October 23, 2009

To:
Our valued clients, friends and overseas affiliates

BUDGET 2010
Summary & Comments

We are proud once again this year to present our own BUDGET 2010: Summary & Comments, a summary and synopsis of the 2010 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 A

COMMENTARY

The 2010 Budget is not only a maiden budget speech of YAB Dato' Sri Mohd Najib Tun Abdul Razak but is also made under a very challenging economic environment. The Prime Minister who is also the Finance Minister of Malaysia must be commended for the broad consideration in maintaining the coverage for agriculture development, education, assistance to the poor, infrastructure, public health, creating a more friendly environment for businesses while at the same time set a national target of a high–income economy.

In addressing the global economic challenge, Dato' Sri Najib mentioned the need of a new economic model that could spur Malaysia into a high income economy. We hope the government will make a supplementary announcement at a later date, providing further details of the new economic model structure. It is also our hope that this announcement will set out a clearer direction so that both the FDIs and private investment initiatives will gain confidence in planning their business ventures in Malaysia.

The current income tax structure and incentive model remain basically intact except for a 1% reduction to 26% in the highest personal income tax bracket, an increase of the personal tax relief from RM8,000 to RM9,000, an additional deduction for RM1,000 in insurance premium for deferred annuity and a RM500 deduction for broadband subscription.

It is noted that the much anticipated GST was not implemented as the infrastructure is not ready. Should it be implemented now, it may have the impact of curtailing consumers spending to revive the economy which registered a negative growth of minus 3 percent for the year 2009. It is hoped that when the government decides to implement it sufficient time frame be given for the business community to make the necessary preparation. If the GST is a multilevel tax structure, a low 3% GST through three stages might end up as a 10% percent indirect tax in the hand of the consumers.

Real Property Gain Tax (RPGT) has been reintroduced effective 1 January 2010. It was previously exempted from 1st April 2007. This time around the RPGT rate is capped at 5% across the board. We consider this neutral rate to be fair as it will improve the Government's revenue and at the same time will not have a negative impact on the property market. The only snag is that the purchaser will now be obliged to deduct a 2% of the selling price to be paid to the Government within 60 days from the date of disposal and the seller has to make a claim for refund if the tax is lower than the amount so deducted.

We laud the proposal to grant the public higher education institutions autonomy in managing finances, human resources, administration, student intakes and income generation. If the autonomy can include academic freedom as well, our IPTA will be further strengthened in their competitiveness.

While privatization to reduce competition with the private sector is good for business, privatization of monopolistic or strategic businesses should not end up as a cartel to the disadvantage of the public at large.

In combating corruption, there is no mention about establishing a policy and formulating internal control and internal audit processes which will be more effective in preventing corruption. Reducing if not eliminating corruption, the smaller budget allocation of RM191.5 billion for the 2010 Budget may be sufficient. In this context, the proposed Outcome-Based Budgeting system to be implemented during the 10^{th} Malaysia Plan period is most welcomed.

AljeffriDean hope that the enclosed budget commentary will be useful in updating our clients and associates on the Budget 2010. Our partners and staff will be pleased to assist you if you need any further clarification.

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AljeffriDean
Kuala Lumpur
October 23, 2009

SECTION B

HIGHLIGHTS

1 DRIVING THE NATION TOWARDS A HIGH-INCOME ECONOMY

A. INCREASING PRIVATE INVESTMENT

- Tenaga Nasional Berhad (TNB) will spend RM5 billion to implement electricity generation, transmission and distribution projects.
- The Government will privatise companies under Ministry of Finance (MOF Inc.) and other viable Government agencies.
- High-impact projects by the private sector will be undertaken jointly with the government include the development of an Integrated Immigration, Customs and Quarantine Complex (CIQ) in Bukit Kayu Hitam, construction of 6 UiTM campuses and the development of MATRADE Centre.
- 1Malaysia Development Berhad (1MDB) will establish a corporate social responsibility fund totalling RM100 million as start to finance community activities.

B. INTENSIFYING RESEARCH, DEVELOPMENT AND COMMERCIALISATION

- Providing small and medium enterprises with tax deduction on expenses incurred in the registration of patents and trademarks in the country.

C. LEVERAGING FULLY ON NICHE AREAS

- The Government will allocate a total of RM899 million to intensify the tourism industry.
- The Government to enhance tax incentives for healthcare service providers who offer services to foreign health tourists with income tax exemptions of 100 per cent on the value of increased exports.
- The Government will expedite the implementation of High Speed Broadband (HSBB) at a cost of RM11.3 billion.
- Individual taxpayers to be given tax relief on broadband subscription fee up to RM500 a year from 2010 to 2012.
- To corporatise the Halal Industry Development Corporation (HDC) as an agency under the Ministry of International Trade and Industry (MITI).

D. ADVANCING AGRICULTURE SECTOR

- To establish a consortium comprising FELDA, FELCRA and RISDA with a paid-up capital of RM300 million and with each agency contributing RM100 million.
- RM2 billion subsidies for farmers and fishermen including subsidies for fertilisers, incentives for padi yields and allowances for fishermen.

E. **PROMOTING CONSTRUCTION INDUSTRY**

- RM9 billion to finance infrastructure projects including road and bridges projects, rail facilities, ports and airports projects.

F. **STRENGTHENING SMALL AND MEDIUM ENTERPRISES**

- To consolidate 79 SME funds to 33 to simplify access to SME financing to be coordinated by SME Corp.
- To allocate RM350 million to SME Corp, with RM200 million set aside for SME soft loans, RM100 million for capacity enhancement and the balance for branding and promotion.
- To allocate RM538 million for implementation of various SME programmes.

G. **DEVELOPING GREEN TECHNOLOGY**

- To establish a RM1.5 billion fund to promote green technology.

H. **PROMOTING CREATIVE INDUSTRY**

- To establish a RM200 million Creative Industry Fund to finance creative activities such as film, drama, music productions, animation and advertisements.

2 **ENSURING HOLISTIC AND SUSTAINABLE DEVELOPMENT**

A. **ENHANCING HIGHLY SKILLED HUMAN CAPITAL**

- RM30 billion to be allocated to enhance primary and secondary school education.
- The PERMATA programmes, which emphasises on early childcare and education, including the gifted child programme, to get RM100 million.

B. **STRENGTHENING BANKING AND FINANCIAL SYSTEM**

- Allow 100% foreign equity participation in corporate finance and financial planning companies compared with the present requirement of at least 30% local shareholding.
- The existing tax incentives be extended to 2015 to ensure rapid development in financial services, particularly Islamic Finance.

C. **DEVELOPMENT OF REGIONAL ECONOMIC CORRIDORS**

- The Government will allocate RM3.5 billion for infrastructure and basic amenities, implement training programmes and socio-economic projects.

D. **IMPROVING EFFECTIVENESS AND EFFICIENCY OF GOVERNMENT ADMINISTRATION**

- Tax assessment system for petroleum upstream activities be changed from the preceding year assessment system to the current year assessment system and the income tax for the year of assessment 2010 based on income derived from 2009 be allowed to be paid in instalments within 5 years.
- A five per cent tax to be imposed on gains from disposal of real property from January 1, 2010.
- The maximum individual, cooperatives and non-resident individual to be reduced to 26 per cent from 27 per cent effective from the 2010 year of assessment.
- Personal relief will be increased to RM9,000 from RM8,000 effective from the 2010 year of assessment.

3 **FOCUSING ON WELL-BEING OF THE RAKYAT**

A. **IMPROVING INCOME AND QUALITY OF LIFE OF THE RAKYAT**

- RM14.8 million is allocated to manage, build and upgrade hospitals and clinics.
- The Government will establish the 1Malaysia Retirement Scheme to be administrated by EPF.
- Employees EPF contributions will be revert to 11 per cent from 8 per cent.
- Existing personal tax relief of RM6,000 for EPF contributions and life insurance premiums be raised to RM7,000.

B. **STRENGTHENING INFRASTRUCTURE IN RURAL AND PROMOTE AREAS**

- Government allocates RM2.3 billion to build and upgrade infrastructures in rural areas.

SECTION C

SUMMARY OF AMENDMENTS TO DIRECT TAXATION

TAX INCENTIVES FOR SMALL AND MEDIUM ("SME") ENTERPRISES TO REGISTER PATENTS AND TRADEMARKS

PRESENT

- Expenses incurred on the registration of patents and trademarks in the country are capital in nature and not allowed as deduction for income tax purposes.

PROPOSED

- Registration expenses include fees or payment made to patent and trademark agents in the country be allowed as deduction for income tax computation.
- The definitions of SME for the purpose of this tax incentive as defined under paragraph 2A and 2B, Schedule 1, Income Tax Act, 1967:

  i) Manufacturing Industries, Manufacturing Related Services Industries and Agro-Based Industries.

  - Enterprises with full-time employees not exceeding 150 persons, or with annual sales turnover not exceeding RM25 million.

  ii) Services Industries, Primary Agriculture and Information and Communication Technology (ICT).

  - Enterprises with full time employees not exceeding 50 persons, or with annual sales turnover not exceeding RM5 million.

IMPACT

- To promote innovation and intellectual property development for SME.

EFFECTIVE DATE

- Assessment Year 2010 to 2014

REFERENCE

- To be gazetted by way of statutory order.

ENHANCING TAX INCENTIVES FOR HEALTH TOURISM

PRESENT	▪ Healthcare service providers who offer services to foreign clients in and from Malaysia are given tax exemption on statutory income to the amount of 50% of the value of increased exports. ▪ Export income is income derived in providing health care services to foreign clients as follows: i) A company, a partnership, an organization or a cooperative society incorporated or registered outside Malaysia; or ii) Non-Malaysian citizens who do not hold Malaysian work permits; or iii) Malaysian citizens who are non-residents living abroad.
PROPOSED	▪ The exemption rate to be increased to 100% subject to 70% of the statutory income for each year of assessment. ▪ For the purpose of this incentive, foreign clients exclude: i) A non-Malaysia citizen that participates in *Malaysia My Second Home Programme* and his dependants; ii) A non-Malaysian citizen holding a Malaysia student pass and his dependants; iii) A non-Malaysian citizen holding a Malaysian work permit and his dependants; or iv) Malaysian citizen who are non-residents living abroad and his dependants.
IMPACT	▪ Attract more health tourists.
EFFECTIVE DATE	▪ Assessment Year 2010 to 2014
REFERENCE	▪ To be gazetted by way of statutory order.

INDIVIDUAL TAX RELIEF ON BROADBAND SUBSCRIPTION FEES

PRESENT	▪ Benefits in kind in the form of broadband subscription fees paid by employers for their employees are given deduction for the purpose of income tax computation.
PROPOSED	▪ Tax relief on broadband subscription fees up to RM500 per year will be given to individual tax payers
IMPACT	▪ To further increase broadband usage among the *Rakyat*.
EFFECTIVE DATE	▪ Year assessment 2010 until 2012.
REFERENCE	▪ Section 46(1)(m) Income Tax Act 1967

TAX INCENTIVES FOR BUILDINGS OBTAINING GREN BUILDING INDEX CERTIFICATE

PRESENT

- On 21 May 2009, government has launched the Green Building Index (GBI) to promote the usage of green technology.
- Tax incentive is given to companies to generate energy from renewable sources and also for energy conservation activities.
- GBI is a green rating index on environmental-friendly buildings which based on certain criteria which are:
  - energy and water efficiency;
  - indoor environmental quality;
  - sustainable management and planning of building sites in respect of pollution control and facilities for workers;
  - usage of recyclable and environment friendly materials and resources; and
  - adoption of new technologies.

PROPOSED

i. Tax exemption equivalent to 100% of the additional capital expenditure incurred to obtain the GBI certificate will be given to owners of buildings which has been awarded GBI certificate.
ii. The exemption is allowed to be set-off against 100% of statutory income for each year of assessment.
iii. The incentive is applicable for new buildings and upgrading of existing buildings.
iv. Buyers of buildings and residential properties awarded GBI certificates bought from real property developers are eligible for stamp duty exemption on instruments of transfer of ownership of such buildings.
v. The amount of stamp duty exemption is on the additional cost incurred to obtain the GBI certificate.

