heritage Act 2005.
IMPACT	To further encourage the involvement of private sector in the implementation of Corporate Social Responsibility.
REFERENCE	Section 34(6)(h) ITA 1967.
EFFECTIVE DATE	From year of assessment 2020.

EXPANSION OF SCOPE OF TAX INVENTIVES FOR TOURISM PROJECTS

PRESENT	<p>A company that undertakes new investment as well as reinvestment on expansion and modernisation of tourism project including theme park, holiday camp, recreational project and convention centre is eligible for tax incentive as follows:</p> <ul style="list-style-type: none">i. Pioneer Status with tax exemption of 70% of statutory income for a period of 5 years; orii. Investment Tax Allowance (ITA) of 60% on the qualifying capital expenditure incurred within 5 years. This allowance can be set-off against up to 70% of statutory income for each year of assessment.
PROPOSED	<p>It is proposed that the scope of current tax incentives be expanded to include integrated tourism and sports tourism project.</p> <p>It is also proposed that new investment for international theme park be given tax incentive as follows:</p> <ul style="list-style-type: none">i. Pioneer Status with tax exemption of 100% of statutory income for 5 years; orii. ITA of 100% on the qualifying capital expenditure incurred within 5 years. This allowance can be set-off against up to 70% of statutory income.
IMPACT	<p>The proposed expansion of the above incentives will further promote the growth of tourism sector.</p>
EFFECTIVE DATE	<p>For applications received by Malaysia Investment Development Authority from 1 January 2020.</p>

EXEMPTION OF ENTERTAINMENTS DUTY FOR STAGE PERFORMANCE

PRESENT	<p>Full exemption on entertainments duty is given for:</p> <ol style="list-style-type: none">i. stage show and performance for charity purposes;ii. stage show and performance by foreign artistes of international standing and certified by Ministry of Communications and Multimedia Malaysia (MCMC);iii. international performance, exhibition, fair and sports competition held at the National Sports Complex, Istana Budaya, Balai Seni Lukis Negara and Petronas Philharmonic Hall;iv. performance by local artistes held at the Bukit Jalil National Sports Complex and Bukit Kiara Sports Complex;v. stage performance by theatre groups held at the Federal Territory of Kuala Lumpur, Labuan and Putrajaya; andvi. cultural and arts performance by local artistes held at the Federal Territory of Kuala Lumpur, Labuan and Putrajaya. <p>Entertainments duty at the rate of 5% is imposed on stage performance held by local and international artistes that have not been certified by MCMC. This 5% rate is given through the 20% entertainments duty exemption provided under Entertainments Duty (Exemption) (No.24) Order 2006.</p>
PROPOSED	<p>It is proposed that full entertainments duty exemption be given on admission tickets for stage performances that include concerts, singing, music, dances and theatres including cultural and artistic performance by local and international artists held at any venue in the Federal Territory of Kuala Lumpur, Labuan and Putrajaya subject to approval by the relevant local authorities.</p>
IMPACT	<p>To encourage more stage performances to be held in conjunction with the Visit Malaysia Year 2020.</p>
REFERENCE	<p>Statutory Order to be gazetted.</p>
EFFECTIVE DATE	<p>From 1 January 2020 to 31 December 2020.</p>

REVIEW ON TAX INCENTIVES FOR AUTOMATION

PRESENT	<p>Manufacturing company which incurs qualifying capital expenditure on automation equipment is given tax incentive as follows:</p> <ul style="list-style-type: none">i. Category 1: Labour-intensive Industry (rubber, plastic, wood and textile products) Accelerated Capital Allowance (ACA) for automation equipment of 100% on the first RM4 million for qualifying capital expenditure incurred from year of assessment 2015 to year of assessment 2020 and can be utilised within 1 year.ii. Category 2: Industries other than Category 1 ACA for automation equipment of 100% on the first RM2 million for qualifying capital expenditure incurred from year of assessment 2015 to year of assessment 2020 and can be utilised within 1 year. <p>Companies in both categories are also eligible for income tax exemption equivalent to 100% of the ACA on automation equipment.</p> <p>Applications must be submitted to Malaysian Investment Development Authority (MIDA) from 1 January 2015 until 31 December 2020.</p>
PROPOSED	<p>It is proposed that:</p> <ul style="list-style-type: none">i. the incentive period for Category 1 and Category 2 be extended for 3 years until year of assessment 2023; andii. the scope of incentive for Category 2 be expanded to services sector.
IMPACT	<p>To further promote automation and enhance productivity and efficiency in the labour-intensive industry.</p>
REFERENCE	<p>Income Tax Rules to be gazetted.</p>
EFFECTIVE DATE	<ul style="list-style-type: none">i. For item (i): Applications received by MIDA until 31 December 2023.ii. For item (ii): Applications received by MIDA from 1 January 2020 until 31 December 2023.

EXTENSION OF PERIOD OF TAX INCENTIVE FOR ANGEL INVESTOR

PRESENT	<p>Angel investor who invests in investee company in the form of ordinary shares is eligible for tax exemption equivalent to the amount of investment made. The eligibility criteria are as follows:</p> <ul style="list-style-type: none">i. Angel Investor:<ul style="list-style-type: none">a. must be an individual resident in Malaysia and whose source of income is not derived solely from business;b. must not have family relationship with investee company;c. whose investment shall not be more than 30% of the total paid-up share capital of the investee company; andd. whose investment is for the sole purpose of financing the activities of the investee company as approved by Minister of Finance.ii. Investee Company:<ul style="list-style-type: none">a. incorporated under the Companies Act 2016 and resident in Malaysia;b. at least 51% of the company's ordinary share capital is owned by a Malaysian citizen; andc. carry out activities approved by Minister of Finance. <p>This incentive is eligible for applications received by Ministry of Finance (MOF) from 1 January 2018 until 31 December 2020.</p>
PROPOSED	<p>It is proposed that the tax incentive application period for angel investors be extended for a period of 3 years.</p>
IMPACT	<p>To attract more angel investors to contribute towards economic activities through capital financing in investee companies</p>
REFERENCE	<p>Income Tax Exemption Order to be gazetted.</p>
EFFECTIVE DATE	<p>For applications received by MOF until 31 December 2023.</p>

EXTENSION OF PERIOD OF TAX INCENTIVE FOR VENTURE CAPITAL

PRESENT	<p>The enhanced tax incentives for venture capital effective from year 2018 are as follows:</p> <ol style="list-style-type: none"> i. Venture Capital Management Corporation (VCMC) <p>Income tax exemption inclusive of management fees, performance fees and income from the portion of profit (profit sharing) received on investment made by Venture Capital Company.</p> ii. Venture Capital Company (VCC) <p>Income tax exemption is given on statutory income from all sources of income excluding interest income from savings or fixed deposits and profits from Shariah-compliant deposits.</p> <p>Exemption is given for a period of 5 years of assessment from the date of the first confirmation by Securities Commission of Malaysia (SC) for investment in Venture Capital (VC). VCC must be registered with the SC and needs to invest at least 50% of its funds in the early stage, seed and start-up. The remaining 50% is allowed to be invested at other stages of investment. VCC and VC are not related companies.</p> iii. Investment in VCC <p>Companies or individuals with business income investing into VCC funds created by VCMC are given tax deduction equivalent to the amount of investment made in VCC, limited to a maximum of RM20 million a year.</p> iv. Investment in VC <p>Companies or individuals with business income investing in VC are given tax deduction equivalent to the amount of investment in VC.</p> <p>This incentive is effective for applications received by SC from 1 January 2019 to 31 December 2019. The qualifying investment period is until year of assessment 2023.</p>
PROPOSED	<p>It is proposed that the existing tax incentives be extended for a period of 4 years. The qualifying investment period is extended until 31 December 2026.</p>
IMPACT	<p>To further encourage alternative financing through venture capital.</p>
REFERENCE	<p>Statutory Order to be gazetted.</p>
EFFECTIVE DATE	<p>For applications received by SC until 31 December 2023.</p>

EXPANSION OF TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME**PRESENT**

Double deduction is given on qualifying expenditure incurred by companies that implement Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad as follows:

Exemption Period (Year of Assessment)	Academic Level
2012 – 2016	Bachelor's Degree or equivalent
2015 – 2016	Expanded to include: <ul style="list-style-type: none"> • Diploma • Vocational - Diploma Kemahiran Malaysia (DKM) Level 4 and 5
2017 – 2019	Extended and expanded to include: <ul style="list-style-type: none"> • Vocational - Sijil Kemahiran Malaysia (SKM) Level 3
2019 – 2021	Extended and eligible for Bachelor's Degree, Diploma, and Vocational (minimum SKM Level 3) students in engineering and technology field only

Students' eligibility and companies that are eligible to claim for this tax incentive are as follows:

- i. students are Malaysian citizen;
- ii. students must complete the approved internship programme before the end of the final semester;
- iii. minimum internship period of at least 10 weeks; and
- iv. monthly allowance of at least RM500 for each student.

PROPOSED

It is proposed that the existing tax incentive be expanded to include Bachelor's Degree, Diploma, Vocational (DKM Level 4 and 5) and SKM Level 3 students in all academic fields and be extended for a period of 2 years.

IMPACT

To encourage more companies to participate in internship program that will provide an early exposure to the working environment that will increase the employability of local graduates

REFERENCE

Income Tax Rules to be gazette.

EFFECTIVE DATE

From year of assessment 2020 until year of assessment 2021.

