

October 10, 2014

To:

Our valued clients, friends and overseas affiliates

**BUDGET 2015  
Summary & Comments**

We are proud once again this year to present our own BUDGET 2015: Summary & Comments, a summary and synopsis of the 2015 Budget proposals.

Our focus in this summary has been on matters, which we reckoned to be important and useful to the reader with useful information to assist them in proper planning and decision making for year ahead.

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

Section		Page
A	Commentary	1
B	Highlights	3
C	Summary of Amendments to Direct Taxation	5
D	Summary of Amendments to Indirect Taxation	18
E	Summary of Business Opportunities and Other Incentives	21
F	Synopsis and Comparison	30
G	Summary of Revenue and Allocations	56
H	Tax Information	59

***Disclaimer:***

***This publication is distributed gratuitously and without liability. AljeffriDean, Chartered Accountants and its associates, partners and employees disclaim all and any liability and responsibility to any person whosoever in respect of anything and of the consequences of anything done or omitted to be done by any such person in reliance wholly or partly upon the whole or any part of the contents of this publication***

## SECTION A

### COMMENTARY

The Malaysian Budget 2015 tabled by The Hon Dato' Sri Mohd Najib Tun Abdul Razak, Prime Minister and Finance Minister of Malaysia, today came at a crucial time as the Government needs to manage the budget deficit and steer Malaysians fighting hard to adjust to the inflationary impact and increasing cost.

Indeed it appears to be an impossible task to achieve the three key Budget objectives, namely Accelerating Growth, Ensuring Fiscal Sustainability and Prospering the Rakyat at the same time, as the objectives could be contradictory. Furthermore, there is only six years left for Malaysia to achieve the dream of attaining a developed nation with high income and enhanced standard of living.

The task is even more daunting given the world economic uncertainties arising from increasing conflicts around the world.

With this, AljeffriDean is pleased to note that the wide ranging initiatives of the budget tabled by YAB Prime Minister covers building of infrastructure capacity for the future of Malaysia, focusing primarily on the potential of women and youth as well as sustaining growth through providing assistances in the food, education and national security sector.

The introduction of GST is appropriate in strengthening the tax revenue management. However on the face of it, GST is not a cost to business taken that output taxes can be set off with input taxes. The initial implementation cost can be costly as it involves a review of the business operation process, the assessment of the existing enterprise resources such as IT and accounting software which is GST compliance, the changes in accounting and data processing as well as staff training. There are also administrative and staff cost associated with maintaining GST compliance. Implementation process may take at least a month or longer, therefore taxable business owners are advised to make the necessary arrangements in order to avoid delay and hefty penalties.

Part of the implementation process may also include a review of the business procedure and internal control to ensure the business remains competitive and sustainable.

For the relief of the lower income group, the Prime Minister has announced an expanded list of goods and services which are not subjected to GST. It mainly covers the basic needs in food, public transport, education, housing and health care.

A relief for the middle income group is a reduction of individual personal tax rate coupled with the restructuring of tax brackets.

We are also glad to note the timely introduction of new incentives such as the industrial area management and customised incentives for Principal Hubs. The introduction of global recognised industrial and professional certification is the right step to ensure we remain competitive.

Once again, AljeffriDean is pleased to prepare our commentaries on the Budget 2015 as a guide and business reference for our valued clients.

Truly Yours,



AljeffriDean  
Kuala Lumpur  
October 10, 2014

## SECTION B

### HIGHLIGHTS OF BUDGET 2015

1. The theme for Budget 2015: “People Economy”, outlining 7 main strategies:

- First Strategy: Strengthening Economic Growth
- Second Strategy: Enhancing Fiscal Governance
- Third Strategy: Developing Human Capital and Entrepreneurship
- Fourth Strategy: Advancing Bumiputera Agenda
- Fifth Strategy: Upholding Role of Women
- Sixth Strategy: Developing National Youth Transformation Programme
- Seventh Strategy: Prioritising well-Being of the Rakyat

2. Following are the highlights of the 2015 Budget:

- The 2015 Budget allocates a total of RM273.9 billion, an increase of RM9.8 billion compared with 2014 initial allocation.
- Operating Expenditure is RM223.4 billion and Development Expenditure is RM50.5 billion.
- In 2015, the Federal Government revenue collection estimated at RM235.2 billion, an increase of RM10.2 billion from 2014.
- Revenue from GST in 2015 estimated at RM23.2 billion.
- Exemption of GST on several goods amounting to RM3.8 billion.
- Abolishment of SST will see RM13.8 billion in revenue foregone.
- Net revenue collection from GST will only amount to RM690 million.
- Individual income tax rates to be reduced by 1 to 3 percentage points for all tax payers. Families with monthly income of less than RM4,000 will not have to pay tax.
- Individual income tax will be restructured whereby the chargeable income subject to the maximum rate will be increased from exceeding RM100,000 to exceeding RM400,000.
- From 2016, the corporate tax rate will be reduced by one percentage point from 25% to 24%, and for small and medium sized enterprises to 19% from 20%.
- Strengthening the Franchise Development Scheme with RM20 million allocations.
- New shariah compliant investment product, Investment Account Platform will be introduced with initial start-up fund of RM150 million.
- The Government had allocated RM588 million for various subsidies in 1994. This amount has increased to RM40.5 billion in 2014.
- RM200 million allocation for MyCreative Ventures in 2012.
- RM100 million allocation for Digital Content Industry Fund.
- Malaysia - Year of Festivals 2015 to attract 29.4 million foreign tourist arrivals with expected income of RM89 billion.
- RM2.7 billion will be spent over the next five years to build 1,000 new telecommunication towers and laying of undersea cables.
- RM290 million research fund to implement various high-impact research and development and commercialisation programmes.
- National Housing Department to get an allocation of RM644 million to build 26,000 units under the People's Housing Programme.

## Budget 2015: *Summary & Comments*

- RM100 million will be allocated under the 1Malaysia Maintenance Fund for maintenance of private low-cost housing.
- Real Property Gains Tax be self-assessed by the taxpayer effective from the year 2016.
- The Employment Act 1955 and related labour acts will be reviewed.
- EKUINAS to receive RM600 million to increase Bumiputera ownership in private companies and government-linked companies.
- RM27 billion will be spent for construction of the 1,663-km Pan-Borneo Highway comprising 936 km in Sarawak and 727 km in Sabah.
- Government will establish 1Malaysia Youth City with an allocation of RM100 million to fund three pilot projects in the Peninsula, Sabah and Sarawak.
- Youth Housing Scheme which is a smart partnership between the Government, Bank Simpanan Nasional, Employees Provident Fund and Cagamas will be announced.

## SECTION C

### SUMMARY OF AMENDMENTS TO DIRECT TAXATION

#### TAX INCENTIVE UNDER INVESTMENT ACCOUNT PLATFORM (“IAP”)

**PRESENT**

- IAP is a new funding model based on syariah principle with the aim to attract participation from individual and institutional investors to boost development of small and medium enterprises (“SME”).

**PROPOSED**

- It is proposed that profit earned by individual investors from IAP be accorded income tax exemption with the following conditions:
  - i. Tax exemptions shall only be accorded for three consecutive years starting from the first year profit is earned;
  - ii. The investment is made for a period of 3 years starting from the operation date of IAP;
  - iii. Tax incentive shall only be accorded for investment activities in Malaysia, in venture companies owned by Malaysian or locally incorporated companies;
  - iv. Tax exemption shall only be accorded for investments made in SMEs and venture companies in any sectors; and
  - v. Definition of SMEs is as per the latest definition issued by SME Corporation Malaysia.

**IMPACT**

- To ensure IAP is able to facilitate the provision of funding for the benefit of investors and SMEs as well as entrepreneurs.

**EFFECTIVE DATE**

- From the operational date of IAP scheduled to be from 1.9.2015 to 31.8.2018.

**EXTENSION OF TAX INCENTIVE FOR THE ISSUANCE OF SUKUK**

- PRESENT**
- Deduction is given on expenses incurred for the issuance of sukuk under the principles of *Mudharabah*, *Musyarakah*, *Ijarah*, *Istisna'*, *Murabahah*, *Bai' Bithaman Ajil* based on *tawarruq* and *Wakalah* approved by the Securities Commission or the Labuan Financial Services Authority.
- PROPOSED**
- It is proposed that deduction on the expenses incurred for the issuance of sukuk under the principles of *Ijarah* and *Wakalah* be extended for another 3 years.
- IMPACT**
- To expand the sukuk market at the international level.
- EFFECTIVE DATE**
- From year of assessment 2016 to year of assessment 2018.

**TAX INCENTIVE FOR MEDICAL TOURISM**

**PRESENT**

- Exemption is given to a Company engaged in expansion, modernization or refurbishment that provides private healthcare facilities services to healthcare traveller on income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years.
- Eligible companies must be licensed by the Ministry of Health and registered with the Malaysian Healthcare Travel Council.
- Qualified healthcare traveller is as follows:
  - i. Malaysia My Second Home participant and his dependents;
  - ii. Expatriate holding a Malaysian work permit and his dependents;  
or
  - iii. Non-Malaysian citizen who visits and receives treatment from private healthcare facilities in Malaysia.
- This incentive is for applications received by Malaysian Investment Development Authority (“MIDA”) from 1.1.2010 to 31.12.2014.

**PROPOSED**

- It is proposed that new and existing companies engaged in expansion, modernization or refurbishment that provides private healthcare facilities services to at least 5% healthcare traveller from their total patients be given exemption on income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years.

**IMPACT**

- To expand the sukuk market at the international level.

**EFFECTIVE DATE**

- For applications received by MIDA from 1.1.2015 to 31.12.2017.

### **TAX INCENTIVE FOR SCHOLARSHIPS**

#### **PRESENT**

- Scholarships awarded by companies to students pursuing diploma or bachelor degree course at higher educational institution are given double deduction.
- Scholarships eligibility criteria for students are:
  - i. Malaysian citizen and resident in Malaysia;
  - ii. Pursuing full time course;
  - iii. Have no source of income; and
  - iv. Whose parents or guardian total monthly income does not exceed RM5,000.
- Double deduction is given on allowable expenses as follows:
  - i. Fee on course of study required by higher educational institution; and
  - ii. Educational aid and cost of living expenses throughout the student's period of study at higher educational institution.

#### **PROPOSED**

- It is proposed that the scholarships awarded by the company to Malaysian students studying in the vocational and technical fields in institutions recognised by the Government be given double deduction.

#### **IMPACT**

- To encourage companies to provide scholarships in the field of vocational and technical.

#### **EFFECTIVE DATE**

- From year of assessment 2015 to year of assessment 2016.

**TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME (“SIP”)**

**PRESENT**

- The SIP programme that provides practical experience and approved by TalentCorp are eligible to claim double deduction on the expenses incurred.
- The eligibility criteria for the students and conditions for companies under SIP programme are as follows:
  - i. The students are Malaysian citizens;
  - ii. The students are pursuing full-time first degree programme in higher education institution registered with the Ministry of Education;
  - iii. The students complete the approved internship programme before the completion of final semester of his first degree;
  - iv. Internship programme is for a minimum period of 10 weeks; and
  - v. Monthly allowance for the students of not less than RM500.
- Double deduction is given on the following allowable expenses;
  - i. Minimum monthly allowance of not less than RM500;
  - ii. Expenditure incurred for the provision of training to the students;
  - iii. Meals, transport and accommodation allowances; and
  - iv. Payment to the appointed third party to run the SIP programme.
- The incentive is effective from year of assessment 2012 to year of assessment 2016.

**PROPOSED**

- It is proposed that expenses incurred in implementing SIP programme for students in vocational and diploma courses be given double deduction.

**IMPACT**

- To encourage companies to extend the SIP programme to full time students pursuing training at the vocational and diploma levels.

**EFFECTIVE DATE**

- From year of assessment 2015 to year of assessment 2016.

**TAX INCENTIVE FOR TRAINING**

**PRESENT**

- Expenses incurred by a company to send employees for training at approved training institutions are eligible for further deduction subject to:-

Manufacturing companies

- i. Training programs approved by the Malaysian Investment Development Authority (“MIDA”); or
- ii. Training programs conducted by training institutions approved by the Minister of Finance.

Non-manufacturing companies

- i. Training programs approved by the Minister of Finance or any agencies appointed by Minister of Finance; or
- ii. Training programs conducted by training institutions approved by the Minister of Finance.

Companies carrying on hotel or tour operating business

- i. Training programs approved by the Minister of Tourism and Culture; or
- ii. Training programs conducted by training institutions approved by the Minister of Finance.

- Incentives are effective from year of assessment 1991.

**PROPOSED**

- It is proposed that further deduction be given on training expenses incurred by companies for the employees to obtain industry recognised certifications and professional qualifications such as in the field of accounting, finance and project management.

**IMPACT**

- To enhance skills, knowledge and qualifications of the employees and thus support the Government’s effort to strengthen the development of human capital.

**EFFECTIVE DATE**

- From year of assessment 2015.

**REVIEW OF RELIEF ON MEDICAL EXPENSES FOR SERIOUS DISEASES**

**PRESENT**

- Relief up to RM5,000 is claimable by an individual taxpayer on medical expenses for treatment of serious diseases for oneself, spouse and children.
- Eligible expenses are for medical treatment of serious diseases such as cancer, kidney failure, heart disease, acquired immune deficiency syndrome (“AIDS”), Parkinson’s disease and leukaemia.

**PROPOSED**

- It is proposed that the current relief be increased from RM5,000 to a maximum of RM6,000.

**IMPACT**

- To reduce the burden of medical expenses and treatment of serious diseases.

**EFFECTIVE DATE**

- From year of assessment 2015.