- The proposed incentive for (i) to (iii) is given only for the first GBI certificate issued in respect of the building (new buildings and upgrading of existing buildings) effective for buildings awarded with GBI certificates from 24 October 2009 until 31 December 2014.

- The proposed incentive for (iv) to (v) is given only once to the first owner of the building effective for sales and purchase agreements executed from 24 October 2009 until 31 December 2014.

IMPACT

- To encourage the construction of buildings using green technology.
- To save utility costs and preserve the quality of the environment.

REFERENCE

- To be gazetted by way of statutory order.

EXTENSION OF STAMP DUTY EXEMPTION ON INSTRUMENTS OF ISLAMIC FINANCING

PRESENT

- Additional stamp duty exemption of 20% is given to instruments of Islamic financing approved by the *Syariah* Advisory Council of Bank Negara Malaysia or the *Syariah* Advisory Council of the Securities Commission.
- The additional exemption is given after ensuring tax neutrality between conventional and Islamic financing.
- The exemption is given on instruments executed from 2 September 2006 until 31 December 2009.

PROPOSED

- An extension of the stamp duty exemption of 20% on instruments of Islamic financing until 31 December 2015.

IMPACT

- To further promote Islamic financing.

REFERENCE

- To be gazetted by way of statutory order.

EXTENSION AND EXPANSION OF TAX INCENTIVES FOR EXPORT OF FINANCIAL SERVICES

PRESENT

- In the 2007 Budget, the banking institutions are given tax exemption on:
  - profits of newly established branches overseas; or
  - income remitted by new overseas subsidiaries.
- The incentives are subject to the following conditions:
  - Application to establish new branches or subsidiaries overseas must be submitted to Bank Negara Malaysia from 2 September 2006 until 31 December 2009; and
  - The branches or subsidiaries have to commence operations within a period of 2 years from the date of approval by Bank Negara Malaysia.
- The tax exemption is given for a period of 5 years from the commencement of operations of the branches or subsidiaries.

PROPOSED

- The tax incentives be extended to insurance companies and *takaful* companies;
- The effective period for the 5-year tax exemption be given flexibility to be deferred from the date of commencement of operations to begin not later than the third year of operations; and
- The incentives is extended on condition that applications to establish new branches or subsidiaries overseas be received by Bank Negara Malaysia not later than 31 December 2015.

IMPACT

- To further promote the export of services of the banking, insurance and *takaful* sector.

REFERENCE

- To be gazetted by way of statutory order.

EXTENSION OF TAX INCENTIVE PERIOD TO PROMOTE MALAYSIA AS AN INTERNATIONAL ISLAMIC FINANCIAL CENTRE

PRESENT

- Expenses incurred in the promotion of Malaysia as an International Islamic Financial Centre (MIFC) are given double deduction incentives.

- The incentive is given for 3 years from year assessment 2008 until year of assessment 2010.

- The expenses allowed as deduction are:

  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.

PROPOSED

- The double deduction incentive be extended until the year of assessment 2015.

IMPACT

- To ensure that Malaysia advances significantly in the development of Islamic financial services.

REFERENCE

- To be gazetted by way of statutory order.

EXTENDING TAX INCENTIVE ON EXPENDITURE TO ESTABLISH ISLAMIC STOCK BROKING COMPANIES

PRESENT	▪ Incentive in the form of a deduction is given on expenditure incurred prior to the commencement of an Islamic stock broking company. ▪ Company must commence its business within a period of 2 years from the date of approval by the Securities Commission in order to obtain the incentive. ▪ The incentive is effective for applications received by the Securities Commission from 2 September 2006 until 31 December 2009.
PROPOSED	▪ The incentive in the form of the deduction for the purpose of income tax computation be extended until 31 December 2015.
IMPACT	▪ To further encourage the establishment of Islamic stock broking companies.
REFERENCE	▪ To be gazetted by way of statutory order.

EXTENSION AND EXPANSION OF TAX INCENTIVES ON ISSUANCE OF ISLAMIC SECURITIES

PRESENT	▪ Incentive given from the year of assessment 2003 until 2010 by way of deduction for income tax purpose for expenses incurred in the issuance of Islamic securities approved by Securities Commission. ▪ Currently, the issuance of Islamic securities is also approved by Labuan Offshore Financial Services Authority.
PROPOSED	▪ Deduction for income tax purpose given on expenses incurred on the issuance of Islamic securities be extended until year of assessment 2015. ▪ The same incentive be extended to Islamic securities approved by Labuan Offshore Financial Services Authority effective from year assessment 2010 to 2015.
IMPACT	▪ To encourage the growth and building public convincement of Islamic securities as other conventional securities in Malaysia.
EFFECTIVE DATE	▪ Assessment year 2010.
REFERENCE	▪ To be gazetted by way of statutory order.

STANDARDIZING TAX TREATMENT FOR SPECIAL PURPOSE VEHICLE ("SPV")

PRESENT

- To channel funds for the purpose of issuance of Islamic securities approved by the Securities Commission are as follows:

  i) the SPV is not subject to income tax and is not required to comply with administrative procedures under the Income Act 1967; and

  ii) income received and the cost incurred in the issuance of Islamic securities by the SPV are deemed as income and cost of the company establishing the SPV and subject to tax.

- A similar SPV established under the Offshore Companies Act 1990 and electing to be taxed under the Income Tax Act 1967 is not accorded the same tax treatment.

PROPOSED

- The tax treatment above also given to SPV established under the Offshore Companies Act 1990 electing to be taxed under the Income Tax Act 1967.

IMPACT

- To standardize the tax treatment for all SPV as well as encourage more issuance of Islamic securities.

EFFECTIVE DATE

- From the year of assessment 2010.

REFERENCE

- Section 60i Income Tax Act 1967.

EXTENDING TAX EXEMPTION ON PROFITS FROM NON-RINGGIT SUKUK

PRESENT

- From the year of assessment 2008, tax exemption given only for profit derives from non-Ringgit sukuk approved by the Securities Commission and not applicable for profit derives from sukuk approved by Labuan Offshore Financial Services Authority.

PROPOSED

- Tax exemption to be extended for both profits from non-Ringgit sukuk approved by the Securities Commission and Labuan Offshore Financial Services Authority.

IMPACT

- To encourage more issuance of non-Ringgit sukuk in Malaysia.

EFFECTIVE DATE

- Assessment year 2010.

REFERENCE

- Schedule I Stamp Act 1949
- Paragraph 33B Schedule 6 of Income Tax Act 1967.

STANDARDIZATION OF TAX ASSESSMENT SYSTEM FOR UPSTREAM PETROLEUM COMPANIES

PRESENT

- Upstream petroleum companies are subject to income tax under the Petroleum (Income Tax) Act 1967, whilst downstream petroleum companies are subject to tax under the Income Tax Act 1967.

- The Petroleum (Income Tax) Act 1967 uses:

  i) The preceding year assessment system where tax assessed in current year is based on income received in the preceding year; and

  ii) Official assessment system undertaken by the Inland Revenue Board.

- The assessment system under the Income Tax Act 1967 was changed from the preceding year assessment system to current year assessment system from year of assessment 2000. Under this system:

  i) tax is assessed in the current year based on income received in the same year, and

  ii) the official assessment system was changed to self assessment system for companies from the year of assessment 2001 and for entities other than companies from the year of assessment 2004.

PROPOSED

- The assessment system on income derived from upstream petroleum companies under the Petroleum (Income Tax) Act 1967 be changed to:

  ii. The current year assessment system; and

  iii. The self assessment system.

- The income tax for the year of assessment 2010 based on income received in 2009 be allowed to be paid by instalments for 5 years.

IMPACT

- To standardise the nation's tax system.

- To ensure that Government's cash flow reflects current economic performance.

- To alleviate the burden of upstream petroleum companies from paying 2 years' taxes in 1 year.

EFFECTIVE DATE

- From the year of assessment 2010.

REFERENCE

- Section 5 Petroleum (Income Tax) Act 1967.

- Section 38 Petroleum (Income Tax) Act 1967.

EXPEDITING INVESTMENT FOR SELECTED ACTIVITIES

PRESENT

- A) Forest Plantation

i. Investor company

The company which invests in its subsidiary company engaged in the forest plantation activities is granted:

a. tax deduction equivalent to the amount of investment made in that subsidiary; OR

b. group relief on losses incurred by its subsidiary company before it records any profit.

ii. Subsidiary company undertaking forest plantation activities

a. granted income tax exemption of 100% on its statutory income for 10 years commencing from the first year they derive profits;

b. granted income tax exemption of 100% on its statutory income for 5 years commencing from the first year they derive profits in the event the existing forest plantation company reinvest for purposes of expansion of the forest plantation project.

The abovementioned incentive is effective for applications received from 21 May 2003.

- B) Consolidation of The Management of Smallholdings and Idle Land

A company or individual or partnership or a cooperative society:

i. that invest in a wholly owned subsidiary company involved in the consolidation of management of smallholdings or idle land is allowed a deduction equivalent to the amount of investment;

ii. Undertaking the consolidation of management of smallholdings or idle land is given tax exemption of 100% of statutory income for a period of 5 years.

The abovementioned incentive is given for applications received from 21 September 2002.

- C) Knowledge Based Economy

    i. Companies participating in a strategic knowledge intensive activity is granted 'strategic knowledge based company' status and eligible for the following incentives:

    a. Pioneer Status with income tax exemption of 100% of statutory income within a period of 5 years; or

    b. Investment Tax Allowance 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.

    ii. Expenditure incurred for drafting the individual corporate knowledge based master plan is allowed as a deduction in the computation of income tax. The deduction is claimed when the company begins to implement the corporate knowledge based master plan.

Incentive (i) is given for applications received from 21 September 2002 and incentive (ii) is effective from year of assessment 2003.

PROPOSED

- Incentives (A), (B) and (C) shall be imposed an effective period. To qualify for the incentives, applications must be received not later than 31 December 2011.

IMPACT

- To ensure investments in the above selected activities are expedited.

REFERENCE

- To be gazetted by way of statutory order.

REVIEW OF INDIVIDUAL AND CO-OPERATIVE INCOME TAX

PRESENT

- Resident individual income tax rates are progressive and range between 0% to 27%.
- Resident individual tax payers are allowed 17 types of tax reliefs including personal relief of RM8,000 per year.
- Relief of RM1,000 is also given on annuity premium purchased through EPF annuity scheme.
- Non-resident individuals are taxed at a fixed rate of 27%.
- Co-operative income tax rates are progressive and range between 0% to 27%.
- All co-operatives are given income tax exemption for 5 years from the date of registration.
- Co-operatives with members' fund less than RM750,000 are given tax exemption indefinitely.
- Dividends distributed by co-operatives to their members are exempted from tax.

PROPOSED

- Personal relief for resident individual income tax be increased from RM8,000 to RM9,000.
- Tax rate for chargeable income group for resident individual exceeding RM100,000 be reduced by 1% from 27% to 26%.
- Personal tax relief of RM6,000 on contribution to EPF and on life insurance premium be increased to RM7,000. The increased relief amount of RM1,000 is given solely on annuity scheme premium from insurance companies and also applicable to additional premium paid on existing annuity scheme commencing payment from 1 January 2010.
- Tax rate for non-resident individuals be reduced by 1% from 27% to 26%.
- Co-operative income tax rate for chargeable income group exceeding RM500,000 be reduced by 1% from 27% to 26%.

IMPACT

- To ensure the individual income tax rates remain competitive.
- To increase the disposable income of the *Rakyat*.
- To encourage savings for retirement.

EFFECTIVE DATE

- Year Assessment 2010.

REFERENCE	▪ Section 46(1)(a) Income Tax Act 1967 ▪ Section 49(1A) Income Tax Act 1967 ▪ Schedule I of Income Tax Act 1967 ▪ Paragraph 1A Schedule I of Income Tax Act 1967 ▪ Part IV Schedule I of Income Tax Act 1967

TAX ON DISPOSAL OF REAL PROPERTY

PRESENT

- Under the Real Property Gains Tax Act 1976, gains from the disposal of real property are subject to a progressive tax rate from 0% to 30% depending on the holding period of the real property.
- Real property gains tax has been exempted from 1 April 2007.
- Malaysia does not imposed tax on gains from the disposal of real property for revenue purposes.