EXTENSION OF PERIOD OF TAX INCENTIVE FOR COMPANY PARTICIPATING IN NATIONAL DUAL TRAINING SCHEME

PRESENT	Double deduction is given on expenses incurred by companies participating in National Dual Training Scheme for Industry4WRD programmes approved by Ministry of Human Resources (MOHR). This incentive is for programmes approved from 1 January 2019 until 31 December 2019.
PROPOSED	It is proposed that the existing tax incentive be extended for a period of 2 years.
IMPACT	To encourage more companies to participate in the above programme so as to increase Industry4WRD-ready workforce in line with industry needs.
REFERENCE	Income Tax Rules to be gazette
EFFECTIVE DATE	For programmes approved by MOHR from 1 January 2020 until 31 December 2021.

EXTENSION OF PERIOD OF INCOME TAX DEDUCTION ON PERBADANAN TABUNG PENDIDIKAN TINGGI NASIONAL LOAN AMOUNT PAID BY EMPLOYERS ON BEHALF OF EMPLOYEES

PRESENT	Repayment of Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) loan made by employers from 1 January 2019 until 31 December 2019 on behalf of their employees who are employed on full time basis are eligible for tax deduction. The loan repayment amount made by the employer is considered as part of the employee income (perquisite) and is exempted from personal income tax.
PROPOSED	It is proposed that the existing tax incentive be extended for a period of 2 years.
IMPACT	To encourage more employers to pay their employees PTPTN loan so as to improve the PTPTN's loans repayment performance.
REFERENCE	Statutory Order to be gazette.
EFFECTIVE DATE	For repayment made from 1 January 2020 until 31 December 2021.

**EXTENSION OF PERIOD OF TAX INCENTIVE FOR WOMEN RETURNING TO WORK
AFTER CAREER BREAK**

PRESENT	<p>Income tax exemption is given to women who return to work after a career break. The exemption is given on employment income for a maximum period of 12 consecutive months. The exemption is available in the year of assessment 2018 to the year of assessment 2020.</p> <p>This incentive is available for applications received by Talent Corporation Malaysia Berhad (TalentCorp) from 1 January 2018 to 31 December 2019</p>
PROPOSED	<p>It is proposed that the existing tax incentive be extended for a period of 4 years.</p>
IMPACT	<p>To encourage more women to return to work.</p>
REFERENCE	<p>Income Tax Exemption Order</p>
EFFECTIVE DATE	<p>For applications received by TalentCorp from 1 January 2020 until 31 December 2023.</p>

EXTENSION OF TAX TREATMENT FOR REAL ESTATE INVESTMENT TRUSTS

PRESENT	<p>Investors in Real Estate Investment Trusts (REITs) are subject to the following tax treatment:</p> <ul style="list-style-type: none">i. resident corporate investors receiving profit distribution from REITs listed on Bursa Malaysia are subject to current corporate tax rate;ii. non-resident corporate investors receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final withholding tax at the current corporate tax rate;iii. foreign institutional investors, particularly pension funds and collective investment funds receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final 10% withholding tax from the year of assessment 2009 until year of assessment 2019; andiv. non-corporate investors including resident and non-resident individuals and other local entities receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final 10% withholding tax from the year of assessment 2009 until year of assessment 2019..
PROPOSED	<p>It is proposed that the existing tax treatment be extended for a period of 6 years.</p>
IMPACT	<p>To promote the development of REITs in Malaysia</p>
EFFECTIVE DATE	<p>From year of assessment 2020 until year of assessment 2025.</p>

EXTENSION OF PERIOD OF TAX INCENTIVE FOR ISSUANCE OF SUKUK WAKALAH

PRESENT	<p>Expenses incurred in issuing Sukuk under the principles of Ijarah and Wakalah are eligible for income tax deduction. A further deduction is also eligible to be claimed on additional costs incurred on the issuance of Sukuk under the principles of Ijarah and Wakalah as follows:</p> <ol style="list-style-type: none">i. professional fees relating to due diligence, drafting and preparation of prospectus;ii. Securities Commission of Malaysia prospectus registration fee;iii. Bursa Malaysia processing fee and initial listing fee;iv. Bursa Malaysia new issue crediting fee;v. primary distribution fee;vi. printing costs of prospectus; andvii. advertisement cost of prospectus. <p>This tax incentive is effective from the year of assessment 2019 until year of assessment 2020.</p>
PROPOSED	<p>It is proposed that the existing tax incentives be extended for a period of 5 years as follows:</p> <ol style="list-style-type: none">i. tax deduction for issuance cost of Sukuk under the principle of Wakalah; andii. further deduction on additional issuance cost of Sukuk under the principle of Wakalah. <p>Tax deduction for issuance cost and further deduction on additional issuance cost of Sukuk under the principle of Ijarah are eligible to be claimed until year of assessment 2020.</p>
IMPACT	<p>To promote the issuance of sukuk.</p>
REFERENCE	<p>Income Tax Rules to be gazetted</p>
EFFECTIVE DATE	<p>From year of assessment 2021 until year of assessment 2025.</p>

EXTENSION OF PERIOD OF TAX INCENTIVE ON ISSUANCE OF SUSTAINABLE AND RESPONSIBLE INVESTMENTS SUKUK

PRESENT	<p>Tax deduction is given on the issuance cost of Sustainable and Responsible Investments (SRI) Sukuk either approved by, authorised by or lodged with the Securities Commission of Malaysia. SRI Sukuk refers to the financing of projects with the following objectives:</p> <ul style="list-style-type: none">i. preserve and protect the environment and natural resources;ii. conserve the use of energy;iii. promote the use of renewable energy;iv. reduce greenhouse gas emission; orv. improve the quality of life of society. <p>This tax incentive is given from the year of assessment 2016 until year of assessment 2020.</p>
PROPOSED	<p>It is proposed that the existing tax incentive be extended for a period of 3 years.</p>
IMPACT	<p>To further encourage the issuance of SRI sukuk so as to provide more fund for the preservation of environment and natural resources.</p>
REFERENCE	<p>Income Tax Rules to be gazetted</p>
EFFECTIVE DATE	<p>From year of assessment 2021 until year of assessment 2023.</p>

EXTENSION OF PERIOD OF TAX EXEMPTION ON MANAGEMENT FEE INCOME FOR SUSTAINABLE AND RESPONSIBLE INVESTMENT FUNDS

PRESENT	<p>A company that provides conventional Sustainable and Responsible Investment (SRI) and Shariah-compliant SRI fund management services to local investors, foreign investors and business trust investors or Real Estate Investment Trusts (REITs) in Malaysia, approved by Securities Commission of Malaysia is given tax exemption on management fee income in managing conventional SRI and Shariah-compliant SRI funds.</p> <p>This tax incentive is effective from the year of assessment 2018 until the year of assessment 2020.</p>
PROPOSED	<p>It is proposed that the existing income tax exemption be extended for a period of 3 years.</p>
IMPACT	<p>To promote SRI fund management services in Malaysia</p>
REFERENCE	<p>Income Tax Exemption Order to be gazetted</p>
EFFECTIVE DATE	<p>From year of assessment 2021 until year of assessment 2023.</p>

EXTENSION OF PERIOD OF TAX EXEMPTION ON MANAGEMENT FEE INCOME FOR SHARIAH-COMPLIANT FUND

PRESENT	<p>A company that provides Shariah-compliant fund management services approved by Securities Commission of Malaysia, is given tax exemption on the following income:</p> <ul style="list-style-type: none">i. statutory income derived from business of providing fund management services to foreign investors in Malaysia. This exemption is effective from the year of assessment 2007 until year of assessment 2020;ii. statutory income derived from business of providing fund management services to local investors in Malaysia. This exemption is effective from the year of assessment 2008 until year of assessment 2020; andiii. statutory income derived from business of providing fund management services to business trusts or real estate investment trusts in Malaysia. This exemption is effective from the year of assessment 2014 until year of assessment 2020.
PROPOSED	<p>It is proposed that the existing income tax exemption be extended for a period of 3 years.</p>
IMPACT	<p>To further promote Shariah-compliant fund management services in Malaysia.</p>
REFERENCE	<p>Income Tax Exemption Order to be gazetted.</p>
EFFECTIVE DATE	<p>From year of assessment 2021 until year of assessment 2023</p>

SUMMARY OF AMENDMENT TO THE STAMP ACT 1949 (SA 1949)

STAMP DUTY EXEMPTION ON RENT-TO-OWN SCHEME

PRESENT

Rent-to-Own (RTO) is an alternative financing scheme to assist home ownership where financial institution will initially rent out the house and the tenant is given the option to purchase the house based on the Shariah-compliant principle of Ijarah Muntahia Bi Tamlik.

RTO scheme is implemented as follows:

Financial institution will buy the house that has been identified by the tenant from the housing developer.



Financial institution will sign the Sales and Purchase Agreement (SPA) with the housing developer and execute instrument of transfer (Form KTN14A).



The tenant will sign a rental agreement with the financial institution for a maximum term of 5 years.



After a one-year rental period, the tenant is given the option to purchase the house based on the price set out in the rental agreement.



The tenant who opts to buy the house will sign the SPA with the financial institution and execute instrument of transfer (Form KTN14A).

Stamp duty at ad valorem rate is imposed on instrument of transfer at two levels:

- i. transfer of residential home from housing developer to financial institution; and
- ii. transfer of residential home from financial institution to buyer.

STAMP DUTY EXEMPTION ON RENT-TO-OWN SCHEME...CONT'D.

PROPOSED

It is proposed that Malaysian who purchase first home priced up to RM500,000 under the RTO scheme managed by National Housing Department, Ministry of Housing and Local Government be given full stamp duty exemption on the instrument of transfer for the following transactions:

- i. transfer of residential home from housing developer to financial institution; and
- ii. transfer of residential home from financial institution to buyer.