**REVIEW OF RELIEF FOR THE DISABLED CHILD**

**PRESENT**

- A taxpayer with disabilities or with disabled dependents is eligible for the following reliefs:
  - i. Personal relief of RM9,000
  - ii. Additional relief of RM6,000 for the disabled taxpayer
  - iii. Relief of RM3,000 for the spouse
  - iv. Additional relief of RM3,500 for the disabled spouse
  - v. Relief of RM5,000 for each disabled child
  - vi. Additional relief of RM6,000 for each disabled child aged 18 years and above pursuing tertiary education at local or overseas institutions.

**PROPOSED**

- It is proposed that the tax relief for each disabled child be increased from RM5,000 to RM6,000.

**IMPACT**

- To alleviate the cost of living of a taxpayer with disabilities or taxpayer with a disabled child.

**EFFECTIVE DATE**

- From year of assessment 2015.

**REVIEW OF INDIVIDUAL RELIEF FOR PURCHASE OF BASIC SUPPORTING EQUIPMENT FOR THE DISABLED**

**PRESENT**

- Individual taxpayer is given tax relief of up to RM5,000 for the purchase of basic supporting equipment for the use of the disabled tax payer, spouse, child and parents.
- Basic supporting equipment includes haemodialysis machine, wheelchair, artificial limbs and hearing aids.

**PROPOSED**

- It is proposed that the relief for purchase of basic supporting equipment for the disabled taxpayer, spouse, child and parents be increased from RM5,000 to a maximum of RM6,000.

**IMPACT**

- To reduce the cost of living.

**EFFECTIVE DATE**

- From year of assessment 2015.

**EXTENSION OF STAMP DUTY EXEMPTION FOR THE PURCHASE OF FIRST RESIDENTIAL PROPERTY****PRESENT**

- The Government had provided stamp duty exemptions on the following instruments:

<b>Year</b>	<b>Tax Incentive For Home Ownership</b>	<b>Exemption Period</b>
2008 Budget	50% stamp duty exemption on instrument of transfer for the purchase of residential property priced not exceeding RM250,000.	For sales and purchase agreement ("S&P") executed from 8.9.2007 to 31.12.2010.
2009 Budget	50% stamp duty exemption on loan agreement for the purchase of residential property priced not exceeding RM250,000.	For S&P executed from 30.8.2008 to 31.12.2010.
2011 Budget	50% stamp duty exemption on instrument of transfer and loan agreement for the purchase of residential property priced not exceeding RM350,000.	For S&P executed from 1.1.2011 to 31.12.2012.
2013 Budget	50% stamp duty exemption on instrument of transfer and loan agreement for the purchase of residential property priced not exceeding RM400,000.	For S&P executed from 1.1.2013 to 31.12.2014.

**PROPOSED**

- It is proposed that 50% stamp duty exemption on instrument of transfer and loan agreement be extended to the purchase of the first residential property priced not exceeding RM500,000.

**IMPACT**

- To reduce the cost of ownership of the first residential property.

**EFFECTIVE DATE**

- For S&P executed from 1.1.2015 to 31.12.2016.

**INCENTIVES FOR INDUSTRIAL AREA MANAGEMENT**

**PROPOSED**

- It is proposed that the incentive of 100% income tax exemption for a period of five years will be made available to those private sectors who involved in managing, maintaining and upgrading industrial estates in less developed areas.
- It is proposed that the incentive of 70% income tax exemption for a period of five years will be made available to the private sectors who involved in managing, maintaining and upgrading industrial estates in other areas.

**IMPACT**

- To encourage more private sector to manage, maintain and upgrade industrial estates.

**TAX INCENTIVES FOR IMPLEMENTATION OF GST**

**PROPOSED**

- It is proposed that the accelerated capital allowance will be granted for the purchase of ICT equipment and software.
- It is proposed that the expenses incurred for training in accounting and ICT will be given additional tax deduction.

**IMPACT**

- To ease the burden in implementing GST.

**EXTENSION OF TAX INCENTIVE FOR SKIM LATIHAN 1MALAYSIA (“SL1M”)**

**PROPOSED**

- It is proposed that the double deduction incentive on CSR effort by the employers involved in implementing SL1M to be extended from 31.12.2016 to 31.12.2020.

**IMPACT**

- To encourage more participation by the employers in implementing SL1M.

## SECTION D

### SUMMARY OF AMENDMENTS TO INDIRECT TAXATION

#### GOODS AND SERVICES TAX MODEL

##### PRESENT

- Sales tax is imposed when annual sales turnover (threshold) exceeds RM100,000. Sales tax rate is generally at 10%. However, sales tax is also charged at 5%, 20%, and at specific rate for selected products.
- Service tax is imposed when threshold exceeds RM100,000, RM300,000 and RM3 million a year according to the types of services. Service tax rate is charged at 6% while a specific rate is charged on credit cards.

##### PROPOSED

- Sales tax and service tax will be abolished and replaced with Goods and Services Tax (GST) from the 01 April 2015, as announced in the 2014 Budget.
- In 2015, the Government proposed to widen the scope of items that will not be subjected to GST.
- The GST model are as follows:

#### 1. Scope

- i. GST shall be levied and charged on the taxable supply of goods and services made in Malaysia by a taxable person.
- ii. GST to be charged on the importation of goods and services.
- iii. A taxable supply is a supply which is standard rated or zero rated. Exempt and out of scope supplies are not taxable supplies.
- iv. GST is to be levied and charged on the value of the supply.
- v. GST can only be levied and charged if the business is registered under GST (annual turnover exceeds threshold RM500,000).
- vi. Business which its annual taxable turnover does not exceeds threshold is not liable to registered and cannot collect the GST. Nevertheless, business can apply to be registered voluntarily to recover the input tax.

## 2. Types of supply

- i. Standard rated Supply
  - Goods and services that are charged GST with a standard rate at 6%.
  - Business can recover credit back on their input.
- ii. Zero rated Supply
  - These are taxable supplies that are subject to a zero rate.
  - Businesses are eligible to claim input tax credit in acquiring supplies and charge GST at zero rate to customer.
  - List of zero rated supply as disclosed in GST Order Goods and Services Tax (Zero rated Supply).
- iii. Exempt Supply
  - These are non-taxable supplies that are not subject to GST.
  - Businesses are not eligible to claim input tax credit in acquiring supplies and cannot charged output tax to customer.
  - List of exempt supply as disclosed in GST Order Goods and Services Tax (Exempt Supply).

## 3. Threshold

Business with annual taxable turnover exceeds RM500,000 is mandatory for registration under GST.

## 4. The Item to be widen by the Government that will not be subjected to GST

### i. Food items

- All types of fruits whether local or imported.
- White bread and wholemeal bread.
- Coffee powder, tea dust and cocoa powder.
- Yellow mee, kuey teow, laksa and meehoon.

### ii. Medical treats

- Covering almost 2,900 medicine brands.
- Treats for 30 types of diseases including heart failure, diabetes, hypertension, cancer, and fertility treatment.

**iii. Reading material**

- Children's coloring books.
- Exercise books , reference books, text books
- Dictionaries and religious books.
- Newspapers.

**iv. Electricity consumption**

- Electricity consumption that is subject to GST to be increased from the first 200 units to 300 units.

**v. Fuel**

- The retail sale of RON95 petrol, diesel and LPG to be given relief from the payment of GST.

**IMPACT**

- Impact to consumers
  - The price effects on consumer are minimal due to implication of Malaysian GST model.
- Impact to business
  - Production cost is lower due to GST paid on input is claimable by business and may results of lower prices of supplies.
  - To create a competitive business environment.
  - To encourage growth in tourism industry through Tourist Refund Scheme.
- Impact to Government
  - Increase collection of tax revenue.
  - Overcome transfer pricing and value shifting.
  - Hidden economy will resurface.
  - Opportunity to reduce corporate tax and personal income tax.

**EFFECTIVE DATE**

- From 01 April 2015

**REFERENCE**

- Goods and Services Tax Act 2014
- Goods and Services Tax Regulation 2014
- Goods and Services Tax Orders

## SECTION E

### SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES

#### **I. STRENGTHENING ECONOMIC GROWTH**

##### **Invigorating Services Sector**

###### **i. Services Sector Blueprint**

Purpose                      Implementing the Services Sector Blueprint

###### **ii. Services Sector Guarantee Scheme - RM5,000,000,000**

Purpose                      To set up a Services Sector Guarantee Scheme in service sector. The scheme is expected to benefit 4,000 SMEs with maximum financing of RM5,000,000 with 70% government guarantee.

###### **iii. Research Incentive Scheme for Enterprise – RM10,000,000**

Purpose                      To encourage companies to set up research centres in high technology, ICT and knowledge-based industries.

###### **iv. Services Export Fund – RM300,000,000**

Purpose                      To encourage SMEs to conduct market feasibility studies and undertake export promotion to penetrate new markets.

###### **v. Franchise Development Scheme – RM20,000,000**

Purpose                      To strengthen the Franchise Development Scheme in collaboration with the Malaysian Franchise Association.

##### **Strengthening Islamic Financial Market**

###### **i. Investment Account Platform (IAP) – RM150,000,000**

Purpose                      To attract institutional and individual investors including high net worth individuals to invest in the Islamic financial market.

###### **ii. Exchange Traded Bond and Sukuk (ETBS) – Malaysian Government Securities and Government Investment Issues be listed and traded in ETBS**

Purpose                      To boost domestic sukuk and bond issuance and trading.

**Accelerating Public and Private Investment****i. Infrastructure project**

- Construction of the 59-km Sungai Besi – Ulu Klang Expressway (SUKE) – Costing RM5,300,000,000.
- Construction of the 276-km West Coast Expressway from Taiping to Banting – Costing RM5,000,000,000.
- Construction of the 47-km Damansara – Shah Alam Highway (DASH) – Costing RM4,200,000,000.
- Construction of the 36-km Eastern Klang Valley Expressway (EKVE) – Costing RM1,600,000,000.
- Upgrading the East Coast railway line along Gemas – Mentakab, Jerantut – Sungai Yu and Gua Musang – Tumpat – Costing RM150,000,000.
- Construction of the 56-km Second MRT Line from Selayang to Putrajaya - Costing RM23,000,000,000.
- LRT 3 Project, which will link Bandar Utama to Shah Alam and Klang – Costing RM9,000,000,000.

**ii. Pengerang Integrated Petroleum Complex – RM69,000,000,000**

Purpose To create job opportunities.

**iii. Sustainable Mobility Fund – RM70,000,000 under SME Bank**

Purpose To develop the electric vehicle manufacturing industry.

**Encouraging Establishment of Principal Hub****i. Customised Incentives for Principal Hubs**

Purpose To increase the number of multinational companies' global operational centres in Malaysia.

**Spurring Creative Industry****i. Digital Content Industry Fund – RM100,000,000**

Purpose To develop creative industries such as animation, filming, designing and cultural heritage.

**Increasing Capacity of High-Speed Broadband****i. High-Speed Broadband (HSBB) – RM2,700,000,000**

Purpose HSBB project to be continue in selected areas nationwide by building 1,000 new telecommunication tower and laying of undersea cables for the next three years.

**Boosting Tourism Industry**

**i. Program under Ministry of Tourism and Culture – RM316,000,000**

Purpose                      To increase foreign tourist.

**Developing Small and Medium Enterprises**

**i. SME Investment Partner – RM375,000,000 will be provided for a period of five years, of which RM250,000,000 is from SME Bank and RM125,000,000 from private investors.**

Purpose                      To accelerate the participation of SMEs in economic activity.

**ii. Business Accelerator Programme – RM10,000,000 under SME Corp.**

Purpose                      To accelerate the participation of SMEs in economic activity.

**iii. Soft Loan Scheme for Automation and Modernisation of SMEs – RM80,000,000 under the Malaysian Industrial Development Finance Berhad.**

Purpose                      To enhance use of new technology, automation and innovation in development of SMEs.

**iv. Additional fund from TEKUN**

- RM350,000,000 will be allocated for Bumiputera entrepreneurs.
- RM50,000,000 will be allocated to the Young Indian Entrepreneurs Financing Scheme.
- RM50,000,000 will be allocated to the Young Professional Women Entrepreneurs Development Programme.
- RM50,000,000 will be allocated to the Armed Forces Veteran Entrepreneur Development Programme.

Purpose                      To accelerate the participation of SMEs in economic activity.

**v. Soft loans**

- RM50,000,000 will be allocated to assist SME entrepreneurs from the Chinese community.
- RM30,000,000 for hawkers and petty traders.

Purpose                      To accelerate the participation of SMEs in economic activity.

### **Developing Innovation and Commercialisation**

i. **A total of RM1,300,000,000 is allocate to the Ministry of Science, Technology and Innovation to implement several related programmes including:**

- Target 360 high-impact innovative products to be commercialised within the next five years.
- Provide research funds amounting to RM290,000,000 to implement various high-impact R&D&C programmes.
- Rebrand SIRIM.
- RM50,000,000 will be allocate to Public Private Research Network.
- RM50,000,000 additional allocate to Strengthen Technology Commercialisation Platform Programme.

Purpose                                      To enhance innovation and commercialisation

### **2. ENHANCING FISCAL GOVERNANCE**

#### **Disseminating Widely National Blue Ocean Strategy**

i. **The Government will be allocated RM356,000,000 for the following programmes:**

- Establishing four more UTCs in Terengganu, Kelantan, Negeri Sembilan and Perlis and one mini UTC in Kedah.
- Accelerating upskilling through the 1Malaysia Skills and Employability Scheme for the public sector and 1Malaysia Training Centre for the private sector.