PROPOSED

- Tax at a fixed rate of 5% is imposed on gains from the disposal of real property with collection mechanism and exemptions as follows:
    - Tax is collected through a withholding mechanism whereby the purchaser withholds 2% of the purchase value and pays to the Inland Revenue Board;
    - For individuals, exemption up to RM10,000 or 10% of the gains, which ever is higher; and
    - Existing exemptions are retained:
        - Gifts between child and parent, husband and wife, grandparent and grandchild; and
        - Disposal of a residential property once in a lifetime for an individual who is a citizen or permanent resident of Malaysia.

IMPACT

- To broaden the tax base.
- To reduce speculative activities in the property market.

EFFECTIVE DATE

- 1 January 2010

REFERENCE

- Section 21B Real Property Gains Tax Act 1976
- Paragraph 2 Schedule 4 of Real Property Gains Tax Act 1976
- Part I Schedule 5 of Real Property Gains Tax Act 1976

TAX INCENTIVE FOR KNOWLEDGE WORKERS IN ISKANDAR MALAYSIA

PRESENT

- Malaysian or foreign knowledge workers are critical to further boost development of Iskandar Malaysia.

PROPOSED

- Employment income of Malaysian and foreign knowledge workers approved by the Minister of Finance residing in Iskandar Malaysia, and working in qualifying activities be taxed at 15% indefinitely.

- The qualifying activities are:-
    - Green technology
    - Biotechnology
    - Educational services
    - Healthcare services
    - Creative services
    - Financial advisory and consulting services
    - Logistics services; and
    - Tourism

IMPACT

- To attract more knowledge workers from within and abroad

EFFECTIVE DATE

- For knowledge workers who apply and commence employment in Iskandar Malaysia between 24 October 2009 and 31 December 2015.

REFERENCE

- Part XIV Schedule I of Income Tax Act 1967.

SECTION D

SUMMARY OF AMENDMENTS TO INDIRECT TAXATION

SERVICE TAX ON CREDIT CARDS AND CHARGE CARDS

PRESENT

- Credit cards and charge cards are credit payment instruments given to consumers by card issuers. Started 1 January 1997 the cards were subject to service tax at RM50 per year for each card.
- The tax was withdrawn from 1 April 2009.

PROPOSED

- Service tax be imposed on credit cards and charge cards including those issued free of charge as follows:

  i. RM50 per year on the principal card; and

  ii. RM25 per year on the supplementary card.

- Service tax will be collected on the date the card is issued, on the completion of each year or on the date of renewal.

IMPACT

- To inculcate an attitude of prudent spending.

EFFECTIVE DATE

- Effective from 1 January 2010.

REFERENCE

- To be gazetted by way of statutory order.

SECTION E

SUMMARY OF REVENUE AND ALLOCATION

1. STATISTIC

	2010 RM Millions	2009* RM Millions	Percentage of total 2010 %	Percentage of total 2009 %	Increase/ (Decrease) %
Source of revenue:					
Income tax & other direct taxes	75,916	78,735	51.1	48.6	(3.5)
Indirect taxes and duties	27,632	27,774	18.6	17.1	(0.5)
Non-tax revenues	44,898	55,592	30.3	34.3	(19.2)
Total	**148,446**	**162,101**	**100.0**	**100.0**	**(8.4)**
Budget allocation					
Operating expenditure:					
Emolument, pension, gratuities	52,973	46,152	38.3	28.9	14.8
Debt servicing charges	15,886	13,473	11.5	8.4	17.9
Supply & services	20,846	26,809	15.1	16.7	(22.2)
Grant & other expenditures	48,575	73,737	35.1	46.0	(34.1)
	138,280	**160,171**	**100.0**	**100.0**	**(13.7)**
Development expenditure:					
Economic	25,382	27,863	49.6	52.0	(8.9)
Social	20,308	18,963	39.6	35.4	7.1
Security	3,728	4,547	7.3	8.5	(18.0)
General administration	1,802	2,191	3.5	4.1	(17.8)
	51,220	**53,564**	**100.0**	**100.0**	**(4.4)**
Total expenditure	**189,500**	**213,735**			**(11.3)**
Deficit	**(41,054)**	**(51,634)**			**20.5**

* Revised estimate

(Sources: Economic Report 2009/2010)

2. REVENUE

The total revenue in 2010 is estimated to decrease by 8.4% to RM148,446 million largely due to a decline in the collection of petroleum income tax (PITA) and returns on investment. Tax revenue is expected to decrease by 2.8% to RM103,548 million, which represent 69.8% of total revenue. Of this, direct taxes represent RM75,916 million while indirect taxes RM27,632 million. Main component of direct tax revenue are corporate tax (RM35,728 million), PITA (RM19,366 million) and individual income tax (RM15,837 million).

Despite a marginal decrease of 2.8% in tax revenue, receipts from the main components such as company and individual taxes, export and excise duties as well as stamp duties are anticipated to improve in tandem with the recovery in the domestic economy and external sector.

In 2010, non-tax revenue is estimated at RM44,898 million, a reduction of 19.2% over 2009 and contributing 30.3% to total revenue. The main sources of non-tax revenue are mainly from licenses/permits (RM9,005 million) and investment income (RM32,322 million).

3. EXPENDITURE

Total Federal Government expenditure for the 2010 Budget is estimated at RM189,500 million, a decrease of 11.3% over 2009. Of this, RM138,280 million is for operating expenditure while the balance, RM51,220 million for development expenditure. Operating expenditure is expected to decrease 13.7% and development expenditure is also expected to decrease 4.4%. This is due to lower expenditure on major components such as subsidies (RM20,920 million), supplies and services (RM20,846 million) as well as grants to statutory bodies (RM11,183 million). The provision for emoluments (RM42,163 million), debt service charges (RM15,886 million) as well as pensions and gratuities (RM10,810 million) will also be increased in line with rising commitments.

Government development expenditure is estimated to decrease 4.4% to RM51,220 million. Allocation for the economic services sector under the 2010 Budget will be for transport and infrastructure development (RM6,661 million), building capacity in trade and industry (RM4,382 million), boosting agricultural productivity as well as accelerating rural development (RM3,130 million). Meanwhile, the allocation for the social services sector will be for education and training (RM11,065 million), health (RM3,594 million) and housing (RM1,461 million).

4. ANALYSIS OF CHANGES

Revenue

The total estimated revenue for 2010 is RM148,446 million compared to RM162,101 million in 2009. This is due to anticipated modest recovery as a result of economy contraction in 2009 that drive slower private investment, consumption activity and lower profitability of businesses.

Expenditure

The total estimated expenditure for 2010 is RM189,500 million compared to RM213,735 million in 2009. These consist of decrease in operating expenditure by 13.7% whereas development expenditure has decreased by 4.4%. The significant movement in development expenditure is derived from the trade and industry which has been decreased by 23.7% and also health sector which has been increased by 38.0%. In addition, the expenditure for security is also expected to decrease by 18.0%.

The decrease in both operating and development expenditures is due to prudent spending policy in line with available resources to ensure fiscal sustainability and macro economic stability, and as a result of the expected completion of 9MP's projects, respectively.

5. MACRO ECONOMY

The Malaysian economy is anticipated to improve in 2010 with growth of 2.0% - 3.0%, supported by stronger domestic demand and fiscal measurement as well as the recovery in the global economy. Inflation is anticipated to rise modestly in line with the increase in global commodity prices. Monetary policy will remain supportive of growth and will continue to be the determined based on the assessment of domestic and international developments, and their implications on economic growth and price stability.

With reduced government spending, the fiscal deficit is expected to narrow to 5.6% of Gross Domestic Product (GDP). The deficit will be financed by through domestic borrowing.

The broad-based recovery with positive contribution from all sectors in the economy is expected to raise nominal per capita Gross National Product (GNP) by 2.5% to RM24,661 (2009: -6.7%; RM24,055). In terms of purchasing power parity (PPP), per capita income is expected to increase 2.7% to USD13,177 (2009: -14.7%; USD12,826).

(Sources: Economic Report 2009/2010)

SECTION F

SYNOPSIS AND COMPARISON

(Period under review 2004 to 2010)

PERSONAL TAX

Tax Rate, Personal relief and Rebate

Refer to Section G

Requirement to qualify for resident status

2003-2008	Required to be in Malaysia for at least 182 days. If less than 182 days he is only eligible for residence status if the said period of less than 182 days is linked to another period of consecutive stay of 182 days in a preceding year. Both these periods are deemed linked (31st December of that year and 1st January of the following year). However, starting assessment year 2003, the requirement to be in Malaysia on 31st December of the current year and 1st January of the following year is abolished.
2009	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.
2010	No changes

Tax treatment on bonus and directors fees

2002-2008	Taxed on receivable basis.
2009	Taxed in the year such incomes are received.
2010	No changes

Tax incentive for Malaysian and foreign knowledge workers in Iskandar Malaysia

2002-2009	Tax rate according to normal rate.
2010	15% tax rate applicable to who apply and commence employment from 24 October 2009 to 31 December 2015. The qualifying activities are:- i. green technology; ii. biotechnology; iii. educational services; iv. healthcare services; v. creative industries; vi. financial advisory and consulting services; vii. logistics services; and viii. tourism.

Income exempted from income tax:

1. Leave passage.

2002-2006	Exemption for overseas trip is restricted to RM3,000.
2007-2009	Exemption is extended to meals and accommodation.
2010	No changes

2. Computer given by employer.

2004-2007	Taxable
2008-2009	Exempted until YA2010. In addition, broadband subscription fee paid by employers is also exempted.
2010	No changes

3. Royalty received by non-resident franchisors from franchised education scheme approved by the Ministry of Education.

2002-2005	Exempted.
2006-2009	Tax exempted from withholding tax for a period of 5 years.
2010	No changes

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

2006-2009	Tax exemption on royalty up to RM10,000 a year.
2010	No changes

5. Export of qualifying services by resident.

2002-2009	Exemption equivalent to 50% of the increased in export value
2010	No changes

6. Rental of ISO containers received by non- residents from shipping companies in Malaysia.

2004-2006	Exempted from income tax w.e.f 20.10.2001
2007-2009	Exemptions included rental payment of ships under voyage charter, time charter and/or bare boat charter.
2010	No changes

7. Compensation for loss of employment.

2003-2008	Exemption limit increase from RM4,000 to RM6,000 per complete year of service
2009	Exempted amount is increased to RM10,000 for every completed year of service. Employment ceased on or after 1 July 2008
2010	No changes

8. Fees or honorarium received by lecturers/experts from LAN (not from official duties)

2004-2009	Exempted
2010	No changes

9. Honorarium or royalty for researchers to commercialise research finding.

2004-2009	Exempted
2010	No changes

10. Interest from *MERDEKA* bond.

2004-2009	Exempted
2010	No changes

11. Income from foreign source remitted by a resident.

2004-2009	Exempted
2010	No changes

12. Interest income derived by non-resident companies from investments in Islamic securities and debentures and Government Securities

2002-2004	Taxable
2005-2009	Exempted
2010	No changes

13. Chargeable income distributed to unit holders of REIT or PTF approved by Securities Commission.

2002-2004	Taxable
2005-2009	Exempted
2010	No changes

14. Retirement Gratuities at compulsory retirement of age 50 and up to 55.

2002-2004	Taxable
2005-2006	Exemption up to RM6,000 per complete year of service
2007-2009	Full exemption
2010	No changes

15. Income from Islamic banking and Takaful business.

2002-2006	Taxable
2007	Exempted (w.e.f YA 2007 until YA 2016)
2008-2009	Profit distributed out of a family fund, family re-takaful fund or general fund shall be exempted.
2010	No changes

16. Local and foreign companies managing funds of foreign investors established under Syariah principles.

2002-2006	Taxable
2007-2009	Exempted (w.e.f YA 2007 until YA 2016)
2010	No changes

17. Income of a seafarer working on board a foreign ship chartered by their Malaysian employer.

2007-2009	Exempted
2010	No changes

18. Tax treatment for perquisite

2007-2008	Tax exemption for award received by employees in cash or in kind up to RM1,000
2009	Extended to award related to innovation, productivity and efficiency and exemption be increased to RM2,000 effective from year of assessment 2008 until 2010.
2010	No changes

19. Dividend received

2002-2007	Taxable unless paid out of tax exempt income
2008-2009	All dividend are exempted (single tier system)
2010	No changes

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

2003-2007	In contrast, expatriates working for Operational Headquarters (OHQ) and Regional Offices (RO) taxed only on portion of employment income attributable to the number of days they are in the country.
2008-2009	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.
2010	No changes

21. Interest Income from deposits

2008	i. Interest received from Lembaga Tabung Haji and Bank Simpanan Nasional. ii. Fixed deposits up to RM100,000 in all banking institutions approved under BAFIA 1989, Bank Pertanian, Bank Rakyat, Borneo Housing Mortgage Finance Bhd and Malaysia Building Society Bhd. iii. Fixed deposit account exceeding 12 months.
2009	All interest income be fully exempted. (w.e.f. 30.08.2008)
2010	No changes

22. Allowances and benefits in kind

2002-2008	i. Medical and dental care. ii. Childcare benefits centres provided by employers. iii. Value employer's own products or services received by employees up to RM200 iv. Mobile phones and telephone bills exceeding RM300 v. Free transport from certain pick-up points or between home and workplace. vi. Meals and drinks provided free of charge. vii. Group insurance premiums to cover workers in the event of an accident.
2009	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.
2010	No changes

23. Profits from foreign currency sukuk

2003-2007	Taxable
2008-2009	Exempted for sukuk approved by Securities Commission and issued in Malaysia
2010	Extended to sukuk approved by Labuan Offshore Financial Services Authority.