The above stamp duty exemption is subject to:

- i. financial institutions regulated by Bank Negara Malaysia (BNM) that provide home financing under this RTO scheme must obtain approval from BNM; and
- ii. housing developers collaborating with financial institutions that provide RTO schemes must be registered with National Housing Department, Ministry of Housing and Local Government.

IMPACT

The proposed exemption will reduce the financial burden of house buyers in acquiring their first home.

EFFECTIVE DATE

- i. Transfer of residential home from the housing developer to financial institutions
For SPA executed from 1 January 2020 to 31 December 2022.
- ii. Transfer of residential home from the financial institutions to the buyers
For rental agreement executed from 1 January 2020 to 31 December 2022

STAMP DUTY REMISSION FOR TRANSFER OF PROPERTY BY WAY OF LOVE AND AFFECTION

PRESENT Stamp duty rate on the instrument of real property transfer effective from 1 January 2019 is as follows:

Price/Market Value of Real Property Bands	Stamp Duty Rate
First RM100,000	1%
RM100,001 to RM500,000	2%
RM500,001 to RM1,000,000	3%
RM1,000,001 and above	4%

For transfer of real property from parents to children and vice versa by way of love and affection, stamp duty is remitted at 50%. This remission is given to Malaysian citizen and non-citizen.

PROPOSED Stamp duty remission of 50% on the instrument of real property transfer between parents and children and vice versa by way of love and affection is restricted to Malaysian citizen only.

IMPACT The withdrawal of stamp duty remission previously given to non-citizen will increase revenue to the Government.

EFFECTIVE DATE For instrument of real property transfer executed from 1 January 2020.

REVIEW OF STAMP DUTY ON FOREIGN CURRENCY LOAN AGREEMENT

PRESENT	Conventional and Shariah-compliant loan agreements in foreign currency are subject to stamp duty at an ad valorem rate of RM5 for every RM1,000 of the loan amount, however the maximum amount of stamp duty imposed on each loan agreement is RM500.
PROPOSED	The maximum amount of stamp duty on foreign currency loan agreements be increased from RM500 to RM2,000.
IMPACT	The above proposal will increase revenue to the Government.
EFFECTIVE DATE	For loan agreements executed from 1 January 2020.

SUMMARY OF AMENDMENT TO THE REAL PROPERTY GAINS TAX ACT (RPGT)

REVIEW OF REAL PROPERTY GAIN TAX TREATMENT

PRESENT	<p>From 1 January 2019, the Real Property Gain Tax (RPGT) rate has been increased for the disposal of real properties and shares in the real property company in the 6th and subsequent years as follows:</p> <ol style="list-style-type: none">i. for company, non-citizen and non-permanent resident individual, the RPGT rate is increased from 5% to 10%; andii. for other than company and other than non-citizen and non-permanent resident individual, the RPGT rate is increased from 0% to 5%. <p>RPGT exemption is given to Malaysian citizens for the disposal of low-cost, medium low and affordable residential homes at the price of RM200,000 and below in the 6th and subsequent years. For real properties acquired prior to year 2000, the market price on 1 January 2000 is used as the acquisition price for the disposal of real properties subject to tax under Part 1, Schedule 5, Real Property Gains Tax Act 1976. The tax treatment is effective from 1 January 2019.</p>
PROPOSED	<p>It is proposed that market value as of 1 January 2013 is used as the acquisition price for the disposal of real properties acquired prior to year 2013 for the purpose of RPGT computation.</p>
IMPACT	<p>As the market value as at 1 January 2013 is used as the acquisition price, the deemed acquisition price for asset acquired prior to 2013 will be higher than the amount that was actually incurred. This will reduce the chargeable profit and thus reduce the tax payable.</p>
REFERENCE	<p>Paragraph 2A Schedule 2, Real Property Gains Tax Act 1976</p>
EFFECTIVE DATE	<p>For disposal of real properties made from 12 October 2019.</p>

SECTION D**INDIRECT TAXATION****REVIEW OF EXPORT DUTY RATE ON CRUDE PALM OIL****PRESENT**

Effective from 1 January 2013, export duty rate on Crude Palm Oil (CPO) after taking into consideration of partial export duty exemption are as follows:

CPO Market Price (FOB RM/tonne)	Current Export Duty Rate (%)
<2,250	Nil
2,250 – 2,400	4.5
2,401 – 2,550	5.0
2,551 – 2,700	5.5
2,701 – 2,850	6.0
2,851 – 3,000	6.5
3,001 – 3,150	7.0
3,151 – 3,300	7.5
3,301 – 3,450	8.0
>3,450	8.5

PROPOSED

Export duty rate on CPO after taking into consideration of partial export duty exemption be reviewed as follows:

CPO Market Price (FOB RM/tonne)	New Export Duty Rate (%)
<2,250	Nil
2,250 – 2,400	3.0
2,401 – 2,550	4.5
2,551 – 2,700	5.0
2,701 – 2,850	5.5
2,851 – 3,000	6.0
3,001 – 3,150	6.5
3,151 – 3,300	7.0
3,301 – 3,450	7.5
>3,450	8.0

IMPACT

Will increase and encourage the export of crude palm oil

EFFECTIVE DATE

From 1 January 2020

INTRODUCTION OF APPROVED MAJOR EXPORTER SCHEME UNDER THE SALES TAX ACT 2018

PRESENT

Section 40, Sales Tax Act 2018 provides drawback facility where the Director General of Customs may refund the amount of sales tax paid on goods imported or purchased, and subsequently exported.

Item 4, Schedule B, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 exempts manufacturer who purchases raw materials, components and packaging materials for the manufacturing of exempted goods for export.

To enjoy the above facilities, the traders or manufacturers of exempted goods must determine in advance the quantity of goods imported or purchased which are subsequently exported or sold in the local market, and the goods imported for the purpose of export are not sold locally or brought into the Principal Customs Area.

PROPOSED

To improve the existing drawback and exemption facility and to maintain the competitiveness of export-oriented companies in Malaysia, it is proposed that Approved Major Exporter Scheme be introduced under the Sales Tax Act 2018. Through this scheme, the approved traders and manufacturers of exempted goods are:

- i. eligible for full sales tax exemption on the importation and purchase of goods or raw materials, components and packaging materials; and
- ii. not required to determine the quantity of goods to be exported at the time of importation or purchase of goods.

Sales tax shall be paid for:

- i. the portion of trading goods or manufactured exempted goods that are not exported or sold in local market, based on the prescribed formula; and
- ii. waste or refuse of raw materials, components and packaging materials used for the manufacturing of exempted goods that are disposed or sold in the local market.

Traders or manufacturers of exempted goods are eligible to apply for the scheme subject to an export of not less than 80% of their annual sales.

IMPACT

Less hassle in doing business as a result of improvement in drawback and exemption facility.

EFFECTIVE DATE

From 1 July 2020

IMPROVEMENT ON GROUP RELIEF FACILITY UNDER SERVICE TAX

PRESENT	<p>Group relief facility is provided under the First Schedule, Service Tax Regulations 2018. Through this relief, the taxable service under professional group (except employment services and security services) that is provided by a company to another company within the same group of company is not subjected to service tax.</p> <p>This relief has been extended to the importation of taxable services under professional group from a company within the same group of company outside Malaysia.</p> <p>The regulation also stipulates that the relief will be nullified when the company provides the taxable services to a third party who is not within the same group of company.</p>
PROPOSED	<p>Group relief be allowed for the taxable services under professional group provided by a company to a third party who is not within the same group of company.</p> <p>This facility is subject to a condition that the value of services provided to the third party does not exceed 5% of the total value of services provided by that company within 12 months.</p>
IMPACT	<p>Less hassle in doing business.</p>
EFFECTIVE DATE	<p>From 1 January 2020</p>

SERVICE TAX EXEMPTION ON PROVISION OF TRAINING AND COACHING SERVICES FOR DISABLED PERSON

PRESENT	<p>Effective from 1 January 2019, training and coaching services have been categorised as taxable services under Item 7, Group G, First Schedule, Service Tax Regulations 2018. The training and coaching services are subject to a 6% service tax, except for services provided by:</p> <ol style="list-style-type: none">i. research and development company as well as contract research and development company under Section 2, Promotion of Investment Act 1986;ii. approved research institutes under Section 34B, Income Tax Act 1967; oriii. Federal or State Government, local authorities or statutory bodies.
PROPOSED	<p>Service tax exemption be given on the training and coaching services to disabled persons with hearing, visual, physical, speech, mental, and learning disabilities provided by the service providers as follows:</p> <ol style="list-style-type: none">i. training and coaching centres registered with Ministry of Health Malaysia or Department of Social Welfare; orii. training and coaching centred are endorsed by any national association for disable persons registered with Registrar of Societies Malaysia.
IMPACT	<p>Less hassle in doing business.</p>
EFFECTIVE DATE	<p>From 1 January 2020</p>

SECTION E

SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES

1. DRIVING ECONOMIC GROWTH IN THE NEW ECONOMY AND DIGITAL ERA

1.1 Foreign Direct Investment (FDI)

- Provide customised packaged investment incentives up to RM1 billion annually over 5 years to attract foreign investment as well as to create 150,000 high quality jobs over the next 5 years.
- To offer customised packaged investment incentives worth up to RM1 billion over 5 years in an attempt to transform Malaysia's best local businesses into the most competitive enterprises in the global market as well as to create 100,000 high quality jobs over the next 5 years.
- To allocate RM10 million to the Ministry of International Trade and Industry in an attempt to focus on post-approval investment monitoring and realisation.