Purpose                                      To strengthen financial sustainability for the well-being of the rakyat.

### **3. DEVELOPING HUMAN CAPITAL AND ENTREPRENEURSHIP**

#### **Strengthening Teaching Professionalism and School Performance**

i. **The Government will allocate RM250,00,000 to the Ministry of Education for School Improvement Specialist Coaches and School Improvement Partners programmes.**

Purpose                                      To strengthen human resources development in driving into creativity and innovation economic basis.

#### **Empowering Trust Schools and Building New Schools**

i. **The Government will allocate RM10,000,000 for Trust Schools programme and will also build 12 new schools comprising seven primary schools, three secondary schools and two boarding schools nationwide.**

Purpose                                      To strengthen human resources development in driving into creativity and innovation economic basis.

### **Mainstreaming Technical and Vocational Education**

- i. **Vocational and Technical Transformation programme (TEVT) and upgrade colleges – RM1,200,000,000.**

Purpose To increase the student intake in vocational and community colleges.

- ii. **The Government will allocate RM100,000,000 to Ministry of Education and RM50,000,000 to MARA to implement Technical and Vocational Training programmes.**

Purpose To open up more applications opportunities in TEVT programs.

### **Development and Maintenance of Education Facilities**

- i. **The Government will allocate RM800,000,000 for the following:**

- National Schools RM450,000,000.
- National-type Chinese schools RM50,000,000.
- National-type Tamil schools RM50,000,000.
- Religious schools RM50,000,000.
- Fully residential schools RM50,000,000.
- Government Aided Religious Schools RM50,000,000.
- MARA Junior Science Colleges RM50,000,000.
- Registered Sekolah Pondok RM25,000,000.
- National-type Chinese Secondary Schools (Conforming Schools) which use the national curriculum RM25,000,000.

Purpose To ensure a safe and conducive learning environment

- ii. **The electricity and water bills of all National-type schools under the Ministry of Education will be paid in full up to a maximum limit of RM5,000 a month compared with RM2,000 previously.**

Purpose To ease the burden of schooling expenses.

### **Sponsoring Education**

- i. **The Government will allocate RM3 billion for sponsoring education of which RM1,900,000,000 will be given to the Public Services Department, Ministry of Education RM759,000,000 and Ministry of Health RM258,000,000.**

Purpose To ease the burden in the cost of education

### **Expanding MyBrain 15 Programme**

- i. **MyBrain 15 Programme – RM112,000,000**

Purpose To give opportunities for civil servants and employees bodies who are keen to further their studies on part-time basis in local higher learning institutions.

**Improving the Well-being of Employees****i. Technical training and education assistance to Indian youth - RM30,000,000.**

Purpose	To provide technical training and education assistance to low-income Indian youth family.
---------	---

**Globally Recognised Industry and Professional Certification Programme – RM300,000,000****i. 1MalaysiaGRIP**

Purpose	To intensify upskilling and reskilling programs by introducing 1MalaysiaGRIP in matching grant to train 30,000 workers.
---------	---

**Double Shift Training****i. Skills training programme under Department of Labour – RM570,000,000.**

Purpose	The Government will leverage the double shift training capacity for 176 full time courses to optimize the 32 Department of Labour training Institutes.
---------	--

**4. ADVANCING THE BUMIPUTERA AGENDA****Increasing Equity Ownership of Bumiputeras****i. Increase bumiputera ownership– RM600,000,000 will be allocated to Ekuiti Nasional Berhad (EKUINAS) to increase bumiputera ownership in private companies and GLC's.**

Purpose	To empowering Bumiputeras' participation in the private companies and GLC's by having effective control over corporations to achieve 30% target.
---------	--

**Strengthening Bumiputera Entrepreneurship****i. National Entrepreneur Institute (INSKEN)**

Purpose	To further strengthen the role of INSKEN as a Centre of Excellence for Bumiputera Entrepreneurship.
---------	---

**ii. Bumiputera Entrepreneurs Startup Scheme (SUPERB) – RM30,000,000**

Purpose	To enhance participation of new entrepreneurs in strategic sectors which haave big potential in the future by providing financing scheme.
---------	---

**iii. Pre-export Programme**

Purpose	To enhance branding, international certification and market surveys for Bumiputera products for high-performing Bumiputera companies (TERAS). It also to increase their capacity and to penetrate the international market.
---------	---

**iv .Carve-out and Compete Programme Through Meritocracy**

Purpose To ensure Bumiputera participation in big projects through meritocracy for Government and privatized projects.

**Bumiputera Small and Medium Enterprises**

- i. Lembaga Tabung Haji will be allocated RM200,000,000 under Bank Islam for the establishment of the shariah-compliant Restricted Investment Account (RIA). The purpose is to provide financing and credit between RM50,000 and RM1,000,000 from January 2015.
- ii. RM1,800,000 from internal sources will be used by Amanah Ikhtiar Malaysia (AIM) for financing to benefit 346,000 Sahabat AIM.

**Developing Bumiputera Human Capital**

**i. Enhancing Educational Excellence**

To strengthen the development of human capital aspect of the Bumiputera agenda, Government will implement the following initiatives through MARA:

- RM2,000,000,000 will be allocated to eligible Bumiputera through MARA for sponsoring education.
- Yayasan Peneraju Pendidikan Bumiputera will used RM72,000,000 to implement scholarship, training and financial assistance to benefit 5,000 people.
- MARA will collaborated with Malaysian Institute of Accountants (MIA) to established a Professional Accounting Centre in Universiti Teknologi MARA (UITM).

**ii. Improve and develop welfare**

Purpose To improve and develop the welfare of the rakyat in Sabah and Sarawak in the national development agenda.

**iii. Construction of Pan-Borneo Highway – RM27,000,000,000**

Purpose To upgrade the rail tracks in Sarawak and Sabah.

**iv. National Blue Ocean Strategy (NBOS)**

- i. The Government will establish a mini Urban Transformation Centre (UTC) and Rural Transformation Centre (RTC) in Sabah and Sarawak to facilitate transactions for the communities.

**v. Construction and upgrading hospital**

Purpose To provide quality healthcare and medical services for the rakyat.

**vi. East Cost Special Security Area (ESSCOM), 2015 – RM660,000,000**

Purpose To safeguard our territorial waters from foreign threat, particularly in Sabah and Sarawak.

**vii. Build new camps in ESSZONE**

Purpose To further strengthen the police and army force particularly in Sabah and Sarawak.

**viii. Modified oil rig and an auxiliary vessel ESSZONE waters for ATM through Petronas CSR Programme – RM230,000,000**

Purpose To fight against serious crime

**ix. Upgrading runway to the airport for high-capacity aircraft and relocate Squadron Hawk – RM50,000,000**

Purpose To further strengthen the national security.

**x. Relocate water villages**

Purpose To safeguard our territorial waters in Sabah and economic activities to rebound.

**xi. Food supply chain – RM70,000,000**

Purpose To introduce hill paddy subsidy particularly in Sabah and Sarawak.

**xii. Standardise the prices of essential goods between Peninsular, Sabah and Sarawak**

- RM262,000,000 will be provided to finance the cost of transportation and the enforcement of price control on essential goods.
- Build Kedai Rakyat 1 Malaysia (KR1M) in particularly in Sabah and Sarawak.

**5. UPHOLDING ROLE OF WOMEN****i. Ministry of Women, Family and Community Development – RM2,260,000,000**

Purpose To strengthen the program that provide more opportunities for women to participate in national development such as Women Directors Programme, 1Malaysia Support for Housewife Programme and Women Career Comeback Programme.

**ii. Opportunities for single mothers**

Purpose To give opportunities to single mothers who are interested in entrepreneurship programme such as Single Mother Skill Incubator Programme (I-KIT), Women Entrepreneurship Incubator Programme (IkUnita) and Women Core Development Programme.

**iii. Amanah Ikhtiar Malaysia (AIM) – RM30,000,000**

Purpose To increase business opportunities and access to funding for SME entrepreneurs for Indian women.

**iv. Child Care Leave**

Purpose To give leave eligibility to women personnel with step children, legally adopted children, foster children and children with disabilities.

**v. Children Care Centres**

Purpose To encourage the establishment of more child care centers at the work place in private sector.

## **6. DEVELOPING NATIONAL YOUTH TRANSFORMATION PROGRAMME**

### **i. To enhance the skills of youth in becoming future leaders and upholding the responsibility of further developing Malaysia. Government launch the National Youth Transformation Programme with an allocation of RM320,000,000.**

- National Service Training Programme (PLKN)- To upgrade and introduce a new concept that incorporate skills requirement and patriotism.
- Rakan Muda Programme and Unity Camp Programme
- Youth Leadership Academy Programme- to hone leadership skills among Malaysian youth
- 1 Malaysian for Youth (1M4U) and MyCorp Programme- involves welfare and socio-economic volunteer activities for youth at the international level will be allocated RM10,000,000
- Malaysian Global Innovation & Creativity Centre (MaGIC), SME Bank and Agro Bank, Online Resource Centre and international social entrepreneurship conference
- Youth Agropreneur Programme- To purview of FAMA in targeting a monthly income exceeding RM5,000
- National Youth Vocational Institute (IKBN) Transformation, Coding Bootcamp Programme and PADU Programme

### **ii. 1Malaysia Youth City – RM100,000,000**

Purpose To provide a comprehensive ecosystem for youth to increase their capabilities and progress in work, business and entrepreneurship.

**SECTION F****SYNOPSIS AND COMPARISON**

(Period under review 2009 to 2015)

**PERSONAL TAX****Tax Rate, Personal relief and Rebate**

Refer to Section H

**Requirement to qualify for resident status**

2009-2014	Where a citizen is employed in the public services or statutory authority having and exercising his employment outside Malaysia or attending any course of study in any institution or professional body outside Malaysia which is fully sponsored by the employer.
2015	No changes

**Tax treatment on bonus and directors fees**

2009-2014	Taxed in the year such incomes are received.
2015	No changes

Expatriate working in a Treasury Management Centre (TMC)

2009-2011	Taxed on the gross income in respect of gains or profits from an employment for any period during which the employee performs outside Malaysia duties incidental to the exercise of the employment in Malaysia
2012-2014	Taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia (Application received by MIDA from 8 October 2011 until 31 December 2016)
2015	No changes

**Assistance for individual owners of budget taxis and hire cars**

2009-2011	There's no subsidy on interest rate for financing purchases of such cars. There's no any assistance regarding budget taxis and hire cars for individual owners.
2012-2014	Interest rate subsidy of 2% per annum for 2 years on full loans for financing the purchase of new locally manufactured cars used as budget taxis and hire cars. Assisting of RM3,000 for replacement of budget taxis and hire cars aged more than seven years but less than 10 years. For budget taxis and hire cars aged 10 years and above, an assistance of RM1,000 will be given.
2015	No changes

**Income exempted from income tax:**

1. Leave passage
  - 2009-2014 Exemption is extended to meals and accommodation.
  - 2015 No changes
  
2. Computer given by employer.
  - 2009-2014 Exempted until YA2010. In addition, broadband subscription fee paid by employers is also exempted.
  - 2015 No changes
  
3. Royalty received by resident on royalty from art artistic works
  - 2009-2014 Tax exemption on royalty up to RM10,000 a year.
  - 2015 No changes
  
4. Compensation for loss of employment.
  - 2009-2014 Exempted amount is increased to RM10,000 for every completed year of service.  
Employment ceased on or after 1 July 2008
  - 2015 No changes
  
5. Tax treatment for perquisite
  - 2009-2014 Extended to award related to innovation, productivity and efficiency and exemption be increased to RM2,000 effective from year of assessment 2008.
  - 2015 No changes
  
6. Dividend received
  - 2008-2014 All dividend are exempted (single tier system)
  - 2015 No changes
  
7. Income received by expatriates working for International Procurement Centre (IPC) and Regional Distribution Centre (RDC).
  - 2009-2014 Expatriates working for IPC and RDC will also be taxed only on portion of employment income attributable to the number of days they are in the country.
  - 2015 No changes
  
8. Interest Income from deposits
  - 2009-2014 All interest income be fully exempted. (w.e.f. 30.08.2008)
  - 2015 No changes
  
9. Allowances and benefits in kind
  - 2009-2014 Exemption extended to:
    - i. Petrol allowance or travel allowance between home and work place and for official duties up to RM2,400 and RM6,000 respectively.
    - ii. Allowance for parking and meal provided.
    - iii. Allowance or subsidies from childcare up to RM2,400 per year.
    - iv. Telephone, mobile phone, telephone bills, pager, PDA and internet subscription.
    - v. Value employer's own products or services received by employees free of charge or discounted where value of discounted not exceed RM1,000 and cannot be transferable.
    - vi. Subsidies on interest on loans totalling up to RM300,000 for housing, passenger motor vehicle and education.
    - vii. Maternity and traditional medicines.
  - 2015 No changes
  
10. Profits from foreign currency sukuk
  - 2009 Exempted for sukuk approved by Securities Commission and issued in

	Malaysia
2010-2011	Extended to sukuk approved by Labuan Offshore Financial Services Authority.
2012-2014	Extended for another 3 years from 2012 until 2014
2015	No changes

#### 11. Income from private retirement scheme fund (PSC)

2009-2011	PSC is not an approved scheme and therefore income is taxable
2012	PSC is recognised as an approved scheme and the tax exempted under paragraph 20 of schedule 6 (TA 1967)
2013-2014	Tax exemption is given on income received by annuity funds approved by Bank Negara Malaysia and maintained in accounts separate from life funds or takaful family funds.
2015	No changes