CORPORATE TAX

Tax Rates

Refer to Section G

Imputation system

2002-2007	Company have to deduct tax from dividend paid to shareholders.
2008-2009	Company which have no credit balance of section 108 account on 1 January 2008 shall not deduct tax from dividend. Company with credit balance in the section 108 is given an option whether to deduct or not.
2010	No changes

Offshore Company

2002-2007	Offshore business activity is taxed under Labuan Offshore Business Activity Act 1990.
2008-2009	May choose to be taxed under Income Tax Act 1967.
2010	No changes

Premium on professional indemnity insurance

2002-2007	Non-deductible
2008-2009	Deductible
2010	No changes

Non-profit oriented school

2002-2007	Income from school fees, public donations, rental and interest are taxable if this school are not approved as charitable organisation under Income Tax Act 1967.
2008-2009	Exempted
2010	No changes

Deductible Expenses

1. Donation to approved institution

2002-2006	Deduction restricted to 5% of aggregate income.
2007-2008	Deduction restricted to 7% of aggregate income.
2009	Deduction restricted to 10% of aggregate income.
2010	No changes

2. Sponsoring arts and cultural activities approved by Ministry of Cultural Arts performed in Malaysia.

2004-2006	Deductible up to RM300,000 provided RM100,000 is paid to sponsor performance by local artists.
2007-2009	Deduction increase up to RM500,000
2010	No changes

3. Hire of motor vehicle (other than commercial vehicle)

2002-2009	Restricted to RM100,000 if on the road price is not more than RM150,000 and brand new
2010	No changes

4. New computer given to employees

2004-2007	Not deductible
2008-2009	Deductible. In addition, broadband subscription fee paid by employers is also deductible (expiry date 2010)
2010	No changes

5. Infrastructure available for public use (community project)

2002-2007	Non-deductible
2008	Deductible
2009	Extended to projects related to increase the income of the poor as well as for the conservation or preservation of the environment.
2010	No changes

6. Expenses to obtain halal and quality certifications.

2002-2004	Single deduction
2005-2009	Double deduction on expenses in obtaining quality systems and standards certification as well as halal certification from JAKIM and obtaining international quality systems and standards certification
2010	No changes

7. Expenses to establish Islamic stock broking company.

2002-2006	No deduction
2007-2009	Allowable for company that commence its business within a period of 2 years from the date of approval by the Securities Commission (SC).
2010	Extended to application received by Securities Commission (SC) until 31 December 2015.

8. Expenses incurred in the issuance of Islamic Private Debt Securities (IPDS)

2003-2009	Deductible
2010	No changes

9. Entertainment incurred in relation to business

2004-2009	i. Full deduction for promotional purposes. ii. 50% for others purposes
2010	No changes

10. Incorporation expenses

2002-2003	Allowable for company with authorized share capital not exceeding RM250,000
2004-2009	Allowable for company with authorized share capital not exceeding RM2.5million
2010	No changes

11. Recruitment cost

2002-2008	Allowable accept incurred before the commencement of business.
2009	Expenses incurred before commencement of business is allowable such as cost in participating in job fairs, payment to employment agencies and head-hunters
2010	No changes

12. Audit fee

2002-2005	Allowable on consensus.
2006-2009	The expenses incurred on audit fees by companies are deemed as allowable expenses.
2010	No changes

13. Renovation of workplace for disabled workers.

2002-2007	Not deductible
2008-2009	Deductible
2010	No changes

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

2002-2009 Not allowed

2010 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:-

1) Companies as defined under Para. 2A and 2B, Sch. 1, Income Tax Act 1967.
2) 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.
3) 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.

Double Deduction

1. Expenses incurred for advertising Malaysian brand names registered overseas and professional fees paid to companies promoting Malaysian brand names.

2002-2006 Double deduction (must be owner of the brand name).

2007-2009 Extended to a company within same group subject to:

i. Company owned more than 50% by registered proprietor of Malaysian brand name; and
ii. Can only be claimed by one company in year of assessment.

2010 No changes

2. Promotion of export of good
   i. Participation in virtual trade shows
   ii. Participation in trade portals for the promotion of local product
   iii. Cost of maintaining warehouses overseas

2003-2009	Double deduction
2010	No changes

3. Promotion of export of services
   i. Feasibility studies for overseas projects identified for the purpose of tender
   ii. Participation in trade or industrial exhibitions in the country or overseas
   iii. Participation in exhibition held in Malaysian Permanent Trade and Exhibition Centres overseas

2003-2009	Double deduction
2010	No changes

4. Promotion of export of professional services (Legal, accounting, architectural, engineering and integrated engineering, medical and dental).

2003-2004	Double deduction
2005-2009	Double deduction for expenses incurred in preparing architectural & engineering models, perspective drawings & 3-D animations for participating in competitions at international level
2010	No changes

5. Employment of unemployed graduates registered with Economic Planning Unit.

2004-2005	Double deduction
2006	Double deduction be given for a period of 3 years to listed companies on the allowances paid to participants of Unemployed Graduated Training Programme endorsed by the Securities Commission.
2007-2009	Extended to unlisted companies for double deduction under the supervision of the Securities Commission w.e.f 02.09.2006
2010	No changes

6. Expenses to obtain halal & quality certification.

2002-2004	Single deduction
2005-2009	Double deduction
2010	No changes

7. Training expenses (Malaysian).

2008	Double deduction be given for training of employees at approved training institutions such as INCIEF and PSDC.
2009	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.
2010	No changes

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

2008-2009	Allowable for expenses as follows: i. Market research and feasibility study; ii. Preparation of technical information relating to type of services offered; iii. Participation in an event to promote MIFC; iv. Maintenance of sales office overseas; and v. Publicity and advertisement in any media outside Malaysia. The incentive is given for three (3) years from year of assessment 2008 until 2010 and the expenses are to be verified by the MIFC secretariat.
2010	Extend to year of assessment 2015.

Capital Allowance

1. Class of Plant & Machinery

2001-2008	Accelerated Capital Allowance for companies provide services in conserve energy and recycling activities.
2009	i. SMEs will be given Accelerated Capital Allowance on expenses incurred on plant and machinery acquired in year of assessment 2009 and 2010. ii. Bus purchased by bus operator eligible for Accelerated Capital Allowance for 100% w.e.f 2009 until 2011.
2010	No changes

2. Computer and ICT equipment

2002-2008	Initial allowance @ 20% Annual allowance @ 40%
2009	Accelerated Capital Allowance be given on expenses incurred on ICT equipment, computer and software w.e.f 2009 to 2013.
2010	No changes

3. Cost of dismantling and removing assets

2002-2008	Cost for dismantling and removing assets as well as restoring the site where assets was located do not qualify for allowance under Schedule 3.
2009	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.
2010	No changes

4. Security control equipment

2008	Fully written off within 1 year for factory premises of companies licensed under the industrial Coordination Act 1975.
2009	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. Effective from year of assessment 2009 to 2012.
2010	No changes

5. Capital allowances on small value assets

2006-2008	The CA on qualifying expenditure on such assets be given 100% allowances for assets value not exceed RM1,000 but assets are capped at RM10,000.
2009	SMEs not subject to the maximum limit of RM10,000.
2010	No changes

Industrial Building Allowance

1. Qualifying Expenditure for purchased Industrial Building Allowance (IBA).

2002-2004	Based on the Residual Value of vendor construction cost
2005	Based on the purchase price
2006-2009	IBA for a period of 10 years be given to owners of new buildings occupied by MSC status companies in Cyberjaya.
2010	No changes

2. Disposal of industrial building by company to REIT.

2002-2007	Subject to balancing charge
2008-2009	Not subject to balancing charge
2010	No changes

WITHHOLDING TAX

1. Technical fee paid to non-residents.

2002-2008	10% on computation for gross income included reimbursements such as travelling cost, hotel accommodation and telephone bills.
2009	Reimbursements for hotel accommodation in Malaysia be excluded in computation of gross income.
2010	No changes

2. Technical training services.

2002-2008	10%
2009	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
2010	No changes

3. Penalty of withholding tax

2002-2006	10% penalty on withholding tax be imposed on the total payment made to a non-resident.
2007-2009	10% penalty on withholding tax be imposed on the amount of unpaid tax.
2010	No changes

TAX ON COOPERATIVES

Refer to Section G

TRADE ASSOCIATION

Exemption from income tax

2002-2004	Statutory income from members' subscription fees are exempted from income tax determined by the formula:- $\frac{\text{Subscription fees}}{\text{Gross income}} \times \text{Statutory income}$
2005-2009	Statutory income from members' subscription fees that is exempted, be calculated according to the attributable method by taking into consideration actual expenditure incurred
2010	No changes

Professional associations

2002-2008	Not trade association.
2009	Professional associations be incorporated in the definition of trade associations.
2010	No changes

TAX TREATMENT FOR CHARITABLE ORGANISATIONS

Condition for income tax exemption

2001-2004	At least 70% of the income received must be disbursed annually for charitable purposes
2005-2009	50% of the income received in the preceding year must be disbursed annually for charitable purposes
2010	No changes

TAX TREATMENT ON INCOME OF INVESTMENT HOLDING COMPANY (IHC)

2006-2009	The income of IHCs listed on Bursa Malaysia be treated as business income and the expenses be given full deduction. An IHC is redefined as a company that derives at least 80% of its gross income from holding of investment.
2010	No changes

TAX TREATMENT ON CLUB

2002-2008	Tax treatment based on general taxation principle as follows: i. Member's fee or income from transactions with members is not subject to tax based on the principle of mutuality; and ii. Income derived from transactions with non-members is subject to tax.
2009	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.
2010	No changes

TAX TREATMENT FOR UPSTREAM PETROLEUM COMPANIES

2002-2009	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	Changes the system to:- i. Current year assessment system; and ii. Self assessment system.

FLEXIBILITY IN ESTIMATING TAX PAYABLE FOR COMPANIES

2006-2007	The estimates for companies be lowered from not less than 100% to not less than 85% of the preceding year's estimates or revised estimates.
2008-2009	Newly set-up company with paid-up capital of RM2.5M not required to make estimate and instalment payment for 2 years
2010	No changes

TAX TREATMENT ON BENEFIT FROM EMPLOYEES' SHARE OPTION SCHEME

2006-2009	The value of the benefit for each share option be determined based on the difference between the market price on the date the share option is exercised or exercisable, whichever is the lower, and the discounted price offered by the employer. The benefit is liable to tax in the year the option is exercised.
2010	No changes

INCENTIVES

1. Reinvestment Allowance (RA)

2003-2004
Reinvestment allowance for modernising chicken and ducks rearing system which has been extended from 5 years to 15 consecutive years (w.e.f YA2002) commencing from the first year the reinvestment is made – provided that they are approved by Ministry of agriculture.

i. Located in promoted areas – RA of 60% on qualifying capital expenditure to be set off against 100% of statutory income.
ii. Located outside promoted area – RA 60% on qualifying capital expenditure to be set off against 70% of statutory income.