Purpose To make Malaysia the preferred destination for FDI and to penetrate new economic opportunities as well as to become a competitive country globally.

1.2 Improving Ports and Logistic System

- RM50 million is allocated for the repair and maintenance of roads to Port Klang.
- RM8.3 billion cost to undertake a feasibility study on the Serendah-Port Klang Rail Bypass and Klang Logistics Corridor, a dedicated privatised highway connecting Northport and Westport for commercial vehicles.
- To introduce a deferred payment facility to expedite the clearance process of cross border transactions.
- RM50 million allocated to stimulate public-private partnerships and strengthen trade with Thailand via 100-acre logistics hub, Kota Perdana Special Border Economic Zone (SBEZ) at Bukit Kayu Hitam which would also provide job opportunities to more than 600 people.
- RM1.1 billion is allocated to support projects for corridor development activities such as RM50 million for the development of Chuping Valley, RM69.5 million for the Kuantan Port related projects by ECERDC, RM42 million for the construction of Sungai Segget Centralised Sewerage Treatment Plant in Johor by IRDA, RM55 million for infrastructure in the Samalaju Industrial Park in Sarawak by RECODA and RM20 million for the Sabah Agro Industrial Precinct by SEDIA.

Purpose To emphasise better infrastructure and facilitate trade movement through port and logistics systems.

1.3 Building Digital Infrastructure

- RM21.6 billion of investment allocated to construct a Digital Malaysia by implementing National Fiberisation and Connectivity Plan (NFCP) over the next 5 years.
- RM250 million is provided to leverage on various technologies via satellite broadband connectivity for rural areas especially in Sabah and Sarawak.
- RM210 million is allocated to accelerate the deployment of new digital infrastructure for public buildings, particularly schools and also high impact areas such as industrial parks.

Purpose To improve the quality of digital connectivity nationwide.

1.4 Building Digital Applications

- RM50 million grant is provided to introduce 5G Ecosystem Development which will seed technological developments by Malaysian companies to ride the global 5G wave.
- RM25 million is allocated to set up a contestable matching grant fund to spur more pilot projects on digital applications.
- RM20 million will be allocated to grow local champions in creating digital content, especially in e-Games, animation and digital arts.

Purpose To encourage and emphasis of digital development growth.

1.5 Building Digital Companies

- RM500 million is allocated over 5 years to provide 50% matching grant of up to RM5,000 per company in the adoption of digitalisation measures for their business, including electronic Point Of Sale systems (e-POS), Enterprise Resource Planning (ERP) and electronic payroll system. This grant is limited to the first 100,000 SMEs applying to upgrade their systems.
- RM550 million is allocated to provide Smart Automation matching grants to 1,000 manufacturing and 1,000 services companies to automate their business processes. This Grant will be given on a matching basis up to RM2 million per company.
- RM70 million is provided to build 14 one-stop Digital Enhancement Centres in all states to facilitate access to financing and capacity development of business, especially SMEs in line with the Fourth Industrial Revolution (IR4.0).
- RM20 million is provided to Cradle Fund for training and grants for Coach and Grow Programme (CGP) for high impact technology entrepreneurs.

Purpose To encourage digital usage in SME businesses.

1.6 Building Digital Malaysians

- Introduce the concept of Digital Social Responsibility (DSR) to contribute to digital economic development by the business sectors. Contributions towards DSR by the companies will be given tax deduction.
- RM10 million will be given to continue training micro-digital entrepreneurs and technologies to leverage on e-Marketplaces and social media platforms to sell their products.
- RM20 million is allocated for the growing potential of e-Sports.
- RM450 million is allocated to boost of e-wallets usage. The Government will offer a one-time RM30 digital stimulus to qualified Malaysians aged 18 and above with annual income less than RM100,000.

Purpose 1) To ensure gains arising from successful Digital Companies are shared with the Rakyat.
2) To accelerate transformation in using digitalisation among the Malaysia community.

1.7 Business Financing

- Implement enhancements to the Skim Jaminan Pinjaman Perniagaan (SJPP) with 80% of Government guarantee for Bumiputera SMEs involve in export-oriented and investing in automation and digitalisation.
- RM500 million is allocated to a new SJPP in guarantee facility for women entrepreneurs.
- Government will provide an annual interest subsidy of 2% to reduce borrowing costs by introducing two new funds which is:-
 - 1) RM200 million fund specifically for women entrepreneurs, offering loans of up to RM1 million per SME and
 - 2) RM300 million funds to Bumiputera SMEs with priority given to halal producers products and manufacturers with high local content.
- RM10 million is allocated to focus on advocacy and awareness for local players of halal product producers to tap on global halal market.
- RM50 million is provided to encourage SMEs to engage in more export promotion activities to remain competitive.
- Additional RM50 million is allocated to encourage new digital financial innovations such as Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) to help finance the SMEs with difficult access to business financing.
- Tax incentives given to venture capital and angel investors will be extended until the year 2023.
- RM1 billion is provided to catalyse and promote financing to construction consortiums bidding for projects and concessions overseas in the form of 1:5 matching guarantee for dedicated private equity funds to invest in Malaysian Consortiums.

1.7 Business Financing...Cont'd.

- RM445 million grants is provided for access to financing, provision of business premises and entrepreneur training to support Bumiputera entrepreneurial development and has been allocated by RM150 million for entrepreneurship development, RM75 million for capacity building and export focus, RM170 million for access of financing and RM50 million for entrepreneurship under Unit Peneraju Agenda Bumiputera.
- Financing programmes with 2% interest subsidy per annum to support strategic projects via Sustainable Development Financing Fund increased from RM1 billion to RM2 billion, RM1 billion for Maritime and Logistics Fund, and RM2 billion for Industry Digitalisation Transformation.
- RM100 million is allocated for Small Business Loans for Chinese community at an interest rate of 4%.
- RM20 million is allocated for Small Business Loans for Indian entrepreneurs at an interest rate of 4%.

Purpose To strengthen and better facilitate access to financing for SMEs in priority segments.

1.8 Restructuring Development Financial Institutions (DFIs)

- Proposing a 2-phase restructuring plan for DFIs to form a new financial institution through the merger of Bank Pembangunan Malaysia, Danajamin Nasional, SME Bank and the Export-Import Bank of Malaysia

Purpose To support the nation's development goal and serve the needs and requirements of the new economy.

1.9 Growing Islamic Finance

- To formulate the Islamic Economic Blueprint with all the relevant agencies and organise outreach initiatives as well as professional courses to promote a deeper understanding of Islamic Finance nationwide.

Purpose To further promote Islamic fund and to position Malaysia as the centre of excellence for Islamic finance.

1.10 Commodity Development

- RM550 million allocated to palm oil replanting loan fund for small holders collateral-free at an interest rate of 2% per annum, with a tenure of 12 years including a 4 year moratorium on repayment.
- RM27 million allocated to support Malaysian Palm Oil Board's (MPOB) efforts to market palm oil internationally and counter anti-palm oil campaigns.
- Enhanced implementation of biodiesel which is expected to increase palm oil demand by 500,000 tonnes per annum.
- RM200 million allocated for Bantuan Musim Tengkujuh to eligible rubber smallholders under RISDA and Lembaga Industri Getah Sabah (LIGS).
- RM100 million allocated for Rubber Production Incentive in 2020.
- RM810 million provided for the welfare of FELDA community and allocated by RM250 million for an income enhancement program benefiting 11,600 settlers, RM300 million to write-off the interest of the settlers' debts, RM100 million for the FELDA water supply projects, RM70 million for housing the new generation of FELDA settlers and RM90 million for the upgrading of FELDA roads and basic infrastructure.
- RM738 million allocated for RISDA and Federal Land Consolidation and Rehabilitation Authority (FELCRA) to implement various income-generating programmes.

Purpose To support industry of palm oil and rubber which is in concern by the impact of low commodity prices affecting the livelihoods of Malaysians in this sector.

1.11 Increasing the Incomes of Farmers

- RM4.9 Billion allocation to Ministry of Agriculture
- To increase fishermen allowance from RM200 to RM250 per month, with a total allocation of RM152 million for 2020.
- RM150 million is allocated to facilitate crop integration to help supplement income of farmers, fishermen and smallholders.
- RM30 million is allocated for the production of glutinous rice in Langkawi Island expected to benefit 1,200 farmers.
- RM855 million is allocated for padi inputs in 2020 under the Skim Baja Padi Kerajaan Persekutuan (SBPKP) and Skim Insentif Pengeluaran Padi (SIPP).
- The Government continues the subsidy for Padi Bukit and Padi Huma.
- RM43 million is allocated for Agriculture Industry 4.0 in developing new crop varieties higher productivity and quality.

Purpose To support the industry of farmer and fisherman towards enhancing their incomes.

1.12 Enhancing Research & Development (R&D) Framework

- M524 million is allocated to intensify R&D in the public sector to Ministries and Public Agencies.
- RM30 million is allocated for R&D matching grants for collaborations with industry and academia to develop higher value added downstream uses of palm oil.
- RM10 million allocated for Research Management Agency to centralise and coordinate the management of public research resources.
- RM11 million allocated for initiatives to encourage more students into the fields of Science, Technology, Engineering and Mathematics (STEM)

Purpose To enhance Malaysia's R&D framework.

1.13 Visit Malaysia 2020

- RM1.1 billion allocated to the Ministry of Tourism, Arts and Culture, including an allocation of RM90 million to drive awareness, promotions and programmes for the VMY2020 campaign.
- RM100 million contribute to construction of a new cable car system to Penang Hill, with any additional costs to be financed by the State Government.
- The Government will allocate RM5 million to Cultural Economy Development Agency (CENDANA) in support Malaysian visual art galleries and exhibition organisers.
- RM10 million will be allocated to Think City to preserve culture and urban heritage.
- RM25 million allocated to the Malaysian Healthcare Tourism Council (MHTC) to promote Malaysia as a destination for health tourism in ASEAN for oncology, cardiology and fertility treatment.