### **CORPORATE TAX**

#### **Tax Rates**

Refer to Section H

#### **Offshore Company**

2009-2014	May choose to be taxed under Income Tax Act 1967.
2015	No changes

#### **Premium on professional indemnity insurance**

2009-2014	Deductible
2015	No changes

#### **Non-profit oriented school**

2009-2014	Exempted
2015	No changes

#### **Profit oriented private schools**

2009	Taxable
2010-2011	Income received is taxable
2012	Income tax exemption of 70% for period of 5 years; or Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application received by MIDA from 8 October 2011 until 31 December 2015)
2013-2014	<ul style="list-style-type: none"> <li>i. Tax exemption at the statutory level on all income for a period of 5 years. (new and existing private schools must be registered with the State Education Department)</li> <li>ii. Industrial Building Allowance with an annual allowance rate of 10% for pre-school buildings. (from year assessment 2013)</li> </ul>
2015	No changes

#### **Profit oriented international schools**

2009-2011	Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application received by MIDA from 14 July 2010 until 31 December 2015)
2012-2014	Income tax exemption of 70% for period of 5 years. (application received by MIDA from 8 October 2011 until December 2015)
2015	No changes

### **Deductible Expenses**

#### 1. Donation to approved institution

2009-2014	Deduction restricted to 10% of aggregate income.
2015	No changes

#### 2. Infrastructure available for public use (community project)

2009-2014	Extended to projects related to increase the income of the poor as well as for the conservation or preservation of the environment.
2015	No changes

#### 3. Expenses to establish Islamic stock broking company.

2009	Allowable for company that commence its business within a period of 2 years from the date of approval.
2010-2014	Extended to application received by Securities Commission (SC) until 31 December 2015.
2015	No changes

#### 4. Recruitment cost

2009-2014	Expenses incurred before commencement of business is allowable such as cost in participating in job fairs, payment to employment agencies and head-hunters
2015	No changes

#### 5. Renovation of workplace for disabled workers.

2009-2014	Deductible
2015	No changes

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

2009	Not allowed
2010-2014	Deductible expenses for SME company from year assessment 2010 until 2014. Allowable including fees or payment made to patent and trademark agents registered under the Patents Act 1983 and Trade Marks Act 1976. Definitions of SME for the purpose of incentives are as follows:- i. Companies as defined under Para. 2A and 2B, Sch. 1, Income Tax Act 1967. ii. Manufacturing Industries, Manufacturing Related Services Industries and Agro-Based Industries – enterprises with full-time employees not exceeding 150 persons, OR with annual sale turnover not exceeding RM25 million. iii. Services Industries, Primary Agriculture and Information & Communication Technology (ICT) - enterprises with full time employees not exceeding 50 persons, OR with annual sales turnover not exceeding RM5 million.
2015	No changes

#### 7. Franchisee fee

2009-2011	Not deductible
2012-2014	Deductible for local franchise brands
2015	No changes

### **Double Deduction**

## 1. Training expenses (Malaysian).

- 2009-2014 Double deductions be given on selected fields:
- i. Post graduate courses in ICT, electronics and life sciences.
  - ii. Post basic courses in nursing and allied health care.
  - iii. Aircraft maintenance engineering courses.
- 2015 Further deduction be given on the employees to obtain industry recognized certifications and professional qualifications in the field of accounting, finance and project management.  
Training programs are those approved by the Minister of Finance. (effective from year of assessment 2015)

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

- 2009 Allowable for expenses as follows:
- i. Market research and feasibility study;
  - ii. Preparation of technical information relating to type of services offered;
  - iii. Participation in an event to promote MIFC;
  - iv. Maintenance of sales office overseas; and
  - v. Publicity and advertisement in any media outside Malaysia.
- The incentive is given for three (3) years from year of assessment 2008 until 2010 and the expenses are to be verified by the MIFC secretariat.
- 2010-2014 Extend to year of assessment 2015.
- 2015 No changes.

## 3. Export credit insurance premium

- 2009-2010 Double deduction on payment of conventional insurance premium to companies approved by MOF
- 2011-2014 Extended to takaful concept and premium must be purchased from operators approved by MOF
- 2015 No changes.

## 4. Profit oriented private schools and international schools

- 2009-2011 Single deduction for expenses.
- 2012-2014 Double deduction for overseas promotion expenses.
- 2015 No changes.

## 5. Structured Internship programme

- 2009-2011 Single deduction
- 2012-2014 If the internship programme is for full time undergraduate students from Public/Private Higher Educational Institutions; and internship programme is for a minimum period of 10 weeks with monthly allowance not less than RM500  
(w.e.f year of assessment 2012 until 2016)
- 2015 Double deduction be given to full time students pursuing training at the vocational and diploma levels. The eligibility criteria for students and conditions for the companies under the current SIP programme is to be maintained. (for year of assessment 2015 until 2016)

## 6. Awarding scholarships

- 2009-2011 Single deduction given if scholarships is awarded to students by the following criteria:-
- i. A full time Malaysian students study for diploma and bachelor's degree at local institutions or higher learning registered with the Ministry of Higher Education;
  - ii. Have no sources of income;
  - iii. Total monthly income of parents/guardian does not exceed RM5,000.

2012-2014	Double deduction. (for year of assessment 2012 until 2016)
2015	Double deduction extended to vocational and technical fields. (for year of assessment 2015 until 2016)

7. Career fair abroad

2009-2011	Single deduction
2012-2014	Double deduction if the fair is endorsed by Talent Corporation Malaysia Bhd (TalentCorp) (for year of assessment 2012 until 2016)
2015	No changes.

8. 1Malaysia Training Scheme Programme

2013-2014	Double deduction on expenses incurred for soft skills and on-job-training to increase employability of graduates. (effective from 1 June 2013 until 31 December 2016)
2015	Double deduction extended to 31 December 2020.

9. Vendor Development Programme (VDP)

2014	Double deduction on expenses for R&D and cost related for increasing vendor capabilities and skills by the following criteria:- i. A sign of Memorandum of Understanding (MOU) with the Ministry of International Trade (MITI); ii. Expenses must be certified by MITI; iii. Limit at RM300,000 per year; iv. Deduction is given for 3 years of assessment. (effective from 1 January 2014 until 31 December 2016)
2015	No changes.

**Capital Allowance**

1. Plant & Machinery

2009-2010	SMEs will be given Accelerated Capital Allowance on expenses incurred on plant and machinery acquired in year of assessment 2009 and 2010.
2011-2014	Standard rate.
2015	No changes.

2. Buses

2009-2011	Bus purchased by bus operator eligible for Accelerated Capital Allowance for 100% w.e.f 2009 until 2011.
2012-2014	Standard rate.
2015	No Changes

3. Computer and ICT equipment

2009-2013	Accelerated Capital Allowance be given on expenses incurred on ICT equipment, computer and software w.e.f 2009 to 2013.
2014	Extended for another 3 years from 2014 to 2016.
2015	No changes.

4. Cost of dismantling and removing assets

2009-2014	Cost for dismantling and removing assets as well as restoring the site be given balancing allowance subject to the following conditions: i. Eligibility only applies where obligation to carry out works on dismantling and removing is provided for under any written law or agreement: and ii. Such plant and machinery is not allowed to be used by that person in another business or in the business of another person.
2015	No changes.

5. Security control equipment

2009-2012	Extended to all business premises.
-----------	------------------------------------

Type of security control equipment eligible:

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

Effective from year of assessment 2009 to 2012.

- 2013-2014
- i. Extended for another 3 years.
  - ii. Extended to companies that install security control and surveillance equipment in residential areas.
  - iii. Equipment also includes safety mirrors and panic buttons.  
(Effective from year assessment 2013 to 2015)
- 2015
- No changes.

6. Capital allowances on small value assets

- 2009-2014 SMEs not subject to the maximum limit of RM10,000.
- 2015 No changes.

7. Automation in labour intensive industries

- 2009-2014 Standard rate.
- 2015
- i. Provided on the first RM4 million expenditure for high labour intensive industries.(Effective from year assessment 2015 to 2017)
  - ii. Provided on the first RM2 million expenditure for other industries.(Effective from year assessment 2015 to 2020)

### **Industrial Building Allowance**

1. Disposal of industrial building by company to REIT.

- 2009-2014 Not subject to balancing charge.
- 2015 No changes.

2. Industrial Building Allowance for Pre-School

- 2013-2014 An annual rate of 10% on pre-school buildings  
Must be registered with the State Education Department.
- 2015 No changes.

3. Industrial Building Allowance for Childcare Centres

- 2013-2014 An annual rate of 10% for buildings used as childcare centres.  
Must be registered with the Social Welfare Department
- 2015 No changes.

### **WITHHOLDING TAX**

1. Technical fee paid to non-residents.

- 2009-2014 Reimbursements for hotel accommodation in Malaysia be excluded in computation of gross income.
- 2015 No changes.

2. Technical training services.

- 2009-2014 Exemption in the field below:

- i. Post graduate courses in ICT, electronics and life sciences.
  - ii. Post basic courses in nursing and allied health care.
  - iii. Aircraft maintenance engineering courses
- 2015 No changes.
- 3. Real Estate Investment Trusts (REITs)
- 2009-2011
  - i. Foreign institutional investors, particular pension fund and collective investments funds receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011
  - ii. Non-corporate investors including resident and non-resident individuals and other local entities receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011.
- 2012-2014 Extended to 31 December 2016
- 2015 No changes.
- 4. Interest payment on borrowing by the Treasury Management Company to Overseas banks and related companies
- 2009-2011 No exemption
- 2012-2014 Exempted
- 2015 No changes.
- 5. Withholding tax Oil and Gas industry for private operators
- 2013-2014 Exempted
- 2015 No changes.

**TAX ON COOPERATIVES**

Refer to Section H

**TRADE ASSOCIATION**

Professional associations

- 2009-2014 Professional associations are incorporated in the definition of trade associations.
- 2015 No changes.

**TAX TREATMENT ON CLUB**

- 2009-2014
  - i. Income derived from transactions with members not subject to tax while transactions with non members subject to tax.
  - ii. Income from investment and external sources being non-mutual receipts be subject to tax.
  - iii. Deduction be only allowed on expenses incurred in the production of chargeable income and limited only on the portion attributable to non-members.

It is also applicable to institutions similar to clubs. Effective from year of assessment 2009.
- 2015 No changes.

**TAX TREATMENT FOR UPSTREAM PETROLEUM COMPANIES**

- 2009 Upstream petroleum companies are subject to Petroleum (Income Tax) Act 1967 and uses:-
  - i. Preceding year assessment system; and
  - ii. Official assessment system undertaken by the IRB

2010-2014	Changes the system to:- ii. Current year assessment system; and iii. Self-assessment system.
2015	No changes.

**FLEXIBILITY IN ESTIMATING TAX PAYABLE FOR COMPANIES**

2009-2014	Newly set-up company with paid-up capital of RM2.5M not required to make estimate and instalment payment for 2 years
2015	No changes.

**TAX TREATMENT ON TAKAFUL BUSINESS**

2009-2014	Special provision introduced for Takaful business as follows:- i. Management expenses borne from shareholders' fund will allowed a deduction from gross income of the shareholders' income; ii. Share of profits distributed from the family fund and general takaful fund will allowed as tax deduction; iii. Share of profits distributed to the participants in relation to investment income be taxed on the participants through a final withholding tax mechanism; iv. Tax imposed on the Wakalah fee received by the shareholder from the family takaful fund and general takaful fund; and v. Deduction be allowed for Qard from the shareholders' fund and to impose tax on the repayment of Qard.
2015	No changes.

**TAX TREATMENT OF COMPANY MANAGING FOREIGN ISLAMIC FUNDS**

2009-2014	All fee received from managing the funds will tax exempted from YA2008 until YA2016. The Islamic fund must be approved by SC
2015	No changes.

**INCENTIVES****1. Reinvestment Allowance (RA)**

2009-2014	Incentives be given for chicken and duck rearers who reinvest to expand the closed house system in existing or new locations as follows: i. Projects located in promoted areas be given RA of 60% on qualifying capital expenditure and be set-off against 100% of statutory income. ii. Projects located outside the promoted areas be given RA 60% on qualifying expenditure and be set-off the statutory income Effective from YA 2009 to YA 2010. Reinvestment allowance is improved for criteria and conditions of incentive be amended. i. Manufacturing activity be given specific and clear definition under Schedule 7A ITA 1967 ii. Company can claim RA must be operation for at least 12 months to extend to 36 months. iii. Company purchasing an asset from a related company cannot claim RA if RA has been claim for that assets. iv. Provision to claw back RA assets disposed off within period of 2 years be extended to 5 years.
2015	No changes.