Subject to conditions minimum rearing capacity of :

i. 20,000 broiler chicken/ ducks per cycle
ii. 50,000 layer chicken/ ducks per cycle

2005-2007
Scope of the existing incentive extended to reapers of parent and grand parent stocks if :-

i. they rear at least 20,000 parent or grand parent stock of chicken /ducks per cycle

2008
Reinvestment Allowance for shifting from opened house system to closed house system for chicken and duck rearers.

i. RA of 60% on qualifying capital expenditure incurred with the allowance deducted in each year of assessment to be set off against 70% of the statutory income for a period of 15 consecutive years will be effective until year of assessment 2010.

2009
Incentives be given for chicken and duck rearers who reinvest to expand the closed house system in existing or new locations as follows:

i. Projects located in promoted areas be given RA of 60% on qualifying capital expenditure and be set-off against 100% of statutory income.
ii. Projects located outside the promoted areas be given RA 60% on qualifying expenditure and be set-off the statutory income

Effective from YA 2009 to YA 2010.

	Reinvestment allowance be improved for criteria and conditions of incentive be amended. i. Manufacturing activity be given specific and clear definition under Schedule 7A ITA 1967 ii. Company can claim RA must be operation for at least 12 months to extend to 36 months. iii. Company purchasing an asset from a related company cannot claim RA if RA has been claim for that assets. iv. Provision to claw back RA assets disposed off within period of 2 years be extended to 5 years.
2010	No changes

2. Pioneer Status

2004	Pioneer status with tax exemption of 100% of statutory income for a period of 5 years or Investment Tax Allowance of 100% of the qualifying capital expenditure incurred within a period of 5 years.
2005	Second round pioneer status with 100% tax exemption for 5 years be given to existing manufacturing company relocating activities to promoted area.
2006	The incentives for Eastern Corridor, Sabah and Sarawak be extended for another 5 years until 31 December 2010. Companies which undertaking multimedia activities outside the Cybercities entitled for the pioneer status - tax exemption of 50% of statutory income for a period of 5 years.
2007	Perlis be declared as a promoted area.
2008	i. Incentives for Small and Medium Industries (SMEs) that supply components, technology or R&D entitled for the Pioneer Status with income tax exemption of 100% of statutory income for a period of 5 years will be effective for applications received not later than 31 December 2010. ii. Incentives for SMEs that capable of achieving world class standard in terms of pricing, quality and capacity entitled for the Pioneer Status with income tax exemption of 100% of statutory income for a period of 10 years will be effective for applications received not later than 31 December 2010. iii. Companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralised in the Cybercities and Cybercentres and be given MSC Malaysia status company entitled for the Pioneer status - tax exemption of 100% of statutory income for a period of 10 years starting 8 September 2007. iv. Incentives for companies which undertaking ICT activities located outside Cybercities and Cybercentres to be discontinued starting 8 September 2007.
2009	For hotel 4 and 5 star in Sabah and Sarawak be given Pioneer Status or Investment Tax Allowance similar to 1 to 3 star hotels. Proposal is effective for applications received by MIDA from 30th August, 2008 until 31st December, 2013.
2010	No changes

3. Streamlining tax treatment for pioneer status companies

2006-2009	Companies which incurred accumulated losses and unabsorbed capital allowances during the pioneer period allowed to be carried forward and deducted from post-pioneer income of a business relating to the same promoted activity or promoted product. Effective for companies whose pioneer period will expire on and after 1 October 2005.
2010	No changes

4. Investment Tax Allowance (ITA)

2002-2004	ITA for companies located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak will be extended to 2005.
2005	ITA of 100% of qualifying capital expenditure incurred within a period of 5 years for company producing high quality halal food that comply with international standards set off up to 100% of statutory income. Second round of ITA of 100% for 5 years to existing manufacturing company relocating to promoted areas.
2006-2007	Companies which undertaking multimedia activities outside the Cybercities where, investment tax Allowance of 50% of qualifying capital expenditure incurred within a period of 5 years to be set-off against 50% of statutory income for each year of assessment.
2008-2009	i. Incentives for Small and Medium Industries (SMEs) that supply components, technology or R&D granted for ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010. ii. Incentives for SMEs that capable of achieving world class standard in terms of pricing, quality and capacity granted for ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010. iii. Companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralised in the Cybercities and Cybercentres and be given MSC Malaysia status company where, Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of 5 years to be set-off against 100% of statutory income for each year of assessment starting 8 December 2007. iv. Incentives for companies which undertaking ICT activities located outside Cybercities and Cybercentres to be discontinued starting 8 December 2007.
2010	No changes

5. Incentive on issuance of Islamic securities

2006-2009	Islamic securities based on leasing (Ijarah), progressive sales (Istisna'), profit sharing (Mudharabah) and profit and loss sharing (Musharakah) are deductible.
2010	i. The incentive extended until the YA 2015; and ii. Incentive for Islamic securities approved by Labuan Offshore Financial Services Authority effective from YA 2010 to YA 2015.

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

2006	Taxable.
2007-2009	The SPV is exempted from tax while income from SPV deemed as income of the company that establish the SPV will be subject to tax.
2010	Extended to SPV establish under Offshore Companies Act 1190 electing to the taxed under Income Tax Act 1967.

7. Incentives to Promote Tourism – tax Exemption

2004-2006	Investment in expansion, modernisation and renovation be given another pioneer status increase from 85% to 100% or investment tax allowance increase from 80% 100%.
2007-2009	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.
2010	No changes

8. Incentive for Approved Operational Head Quarters Companies (OHQ)

2004-2009	Income from qualifying services provided by OHQ to its related companies in Malaysia be given tax exemption provided that income does not exceed 20% of the OHQ income from qualifying services.
2010	No changes

9. Incentive for Venture Capital Companies (VCC)

2004-2006	Income from profit sharing between VCC and VCMC is exempted in the hand of VCMC.
2007-2008	VCCs investing at least 50% of its investment funds in VCs in the form of seed capital or at least 70% of funds invested in VCs must be in start-up/early stage financing are given income tax exemption for 10 years.
2009	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.
2010	No changes

10. Incentives to promote export – income tax exemption

2002-2009	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.
2010	No changes

11. Incentive to increase food production

2003-2004	i. Locally owned company located outside the promoted areas –Pioneer status of 70% or Investment tax allowance of 60% to be set off against 70% of statutory income. ii. Locally owned company located in the promoted areas – Pioneer status of 85% or Investment tax allowance of 80% to be set off against 85% of statutory income.
2005-2009	Incentives extended to application received until December 31, 2010.
2010	No changes

12. Group relief

2002-2005	Adjusted business losses could not be transferred to another company in the group.
2006-2008	50% of current year adjusted losses may be transferred within group of companies with paid-up capital of RM2.5m and above.
2009	The rate of current year losses allowed to be set-off in group relief treatment be increased to 70%.
2010	No changes

13. Incentives for unit trust

2004
i. Gains from disposal of real property by individual or companies to REIT or PTF be exempted from RPGT; and
ii. Instruments of transfer of real property from individuals or companies to REIT or PTF be exempted from stamp duty.

2005-2009
i. REIT or PTF be exempted from income tax on chargeable income distributed to unit holders whereas its undistributed chargeable income be taxed at 28%.
ii. Income distributed to unit holders be taxed at their respective tax rates. For a non-resident unit holder, tax payable is at 28% at shall be withheld by REIT or PTF.
iii. The accumulated income that has been taxed and subsequently distributed is eligible for tax credit in the hands of unit holders.

2010 No changes

14. Incentives for bond market

2002-2005 Stamp duty and real property gains tax on instrument on transfer of assets.

2006-2009 Expenses for financial institution and non-financial institution incurred on discounts or premiums for the issuance of bonds be given deduction on annual basis until the date of maturity of the bonds.

2010 No changes

15. Incentives for providing cold chain facilities and services perishable agricultural produce

2004-2009
i. Pioneer status with tax exemption of 70% (85% for promoted areas) on increased statutory income for a period of 5 years; or
ii. Investment tax allowance of 60% on additional qualifying expenditure incurred within a period of 5 years can be used to set off against 70% (85% for promoted areas) of statutory income in each year of assessment.

2010 No changes

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

2004-2006 Utilisation of oil palm biomass to produce value added products will be given the following incentives:
i. Pioneer status with tax exemption of 100% of statutory income for a period of 10 years.
ii. Investment tax allowance of 100% on qualifying capital expenditure incurred within a period of 5 years and then can be used to set off against 100% of statutory income.

2007
i. Pioneer status with tax exemption of 100% of statutory income for a period of 10 years is extended to the first year the company derives profit;
ii. New incentives introduce:
   - a concessionary tax rate of 20% on income from qualifying activities for 10 years;
   - tax deduction equivalent to total investment made in seed capital;
   - bionexus merge/ acquisition with biotechnology company, exemption of stamp duty and RPGT within 5 years until 31.12.2005.
   - building used for biotechnology R&D given IBA for 10 years.

2008	i.	For companies generating renewable energy, Pioneer status and Investment tax allowance will de extended to other companies in the same group even though one company in the same group has been granted the incentives.
	ii.	For companies generating renewable energy for own consumption, Accelerated Capital Allowance be replaced with Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be sat-off against 100% of statutory income for each year of assessment.
		This proposal is effective for applications received from 8 September 2007 until 31 December 2010.
2009	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.
2010		No changes

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

2006-2009	i.	Pioneer status with tax exemption of 70% be increased to 100% of statutory income and the incentive period be extended from 5 to 10 years; or
	ii.	Investment tax allowance of 60% be increased to 100% on qualifying capital expenditure incurred within a period of 5 years with the allowance to be set off against 100% of statutory income.
		In addition, the incentive package of Pioneer and Investment Tax Allowance as well as import duty and sales tax exemption be extended for another 5 years until 31 December 2010.
2010		No changes

18. Incentives for conservation of Energy

2006-2007	i.	Companies providing energy conservation for services : ▪ The application period for Pioneer Status, Investment Tax Allowance, import duty and sales tax exemption be extended for another 5 years until 31 December 2010. The company is required to implement the project within one year from the date of approval of the incentives.
	ii.	Companies which incur capital expenditure for conserving energy for own consumption: ▪ Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years with the allowance to be set-off against 70% of statutory income. The proposal is effective for applications received by the (MIDA) from 1 October 2005 until 31 December 2010.
2008	i.	Companies providing energy conservation for services: ▪ The level and period of Pioneer Status incentives be increased to 100% for 10 years or Investment Tax Allowance be increased to 100% of qualifying capital expenditure incurred within 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

ii. Companies which incur capital expenditure for energy conservation for own consumption:
   - Investment Tax Allowance be increased to 100% of qualifying capital expenditure incurred within 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment. The proposal is effective for applications received from 8 September 2007 until 31 December 2010.

2009
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.

2010 No changes

19. Incentives on Practical training for non- employees

2002-2009 Tax deductible if the trainees are resident.

2010 No changes

20. Incentive for companies undertakings an offshore trading via websites in Malaysia approved by Finance Minister

2002-2009
i. Income is taxed at 10% for 5 years.
ii. Dividend paid out is tax exempt.

2010 No changes

21. Incentives for machinery and equipment industry

2004-2009 Company which produce machinery & equipment is eligible for pioneer status with 70% income tax exemption and increased statutory income or Investment tax allowance of 60% on additional qualifying expenditure. The allowance can be set off against 70% of statutory income.

2010 No changes

22. Incentives for company undertaking activities relating to the production of Machine tools, Plastic injection machines, Material handling equipment, Robotics and factory automation equipment, Parts and components of the above machines and equipment.

2004-2009
i. Pioneer status with tax exemption of 70% (100% for promoted areas) on increased statutory income arising from reinvestment for a period of 5 years; or
ii. Investment tax allowance of 60% (100% for promoted areas) on additional qualifying expenditure incurred within a period of 5 years then can be used to be set-off against 70% (100% for promoted areas) of statutory income.