Purpose Primary effort to brand Malaysia as one of the top destinations for tourism, with a target of achieving 30 million tourists.

2. INVESTING IN MALAYSIANS - LEVELLING UP HUMAN CAPITAL

2.1 Enhancing job opportunities for Malaysians

The Government will be launching the Malaysians@Work initiative which are programmes directed at providing both wage incentives for workers and hiring incentives for employers as follows:

- RM 500 per month of wage incentive for graduates who secures work duration of two 2 years and RM300 per month hiring incentive received by employers for each new hire for 2 years under the Graduates@Work programme which is to encourage hiring of graduates who have been unemployed for more than 12 months.
- RM500 per month of wage incentive for returning women workers for two years and RM300 per month for corresponding hiring incentive for employers for 2 years under Women@Work programme which seeks to create 33,000 job opportunities per year for women who have stopped working for a year or more, and are between 30-50 years-old.
- RM350 or RM500 per month of wage incentive (depending on the sectors), for a duration of two years and RM250 per month for 2 years for corresponding hiring incentive for employers for two years under Locals@Work programme which is aimed at incentivising the shift away from low-skilled foreign workers to local workers.
- Additional RM100 per month of allowance for trainees on apprenticeships under Apprentice@Work which is TVET incentive programme, aimed at encouraging more youth to enter TVET courses.
- The Government anticipates that the Malaysians@Work initiative will cost RM6.5 billion over five years and create an additional 350,000 jobs for Malaysians and reduce foreign workers dependency by more than 130,000.
- The Government will allocate an additional RM30 million in 2020 to provide more TASKAs to improve the working environment for women and parents in general.

Purpose To create better employment opportunities for youth and women and to reduce over-dependence on low-skilled foreign workers.

2.2 Modernising the Labour Market

- To increase maternity leave to 90 days effective 2021.
- To extend the eligibility of overtime to those earning less than RM4,000 a month
- To increase the minimum wage rate only in major cities to RM1,200 per month effective 2020.

Purpose To pursue efforts to modernise our labour market and enhance the employment conditions of workers.

2.3 Enhancing social protection

- Employee Provident Fund (EPF) will extend coverage of contract workers, for those under Contract for Services and Professionals.
- Social Security Organisation (SOCSO) will be expanded to enable contributions by other self-employed groups.
- SOCSO will build a new RM500 million rehabilitation centre in Perak to mirror the success of the SOCSO Rehabilitation Centre in Melaka. The new centre will be equipped with the latest technology including robotics, trauma treatment and with a centre of excellence for prevention of accidents, in collaboration with relevant agencies.

Purpose To enhance social protection for workers.

2.4 i-Suri for Spouse

- RM20 million allocated in 2020 to further extent the benefits under i-Suri via social safety coverage under SOCSO.

Purpose To contribute to the welfare for housewives with social safety coverage under SOCSO.

2.5 Upgrading our Schools

- Increase the allocation for school maintenance and upgrading works from RM653 million to RM735 million, as follows:

National Schools	RM300 million
National-type Chinese Schools	RM50 million
National-type Tamil Schools	RM50 million
Boarding Schools	RM50 million
MARA Junior Science Colleges	RM50 million
Government Aided Religious Schools	RM50 million
Missionary Schools	RM50 million
Tahfiz Schools	RM50 million
People's Religious School & Private Religious School	RM25 million
Registered Religious Pondok Schools	RM25 million
National-type Secondary Schools	RM20 million
Independent Chinese Secondary Schools	RM15 million

2.5 Upgrading our Schools...Cont'd.

- RM783 million is allocated to ensure a safe and comfortable learning environment, particularly for schools in Sabah and Sarawak. RM23 million is allocated for National Schools to ensure facilities are disabled friendly.
- To increase the amount of utility assistance to include sewerage services by RM12 million benefitting 2,000 government-aided schools.

Purpose To provide quality education at different stages of life for the Rakyat.

2.6 Mainstreaming TVET

The increasing of allocation from RM5.7 billion to RM5.9 billion on Technical & Vocational Education & Training (TVET), including to:

- Further strengthen the public and private sectors' synergy, RM50 million will be provided through Perbadanan Tabung Pembangunan Kemahiran (PTPK) to fund TVET courses conducted by State Skills Development Centres (SSDCs).
- Allowing Public Skills Training Institutions (ILKA) to utilise surplus revenues generated from TVET courses provided to the industry.
- Providing matching grant fund of RM20 million to support customised TVET courses.
- The Malaysia Technical University Network (MTUN) universities will offer degree courses for trainees graduating from Vocational Colleges.
- RM30 million will be provided to train more than 3,000 youths from low income households under Human Resource Development Fund (HRDF) with collaboration with the industry.

Purpose To provide a highly skilled and competitive workforce.

2.7 Professional certifications

- RM20 million will be allocated to be matched by another RM20 million from HRDF to encourage working adults to undertake professional certification examination.

Purpose To encourage adult learning and enhance the professional workforce.

2.8 MARA and Yayasan Peneraju

- A sum of RM1.3 billion is allocated for education institutions under MARA.
- Further allocate of RM2 billion for student loans benefitting 50,000 students.
- A sum of RM192 million will be allocated for professional certification programmes under Yayasan Peneraju

Purpose To emphasise on learning opportunities for low-income and rural based areas Bumiputera.

3. CREATING A UNITED, INCLUSIVE AND EQUITABLE SOCIETY

3.1 Inclusive Development

- RM587 million will be allocated for rural water projects, out of which RM470 million for Sabah and Sarawak.
- RM500 million will be allocated for rural electrification benefiting more than 30,000 rural households.
- RM1 billion will be allocated for rural roads throughout Malaysia. Primarily targeted at Sabah and Sarawak with an allocation of RM326 million and RM224 million respectively.
- To complete the Pan Borneo Highway project.
- To increase the Special Grant, doubling it in 2020 to RM53.4 million for Sabah and RM32 million for Sarawak.
- RM4.85 billion will be provided under the MARRIS fund from the Federal to all state governments to maintain roads.
- RM170 million will be allocated toward subsidising the cost of transportation and distribution for basic goods to rural areas.

Purpose Narrowing inequality and the rural-urban divide.

3.2 Subsidies and Social Assistance

- Subsidies and social assistance will be increased to RM24.2 billion in 2020.
- RM5 billion will be allocated for Bantuan Sara Hidup (BSH) and expansion of the scheme to cover 1.1 million single individuals aged above 40 years old who are earning less than RM2,000 per month.
- All disabled persons aged 18 years old and above, with an income less than RM2,000 per month will also be covered.
- They will be entitled to receive BSH payment of RM300, and qualify automatically as a recipient of the free MySalam Takaful scheme.

Purpose To ease the burden of the Rakyat.

3.3 Social Enterprise and Community Development

- RM575 million will be allocated to senior citizens whose household income is below the poverty level.
- RM4.6 million will be allocated to the Senior Citizens Activity Centre (PAWE) to cover the expenditure of 129 centres across Malaysia.
- RM80 million will be allocated towards upgrading, repair and maintenance of 67 various institutions under the Department of Social Welfare (JKM).
- RM25 million will be allocated for the Food Bank Program.
- RM20 million will be allocated for five new Independent Learning Centres, Down Syndrome training and a disabled TASKA.
- RM15 million will be allocated to the National Anti-Drugs Agency's pilot RINTIS program on drug addict rehabilitation with NGOs and local communities.

3.3 Social Enterprise and Community Development...Cont'd.

- RM4.5 million will be allocated to Anjung Singgah which will benefit about 7,000 homeless Malaysians.
- RM20 million will be allocated to expand skills training and programmes that meet the national TVET standard.
- RM10 million will be allocated to Malaysian Global Innovation & Creativity Centre (MaGIC).
- RM10 million will be allocated to Malaysia Co-Investment Fund Scheme (MyCIF).
- RM57 million will be allocated to Department of Orang Asli Development (JAKOA).
- RM83 million will be allocated for overall economic development, education and infrastructure of the Orang Asli.
- RM100 million grant will be allocated to Malaysia Indian Transformation Unit (MITRA).
- RM85 million will be allocated to support the development and repair of basic infrastructure in new villages.

Purpose To strengthen initiatives targeted at improving the socio-economic situation, skills development, health, education and communities.

3.4 Bumiputera Agenda

- RM6.6 million will be allocated for Bumiputera institutions focused on education such MARA, UiTM and Yayasan Peneraju Pendidikan Bumiputera.
- RM1 billion of financing for Bumiputera SMEs such as through SJPP and SME Bank
- RM445 million provided for entrepreneurship programmes mainly under SMECorp, Pelaburan Hartanah, PUNB, TEKUN and TERAJU.
- The Government will continue to ensure at least 30% of tenders of each Ministry are reserved for only Bumiputera contractors.

Purpose To ensure the development of the Bumiputera community is in tandem with the economic growth.

3.5 Upholding Islam

- The government will increase the allowance to Al-Quran and Fardu Ain class (KAFA) Teachers by RM100 a month with an additional cost of RM46 million.
- One-off special bonus of RM500 for each Imam, Bilal (Muezzin), To Siak/Noja/Merbot (mosque caretakers) and Guru Takmir.
- RM10 million will be allocated to the Department of Islamic Development Malaysia (JAKIM).

Purpose To uphold the Federal Constitutional position of Islam as the religion of the Federation.