**2. Pioneer Status**

2009-2011	For hotel 4 and 5 star in Sabah and Sarawak be given Pioneer Status or
-----------	--

	Investment Tax Allowance similar to 1 to 3 star hotels. Proposal is effective for applications received by MIDA from 30 <sup>th</sup> August, 2008 until 31 <sup>st</sup> December, 2013.
2012-2013	<ul style="list-style-type: none"> <li>i. Hotel 4 and 5 star in Peninsular Malaysia be given tax exemption of 70% of statutory income for 5 years (application received from MIDA from 08.10.2011 until 31.12.2013)</li> <li>ii. Industrial design services be given Pioneer Status with income tax exemption of 70% for 5 years. (application received from MIDA from 08.10.2011 until 31.12.2016)</li> </ul>
2014	Hotel 4 and 5 star in Peninsular Malaysia be given tax exemption of 70% of statutory income. (application received from MIDA from 01.10.2014 until 31.12.2016)
2015	No changes.
<b>3. Investment Tax Allowance (ITA)</b>	
2009-2011	<ul style="list-style-type: none"> <li>i. Incentives for Small and Medium Industries (SMEs) that supply components, technology or R&amp;D granted for ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010.</li> <li>ii. Incentives for SMEs that capable of achieving world class standard in terms of pricing, quality and capacity granted for ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010.</li> <li>iii. Companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralised in the Cybercities and Cybercentres and be given MSC Malaysia status company where, Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of 5 years to be set-off against 100% of statutory income for each year of assessment starting 8 December 2007.</li> <li>iv. Incentives for companies which undertaking ICT activities located outside Cybercities and Cybercentres to be discontinued starting 8 December 2007.</li> </ul>
2012	<ul style="list-style-type: none"> <li>i. 4 and 5 star hotel in Peninsular Malaysia be given ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment (after approved by MIDA from 08.10.2011 until 31.12.2013)</li> <li>ii. Profit oriented private schools be given ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application approved by MIDA from 08.10.2011 to 31.12.2011)</li> </ul>
2013	Investment in refinery activities on petroleum products be given ITA of 100% for the period of 10 years.
2014	4 and 5 star hotel in Peninsular Malaysia be given ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment (after approved by MIDA from 01.01.2014 until 31.12.2016)
2015	No changes.
<b>4. Incentive on issuance of Islamic securities</b>	
2009	Islamic securities based on leasing (Ijarah), progressive sales (Istisna'), profit

**Budget 2015: Summary & Comments**

- sharing (Mudharabah) and profit and loss sharing (Musharakah) are deductible.
- 2010
- i. The incentive extended until the YA 2015; and
  - ii. Incentive for Islamic securities approved by the Securities Commission or the Labuan Offshore Financial Services Authority effective from YA 2010 to YA 2015.
- 2011
- Expenses incurred in the issuance of Islamic securities under the principles of Murabahah and Bai'ithaman Ajil based on tawarruq be given deduction provided that the security is approved by the Securities Commission or the Labuan Financial Services Authority w.e.f YA 2011 to 2015
- 2012-2014
- Expenses on the issuance of Islamic securities based on Wakalah Principles approved by the Security Commission or the Labuan Financial Services Authority be given deduction for the purpose of income tax computation.
- 2015
- Expenses incurred under the principles of Ijarah and Wakalah will be extended for three years w.e.f YA 2016 to YA 2018.
5. Special Purpose Vehicles (SPV) established solely for Islamic financing
- 2009
- The SPV is exempted from tax while income from SPV deemed as income of the company that establish the SPV will be subject to tax.
- 2010-2014
- Extended to SPV establish under Offshore Companies Act 1990 electing to the taxed under Income Tax Act 1967.
- 2015
- No changes.
6. Incentives to Promote Tourism
- 2009-2010
- Tour operators be given 50% excise duty exemption on locally assembled 4WD vehicles (w.e.f. 02.09.2006).  
Extended the incentives for tour operators for another 5 years until YA 2011. Import duty on most tourism dutiable products with FOB value exceeding RM200 are given exemption under Item 174, Customs Duties (Exemption) Order 1988.
- 2011-2012
- Import duty abolished on tourism dutiable product (duty between 5% to 20%) :
- i. Handbags, wallets, suitcases, briefcases, apparel, footwear and hats;
  - ii. Jewellery, costume jewellery and ornaments;
  - iii. Toys such as dolls and small scale recreational models.
- Import duty abolished on cost of daily used products (duty between 10% to 20%) :
- i. Talcum powder, face powder and shampoo;
  - ii. Bedspreads, blankets, curtains and table cloth.
- w.e.f 15 October 2010.
- 2013-2014
- i. 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 750 inbound tourists per year.
  - ii. 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,000 local tourists per year.
  - iii. Extended the incentives for another 3 years.
  - iv. Effective from year assessment 2013 to 2015.
- 2015
- No changes.
7. Incentive for Venture Capital Companies (VCC)
- 2009-2012
- VCCs investing in VCs with at least 30% of its funds in seed capital and start-up/early stage financing be given income tax exemption for 5 years.
- 2013-2014
- i. The investment by an angel investor in VSs be allowed as a deduction against all income.
  - ii. The qualifying criteria are as follow:-
    - a) Angel Investor
      - i. An individual is not associated to the venture company prior to

- investing;
  - ii. A tax resident with an annual income not less than RM180,000;
  - iii. Holds at least 30% of the shares in the venture company for a period of at least 2 years; and
  - iv. All his shares in the venture company must be paid in cash.
- b) Venture company
- i. 51% shares in the company is owned by Malaysians;
  - ii. Qualifying activities of venture company are approved by the Minister of Finance; and
  - iii. Accumulated profit is not more than RM5 million and has a track record of less than 3 years.
- (Effective from 01.01.2013 until 31.12.2017)
- 2015 No changes.
8. Incentives to promote export
- 2009-2010 Exempted from income tax equivalent to 10% of the increased export value for a period of 5 years provided that:
- i. Equity holdings by Malaysian in the company be reduced from 70% to 60%.
  - ii. Annual sales turnover be reduced from more than RM25 million to more than RM10 million.
  - iii. Export of goods of related companies is allowed without any restrictions. Double tax deduction on payment of conventional insurance premium for export credit to companies approved by the Minister of Finance.
- 2011-2014 Payment of insurance premium for export credit based on takaful concept given double deduction commencing from YA 2011. Insurance premium must be purchased from takaful operators approved by the Minister of Finance.
- 2015 No changes.
9. Incentive to increase food production
- 2009-2010 Incentives extended to application received until December 31, 2010.
- 2011-2014 Incentives extended for another 5 years from January 2011 until December 2015.
- 2015 No changes.
10. Group relief
- 2009-2014 The rate of current year losses allowed to be set-off in group relief treatment be increased to 70%.
- 2015 No changes.
11. Incentives for energy-generating companies and companies using biomass as source of energy (environment-friendly and renewable)
- 2010-2014
- i. Import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties be given to importers including photovoltaic service providers approved by the Energy Commission.
  - ii. Sales tax exemption on the purchase of solar heating system equipment from local manufacturers.
- The proposal is effective for applications received from 30 August 2008 until 31 December 2010.
- 2015 No changes.
12. Incentives for energy-generating from renewable sources biomass, hydro power (not exceeding 10 megawatts) and solar power.
- 2009-2010
- i. Pioneer status with tax exemption of 70% be increased to 100% of statutory income and the incentive period be extended from 5 to 10 years; or

---

**Budget 2015: Summary & Comments**

- ii. Investment tax allowance of 60% be increased to 100% on qualifying capital expenditure incurred within a period of 5 years with the allowance to be set off against 100% of statutory income.
- In addition, the incentive package of Pioneer and Investment Tax Allowance as well as import duty and sales tax exemption be extended for another 5 years until 31 December 2010.
- 2011-2014 Application for incentive for companies generating energy from renewable sources and companies generating renewable energy for own consumption to be extended to December 2015 and incentive for non-energy generating companies which import or purchase equipment to generate energy from renewable sources for consumption of third parties to be extended to December 2012.
- 2015 No changes.
13. Incentives for conservation of Energy
- 2009-2010
- i. Exemption of import duty and sales tax be given on Energy Efficiency (EE) equipment such as high efficiency motors and insulation materials to importers including authorized agents approved by the Energy Commission.
- ii. Sales tax exemption be given on the purchase of locally manufactured EE consumer goods such as refrigerator, air conditioner, lightings, fan and television.
- The proposal is effective for applications received from 30 August 2008 until 31 December 2010.
- 2011-2014 Application for incentive for companies providing energy conservation services and companies which incur capital expenditure for energy conservation for own consumption to be extended to December 2015 and for companies importing or purchasing locally manufactured EE equipment for third party consumption to be extended to December 2012.
- 2015 No changes.
14. Incentives to increase the planting of rubber wood trees
- 2009-2010 Incentives will be effective until year of assessment 2010.
- 2011-2014 No incentives.
- 2015 No changes.
15. Incentives for commercialisation of public sector R&D
- 2009-2012
- i. A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings be given tax deduction equivalent to the amount of investment made in the subsidiary company
- ii. The subsidiary company that undertakes the commercialisation of the R&D findings be given Pioneer Status with 100% tax exemption on statutory income for 10 years
- 2013
- i. Tax incentives applicable to both resources based and non-resources based. Non-resources based activities/product are subject to the list of promoted activities/products under the Promotion of investment Act 1986.
- ii. The incentive is effective for applications received by the (MIDA) from 29 September 2012 until 31 December 2017.
- 2014
- i. Tax deduction for companies that invest to acquire technology platform in bio-based industry.
- ii. Exemption on import duty on R&D equipment for companies that invest in pilot plants for the purpose of pre-commercialisation in Malaysia.
- iii. Special incentive to companies to partially cover the operational cost for human capital development for Centre of Excellence for R&D.
- Subject to approval from BiotechCorp, incentive provided is for R&D projects in Bioeconomy sector. Effective from 01 January 2014 until 31 December 2018.
- 2015 No changes.

16. Incentives for rearing of chicken and ducks in Eastern Corridor of Peninsular Malaysia
- 2009-2014
- i. Projects located in the promoted areas be given RA of 60% on qualifying capital expenditure. The allowance is to be set-off against 100% of the statutory income for each year of assessment.
  - ii. Projects located outside the promoted areas be given RA of 60% on qualifying capital expenditure. The allowance is to be set-off against 70% of the statutory income for each year of assessment.
- Effective from year of assessment 2009 to year of assessment 2010.
- 2015 No changes.
17. Incentives for mergers and acquisition (M&A) of listed companies
- 2009-2010 Stamp duty exemption on all instruments pertaining to mergers and acquisitions be extended for another 3 years until 2010.
- 2011-2014 No exemption.
- 2015 No changes.
18. Incentive for reduction of greenhouse gas emission (GHG)
- 2008-2010 Incomes derived from trading of Certified Emission Reductions (CERs) certificates are exempted.
- 2011-2014 The exemption will be extended for another 2 years.
- 2015 No changes.
19. Incentive for last mile network facilities provider for broadband
- 2009-2010 100% tax exemption of the qualifying capital expenditure for 5 years which to be set off against 70% of statutory income for each assessment year and there has to be approved by Ministry of Finance.
- 2011-2012 Exempted will be extended by another 2 years from 01 January 2011 to 31 December 2012.
- 2013-2014 No exemption.
- 2015 No changes.
20. Real Estate Investment Trusts (REITs)
- 2009-2011 Withholding tax rate imposed on foreign institutional investors and non-corporate investors including individual residents and non-residents be reduce to 10%.  
(w.e.f 01.01.2009 to 31.12.2011)
- 2012-2014 The exemption will be extended for a period of 5 years commencing 01.01.2012 until 31.12.2016.
- 2015 No changes.
21. Incentives for export of financial services
- 2009 Profit from newly established banking institutions branches overseas or remittances of new overseas subsidiaries be given income tax exemption for 5 years. (w.e.f 2<sup>nd</sup> September 2006 until 31<sup>st</sup> December 2009)
- 2010-2014
- i. Extended to insurance companies and takaful companies;
  - ii. 5 years exemption be given flexibility to be deferred from the date of commencement of operations to begin not later than the 3<sup>rd</sup> year of operations; and
  - iii. New branches or subsidiaries overseas be received by Bank Negara Malaysia not later than 31 December 2015.
- 2015 No changes.
22. Incentive for listing of foreign companies and foreign products in Bursa Malaysia
- 2009-2013 Income tax exemption is given on fees received by corporate advisors for primary listing, dual listing or cross listing of:

Budget 2015: *Summary & Comments*

	<ul style="list-style-type: none"> <li>i) Corporation with predominantly foreign based operations</li> <li>ii) Exchange Traded Funds and Real Estate Investment Trusts with foreign based assets</li> <li>iii) Foreign listed securities</li> <li>iv) Foreign financial instruments</li> </ul>
	This subject to listing conditions approved by the Securities Commission. (w.e.f from assessment year 2009 to 2013)
2014	No exemption.
2015	No changes.
<b>23. Incentive for employing local retrenched</b>	
2009-2010	Double deduction incurred subject to: <ul style="list-style-type: none"> <li>i. The employee is a citizen and resident in Malaysia whose employment with a previous employer has been terminated pursuant to a separation scheme or retrenchment, on or after July 1, 2008;</li> <li>ii. The employment termination has been registered with the Director General of Labour, the Ministry of Human Resources.</li> <li>iii. Remuneration (wages, salary or allowance) eligible for double deduction shall not exceed RM10,000 per month per employee and limited to a maximum period of 12 consecutive months commencing from the first month of the employment; and</li> <li>iv. The employee is employed on full-time basis between 10 March 2009 until 31 December 2010.</li> </ul>
	No double deduction if the former and present employer are associates, or one of whom has control over the other or are controlled by another person; or the employee is employed to replace a former employee for the purpose of carrying out the same and similar function of that former employee.
2011-2014	No double deduction.
2015	No changes.
<b>24. Incentive for buildings obtaining green building index (GBI) certificate</b>	
2009	No exemption
2010-2014	100% exemption of the additional capital expenditure incurred to obtain the GBI certificate. Allowable to be set off against the statutory income. Only for the first GBI certificate issued with effective from 24 October 2009 until 31 December 2014.
2015	No changes.
<b>25. Incentives for health tourism</b>	
2009	Tax exemption on statutory income to the amount of 50% of the value of increased exports to foreign clients as follows:- <ul style="list-style-type: none"> <li>A company, a partnership, an organisation or a corporate society incorporated or registered outside Malaysia; or</li> <li>non-Malaysian citizens who do not hold Malaysian work permits; or</li> <li>Malaysian citizens who are non-residents living abroad.</li> </ul>
2010-2014	The exemption rate of 50% on the value of increased export to be increased to 100% subject to 70% of the statutory income for each year of assessment. Foreign clients exclude: <ul style="list-style-type: none"> <li>A non-Malaysian citizen that participates in Malaysia My Second Home Programme and his dependants;</li> <li>A non-Malaysian citizen holding a Malaysian student pass and his dependents;</li> <li>A non-Malaysian citizen holding a Malaysian work permit and his dependants; or</li> <li>Malaysian citizen who are non-residents living abroad and his dependents.</li> </ul>

2015 However, healthcare services offered to such foreign clients as mentioned above continue to enjoy the existing incentives.  
The exemption on statutory income to the amount of 100% of Investment Tax Allowance of qualifying capital expenditure for a period of 5 years (Application received by MIDA effective from 01.01.2015 until 31.12.2017)

26. Incentives for Treasury Management Centre (TMC)

2009-2011 No exemption

2012-2014

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

2015 No changes

27. Tax incentive for providers of industrial design services

2009-2011 No tax incentive

2012-2014 Pioneer status with income tax exemption of 70% on statutory income for 5 years. The incentive is given to industrial service providers that fulfil the following criteria:  
New service providers who employ at least 50% Malaysian designers.  
Existing industrial design service providers undertaking expansion and non-industrial design service providers which would be carrying out industrial design activities on upgrading the design facilities by increasing the capital investment of at least 50% or employ an additional 50% qualified Malaysian designers.  
(application received by MIDA from 08.10.2011 until 31.12.2016)

2015 No changes

28. Tax incentive for shipping companies

2009-2011 Income of shipping company is fully exempted under section 54A of ITA 1967 since year of assessment 1984.