2010 No changes

23. Incentive to acquire a foreign companies abroad

2003-2009	AA of 20% of the acquisition cost for 5 years is granted to locally owned companies that acquire foreign companies for the purpose of acquiring high technology for production within the country; or to gain new export markets for local products.
2010	No changes

24. Incentive to increase export (for locally owned manufacturing company only)

2003-2009

i. Tax exemption on statutory income equivalent to 30% of increased export value provided the company achieves a significant increase in exports.
ii. Tax exemption on statutory Income equivalent to 50% of increased export value provided the company succeeds in penetrating new markets.
iii. Full tax exemption on increased export value, provided that the company achieves the highest increase in exports.

2010 No changes

25. Incentives to consolidate the management of smallholdings and idle land

2003-2009

i. A company that invest in a wholly owned subsidiary company be allowed a deduction equivalent to the amount of investment.
ii. A wholly owned subsidiary company be exempted from service tax.

2010 No changes

26. Incentives for knowledge-based economy

2003-2009

i. Strategic Knowledge-based status company – Pioneer status with tax exemption of 100% or Investment tax allowance of 60% to be set off against 100% of statutory income with the following conditions:
   a) Must be knowledge-intensive company with the following characteristics:
      - potential to generate knowledge content
      - high value added operations
      - high technology
      - a large number of knowledge workers

   b) Must have a Corporate Knowledge Based Master Plan
      - company for drafting the individual Corporate Knowledge based Master Plan
      - Deduction in the computation of income tax when the company begins the implementation.

2010 No changes

27.Incentives to increase the planting of rubber wood trees

2003-2007	Non-rubber plantation company that plants at least 10% of its plantation with rubber wood trees be given Accelerated Agriculture Allowance from two years to one year.
2008-2009	Incentives will be effectives until year of assessment 2010.
2010	No changes

28. Incentives for automotive component modules

2003-2009 New and existing companies that undertake design, R&D and production of certain qualifying automotive component modules or systems be given:

i. Pioneer status with tax exemption for 5 years.
ii. Investment Tax Allowance of 60% on qualifying capital expenditure incurred within a period of 5 years with the allowance deducted for each year of assessment to be set-off against 100% of the statutory income.

2010 No changes

29. Incentives for Regional Distribution Centre (RDC)

2003-2009 Approved RDC be granted the following incentives:-

i. Full tax exemption for 10 years
ii. Dividends paid be exempted from tax
iii. Import duty and sales tax exemption
iv. Expatriate posts to be approved according to their requirements

The above incentives is subject to the following conditions:-

i. The RDC is incorporated in Malaysia
ii. Total turnover not less than RM100 million
iii. The RDC must be located in the free zones or licensed warehouse or licensed manufacturing warehouse
iv. The RDC is not permitted to sell more than 20% to the local market.

2010 No changes

30. Incentives for International Procurement Centre (IPC)

2003-2009 Approved IPC be granted the following incentives:-

i. Expatriate posts will be approved based on IPC's requirements
ii. Open foreign currency accounts with any licensed commercial bank to retain export proceeds without limit
iii. enter into foreign exchange forward contracts with any licensed commercial bank to sell forward export proceeds based on projected sales
iv. 100% equity holding by the promoter; and
v. Customs duty exemption on raw materials, components or finished products brought into free trade zones, licensed manufacturing warehouses, free commercial zones and bonded warehouses for repackaging, cargo consolidation and integration.

Conditions:-

i. Incorporated in Malaysia
ii. Min. paid-up capital RM500,000
iii. Min. total business operating expenditure RM1,500,000 per year
iv. Incremental usage of Malaysian ports and airports; and
v. Min. annual sales turnover of RM50 million by the third year of operation
vi. Not permitted to sell more than 20% to the local market.

Full tax exemption of its statutory income for 10 years and dividend paid from the exempt income will be exempted from tax in the hands of its shareholders if the following additional conditions are met-

i. min. annual sales turnover RM100 million;
ii. must serve as a collection and consolidation centre for finished goods, components and spare parts.

2010 No changes

31. Tax treatment for expatriates in operational headquarters (OHQ) and regional offices (RO).

2003-2009	Tax will be charged on the portion of chargeable income attributable to the number of days they are in the Malaysia.
2010	No changes

32. Incentives for commercialisation of public sector R&D

2005-2009	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
2010	No changes

33. Incentive on expenses incurred for new courses by private higher education institutions (PHEIs)

2006-2009	i. Deductions to be amortised for 3 years be allowed on expenses incurred by PHEIs on development of new courses and compliance with regulatory requirements for introducing new courses ii. The commencement of the deduction for the development of new courses be allowed from the year of completion of the process of developing the courses. iii. For regulatory compliance, the deductions be allowed from the year if completion of the exercise.
2010	No changes

34. Zakat

2004	Rebates for Labuan offshore companies restricted to 3% of net profit or RM20,000.
2005-2006	Deduction been given to company restricted to 2.5% of aggregate income paid zakat on business income.
2007-2009	Deduction been extended to cooperatives and trust bodies.
2010	No changes

35. Incentive to encourage the use of natural for gas vehicles (NGV)

2006-2009	i. Import duty and sales tax exemption on conversion kits and related components for diesel buses and motor vehicles and motor vehicles for transportation of goods to be converted to dual-fuel vehicles given by Petronas ii. Import duty exemption on chassis fitted with engines for NGV monogas buses and motor vehicles for transportation of goods iii. Import duty exemption on NGV monogas engines to replace diesel engines for buses and motor vehicles for transportation of goods
2010	No changes

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

2002-2008	i. Pioneer Status with tax exemption of 85% of statutory income for a period of 5 years ii. ITA of 80% of capital expenditure incurred within a period of 5 years with the allowance deducted in each YA be limited to 85% of Statutory Income.

2009	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. The proposal is effective from year of assessment 2009 to year of assessment 2010.
2010	No changes

37. Incentives for private higher education institutions (PHEIs)

2006-2009	Investment tax allowance of 100% on qualifying capital expenditure incurred within a period of 10 years to be set off against 70% of statutory income be extended to PHEIs in the field of science and existing PHEIs in the field of science that undertake additional investment to upgrade equipment or expand their capacity
2010	No changes

38. Incentives for industrialised building System

2006-2009	Accelerated Capital Allowance (ACA) be given on expenses incurred on the purchase of moulds used in the production of IBS components and to be fully written off within a period of 3 years
2010	No changes

39. Disposal of real property by individual or companies to Property Trust Fund and Real Estate Investment Trusts

2004-2009	Exempted
2010	No changes

40. Disposal of asset by approved Islamic financial & capital market products from Syariah Advisory Council, Bank Negara or Securities Commission

2002-2004	Taxable
2005-2009	Exempted
2010	No changes

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

2006-2007	Stamp duty and RPGT exemption are given on M&A undertaken by companies listed on Bursa Malaysia in order to encourage public listed companies to expand and compete globally.
2008-2009	Stamp duty exemption on all instruments pertaining to mergers and acquisitions be extended for another 3 years until 2010
2010	No changes

42. Real Estate Investment Trusts (REITs)

2006	Fees for the consultancy, legal and evaluation services incurred are allowable for deductions.
2007	i. Non-corporate investor who received dividends from REITs listed on Bursa Malaysia subject to withholding tax of 15% for 5 years. ii. Foreign institutional investors that received fund from REITs listed on Bursa Malaysia subject to withholding tax of 20% for 5 years iii. REITs be exempted from tax on all income provided that at least 90% of the income is distributed to the investor.

iv. If the 90% distribution condition is not complied, REITs will subject to income tax, while all their investor are eligible to claim tax credit.
((i) and (ii) are effective from 1st January 2007 and (iii) and (iv) effective from year assessment 2007)

2008	Disposal off buildings from companies to REITs is not subject to a balancing charge
2009	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)
2010	No changes

43. Low cost housing projects

2006-2009	Estimated losses of low cost housing projects be allowed to be set-off against estimated profits of other property development projects in the preparation of estimates of tax payable for the current year.
2010	No changes

44. Profit or interest income received by non-resident from banking and financial institutions established under Islamic Banking Act 1983

2006	Taxable
2007-2009	Exempted
2010	No changes

45. Incentives for export of financial services

2007-2009	Profit from newly established banking institutions branches overseas or remittances of new overseas subsidiaries be given income tax exemption for 5 years. (w.e.f 2nd September 2006 until 31st December 2009)
2010	i. Extended to insurance companies and takaful companies; ii. 5 years exemption be given flexibility to be deferred from the date of commencement of operations to begin not later than the 3rd year of operations; and iii. New branches or subsidiaries overseas be received by Bank Negara Malaysia not later than 31 December 2015.

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

2002-2008	Corporate advisors are not motivated to attract foreign companies and foreign product listings due to high marketing cost.
2009	Income tax exemption is given on fees received by corporate advisors for primary listing, dual listing or cross listing of: i) Corporation with predominantly foreign based operations ii) Exchange Traded Funds and Real Estate Investment Trusts with foreign based assets iii) Foreign listed securities iv)Foreign financial instruments This subject to listing conditions approved by the Securities Commission. (w.e.f from assessment year 2009 to 2013)
2010	No changes

47. Incentive for employing local retrenched

2004-2008	Single deduction
2009	Double deduction incurred subject to: i. the employee is a citizen and resident in Malaysia whose employment with a previous employer has been terminated pursuant to a separation scheme or retrenchment, on or after July 1, 2008; ii. The employment termination has been registered with the Director General of Labour, the Ministry of Human Resources. iii. remuneration (wages, salary or allowance) eligible for double deduction shall not exceed RM10,000 per month per employee and limited to a maximum period of 12 consecutive months commencing from the first month of the employment; and iv. The employee is employed on full-time basis between 10 March 2009 until 31 December 2010. No double deduction if the former and present 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.
2010	No changes

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

2004-2009	No exemption
2010	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.

49. Incentives for health tourism

2004-2009	Tax exemption on statutory income to the amount of 50% of the value of increased exports to foreign clients as follows: i. a company, a partnership, an organization or a cooperative society incorporated or registered outside Malaysia; or ii. non-Malaysian citizens who do not hold Malaysian work permits; or iii. Malaysian citizens who are non-residents living abroad.
2010	The exemption rate of 50% on the value of increased export to be increased to 100% subject to 70% of the statutory income for each year of assessment. Foreign clients exclude: i. A non-Malaysian citizen that participates in Malaysia My Second Home Programme and his dependants; ii. A non-Malaysian citizen holding a Malaysian student pass and his dependents; iii. A non-Malaysian citizen holding a Malaysian work permit and his dependants; or iv. Malaysian citizen who are non-residents living abroad and his dependents. However, healthcare services offered to such foreign clients as mentioned above continue to enjoy the existing incentives.

50. Tax on the disposal of real property

2004-2006	0% - 30%
2007-2009	Exempted
2010	5% taxed with collection mechanism and exemption as follows"

i. tax is collected through a withholding mechanism whereby the purchaser withhold 2% of the purchase value and pays to the Inland Revenue Board;
ii. exemption up to RM10,000 or 10% of the gains, which ever is higher be given to individuals; and
iii. existing exemption under the Real Property Gains Tax Act 1976 are retained:
   a. gifts between parent and child, husband and wife, grandparent and grandchild; and
   b. disposal of a residential property once in a lifetime for an individual who is a citizen or permanent resident of Malaysia.