3.6 Ministry of Health for healthcare services

- RM1.6 billion will be allocated for the construction of new hospitals as well as upgrading and expansion of existing ones.
- RM319 million will be allocated for the construction and upgrading of health and dental clinics, as well as quarters facility.
- RM227 million will be allocated to upgrade medical equipment.
- RM95 million will be allocated for renovation of medical infrastructure and facilities.
- RM60 million will be allocated to kick-start the pneumococcal vaccination for children.
- RM59 million will be allocated in collaboration with NGO medical ambulance services to acquire more ambulances.
- RM31 million will be allocated for upgrading and maintenance of ICT services.
- RM5 million will be allocated to provide mobile clinics in rural areas, especially Orang Asli to get medical treatment.

Purpose Towards better health services

3.7 Expansion of MySalam & PEKA B40

- MySalam was a new social protection scheme introduced by Government this year with takaful coverage in the event of a critical illness and hospitalisation.
- Starting 1 January 2020, the coverage will be extended to:
 - 1) Cover 45 illnesses from the existing 36, including polio and terminal illness;
 - 2) Those aged up to 65 years old, compared to the current 55 years old;
 - 3) Those with gross annual income up to RM100,000. They will receive critical illness pay out of RM4,000 and RM50 daily hospitalisation income replacement for up to 14 days when diagnosed and warded at Government hospitals.
- The Government has also launched the Skim Peduli Kesihatan (PeKA) B40 to provide screenings and early intervention for non-communicable diseases such as mental health and cancer for those aged between 50 and 60 years old. The Government will expand its coverage to those aged 40 and above.

Purpose To enhance the health level of the Rakyat and quality of healthcare in the country.

3.8 Fertility Incentive

- EPF will introduce a new category of withdrawals, allowing for fertility treatment such as in-vitro fertilisation (IVF) procedure.

Purpose To assist couples seeking fertility treatments.

3.9 Private Retirement Schemes (PRS)

- The Government will allow for pre-retirement withdrawals for the PRS for the purpose of healthcare and housing with the same terms and conditions as that allowed by EPF and not subject to any penalty for early withdrawal.

Purpose To ease the burden and to benefit the Rakyat.

3.10 Prioritising Public Transport

- Introduced My100 and My50 monthly travel passes providing unlimited travel on all rail and bus services which has benefited for 120,000 users.
- RM450 million for 500 electric buses nationwide.
- RM146 million allocated for last-mile especially in rural and urban areas by subsidise bus operators.
- RM50 million is provided to upgrade rail tracks from Gorge Line between Halogilat Station to Tenom Station in Sabah.
- Inviting proposals from public private partnership for the upgrading of Ipoh's Sultan Azlan Shah Airport.
- RM85 million is provided to ease congestion at the Causeway and 2nd Link to upgrade traffic flow and vehicle through Customs, Immigration and Quarantine Complex.

Purpose 1) To improve the public transport system
2) To encourage citizens to use public transportation.

3.11 Reducing highway toll burden

- 18% discount on Toll Charges across all North South Highway (PLUS) which will directly save up to RM1,130 million next year and a total of RM43 billion over the entire concession Period until 2038.
- The government introduced congestion charges that will be lowered by up to 30% during near peak and normal hours and free during off-peak hours. Subsequently caused saving to RM180 million a year or RM2 million over concession periods.
- Standardise toll rates for the First and Second Penang Bridge from RM8.50 to RM7.00.

Purpose To ease the burden and to benefit the Rakyat.

3.12 Targeted Fuel Subsidy

- Eligible recipients of BSH will be entitled to receive fuel subsidy RM30 per month for cars and RM12 for motorcycles after qualifying certain criterias.
- Ineligible BSH recipients for motorist entitled to receive a special Kad95 which allows fuel subsidy at a discount of 30 cent per litre limited to 100 litres for cars or 40 litres for motorcycles during the purchase of RON95 after qualifying certain criterias.
- Fuel subsidies are eligible when the RON95 market price, determined by Automatic Pricing Mechanism (APM) is above RM2.08 per litre. No fuel subsidies will be given when the market-determined APM price falls below RM2.08 per litre.
- RM2.2 million is allocated for the Targeted Subsidy Programme (PSP) and directly benefits more than eight million motorists.

Purpose To ease the burden and to benefit the Rakyat.

3.13 Fund for affordable homes

- Home Ownership Campaign was launched by the government where developers provide at least 10% discount for qualified properties.
- Rent To Own (RTO) financing scheme is a collaboration between the government and financial institution where RM10 billion is allocated by financial institutions with the support from Government via 30% or RM30 billion.
- To reduce the price of condominiums and apartments in urban properties for foreign ownership from RM1 million to RM600,000.
- Youth Housing Scheme by Bank Simpanan Nasional will be extended from January 2020 until 31 December 2021. 10% loan guarantee offer by these scheme to ease borrowers of full financing and RM200 monthly instalment for first two years limited to 10,000 home units.
- RM100 million will be allocated to repair and refurbish low and medium cost strata housing.
- RM15 million will be provided to Safe City Initiative (Bandar Selamat).

Purpose

- 1) To increase the home-ownership of the Rakyat.
- 2) To empathise with the Rakyat's need to own affordable houses, particularly for lower-income groups.

3.14 Sports agenda

- RM299 will be allocated for the 'Sports for All' program including rehabilitating and upgrading sports facilities and all sports complexes throughout the country.
- RM179 million for preparation of international sports event including Tokyo Olympics 2020, Hanoi Sea Games 2021 and development of Paralympic athletes.
- RM45 million for National Football Development Program.
- RM10 million is allocated for promoting women in sports.
- RM138 million allocated for Youth Power Club (YPC), Malaysia Future Leaders School (MFLS) and volunteerism initiatives.

Purpose Enhancing unity through sports and to nurture the next generation of world class athletes.

3.15 Environmental Sustainability

- RM30 million allocated to the Department of Environment and Department of Chemistry to tackle the incident of Sungai Kim Kim, Pasir Gudang and the transboundary haze.
- RM443.9 million will be allocated to flood mitigation projects and RM150 million for maintenance of existing flood retention ponds.
- RM100 million Disaster Assistance Fund is allocated to provide loans at an interest rate of 4% to assist farmers who are affected by natural disasters.

Purpose To promote and protect environmental sustainability.

3.16 Preserve Our Forests

- RM48 million allocated to preserve Malaysia's forest and natural biodiversity.
- RM10 million will be utilised as a matching grant against private sector to support the Central Forest and Spine initiatives, Heart of Borneo initiatives and rehabilitate and restore degraded forests.
- RM15 million will be allocated for Malaysian Conservation Alliance for Tigers (MyCat) and Sepilok Orang Utan Rehabilitation Centre and other NGOs
- RM20 million will be provided to employ forest rangers among retired soldiers and local Orang Asli.

Purpose To protect the endangered animals and Malaysia's flora and fauna.

3.17 Sustainable Development Goals (SDG)

- RM10 million allocated for a joint Government – UN Sustainable Development Goals (SDG) fund to co-finance SDG various initiatives.
- Additional RM5 million will be provided to support the convening of Parliamentary Select Committee meetings and engagement by Members of Parliament with local community.

Purpose To address the SDG at the local level.

3.18 Defence and Public Security

- RM16.9 billion will be provided to safeguard national security.
- RM15.6 billion allocated to the Ministry of Defence for strengthening the defence system including improving Armed Force mobility.

Purpose To enhance the defence readiness including meeting the changing nature of threats.

4. REVITALISATION OF PUBLIC INSTITUTIONS AND FINANCES

4.1 Enhance government revenue

- RM235 million will be allocated for the purchase of 20 additional cargo scanners to reduce leakage from smuggling and wrongful declaration of cargo.
- Disposal of assets expected to generate RM3 billion in 2020.
- To proceed with the Bandar Malaysia Project which involves 486 acres at Sungai Besi, Kuala Lumpur after negotiating better terms for the Government.
- Bandar Malaysia project includes a People's Park, an additional of 5,000 affordable homes and greater Bumiputera participation.

Purpose To encourage economic growth and enhance government revenue.

4.2 Rationalising government expenditure

- Government will centralise and combine the tender and procurement of RM500 million worth of medicines across health ministry, the education ministry and the defence ministry hospitals to generate savings from bulk purchases.
- Allocation for operating expenditure will increase to RM10.5 billion for maintenance and repair of existing public assets.

Purpose To optimise government expenditure.

4.3 Local content procurement policy

- RM1.3 billion of government jobs dedicated solely for Bumiputera contractors.

Purpose To attract more Bumiputera contractors to participate in government procurement.

4.4 Uplifting the public service

- Cost of Living Allowance (COLA) is increased by RM50 per month beginning 2020.
- Additional allocation of RM350 million annually, civil servants will be allowed early redemption of accumulated leave for up to 75 days as replacement pay, for those who have at least 15 years of service.
- Public Sector Home Financing Board (LPPSA) will offer free personal accident insurance (up to RM100,000 coverage) for two years to new government housing loan borrowers.
- Introduction of an ex-gratia death benefit of up to RM150,000 payable to dependents of the deceased.
- Annual Salary Movement (PGT) will be brought forward for civil servants who have died in service before the Salary Movement Date (TPG).
- RM26 million will be allocated for the People's Volunteer Corps or RELA who will enjoy a higher allowance of RM2 per hour beginning from January 1, 2020.
- RM35 million will be allocated for a special allowance of RM200 a month will be received by all personnel of the Fire and Rescue Department of Malaysia and RM500 one-off payment to the 70,000 holders of the Pingat Jasa Malaysia.
- RM330 million will be allocated to Property and Land Management Division under the Prime Minister's Department to repair and maintain public service quarters.
- RM150 million and RM250 million will be allocated for the repair and refurbishment of Malaysian Armed Forces family housing units (RKAT) and PDRM (Royal Malaysian Police) quarters respectively.
- RM10 million is allocating to undertake Risk Assessment Tests at all Ministers, Departments and Agencies.