2012-2014 The exemption will be reduced to 70% of statutory income.

2015 No changes

29. Tax on the disposal of real property

2009 Exempted

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

- i. tax is collected through a withholding mechanism whereby the purchaser

- withhold 2% of the purchase value and pays to the Inland Revenue Board;
- ii. exemption up to RM10,000 or 10% of the gains, whichever is higher be given to individuals; and
  - iii. existing exemption under the Real Property Gains Tax Act 1976 are retained:
    - a. gifts between parent and child, husband and wife, grandparent and grandchild; and
    - b. disposal of a residential property once in a lifetime for an individual who is a citizen or permanent resident of Malaysia.
- 2012 0% - 10% taxed with existing collection mechanism and exemption under RPGT Act 1976 are retained. (w.e.f 01.01.2012)
- 2013 0% - 15% tax as disclosed in section (H) and exemption under RPGT Act 1967 are retained.
- 2014 0% - 30% tax as disclosed in section (H) and exemption under RPGT Act 1967 are retained.
- 2015 No changes
30. Tax Incentives to revive abandoned housing projects
- 2013-2014 The parties involved in the revival of such projects be given the followings:
- i. Banking and financial institutions
 

Tax exemption on interest income received from the rescuing contractor
  - ii. Rescuing contractor
    - a. Double deduction on interest expenses and all costs involved in obtaining loans to revive the abandoned project;
    - b. Stamp duty exemption on instrument of loan agreements to finance the revival of the abandoned housing project; and
    - c. Stamp duty exemption in instruments of transfer of land or houses in the abandoned project.
  - ii. Original house purchaser in the abandoned project
    - a. Stamp duty exemption on instrument of loan agreements for additional financing; and
    - b. Stamp duty exemption on instruments of transfer of the house.

(Abandon housing projects eligible for tax incentive must be certified by Ministry of Housing and Local Government)
- 2015 No changes
31. Tax incentive to corporate wakaf
- 2013-2014
- i. Income tax exemption for 10 years for TRX-status companies;
  - ii. Stamp duty exemption;
  - iii. Industrial building allowance;
  - iv. Accelerated capital allowance for TRX Marquee-status companies; and
  - v. Tax exemption for property developers.
- 2015 No changes
32. Tax incentive for issuance of Agro-*Sukuk*, Retail *Sukuk* and Retail Bonds
- 2013-2014
- i. To promote the issuance of *Sukuk* primarily for the agricultural sector, it is proposed that double deduction be given on the expenses for the issuance of Agro-*Sukuk* approved by the Securities Commission or the Labuan Financial Services Authority.
  - ii. To reduce the cost of the issuance of retail *sukuk* and retail bonds and to encourage more individual investors to participate in the capital market, it is proposed that:
    - a. Double deduction be given on additional expenses for the issuance of retail *sukuk* and retail bonds; and
    - b. Stamp duty exemption is given on instruments relating to the subscription of retail *sukuk* and retail bonds executed by individual investors.

	Effective Date
	Proposal A: From year of assessment 2013 to 2015
	Proposal B(i): From year of assessment 2012 to 2015
	Proposal B(ii): For instruments executed from 1.10.2012 to 31.12.2015
2015	No changes
33. Tax incentive for implementation of minimum wages	
2014	To proposed that the difference between the original salary and the minimum wages paid by SMEs, cooperatives, associations and organisations employers to be given further deduction. Effective date from 01 January 2014 to 31 December 2014
2015	No changes.
34. Tax Incentive Under Investment Account Platform (IAP)	
2015	To proposed that the profit earned by individual investors from investment made through IAP be accorded income tax exemption with subject to the following conditions: a. Tax exemption shall only be accorded for 3 consecutive years starting from the first year profit earned b. The investment is made for a period of 3 years starting from the operation date of IAP c. The incentive shall only be accorded for investment activities in Malaysia, in venture companies owned by Malaysian or locally incorporated companies d. Tax exemption shall only be accorded for investment made in SMEs and venture companies in any sectors e. Definition for SMEs is as per latest definition issued by SME Corporation Malaysia. Effective date from 01 September 2015 to 31 August 2018.
35. Tax Incentive For Industrial Area Management	
2009-2014	No exemption
2015	i. 100% income tax exemption for a period of 5 years to private sector for industrial estates in less developed areas ii. 70% income tax exemption for a period of 5 years to private sector for others industrial estates.

### **SERVICE TAX**

Rates and Prescribed Establishments	
2009	Threshold for professional, consultancy and management services be abolished.
2010	Service tax will be imposed on credit card and charge cards including those issue free of charge as follows : i. RM50 per year on principal card; and ii. RM25 per year on supplement card.
2011-2014	Tax rate for all taxable services will be increased from 5% to 6%. (w.e.f 01.01.2011)
2015	Abolished
Broadcasting services	
2008-2010	All telecommunication service ( ex: telephone, facsimile, leased line and bandwidth) excluding telecommunication service adoptions satellite application (ex: paid television broadcasting service) are eligible for service tax

**Budget 2015: Summary & Comments**

2011-2013	6% of service tax is extended to paid television broadcasting services (w.e.f 01.01.2011)
2014-2015	Abolished

**SALES TAX**

Exemption 2009-2010	<ul style="list-style-type: none"> <li>i. Purchase of locally assembled buses including air-conditioners. (applications received by Ministry of Finance from 30.08.2008 until 31.12.2011)</li> <li>ii. Solar photovoltaic system equipment for the usage by third parties be given to importers including photovoltaic service providers approved by the Energy Commission</li> <li>iii. Solar heating system equipment from local manufacturers.(applications received by the Ministry of Finance from 30.08.2008 until 31.12.2010)</li> <li>iv. Energy Efficiency (EE) equipment and insulation materials to importers including authorized agents approved by the Energy Commission</li> <li>v. Purchase of locally manufactured EE consumer goods (applications received by The Ministry of Finance from 30.08.2008 until 31.12.2010)</li> </ul>
2011	<ul style="list-style-type: none"> <li>i. Exemption on broadband equipment and consumer access devices which received in 2008 will extended for another 2 years</li> <li>ii. Exemption on equipment used to generate energy for companies providing energy conservation services and for own consumption will be extended for application until 31.12.2015</li> <li>iii. Exemption for EE equipment and insulation materials to importers including authorized agents approved by the Energy Commission will be extended to application received until 31.12.2012</li> <li>iv. Exemption on equipment used to generate energy for companies generating energy from renewable sources (RE) and for own consumption will be extended to application received until 31.12.2015</li> <li>v. Exemption on solar photovoltaic system equipment for the usage by third parties will be extended for application received until 31.12.2012</li> <li>vi. Exemption on the purchase of solar heating on system equipment will be extended application received until 31.12.2015</li> <li>vii. Exemption for purchase of locally manufactured EE consumer goods will be extended for application received until 31.12.2012.</li> <li>viii. All mobile phones will be exempted from sales tax (w.e.f 4.00 p.m, 15.10.2010)</li> </ul>
2012-2014	<ul style="list-style-type: none"> <li>i. Full exemption on purchase of new locally manufactured cars used as budget taxis or hire cars from 8 October 2011</li> <li>ii. Exemption on sale or change of ownership of budget taxis and hire cars after seven years of registration from 8 October 2011</li> <li>iii. Exemption for educational equipment for profit oriented private schools and international schools application received from 8 October 2011</li> </ul>
2015	Abolished

**IMPORT DUTIES**

Reduction in duties  
2009-2014

- i. From 10% and 30% to between 5% and 15% (Food products)
  - ii. From 15% and 30% to between 5% and 20% (Electrical goods)
  - iii. From 10% and 30% to between 5% and 20% (Petrochemical and polymer industrial goods)
  - iv. From 20% to 5% (Port cranes)
  - v. From 25% and 60% to between 20% and 30% (Textiles)
- (w.e.f 4.00 p.m on 29 August 2008)

2015

No changes

Exempted  
2009-2010

- i. Food product in air tight containers (w.e.f 4.00 p.m on 29 August 2008)
- ii. Solar photovoltaic system equipment for the usage by third parties given to importers including photovoltaic service providers approved by the Energy Commission
- iii. Energy Efficiency (EE) equipment and isolation materials to importers including authorized agents approved by the Energy Commission
- iv. 100% exempted on franchise holders of hybrid cars (application received by the Ministry of Finance from 30.08.2008 to 31.12.2010)

2011

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

2012

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

2013

Full exemption on new CBU hybrid and electric cars will be extended for application received until 31.12.2015

2014

- i. Exemption on R&D equipment for companies that invest in pilot plants for the purpose of pre-commercialisation in Malaysia for application received by BioTech Corp from 01.01.2014 to 31.12.2018
- ii. The R&D incentives will be provided for viable projects which will be assessed by BioTech Corp.

2015

No changes.

Abolished  
2009-2010

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

**Budget 2015: Summary & Comments**

- 2011-2014
- i. Duty between 5% and 20% on handbags, wallets, suitcases, briefcases, apparel, footwear and hats
  - ii. Duty between 5% and 20% on jewellery, costume jewellery and ornaments
  - iii. Duty between 5% and 20% on toys such as dolls and small scale recreational models
  - iv. Duty between 10% and 20% on talcum powder, face powder and shampoo
  - v. Duty between 10% and 20% on bedspreads, blankets, curtains and table cloth  
(w.e.f 4.00 p.m on 15.10.2010)

2015 No changes

**EXCISE DUTY**

Increased

- 2009-2014
- i. Cigarettes, cheroots and cigarillos, containing tobacco and tobacco substitute's increase from RM150 per kg and 20% to RM180 per kg and 20%.
  - ii. Cigarettes containing tobacco increase from RM0.15 per stick and 20% to RM0.18 per stick and 20%(w.e.f 4.00 p.m 29 August 2008)

2015 No changes

Exemption

2009-2010 50% exemption on new CBU hybrid cars (applications received by the Ministry of Finance from 30.08.2008 to 31.12.2010)

2011 Exemption on CBU hybrid cars, electric cars as well as hybrid and electric motorcycles will be increased to 100% exemption (applications received by the Ministry of Finance from 01.01.2011 to 31.12.2011)

- 2012-2014
- i. Full exemption on CBU hybrid cars and electric cars will be extended for application received until 31.12.2013
  - ii. Exemption on sale or change of ownership of budget taxis and hire cars after seven years of registration from 08.10.2011

2015 No changes

Abolished

2009-2014 National car purchased by car rental operators

2015 No changes

Vehicles for the physically disabled

2009-2010 Exemption of 50% for motorcycles, cars and vans subject to following conditions:-

- i. Applicant registered with Social Welfare Department and possess a Registration Certificate
- ii. Applicant must have a valid driving license
- iii. Vehicle bought must be from the stock of unpaid duty and tax
- iv. Vehicle not be sold or its ownership transferred until the expiry of 5 years except with a written approval from the Treasury
- v. One vehicle within period of 5 years

2011-2014 Increased to 100% exemption and also extended to disabled persons who have hearing and speaking disabilities

2015 No changes

### **GOOD AND SERVICES TAX**

- 2014 Sales tax and service tax will be abolished and be replaced with Goods and Services Tax (GST). The scope of GST are as follows :
- i. To be charged on good and services at all levels starting from production, manufacture, wholesale and retail.
  - ii. To be charged on goods and services supplied within the country or imported into the country.
  - iii. Some services prescribed by the Minister of Finance are within the scope of GST except supplies made by the Federal and State Government departments.
  - iv. Supplies made by the local authorities and statutory bodies in relation to regulatory and enforcement functions are not within the scope of GST.
  - v. GST charged on all sales is known as output tax. While, GST charged on all business inputs is known as input tax, which is fully recoverable from the Government through the input tax credit mechanism.
- GST standard rate is 6% effective from 01.04.2015.
- 2015 The items that exempted from GST are as follows:
- i. Food: Fruits, bread and yellow mee
  - ii. Drinks: Coffee powder tea dust and cocoa powder
  - iii. Medicine: heart failure, diabetes, hypertension, cancer and fertility treatment
  - iv. Reading materials: Reference books, text books, dictionaries, religious books and newspaper
  - v. Electricity
  - vi. Petrol RON95, Diesel and LPG
- For further details of the items, please refer to Section D.