SERVICE TAX

Rates and Prescribed Establishments

2003-2007 The following services/ establishment are exempted from services tax:
i. wholly owned subsidiary company involved in the consolidation the management of smallholdings and idle land.
ii. courier services from Malaysia to a place outside Malaysia
iii. professional services provided by a company to another companies in the same group

2008-2009 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 supplementary card

Asset backed securities

2004-2009	Management service rendered by originator to special purpose vehicles in respect of Asset Backed Securities is exempted.
2010	No change

Refund of service tax on uncollected debts

2003-2006	Licensee is eligible to apply for refund of the tax under certain conditions.
2007-2009	The tax refund can be claimed 6 months instead of 12 months previously from the date the tax is paid.
2010	No change

SALES TAX

Exemption

2004	Companies in manufacturing and approved services sectors are exempted from sales tax on spares and consumables not produce locally.
2005	Companies outsourced their activities to contract manufacturers are exempted from sales tax on raw materials which are not manufactured locally and semi-finished goods imported

2006-2007	Import duty and sales tax exemption be given to equipment used in stages shows and performance provided such equipment is basic to the core activity and not produced locally. Sales tax exemption be given to equipment for performing arts if produced locally.
2008	i. Sales tax exemption on broadband equipment and consumer access devices which are basic in providing the broadband services and not produced locally ii. Sales tax exemption on equipment used to generate energy that are not produced locally and purchased from local manufacturers
2009	i. Purchase of locally assembled buses including air-conditioners. (applications received by Ministry of Finance from 30.08.2008 until 31.12.2011) ii. Solar photovoltaic system equipment for the usage by third parties be given to importers including photovoltaic service providers approved by the Energy Commission iii. Solar heating system equipment from local manufacturers.(applications received by the Ministry of Finance from 30.08.2008 until 31.12.2010) iv. Energy Efficiency (EE) equipment and insulation materials to importers including authorized agents approved by the Energy Commission v. Purchase of locally manufactured EE consumer goods (applications received by The Ministry of Finance from 30.08.2008 until 31.12.2010)
2010	No changes

Higher sales tax

2002-2005	Liquor – increased from 15% to 20% Cigarettes - increased from 15% to 25%
2006-2009	Liquor – increased by 9% Cigarettes – increased by 13%
2010	No changes

Sales tax valuation for locally manufactured goods

2001-2002	Based on an open market price.
2003-2009	Based on transaction value
2010	No changes

Refund on sales tax for the uncollected debt.

2003-2006	Licensee may apply for refund of the tax under certain conditions.
2007-2009	The tax refund can be claimed 6 months instead of 12 months previously from the date the tax is paid.
2010	No changes

IMPORT DUTIES

Reduction in duties

2004	104 items be reduced and 7 items be abolished
2005	118 items be reduced and 27 items be abolished
2006-2008	51 goods be reduced from between 25% and 30% to between 20% and 25%. 10% of import duties be imposed on 3 product.
2009	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)
2010	No change
Increased duties	
2004-2005	Increment from RM 216 per kg to RM259 per kg for cigarettes and tobacco products
2006-2009	Increment from RM259 per kg to RM340 per kg for cigarettes and tobacco product
2010	No changes
Exempted	
2004	Spares and consumables goods for manufacturing companies and approved services sectors.
2005	i. Raw material which are not manufactured locally and semi-finished goods imported from contract manufacturers abroad
	ii. Medical devices which are not manufactured locally imported for the purpose of kitting or producing complete procedural set
2006-2007	i. Import duty and sales tax exemption on conversion kits and related components for diesel buses and motor vehicles and motor vehicles for transportation of goods to be converted to dual-fuel vehicles given by Petronas
	ii. Import duty exemption on chassis fitted with engines for NGV monogas buses and motor vehicles for transportation of goods
	iii. Import duty exemption on NGV monogas engines to replace diesel engines for buses and motor vehicles for transportation of goods
2008	i. Import duty exemption on broadband equipment and consumer access devices which are basic in providing the broadband services and not produced locally
	ii. Import duty exemption on equipment used to generate energy that are not produced locally
2009	i. Food product in air tight containers (w.e.f 4.00 p.m on 29 August 2008)
	ii. Solar photovoltaic system equipment for the usage by third parties given to importers including photovoltaic service providers approved by the Energy Commission
	iii. Energy Efficiency (EE) equipment and isolation materials to importers including authorized agents approved by the Energy Commission
	iv. 100% exempted on franchise holders of hybrid cars (application received by the Ministry of Finance from 30.08.2008 to 31.12.2010)
2010	No changes
Abolished	
2004	7 items
2005-2008	27 items
2009	i. 2% and 25% on import duty on food products
	ii. 5% and 50% import duty on electric goods/components
	iii. 5% and 25% import duty on fertilizers and pesticides
	iv. Import license on port cranes, hydraulic loading cranes and crawler cranes and heavy machinery (w.e.f 4.00 p.m on 29.08.2008)
2010	No changes

EXCISE DUTY

Increased	
2004	Cigarettes & tobacco products – Increased from RM 48 per kg to RM 58 per kg
2005	i. Cigarettes & tobacco products Increased from RM 58 per kg to RM 81 per 1,000 sticks ii. Liquor – increased from RM0.05 and RM23.40 to between RM0.10 and RM28 per litre
2006	i. Cigarettes & tobacco products increased from RM81 per kg to RM110 per kg and addition 20% ii. Other manufactured tobacco products increased from RM20 per kg to RM25 per kg and addition 5%. iii. Liquor increased from RM1 and RM28 to between RM1.50 to RM42.50 per litres and addition 15% iv. Beer increased from RM5 to RM6 per litres and addition 15%
2007-2008	i Cigarettes increased from RM110 per kg to RM120 per kg and addition 20% ii. Tobacco products increased from RM25 per kg to RM27 per kg and addition 5% iii. Beedies increased from RM7 per kg to RM7.50 per kg and addition 5% Iv. Liquor product increased from RM25 per litre to RM30 per litre and addition 15%
2009	i. Cigarettes, cheroots and cigarillos, containing tobacco and tobacco substitutes 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)
2010	No changes
Exemption	
2002-2008	No exemption
2009	50% exemption on new CBU hybrid cars (applications received by the Ministry of Finance from 30.08.2008 to 31.12.2010)
2010	No changes
Abolished	
2002-2009	National car purchased by car rental operators
2010	No changes

OTHER SIGNIFICANT TAXES AND FEES

Stamp Duty

1. Instruments of transfer of property

2003-2007	Maximum rate of 3%. 50% exemption for transfer of property without any monetary consideration between husband and wife and between parents and children.
2008-2009	Instruments for transfer of property between husband and wife be exempted effective from 8 September 2007
2010	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.

2006-2009	20% exempted
2010	Exemption will be extended until 31 December 2015.

3. Incentives for property trust funds and Real estate investment trusts – Transfer of real + property from individuals/companies to PTFs/REITs

2004-2009	Exempted
2010	No changes

4. Contract notes

2002-2005	RM10
2006-2009	For SMEs, remission of stamp duty 50% on applicable charges be given on instruments for a loan up to RM1 million.
2010	No changes

5. Mergers of private institution of higher learning

2005-2009	Stamp duty exempted for mergers undertaken not later than December 31, 2006
2010	No changes

6. Real property assessment of stamp duty

2002-2007	Stamp duty payable is based on the official valuation by the Valuation and Property Services Department (JPPH)
2008-2009	Private valuation is accepted as an alternative for the purpose of stamp duty payment.
2010	No changes

7. Vendors licensed with Petronas carrying out services related to the oil and gas industry

2008-2009	Stamp duty exemption given on all instruments relating to mergers of such vendors involved in upstream activities
2010	No changes

8. Purchase of residential property

2008	Transfer for purchase of a house not exceeding RM250,000 be given 50% stamp duty exemption
2009	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)
2010	No changes

9. Stamp duty on loan agreements and service agreements

2002-2008	Subject to various rates of stamp duty
2009	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)
2010	No changes

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

2004-2009	No exemption.
2010	Exemption Condition: For sales and purchase agreements from 24 October 2009 until 31 December 2014.

Leasing Activity

Interest expense for leasing activity

2006-2009	Companies which undertaking leasing and non leasing activities, the interest expense must be apportioned between leasing and non-leasing activities based on the respective amount of funding used.
2010	No changes

Entertainment Duty

2005-2009	Full exemption arts and cultural performance by local artistes held in the Federal Territory of KL, Labuan and Putrajaya upon approval by the Ministry of Arts, Culture and Heritage
2010	No changes

Road tax

1. Motorcycles

2004-2009	Motorcycle below 150 cc is exempted
2010	No changes

2. Vintage car

2002-2009	Reduced from 20% to 10% of the prevailing rate
2010	No changes

3. Multi purpose semi-trailers and prime movers

2003-2009	i. road tax on multi purpose semi-trailers be abolished ii. road tax on prime movers for containers be maintained base only on the kerb weight
2010	No changes

4. Vehicles for the physically disabled

2004-2009	Exempted for motorcycles, cars and vans subject to following conditions:- i. Vehicles manufactured locally ii. Applicant registered with Social Welfare Department and possesses a valid driving licence iii. Vehicles is registered under the name of applicant i. One vehicle at any one time
2010	No changes

5. Bus for workers

2004-2008	Peninsular Malaysia: i. Engine Capacity 5,000 cc(Diesel) decreased from RM1,476/yr to RM738/yr ii. Engine Capacity 5,000 cc(Petrol) decreased from RM1,107/yr to RM553/yr Sabah and Sarawak:- i. Engine Capacity 5,000 cc(Diesel) decreased from RM1,125/yr to RM562/yr ii. Engine Capacity 5,000 cc(Petrol) decreased from RM1,165/yr to RM562/yr
2009	Reduce to RM20 per year
2010	No changes

6. Private diesel vehicle

2006-2008	Private diesel vehicles exceeding 1600 c.c be reduced by 40%, except in Sarawak
2009	Will be reduced to similar to petrol vehicle
2010	No changes

7. Taxis/Hired cars
Hire and Drive Vehicles/Limousines

2002 - 2008	Engine capacity ≤1200cc, RM30 per year and 60 per year Engine capacity >1200cc, RM50 per year and RM100 per year
2009	Reduction of RM20 per year
2010	No changes

8. Green Diesel Vehicles

2002-2008	Road tax is 50% lower than diesel vehicle
2009	Reduce rate withdrawn
2010	No changes

Customs

1. Enhancing efficiency of customs agents

2003-2009	Approval for customs agent be given to those who have undergone training and are successful in the examinations conducted by Customs Department.
2010	No changes

2. Establishment of Customs Appeal Tribunal (CAT)

2002-2006	Appeal made to Minister of Finance.
2007-2009	Appeal made to the newly established Customs Appeal Tribunal (CAT) to decide on appeals against decisions of the Director General of Customs pertaining the matters under the Customs Act 1967, Sales Tax Act 1972.
2010	No changes

3. Introduction of Customs Ruling

2007-2009	The Customs Ruling be introduced under the Customs Act 1967, Sales Tax Act 1972, Service Tax Act 1975 and Excise Act 1976 which issued by the KDRM.
2010	No changes

Compound or fine under declaration and smuggling of high duty goods.
Particularly for cars, cigarettes and liquor.

2002-2006	The offences of under declaration of goods and smuggling are punishable as follows: i. compound of not more than 10 times of the duty or value of the goods; or ii. a fine if charged in court and convicted, other than imprisonment sentence.
2007-2009	i. the minimum compound imposed be 5 times of the total duty; and ii. the fine imposed be in line with the maximum compound for dutiable goods and prohibited goods.
2010	No changes

INCOME TAX ADMINISTRATION

1. Provision to allow tax assessments after six years

2006-2009	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.
2010	No changes

2. Extending the scope of fund for tax refund

2006-2009	The scope of fund for tax refund be extended to include refunds for petroleum income tax, real property gains tax and stamp duty.
2010	No changes

3. Enhancing the competency of tax agents

2006-2007	A person who wishes to perform tasks relating to taxation be required to obtain tax agent license. However a licensed auditor who has acquired an audit licensed prior to 1 January 2006, shall be allowed to continue to be a tax agent.
2008-2009	Tax agents be allowed to file the income tax returns through e-filling for their clients using Personal Identification Number (PIN) assigned to the tax agents
2010	No changes

4. Introduction of Advance Rulings in Income Tax Administration

2007-2009 The advance ruling is introduced under the Income Tax Act 1967. It is a written statement given by the Director General on the tax treatment of an arrangement to be undertaken by the taxpayer which features:

i. application in prescribed form;
ii. fees charged on advance ruling;
iii. only applicable to applicant;
iv. ruling issued on actual facts and not on assumptions; and
v. advance ruling is not applicable if the facts used are incorrect or different.

2010 No changes

5. Framework for tax audit and investigation by IRB

2007-2009 Issued by IRB where the areas to be covered in the guideline/framework are as follows:

i. selection of audit/investigation criteria;
ii. methodology;
iii. rights and responsibilities – taxpayers, tax agents and investigation officers;
iv. audit/investigation settlement; and
v. offences and penalties.