Purpose To strengthen institutions, governance and integrity.

SECTION F

SUMMARY AND REVENUE ALLOCATION

1. STATISTIC

	2020	2019*	Percentage of total		Increase/ (Decrease)
	RM Million	RM Million	2020 %	2019 %	%
Source of revenue:					
Income tax and other direct taxes	142,676	135,639	58.4	51.5	5.2
Indirect taxes and duties	47,275	44,371	19.3	16.9	6.5
Non-tax revenues	54,579	83,290 [^]	22.3	31.6	(34.5)
Total	244,530	263,300	100.0	100.0	(7.1)
Budget allocation					
Operating expenditure:					
Emolument, pension, and gratuities	109,666	108,602	45.5	41.4	1.0
Debt servicing charges	34,945	33,000	14.5	12.6	5.9
Supply and services	38,546	30,178	16.0	11.5	27.7
Grant and other expenditures	57,863	90,480	24.0	34.5	(36.0)
	241,020	262,260	100.0	100.0	(8.1)
Development expenditure:					
Economic	31,019	28,820	55.4	53.7	7.6
Social	15,068	15,010	26.9	28.0	0.4
Security	6,557	6,689	11.7	12.5	(2.0)
General administration	3,356	3,181	6.0	5.8	5.5
	56,000	53,700	100.0	100.0	4.3
(-) Recoverable loan**	(766)	(900)			
	55,234	52,800	100.0	100.0	4.6
Total expenditure	296,254	315,060			(6.0)
Deficit	(51,724)	(51,760)			
%	(17.5)	(16.4)			

* Revised estimate

**The Federal Government is estimated to receive loan repayments from state and local governments, statutory bodies and other organisations

[^] Including one-off special dividend from PETRONAS

(Sources: Economic Outlook 2020, Fiscal Outlook 2020)

2. REVENUE

Total revenue in 2020 is estimated to decrease by 7.1% to RM244,530 million, largely supported by lower collection of non-tax revenue, particularly on investment income by RM30,920 million. However, after excluding the one-off special dividend from PETRONAS in the 2019 revised estimates, the revenue is forecast to increase 4.8%. Tax revenue remains the major contributor to the Federal Government revenue. The tax revenue consisting of direct and indirect taxes represent RM142,676 million and RM47,275 million, respectively.

Direct tax is expected to be increased by RM7,037 million or 5.2% as compared to 2019 primarily attributed from the higher collection of corporate income taxes (CITA) and individual income tax amounting to RM75.5 billion and RM37.4 billion respectively. On the other hand, the revenue expected to be increased from other direct tax which are mainly generated from an increase in stamp duty and RPGT amounting to RM6.8 billion and RM1.7 billion respectively, in line with the expected stable property market.

Indirect tax collection is anticipated to increase by 6.5% due to higher collection from sales and services tax (SST). SST is forecast to register RM28.3 billion in 2020. Sales tax collection is projected to increase by RM16.3 billion, primarily contributed by machines and spare part as well as sales of vehicles. Similarly, service tax is estimated at RM12 billion, largely contributed by higher demand for food and beverages sector followed by telecommunication and insurance sector.

Non-tax revenue is projected to be lower at RM54,579 million, a decline of 34.5% compared to 2019 and contributing 22.3% of total revenue. The decrease of non-tax revenue is due to the absence of the one-off special dividend from PETRONAS. The licences and permits are expected to decline marginally to RM15.2 billion on account of lower proceeds from petroleum royalty in tandem with the lower average crude oil price.

3. EXPENDITURE

Total Federal Government expenditure for the 2020 Budget is estimated at RM296,254 million, a decrease of 6% over 2019. Of this, RM241,020 million is for operating expenditure and the remaining of RM55,234 million is allocated for development expenditure. Operating expenditure is expected to decrease by 8.1% due to continuous effort on prudent and efficient spending without compromising public service delivery. Emolument, pension and gratuities are estimated to increase to RM109,666 million or 1% as compared to 2019 due to payment of wages and salaries, allowances and other remuneration for Federal Government's civil servants of about 1.4 million.

Government's development expenditure is projected to increase by 4.6% to RM55,234 million over 2019. The economic service sector will be allocated the largest sum of RM31,019 million or 56.2% of total development expenditure in 2020. It is expected to be largely spent on transport development of RM12,195 million, trade and industry sector of RM2,446 million, public utilities and energy of RM4,338 million, boosting agricultural productivity as well as accelerating rural development of RM2,973 million and environment development of RM1,734 million. Allocation for social services sector will be for the education and training subsector which has been provided with the largest sum at RM7,864 million to empowering human capital, followed by health of RM2,898 million, and housing of RM1,491 million to build more affordable houses and better healthcare services.

4. ANALYSIS OF CHANGES

Revenue

The total estimated revenue for 2020 is RM244,530 million compared to RM263,300 million in 2019, a decrease of RM18,770 million or 7.1% as compared to 2019. The decrease is mainly due to the absence of the one-off special dividend from PETRONAS in 2019 amounting to RM30 billion.

Expenditure

The total estimated expenditure for 2020 is RM296,254 million compared to RM315,060 million in 2019, a decrease of RM18,806 million or 6% as compared to 2019. The decrease is due to the excluding of one-off tax refunds allocation amounting to RM37 billion. Such tax refunds was partly funded by one-off special dividend from PETRONAS.

5. MACRO ECONOMY

The Malaysian economy in 2020 is expected to recover with real GDP expanding by 4.8% at the backdrop of growing GDPs in advance and emerging market, and developing the economics of 3.5% and 4.7%, respectively. This will be largely contributed from growth by domestic demand driven by private sector investment and consumption which are expected to grow at a moderate pace of 2.1% and 6.9%, respectively. With investment growing at a faster pace, the savings investment will narrow 1.9% of Gross National Income (GNI).

The economy will continue to operate under the condition of full employment with unemployment rate of below 4%, while the inflation rate remains manageable.

The broad-based growth from all sectors in the economy, particularly from the services and manufacturing sectors, the nominal GNI per capita is expected to increase 4.4% from RM45,186 in 2019 to RM47,155 in 2020.

SECTION G

TAX INFORMATION

1. RESIDENT INDIVIDUAL INCOME TAX RATES

CHARGEABLE INCOME	ASSESSMENT YEAR							
	2015		2016-2017		2018-2019		2020	
RM	%	RM	%	RM	%	RM	%	RM
First 5,000		0		0		0		0
Next <u>15,000</u>	1	<u>150</u>	1	<u>150</u>	1	<u>150</u>	1	<u>150</u>
First 20,000		150		150		150		150
Next <u>15,000</u>	5	<u>750</u>	5	<u>750</u>	3	<u>450</u>	3	<u>450</u>
First 35,000		900		900		600		600
Next <u>15,000</u>	10	<u>1,500</u>	10	<u>1,500</u>	8	<u>1,200</u>	8	<u>1,200</u>
First 50,000		2,400		2,400		1,800		1,800
Next <u>20,000</u>	16	<u>3,200</u>	16	<u>3,200</u>	14	<u>2,800</u>	14	<u>2,800</u>
First 70,000		5,600		5,600		4,600		4,600
Next <u>30,000</u>	21	<u>6,300</u>	21	<u>6,300</u>	21	<u>6,300</u>	21	<u>6,300</u>
First 100,000		11,900		11,900		10,900		10,900
Next <u>150,000</u>	24	<u>36,000</u>	24	<u>36,000</u>	24	<u>36,000</u>	24	<u>36,000</u>
First 250,000		47,900		47,900		46,900		46,900
Next <u>150,000</u>	24.5	<u>36,750</u>	24.5	<u>36,750</u>	24.5	<u>36,750</u>	24.5	<u>36,750</u>
	5				5			
First 400,000		84,650		84,650		83,650		83,650
Next <u>200,000</u>	25	<u>50,000</u>	25	<u>50,000</u>	25	<u>50,000</u>	25	<u>50,000</u>
First 600,000		134,650		134,650		133,650		133,650
Next <u>400,000</u>	25	<u>100,000</u>	26	<u>104,000</u>	26	<u>104,000</u>	26	<u>104,000</u>
First 1,000,000		234,650		238,650		237,650		237,650
Next <u>1,000,000</u>	25	<u>250,000</u>	28	<u>280,000</u>	28	<u>280,000</u>	28	<u>280,000</u>
First 2,000,000		484,650		518,650		517,650		517,650
Above 2,000,000	25		28		28		30	

2. NON-RESIDENT INDIVIDUAL INCOME TAX RATES

Assessment Year	2010-2014	2015	2016-2020
Tax Rate (%)	26	25	28

3. CO-OPERATIVE INCOME TAX RATES

CHARGEABLE INCOME	ASSESSMENT YEAR					
	2010-2012		2013-2014		2015 - 2020	
RM	%	RM	%	RM	%	RM
First 20,000	0	0	0	0	0	0
Next <u>10,000</u>	2	<u>200</u>	0	<u>0</u>	0	<u>0</u>
On 30,000		200		0		0
Next <u>10,000</u>	6	<u>600</u>	5	<u>500</u>	5	<u>500</u>
On 40,000		800		500		500
Next <u>10,000</u>	9	<u>900</u>	5	<u>500</u>	5	<u>500</u>
On 50,000		1,700		1,000		1,000
Next <u>10,000</u>	12	<u>1,200</u>	5	<u>500</u>	5	<u>500</u>
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	<u>1,500</u>
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	<u>2,500</u>
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	<u>7,500</u>
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	<u>18,000</u>
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	<u>52,500</u>
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	<u>57,500</u>
<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	2016-2020
Tax Rate (%)	27	26	25	24