### **OTHER SIGNIFICANT TAXES AND FEES**

#### **Stamp Duty**

1. Instruments of transfer of property
  - 2009-2010 Instruments for transfer of property between husband and wife be exempted effective from 8 September 2007
  - 2011-2014 50% exemption on instruments of transfer of a residential property priced not exceeding RM350,000 (for sales and purchase agreements executed from 01.01.2011 to 31.12.2012)
  - 2015 No changes.
2. Instruments of Islamic financing approved by the Syariah Advisory Council of Bank Negara Malaysia or the Syariah Advisory Council of the Securities Commission.
  - 2009 20% exempted
  - 2010-2014 Exemption will be extended until 31 December 2015.
  - 2015 No changes
3. Real property assessment of stamp duty
  - 2009-2014 Private valuation is accepted as an alternative for the purpose of stamp duty payment.
  - 2015 No changes.

**Budget 2015: Summary & Comments**

4. Purchase of residential property

2009-2010	50% stamp duty exemption are given for property up to RM250,000 and given to individual Malaysian citizen and limited to one residential only (w.e.f sale and purchase agreement from 30.08.2008 to 31.12.2010)
2011-2012	50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012)
2013-2014	Exemption extended to 31 December 2014 and given for property not exceeding RM400,000 (w.e.f sale and purchase agreement from 01.01.2013 to 31.12.2014)
2015	No changes

5. Stamp duty on loan agreements and service agreements

2009-2010	All loan and service agreements instruments except for education loans are subject to ad valorem stamp duty rates of RM2.00 for every RM1,000 of part thereof. Fixed rate at RM10 for education loan agreements (w.e.f 01.01.2009)
2011	50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012)
2012	<ul style="list-style-type: none"> <li>i. Full exemption be given on loan agreements for the purchase of residential properties under Skim Perumahan Rakyat 1Malaysia (PR1MA) priced up to RM300,000.(w.e.f sale and purchase agreement from 01.01.2012 to 31.12.2016)</li> <li>ii. Full exemption be given on loan agreements up to RM50,000 under the Micro Financing Scheme which executed between micro enterprise and SME with any banking and financial institutions. (w.e.f 01.01.2012)</li> <li>iii. Full exemption be given on loan agreement up to RM50,000 undertaken from Professional Services Fund which executed between any professionals with Bank Simpanan Nasional (w.e.f 01.01.2012)</li> <li>iv. Full exemption on all agreements and service agreements executed by Treasury Management Centre (TMC) in Malaysia for qualifying TMC activities (application received by MIDA from 8 October 2011 until 31 December 2016)</li> </ul>
2013	50% stamp duty exemption are given for property not exceeding RM400,000 and extended to 31 December 2014.
2014	Stamp duty exemption for loan agreements under the soft loan incentive scheme and extended to 31 December 2017.
2015	50% stamp duty exemption are given for first residential property not exceeding RM500,000 and extended to 31 December 2016.

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

2009	No exemption.
2010-2014	Exemption Condition: For sales and purchase agreements from 24 October 2009 until 31 December 2014.
2015	No changes

**Road tax**

1. Bus for workers

2009-2014	Reduce to RM20 per year
2015	No changes

2. Private diesel vehicle  
2009-2014 Will be reduced to similar to petrol vehicle  
2015 No changes

3. Taxis/Hired cars  
Hire and Drive Vehicles/Limousines  
2009-2011 Reduction of RM20 per year  
2012-2014 Abolished  
2015 No changes

4. Green Diesel Vehicles  
2009-2014 Reduce rate withdrawn  
2015 No changes

### **INCOME TAX ADMINISTRATION**

1. Enhancing the competency of tax agents  
2009-2014 Tax agents be allowed to file the income tax returns through e-filing for their clients using Personal Identification Number (PIN) assigned to the tax agents  
2015 No changes

2. Provision to determine and collect tax on other incomes of non-residents  
2009-2014 Income deemed derive from Malaysia if:  
i. if responsibility for the payment of gains or profit lies with Federal Government, States Governments or local authorities  
ii. if responsibility for the payment of gains or profits lies with the resident  
iii. if such payment is charged as an outgoing or expenses in the accounts of a business carried on in Malaysia  
Income under Section 4(f) is taxed on 105 of gross income and collection from non-resident income be implemented under withholding tax mechanism(w.e.f 01.01.2009)  
2015 No changes

3. Self-amendment for additional assessment of income tax  
2009-2012 May amend subject to the following condition:  
a. in respect of error resulting in increased assessment  
b. allowed only once for each year assessment  
c. within 6 month from due date of furnishing the tax form  
d. tax payer makes self-amendment in specified forms  
This amendment will not subject to penalty. Tax payer subject to late payment penalty equivalent to the penalty imposed on a tax payer who files a correct return but default in paying tax due within the stipulated period(w.e.f assessment year 2009)  
2013-2014 Addition tax assessment reduced from 6 years to 5 years effective from 01.01.2014  
2015 No changes

4. Widening the scope of appeal to special commissioners of income tax  
2009-2014 Tax payer may file appeal by using Notification of Non-Chargeability instead of the notice of assessment. Appeal is made using Form Q through DGIR (w.e.f 01.01.09)  
2015 No changes

5. E-filing system  
2009-2011 E-filing system is introduced in 2004. However, individual tax payers are still required to key-in information such as total income, scheduler tax deductions (PCB), EPF, insurance and zakat.

---

**Budget 2015: Summary & Comments**

2012-2014	Individual tax payers are allowed to use e-filing via mobile device and information on total income, PCB deductions, EPF contributions, insurance and zakat are pre-filled by IRB which must be submitted by their employers.
2015	No changes
6. Compensation for late refund of income tax by IRB	
2009-2011	No compensation is given to the tax payers if IRB is late in refunding their tax overpaid
2012-2014	Compensation of 2% on the tax overpaid is to be paid to the taxpayers on a daily basis commencing 1 day: <ul style="list-style-type: none"> <li>i. After 90 days from the due date for e-Filing; and</li> <li>ii. After 120 days from the due date for manual tax filing</li> </ul> Eligibility for taxpayers: <ul style="list-style-type: none"> <li>i. Salaried individuals: not later than 30 April;</li> <li>ii. Individuals with business income: not later than 30 June; and</li> <li>iii. Companies: not later than 7 months from the expiry of the accounting period (w.e.f YA 2013)</li> </ul>
2015	No changes
7. Provision to allow tax assessments after six years	
2008-2014	The DGIR be empowered to make assessment after 6 years in cases where the assessment is determined by the court or withdrawal, revocation or cancellation of any exemption, relief, remission or allowance.
2015	No changes
8. Extending the scope of fund for tax refund	
2009-2014	The scope of fund for tax refund be extended to include refunds for petroleum income tax, real property gains tax and stamp duty.
2015	No changes
9. Introduction of Advance Rulings in Income Tax Administration	
2009-2014	The advance ruling is introduced under the Income Tax Act 1967. It is a written statement given by the Director General on the tax treatment of an arrangement to be undertaken by the taxpayer which features: <ul style="list-style-type: none"> <li>i. application in prescribed form;</li> <li>ii. fees charged on advance ruling;</li> <li>iii. only applicable to applicant;</li> <li>iv. ruling issued on actual facts and not on assumptions; and</li> <li>v. advance ruling is not applicable if the facts used are incorrect or different.</li> </ul>
2015	No changes
10. Framework for tax audit and investigation by IRB	
2009-2014	Issued by IRB where the areas to be covered in the guideline/framework are as follows: <ul style="list-style-type: none"> <li>i. selection of audit/investigation criteria;</li> <li>ii. methodology;</li> <li>iii. rights and responsibilities – taxpayers, tax agents and investigation officers;</li> <li>iv. audit/investigation settlement; and</li> <li>v. offences and penalties.</li> </ul>
2015	No changes

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

2009-2011	6 years from the date tax assessment is made
2012-2014	Reduced from 6 years to 5 years (w.e.f. YA 2013)
2015	No changes

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

2009-2014	Special regulation need to be formulated and published in the Gazette with the purpose of bringing the business within the ambit of paragraph 36(a)(iv) of the Income Tax Act 1967. With specific salient features.
2015	No changes

13. Monthly tax deduction as final tax

2014	Tax payers no longer need to submit tax returns and that amount of MTD is the final tax paid. The proposal is only applicable to : i. Employees who receive employment income prescribed under section 13 of the Income Tax 1967; ii. Employees whose MTD are made under the Income Tax (Deduction from Remuneration) Rules 1994; and iii. Employees serving under the same employer for a period of 12 months in a calendar year. (w.e.f. YA 2014)
2015	No changes

14. Disposal Of Property Under Real Property Gain Tax

2009-2014	Assessed formally
2015	Self-assessed by taxpayer effective from year 2016

## SECTION G

## SUMMARY OF REVENUE AND ALLOCATIONS

## 1. STATISTIC

	2015 RM Millions	2014* RM Millions	Percentage of total		Increase/ (Decrease) %
			2015 %	2014 %	
<b>Source of revenue:</b>					
Income tax & other direct taxes	135,646	133,148	57.7	59.2	1.9
Indirect taxes and duties	47,732	38,622	20.3	17.2	23.6
Non-tax revenues	51,841	53,324	22.0	23.6	(2.8)
<b>Total</b>	<b>235,219</b>	<b>225,094</b>	<b>100.0</b>	<b>100.0</b>	<b>4.5</b>
<b>Budget allocation</b>					
<b>Operating expenditure:</b>					
Emolument, pension, gratuities	81,908	81,524	36.7	36.9	0.5
Debt servicing charges	24,379	23,186	10.9	10.5	5.1
Supply & services	38,099	36,421	17.0	16.5	4.6
Grant & other expenditures	79,054	79,981	35.4	36.1	(1.2)
	<b>223,440</b>	<b>221,112</b>	<b>100.0</b>	<b>100.0</b>	<b>1.1</b>
<b>Development expenditure:</b>					
Economic	29,260	26,783	60.3	63.4	9.3
Social	12,618	10,390	26.0	24.6	21.4
Security	4,932	3,969	10.2	9.4	24.3
General administration	1,690	1,080	3.5	2.6	56.5
	<b>48,500</b>	<b>42,222</b>	<b>100.0</b>	<b>100.0</b>	<b>14.9</b>
<b>Total expenditure</b>	<b>271,940</b>	<b>263,334</b>			<b>3.3</b>
<b>Deficit</b>	<b>(36,721)</b>	<b>(38,240)</b>			<b>(4.0)</b>
<b>%</b>	<b>14</b>	<b>15</b>			

\* Revised estimate

(Sources: Economic Report 2014/2015)

## 2. REVENUE

Federal Government revenue in 2015 is estimated to increase by 4.5% to RM235,219 million due to the implementation of Goods and service tax (GST) effective on April 2015. Tax revenue is expected to increase by 6.8% to RM183,378 million, which represent 78% of the total revenue. The tax revenue consisting direct and indirect taxes represent RM135,646 million and RM47,732 million, respectively. Direct tax is expected to be increased by RM2,498 million or 1.9% as compared to 2014 mainly due from higher collection of corporate and individual income taxes, stamp duties and real property gain tax (RPGT). Indirect tax which is mainly generated from GST contribute RM21,720 million or 54.2% out of the total indirect tax revenue.

Meanwhile, non-tax revenue is estimated to be lower at RM51,841 million, a reduction of 2.8% over 2014 and contributing 22% to total revenue. The main sources of non-tax revenue are mainly from investment income and licensed/permits which account RM31,144 million and RM13,143 million, respectively.

## 3. EXPENDITURE

Total expenditure for the 2015 budget is projected at RM271,940 million, an increase of 3.3% as compared to 2014. Of this, RM223,440 million is allocated for operating expenditure while the balance of RM48,500 million is for development expenditure. Operating expenditure is expected to increase by 1.1%. This insignificant changes is a result of implementation of government's prudent spending policy. Major component in operating expenditure consists of debt services charges (RM24,379 million), Grant and transfers to state governments (RM7,444 million), suppliers and services (RM38,099 million) and refunds and write-off (RM1,664 million).

Government development expenditure is expected to increase by 14.9% to RM48,500 million over 2014. The economic service sector allocated the largest sum of RM29,260 million or 60.3% from total development expenditure in 2015. This amount is allocated in improving the agricultural and rural development (RM3,166 million), trade and industry (RM7,775 million), transportation service and infrastructure development (RM8,697). Meanwhile, social services sectors expected to be allocated to RM12.6 billion to improve a quality of life of citizen by emphasizing a better healthcare (RM1,702 million), affordable housing (RM2,293 million) as well as, enhancing the development of human capital by providing better education and training (RM5,582 million) for the younger generation.

#### **4. ANALYSIS OF CHANGES**

##### **Revenue**

Total estimated revenue for 2015 is RM235,219 million compared to RM225,094 million in 2014. The increase in revenue compared to previous year is derived from the financial impact on GST implementation and Government expectation of higher collection on corporate income tax.

##### **Expenditure**

The total estimated expenditure for 2015 is RM271,940 million compared to RM263,334 million in 2014. This is a reflection of the budgeted increase in overall development expenditure by 14.9% particularly in the areas of economic services and education and training related expenditure.

The marginal increase of 1.1% in operating expenditure is resulting from the government's cost effective, efficiency, productivity and outcome based principles.

#### **5. MACRO ECONOMY**

The Malaysian economy in 2015 is projected to expand between 5% to 6%. This will be largely contributed from the strong domestic demand and growth of improving exports. Private sector is the main factor in supporting the growth of domestic demand with the services and manufacturing sectors remain as the major contributors. For the export-oriented industries, particularly the electric and electronic subsector will benefit from the improvement in external conditions in line with improving global growth.

In addition to domestic inflation of 4% to 5% due to implementation of GST and spillover effect of fuel subsidy reduction and the risks posed from escalation of geopolitical tensions in Eastern Europe and in the Middle East, policy adjustments in the advance economies, both domestic and global economy are expected to sustain moderate recovery in 2015.

The broad-based growth from all sectors in the economy, particularly from external trade-related industries, the nominal Gross National Income (GNI) per capita is expected to rise 8.1% to RM37,486 (2014: 8.9%; RM34,682). In terms of Purchasing Power Parity (PPP), per capita income is expected to rise 2.4% to reach USD23,512 (2014: 2.2%; USD22,958).

(Sources: Economic Report 2014/2015)

## SECTION H

### TAX INFORMATION

#### Resident individual income tax rates

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

\* Based on 2014 budget proposal

Budget 2015: *Summary & Comments*

**Non-resident individual income tax rates**

Assessment Year	2002- 2008	2009	2010-2015
Tax Rate (%)	28	27	26

**Co-operative income tax rates**

Chargeable Income	ASSESSMENT YEAR					
	2010 - 2012		2013-2014		2015*	
RM	%	RM	%	RM	%	RM
First 20,000	0	0	0	0	0	0
Next 10,000	2	200	0	0	0	0
On 30,000		200		0		0
Next 10,000	6	600	5	500	5	500
On 40,000		800		500		500
Next 10,000	9	900	5	500	5	500
On 50,000		1,700		1,000		1,000
Next 10,000	12	1,200	5	500	5	500
On 60,000		2,900		1,500		1,500
Next 15,000	12	1,800	10	1,500	10	1,500
On 75,000		4,700		3,000		3,000
Next 25,000	16	4,000	10	2,500	10	2,500
On 100,000		8,700		5,500		5,500
Next 50,000	20	10,000	15	7,500	15	7,500
On 150,000		18,700		13,000		13,000
Next 100,000	23	23,000	20	20,000	18	18,000
On 250,000		41,700		33,000		31,000
Next 250,000	26	65,000	22	55,000	21	52,500
On 500,000		106,700		88,000		83,500
Next 250,000	26	65,000	24	60,000	23	57,500
On 750,000		171,700		148,000		141,000
Above 750,000	26		25		24	

\* Based on 2014 Budget Proposal

### Company income tax rates

Assessment Year	1998 -2006	2007	2008	2009-2015
Tax Rate (%)	28	27	26	25

- For assessment year 2003 - companies with paid-up capital of RM2.5 million and below will be taxed at 20% on chargeable income of first RM100,000. The remaining income will be taxed at the normal company's tax rate as above. Effective from assessment year 2004 the threshold is increased to RM500,000.
- Effective from assessment year 2009 the 20% tax rate is not applicable to a company having paid up capital (ordinary share) not more than RM2.5 million if more than-
  - 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or
  - 50% of paid capital (ordinary share) of the related company is directly or indirectly owned by the company; or
  - 50% of the paid-up capital (ordinary share) of the company and the related company is directly or indirectly owned by another company.

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

### Withholding Tax

Types of payment to non-resident	Tax Rate (%)
Interest	15
Royalty	10
Remuneration/fee to public entertainer	15
Technical advice, assistance or technical services rendered in Malaysia	10

### Withholding Tax (continued)

Types of payment to non-resident	Tax Rate (%)
Installation fee and rental of moveable property	10
Income fall under section 4(f) ITA 1967 (w.e.f. 01.01.2009)	10
Non-resident contractor ( <b>w.e.f. 21/9/2002</b> ) Previously the rate is 15% + 5%	10 + 3

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

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

	Company	Others	Individual who is not a citizen and not a permanent resident
Disposal within 2 years after date of acquisition	30%	30%	30%
Disposal in the 3 <sup>rd</sup> year	20%	20%	30%
Disposal in the 4 <sup>th</sup> year	15%	15%	30%
Disposal in the 5 <sup>th</sup> year	5%	5%	30%
Disposal in the 6 <sup>th</sup> year and thereafter	5%	5%	5%

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

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

$A/B \times C$ ; where

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

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

C = amount of such chargeable gain

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

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

Exemption for individual:

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

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

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

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

Holding Period	Company	Individual (Citizen & Permanent Resident)	Individual (Non Citizen)
Within 2 years	15%	15%	15%
In the 3 <sup>rd</sup> to the 5 <sup>th</sup> year	10%	10%	10%
In the 6 <sup>th</sup> year onwards	0%	0%	0%

**Real Property Gains Tax Rates (w.e.f. 01.01.2014)**

Disposal	Company	Individual (Citizens & Permanent Residents)	Individual (Non Citizen)
Within 3 years	30%	30%	30%
In the 4 <sup>th</sup> . Year	20%	20%	30%
In the 5 <sup>th</sup> . Year	15%	15%	30%
In the 6 <sup>th</sup> year onwards	5%	0%	5%

**Income Tax Rebates for resident individuals**

Rebates	ASSESSMENT YEAR	
	2007-2008	2009-2015
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	

**Personal relief for resident individuals**

Types of Relief	ASSESSMENT YEAR			
	2010-2011	2012	2013-2014	2015
Self	9,000	9,000	9,000	9,000
Additional relief for disabled tax payer	6,000	6,000	6,000	6,000
Spouse with no income or opt for joint assessment	3,000	3,000	3,000	3,000
Additional relief for disabled spouse (spouse has no income or opt for joint assessment)	3,500	3,500	3,500	3,500

**Personal relief for resident individuals (continued)**

Types of Relief	ASSESSMENT YEAR			
	2010-2011	2012	2013-2014	2015
Normal Child				
- unmarried and age of 18 and below	1,000	1,000	1,000	1,000
- above 18, unmarried and studying in tertiary education institute				
- Local (diploma and above)	4,000	4,000	6,000	6,000
- Overseas (Degree and above)	4,000	4,000	6,000	6,000
Disabled child				
- unmarried	5,000	5,000	5,000	6,000
- above 18, unmarried and studying in tertiary education institute (diploma and above in local University and Degree and above in Overseas University	9,000	9,000	11,000	12,000
Life insurance premium on tax payer and/or spouse's life and contribution to approved fund (Note 1)	7,000	6,000	6,000	6,000
Private Retirement Scheme and deferred annuity	0	3,000	3,000	3,000
Insurance premiums for education or medical benefit for tax payer, spouse or children	3,000	3,000	3,000	3,000
Medical expenses on tax payer, spouse and children for serious diseases.	5,000	5,000	5,000	6,000
Complete medical examination on tax payer, spouse and children. (max) Total deduction for medical expenses and examination is restricted to RM5,000	500	500	500	500

**Personal relief for resident individuals (continued)**

Types of Relief	ASSESSMENT YEAR			
	2010-2011	2012	2013-2014	2015
Medical expenses for parents (max)	5,000	5,000	5,000	5,000
Books, journal and magazine for tax payer, spouse or children	1,000	1,000	1,000	1,000
Basic supporting equipment for disabled tax payer, spouse, parent or children (max)	5,000	5,000	5,000	6,000
Personal computer. The relief will be given once in every 3 assessment years (maximum)	3,000	3,000	3,000	3,000
Net deposit in Skim Simpanan Pendidikan Nasional (max)	3,000	3,000	6,000	6,000
Education fee on qualified course for tax payer (Note: 2)	5,000	5,000	5,000	5,000
Sports & exercise equipment (maximum)	300	300	300	300
Broadband subscription fee (YA2010-2012)	500	500	NIL	NIL

**Note:**

1. The increased relief amount of RM1,000 is given solely on annuity scheme premium from insurance companies contracted on or after 1 January 2010.
2. **Qualified course** – technical, vocational, industrial, scientific or technological skill or qualification. Accountancy and law courses undertaken at the recognised institution of higher learning (w.e.f YA 2006). Courses in Islamic Finance approved by Bank Negara Malaysia or Securities Commission at local institutions of higher education including at the International Centre for Education in Islamic Finance (w.e.f YA 2007). All field of studies at post graduate level i.e. masters and doctorate (w.e.f YA 2008)

**Capital Allowance Rates**

<b>Types of Asset</b>	<b>Initial Allowance (%)</b>	<b>Annual Allowance (%)</b>
<b>Heavy machinery &amp; motor vehicle:</b>		
• 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
<b>Plant &amp; Machinery:</b>		
• Building & construction industry	30	14
• Timber industry	60	14
• Tin mining industry	60	14
• Other industry	20	14
<b>Others:</b>		
• Building & construction industry	30	10
• Timber industry	60	10
• Tin mining industry	60	10
• Other industry	20	10
<b>Special plant &amp; equipment:</b>		
• Plant or machinery used by manufacturing company for recycling of wastes <b>(w.e.f. YA 2001)</b>	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 (w.e.f YA 2001)	40	20
Qualifying machinery and equipment used in agriculture sector including plantation <b>(w.e.f. 2005)</b>	20	40
Qualifying equipment used by companies to ensure quality of power supply <b>(w.e.f. 2005)</b>	20	40

**Capital Allowance Rates (Continued)**

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
Purchase of moulds used in the production of Industrial Building System (IBS) (w.e.f. YA 2006)	40	20

**Notes:**

1. **“Heavy machinery”** – Bulldozers, cranes, ditchers, Excavators, graders, loaders, rippers, rollers, rooters, scrappers, shovels, tractors, vibrator wagons etc.
2. **“Motor vehicles”** – All types of motorized vehicles such as motorcycles, aeroplanes, ships etc.
3. **“Plant & machinery”** – General plant and machinery not categorized as heavy machinery. Example – air conditioners, compressors, lifts, laboratory and medical equipment, ovens etc.
4. **“Others”** – Office equipment, furniture and fittings

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

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

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

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

**Accelerated Capital Allowance for specified period only****1. Security control equipment and monitor equipment**

**Effective** from YA 2009 to 2015

a) Qualifying security control equipment

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

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

**Conditions:**

i. Individual

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

ii. Company

- Incorporated under Companies Act 1965, resident in Malaysia and approved under Industrial Co-ordination Act 1975
- The security control equipment is installed at its factory

b) Global Positioning System (GPS) for vehicle tracking

Apply to companies incorporated under the Companies Act 1965 and resident in Malaysia. The GPs must be installed for container lorry of the company bearing Carrier License A and for cargo lorry of the company bearing Carrier Licence A or C used for its business.

**Allowance**

Initial allowance: 20% Annual allowance: 80%

**2. Information and communication technology equipment**

**Effective: Assessment year 2009-2016**

**Qualifying assets:**

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

**Conditions**

- a) Person resident in Malaysia
- b) Equipment used for business purposes

**Disqualified:**

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

**Allowance:**

Initial: 20% Annual: 80%

**Industrial Building Allowances (IBA)**

Type of Building	Initial Allowance (%)	Annual Allowance (%)
Factory, dock, wharf, jetty or other similar building, warehouse (with factory) Building used in the business of supplying water, electricity and telecommunication services, agriculture and mining	10	3
Canteen, rest-room, recreation room, lavatory, bathhouse, bathroom or wash-room (with industrial building) Building for the welfare or living accommodation of persons employed in the working of a farm	10	3
Private hospital, nursing home, maternity home	10	3
Building for the purpose of approved research	10	3
Building for the purpose of approved service project under Schedule 7B	10	3
Hotel registered with the Ministry of Tourism	10	3
Airport, approved motor racing circuit	10	3
Public road & ancillary structures on which expenditure is recoverable through toll collection	10	6
Warehouse for purpose of storage of goods for export or imported goods to be processed and distributed or re-exported	NIL	10
Living accommodation for employees employed in manufacturing, hotel, tourism business and approved service project	NIL	10
School and approved educational institution, approved industrial, technical and vocational training	NIL	10

**Industrial Building Allowances (IBA)**

Type of Building	Initial Allowance (%)	Annual Allowance (%)
Building constructed for accommodation for employees (with industrial building)	40	3
Building constructed under an approved build-lease-transfer agreement with the Government	10	6
New buildings occupied by MSC status companies in Cyberjaya. (w.e.f YA 2006)	NIL	10
Building acquired/constructed and used by resident BioNexus status company for its new business or expansion projects (w.e.f 02.09.2006)	NIL	10
Child care centre (w.e.f YA 2013)	NIL	10
Pre-school buildings (w.e.f YA 2013)	NIL	10

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

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

- a) under a privatisation project and private financing initiatives approved by the Privatisation/PFI Committee, Public Private Partnership Unit, Prime Minister's Department; and
- b) pursuant to an agreement entered into between a person and the Government of Malaysia or statutory body on a build-lease-maintain-transfer basis and for which no consideration has been paid by the Government of Malaysia or statutory body to that person

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

Initial allowance = 10%; annual allowance = 6%.

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

Disposal value at the expiry of the agreement = Zero

**Kuala Lumpur Office**

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

**Our branches:**

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

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

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

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

AljeffriDean (Georgetown)  
Acctax Corporate Centre  
No. 2 Jalan Bawasah  
10050 Georgetown, Penang  
13600 Prai, Penang  
Tel: 04-2280020  
Fax: 04-2280023

AljeffriDean (Prai)  
No. 29 2<sup>nd</sup> Floor  
Tingkat Kikik Tujuh  
Taman Inderawasih  
Tel: 04-3906482  
Fax: 04-3999960