Company resident and incorporated in Malaysia with paid-up capital of ordinary shares of RM2.5 million at the beginning of the basis period and annual sales not more than RM50 million income tax rates are as follows: -

CHARGEABLE INCOME	Tax Rate for Year Assessment			
	2009-2015	2016	2017-2018	2019-2020
First RM500,000 (w.e.f. 01.01.2020 RM600,000)	20%	19%	18%	17%
Above RM500,000 (w.e.f. 01.01.2020 RM600,000)	25%	24%	24%	24%

Note:

- Effective from assessment year 2009 the special tax rate for the first RM500,000 (w.e.f 01.01.2020 RM600,000) chargeable income 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. LIMITED LIABILITY PARTNERSHIP (LLP) RESIDENT IN MALAYSIA

Assessment Year	2015 and before	2016-2020
Tax Rate (%)	25	24

Limited Liability Partnership resident in Malaysia with total contribution of capital (cash or in kind) of RM2.5 million at the beginning of the basis period and annual sales not more than RM50 million income tax rates are as follows:-

CHARGEABLE INCOME	Tax Rate for Year Assessment			
	2012-2015	2016	2017-2018	2019-2020
First RM500,000 (w.e.f. 01.01.2020 RM600,000)	20%	19%	18%	17%
Above RM500,000 (w.e.f. 01.01.2020 RM600,000)	25%	24%	24%	24%

Note:

The special rate for first RM500,000 (w.e.f. 01.01.2020 RM600,000) chargeable income 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.

6. WITHHOLDING TAX

TYPES OF PAYMENT TO NON-RESIDENT	TAX RATE (%)
Interest	15
Royalty	10
Remuneration/fee to public entertainer	15
Advice, assistance or services rendered in Malaysia	10
Installation fee and rental of moveable property	10
Income fall under section 4(f) ITA 1967	10
Non-resident contractor	10 + 3

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

7. 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 (w.e.f. 01.01.2019)	10%	10%	5% (Note 1)

Note:

1. RPGT exemption is given to Malaysian citizens for the disposal of low cost, medium low and affordable residential homes at the price of RM200,000 and below.

8. INCOME TAX REBATES FOR RESIDENT INDIVIDUALS

REBATES	ASSESSMENT YEAR	
	2007-2008	2009-2020
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	

9. PERSONAL RELIEF FOR RESIDENT INDIVIDUALS

TYPE OF RELIEF	ASSESSMENT YEAR				
	2015	2016	2017-2018	2019	2020
Self	9,000	9,000	9,000	9,000	9,000
Additional relief for disabled tax payer	6,000	6,000	6,000	6,000	6,000
Spouse with no income or opt for joint assessment	3,000	4,000	4,000	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	3,500
Normal child (unmarried and has no income)					
a) age of 18 and below	1,000	2,000	2,000	2,000	2,000
b) age above 18 and study in tertiary education Local institute (diploma and above), Overseas (Degree and above)	6,000	8,000	8,000	8,000	8,000
TYPE OF RELIEF	ASSESSMENT YEAR				
	2015	2016	2017-2018	2019	2020
Disabled child (unmarried and has no income)	6,000	6,000	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)	12,000	14,000	14,000	14,000	14,000
Life insurance premium on tax payer and/or spouse life and contribution to approved fund other than PRS	6,000	6,000	6,000	7,000 (Note 6)	7,000 (Note 6)
SOCSSO	NIL	250	250	250	250
Private retirement scheme (PRS)	3,000	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	3,000
Medical expenses for tax payer, spouse and children with serious	6,000	6,000	6,000	6,000	6,000

diseases including fertility treatment (w.e.f 01.01.2020)					
Complete medical examination on tax payer, spouse and children. Total deduction for medical expenses and examination is restricted to RM6,000	500	500	500	500	500
Parental care (Note 1)					
a) Father	NIL	1,500	1,500	1,500	1,500
b) Mother	NIL	1,500	1,500	1,500	1,500
Basic supporting equipment for tax payer, spouse, parent or children who is disabled	6,000	6,000	6,000	6,000	6,000
Nett in the National Education Savings Scheme (Note 2)	6,000	6,000	6,000	8,000	8,000
Education fee on qualified course for tax payer (Note 3)	5,000	7,000	7,000	7,000	7,000
Books, journal and magazine	1,000	1,000			
Personal computer (once in every 3 years)	3,000	3,000			
Sports and exercise equipment	300	300	2,500	2,500	2,500
Smartphone and tablet	NIL	NIL	(Note 4)	(Note 4)	(Note 4)
Internet subscription	NIL	NIL			
Printed newspaper	NIL	NIL			
Gymnasium membership fee	NIL	NIL			
Fees paid to child care centres and kindergartens (Note 5)	NIL	NIL	1,000	1,000	2,000
Purchase of breastfeeding equipment for child aged up to 2 years. Claimable once in 2 years	NIL	NIL	1,000	1,000	1,000

Note:

1. The relief is subject to the following conditions-
 - a) Tax payer does not claim relief for expenses incurred 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. Effective from assessment years 2012 to 2020
3. **Qualified course** – technical, vocational, industrial, scientific or technological skill or qualification. Accountancy and law courses undertaken at the recognised institution of higher learning. 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. All field of studies at post graduate level i.e. masters and doctorate.
4. Effective from assessment year 2017 these relief are combined into new relief known as lifestyle relief with a limit of up to RM2,500.

5. 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. Effective from assessment year 2020, the relief was increased to RM2,000.
6. Effective from assessment year 2019, tax relief for contributions to approved provident funds is restricted to RM4,000 and life insurance premiums/Takaful contribution is RM3,000 for public servants under pension scheme. The total relief above should not exceed RM7,000.

10. CAPITAL ALLOWANCE RATES

TYPES OF ASSET	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
Heavy machinery (excluding imported machinery) and motor vehicle:		
• Building & construction industry	30	20
• Timber industry	60	20
• Tin mining industry	60	20
• Imported heavy machinery used in building & construction, mining, plantation and timber industry	10	10
• Other industry	20	20
Plant & Machinery:		
• Building & construction industry	30	14
• Timber industry	60	14
• Tin mining industry	60	14
• Other industry	20	14
Others:		
• Building & construction industry	30	10
• Timber industry	60	10
• Tin mining industry	60	10
• Other industry	20	10

CAPITAL ALLOWANCE...CONT'D.

TYPES OF ASSET	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
Special plant & equipment:		
• Plant or machinery used by manufacturing company for recycling of wastes	40	20
• Bus using natural gas	40	20
• Natural gas refuelling equipment used at natural gas refuelling outlet	40	20
• Plant or machinery used for qualifying project under Schedule 7A	40	20
• Qualifying machinery and equipment used in agriculture sector including plantation	20	40
• Qualifying equipment used by companies to ensure quality of power supply	20	40
Purchase of mould used in the production of Industrial Building System (IBS)	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, scrappers, shovels, tractors, vibrator wagons etc.
2. **“Motor vehicles”** – All types of motorized vehicles such as motorcycles, aeroplanes, ships etc.
3. **“Plant & machinery”** – General plant and machinery not categorized as heavy machinery. Example – Air conditioners, compressors, lifts, laboratory and medical equipment, ovens etc.
4. **“Others”** – Office equipment, furniture and fittings

SMALL VALUE ASSET (VALUE NOT EXCEEDING RM1,300 EACH)

Small value asset refer to asset with cost not exceeding RM1,300.00 each. Effective from assessment year 2020 the limit has been increased to RM2,000 per unit.

Effective from YA 2015 the capital allowance is equal to qualifying expenses but is capped at RM13,000. This limit has been increased to RM20,000.00 effective from assessment year 2020.

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. Information and communication technology equipment (ICT Equipment)

Effective: From Assessment year 2017

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

Allowance:

Initial: 20% Annual: 20%

ACCELERATED CAPITAL ALLOWANCE FOR SPECIFIED PERIOD ONLY...CONT'D.**2. Purchase of Tourism Vehicle****Effective: Assessment year 2020 to assessment year 2021****Qualifying assets:**

Purchase of new locally assembled excursion bus.

Conditions

- a) Tourism vehicles
- b) Fully claim within 2 years

Allowance:

Initial: 20% Annual: 40%

INDUSTRIAL BUILDING ALLOWANCES (IBA)

TYPE OF BUILDING	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
Factory, dock, wharf, jetty or other similar building, warehouse (with factory) Building used in the business of supplying water, electricity and telecommunication services, agriculture and mining	10	3
Canteen, rest-room, recreation room, lavatory, bathhouse, bathroom or wash-room (with industrial building) Building for the welfare or living accommodation of persons employed in the working of a farm	10	3
Private hospital, nursing home, maternity home	10	3
Building for the purpose of approved R & D	10	3
Building for the purpose of approved service project under Schedule 7B	10	3
Hotel registered with the Ministry of Tourism	10	3
Public road & ancillary structures on which expenditure is recoverable through toll collection	10	6

INDUSTRIAL BUILDING ALLOWANCES (IBA)...CONT'D

TYPE OF BUILDING	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
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.	NIL	10
Building acquired/constructed and used by resident BioNexus status company for its new business or expansion projects	NIL	10
Child care centre	NIL	10
Pre-school buildings	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

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