2010 No changes

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

2006 Gross income and adjusted income are ascertained on the percentage of completion method based on the directions given by the Director General and compliance to Income Tax Act 1967 and Public Ruling No. 3/2006

2007-2009 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.

2010 No changes

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

2002-2008 Not clearly provided

2009 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)

2010 No changes

8. Self amendment for additional assessment of income tax

2002-2008	Tax payers are not allowed to amend the submitted tax return.
2009	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)
2010	No changes

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

2002-2008	Tax payer with no tax liability is not allowed to file an appeal to the Special Commissioners of Income Tax (SCIT) but can only apply when an assessment is issued in future.
2009	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)
2010	No changes

SECTION G

TAX INFORMATION

Resident individual income tax rates

Chargeable Income		Assessment Year									
		1996-2000(PY)		2000(CY)-2001		2002-2008		2009		2010	
	RM	%	RM	%	RM	%	RM	%	RM	%	RM
First	2,500	0	0	0	0	0	0	0	0	0	0
Next	2,500	2	50	1	25	1	25	1	25	1	25
On	5,000		50		25		25		25		25
Next	5,000	4	200	3	150	3	150	3	150		150
On	10,000		250		175		175		175	3	175
Next	10,000	6	600	5	500	3	300	3	300		300
On	20,000		850		675		475		475	3	475
Next	15,000	10	1,500	9	1,350	7	1,050	7	1,050	7	1,050
On	35,000		2,350		2,025		1,525		1,525		1,525
Next	15,000	16	2,400	15	2,250	13	1,950	12	1,800	12	1,800
On	50,000		4,750		4,275		3,475		3,325		3,325
Next	20,000	21	4,200	20	4,000	19	3,800	19	3,800	19	3,800
On	70,000		8,950		8,275		7,275		7,125		7,125
Next	30,000	26	7,800	25	7,500	24	7,200	24	7,200	24	7,200
On	100,000		16,750		15,775		14,475		14,325		14,325
Next	50,000	29	14,500	28	14,000	27	13,500	27	13,500	26	13,000
On	150,000		31,250		29,775		27,975		27,825		27,325
Next	100,000	30	30,000	29	29,000	27	27,000	27	27,000	26	26,000
On	250,000		61,250		58,775		54,975		54,825		53,325
Above	250,000	30		29		28		27		26	

Non-resident individual income tax rates

Assessment Year	1988	1989-1992	1993	1994	1995 – 2000 (PY)	2000 (CY) -2001	2002-2008	2009	2010
Tax Rate (%)	40	35	34	32	30	29	28	27	26

Co-operative income tax rates

Chargeable Income		Assessment Year									
		1996-2000 (PY)		2000(CY) - 2001		2002 – 2008		2009		2010	
	RM	%	RM	%	RM	%	RM	%	RM	%	RM
First	10,000	0	0	0	0	0	0	0	0	0	0
Next	10,000	2	200	1	100	0	0	0	0	0	0
On	20,000		200		100		0		0		0
Next	10,000	5	500	4	400	3	300	2	200	2	200
On	30,000		700		500		300		200		200
Next	10,000	8	800	7	700	6	600	6	600	6	600
On	40,000		1,500		1,200		900		800		800
Next	10,000	11	1,100	10	1,000	9	900	9	900	9	900
On	50,000		2,600		2,200		1,800		1,700		1,700
Next	25,000	14	3,500	13	3,250	12	3,000	12	3,000	12	3,000
On	75,000		6,100		5,450		4,800		4,700		4,700
Next	25,000	18	4,500	17	4,250	16	4,000	16	4,000	16	4,000
On	100,000		10,600		9,700		8,800		8,700		8,700
Next	50,000	22	11,000	21	10,500	20	10,000	20	10,000	20	10,000
On	150,000		21,600		20,200		18,800		18,700		18,700
Next	100,000	25	25,000	24	24,000	23	23,000	23	23,000	23	23,000
On	250,000		46,600		44,200		41,800		41,700		41,700
Next	250,000	28	70,000	27	67,500	26	65,000	26	65,000	26	65,000
On	500,000		116,600		111,700		106,800		106,700		106,700
Above	500,000	30		29		28		27		26	

Company income tax rates

Assessment Year	1988	1989-1992	1993	1994	1995 – 1997	1998 - 2006	2007	2008	2009-2010
Tax Rate (%)	40	35	34	32	30	28	27	26	25

- For assessment year 2003 - companies with paid-up capital of RM2.5 million and below will be taxed at 20% on chargeable income of first RM100,000. The remaining income will be taxed at the normal company's tax rate as above. Effective from assessment year 2004 the threshold is increased to RM500,000.

- Effective from assessment year 2009 the 20% tax rate is not applicable to a company having paid up capital (ordinary share) not more than RM2.5 million if more than-

    - 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or

    - 50% of paid capital (ordinary share) of the related company is directly or indirectly owned by the company; or

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

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

Withholding Tax

Types of payment to non-resident	Tax Rate (%)
Interest	15
Royalty	10
Remuneration/fee to public entertainer	15
Technical advice, assistance or technical services rendered outside Malaysia **(w.e.f. 21/9/2002)**. Previously the rate is 10%.	0
Technical advice, assistance or technical services rendered in Malaysia	10
Installation fee and rental of moveable property	10
Income fall under section 4(f) ITA 1967 (w.e.f. 01.01.2009)	10
Non-resident contractor **(w.e.f. 21/9/2002)** Previously the rate is 15% + 5%	10 + 3

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

Real Property Gains Tax Rates

	Company	Person other than company	Individual who is not a citizen and not a permanent resident
Disposal within 2 years after date of acquisition	30%	30%	30%
Disposal in the 3rd. year	20%	20%	30%
Disposal in the 4th year	15%	15%	30%
Disposal in the 5th year	5%	5%	30%
Disposal in the 6th year and thereafter	5%	Nil	5%

Effective from April 1, 2007 the Minister of Finance exempts any person from all provisions of the Real Property Gains Tax Act 1976 pursuant to the Real Property Gains Tax (Exemption)(No. 2) Order 2007.

2010 Budget proposal

Effective from January 1, 2010 gain on disposal of real property will be taxed at a flat rate of 5%. Purchaser will have to withholds 2% of the purchase value and remit to the Inland Revenue Board.

Exemption for individual:

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

Income Tax Rebates for individuals

Rebates	Assessment Year			
	2001-2004	2005 – 2006	2007-2008	2009-2010
Resident individual with chargeable income of RM35,000 or less	350	350	350	400
Rebate for spouse if the tax payer chargeable income is RM35,000 or less and the spouse has no income or opt for joint assessment	350	350	350	400
Personal computer	400	500	Abolished	
Zakat	Amount of zakat paid restricted to amount of tax payable			
Employment pass, temporary employment pass, work permit	Amount paid restricted to amount of tax payable			

Personal relief for resident individuals

Types of Relief	Assessment Year					
	2004	2005	2006	2007	2008-2009	2010
Self	8,000	8,000	8,000	8,000	8,000	9,000
Disabled tax payer additional relief	5,000	6,000	6,000	6,000	6,000	6,000
Spouse with no income or opt for joint assessment	3,000	3,000	3,000	3,000	3,000	3,000
Disabled spouse additional relief (spouse has no income or opt for joint assessment)	2,500	3,500	3,500	3,500	3,500	3,500
Normal Child – unmarried and age of 18 and below - above 18, unmarried and studying in tertiary education institute - Local - Overseas	 1,000 4,000 1,000	 1,000 4,000 1,000	 1,000 4,000 4,000	 1,000 4,000 4,000	 1,000 4,000 4,000	 1,000 4,000 4,000
Disabled child – unmarried – above 18, unmarried and studying in tertiary education institute	 5,000 5,000	 5,000 5,000	 5,000 9,000	 5,000 9,000	 5,000 9,000	 5,000 9,000
Life insurance premium on tax payer or/and spouse's life and contribution to approved fund	5,000	6,000	6,000	6,000	6,000	7,000 **(Note 1)**
Insurance premiums for education or medical benefit for tax payer, spouse or children	3,000	3,000	3,000	3,000	3,000	3,000
Annuity premium purchased through E.P.F. annuity scheme	1,000	1,000	1,000	1,000	1,000	1,000
Medical expenses on tax payer, spouse and children for serious diseases.	5,000	5,000	5,000	5,000	5,000	5,000

Personal relief for resident individuals….contd

Types of Relief	Assessment Year					
	2004	2005	2006	2007	2008-2009	2010
Complete medical examination on tax payer, spouse and children. (max) Total deduction for medical expenses and examination is restricted to RM5,000.	500	500	500	500	500	500
Medical expenses for parents (max)	5,000	5,000	5,000	5,000	5,000	5,000
Books, journal and magazine for tax payer, spouse or children	500	700	700	1,000	1,000	1,000
Basic supporting equipment for disabled tax payer, spouse, parent or children (max)	5,000	5,000	5,000	5,000	5,000	5,000
Personal computer. The relief will be given once in every 3 assessment years (maximum)	0	0	0	3,000	3,000	3,000
Net deposit in Skim Simpanan Pendidikan Nasional (max)	0	0	0	3,000	3,000	3,000
Education fee on qualified course for tax payer (Note: 2)	5,000	5,000	5,000	5,000	5,000	5,000
Sports & exercise equipment (maximum)	0	0	0	300	300	300
Broadband subscription fee (YA2010-2012)	0	0	0	0	0	500

Interest on housing loan

Applicable to resident and citizen of Malaysia and to one residential property only and no income is derived from that property. Sales & purchase agreement executed between 10.03.2009 to 31.12.2010. Amount of deduction equivalent to amount of interest paid but restricted to RM10,000 per year for 3 consecutive basis years beginning from the year in which the interest was first paid.

Note:

1. The increased relief amount of RM1,000 is given solely on annuity scheme premium from insurance companies commencing payment from 1 January 2010.

2. **Qualified course** – technical, vocational, industrial, scientific or technological skill or qualification. This relief has been extended to accountancy and law courses undertaken at the recognised institution of higher learning effective from assessment year 2006 and to 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 effective from assessment year 2007. Effective from assessment year 2008 this relief is extended to all field of studies at post graduate level i.e. masters and doctorate. Maximum deduction is RM5,000 per assessment year

Capital Allowance Rates

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
Heavy machinery & motor vehicle:		
• Building & construction industry	30	20
• Timber industry	60	20
• Tin mining industry	60	20
• Imported heavy machinery used in building & construction, mining, plantation and timber industry	10	10
• Other industry	20	20
Plant & Machinery:		
• Building & construction industry	30	14
• Timber industry	60	14
• Tin mining industry	60	14
• Other industry	20	14
Others:		
• Building & construction industry	30	10
• Timber industry	60	10
• Tin mining industry	60	10
• Other industry	20	10
Special plant & equipment:		
• Plant or machinery used by manufacturing company for recycling of wastes **(w.e.f. YA 2001)**	40	20
• Bus using natural gas	40	20
• Natural gas refuelling equipment used at natural gas refuelling outlet		
Computer & ICT equipment and software **Revoked w.e.f YA 2009**.	20	40
Plant or machinery used for qualifying project under Schedule 7A **(w.e.f. YA 2001)**	40	20
Qualifying machinery and equipment used in agriculture sector including plantation **(w.e.f. 2005)**	20	40
Qualifying equipment used by companies to ensure quality of power supply **(w.e.f. 2005)**	20	40
Purchase of moulds used in the production of Industrial Building System (IBS) **(w.e.f. YA 2006)**	40	20

Capital Allowance Rates …. Contd.

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

a) 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or

b) 50% of paid capital (ordinary share) of the related company is directly or indirectly owned by the company; or

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

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

Accelerated Capital Allowance for specified period only

1. Security control equipment and monitor equipment

Effective from YA 2009 to 2012

a) Qualifying security control equipment

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

Conditions:

i. Individual

- Resident in Malaysia

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

Capital Allowance Rates …. Contd.

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. **Buses (Stage, Charter, Express, Mini, Employees, Feeder, School and excursion bus)**

Effective from YA 2009 to 2011

Conditions:

Claimant

- Resides in Malaysia;
- First registered owner of the bus and carry business of commercial transportation; and
- holder of a public service vehicle license issued under the Commercial Vehicles Licensing Board Act 1987 or tourism vehicle license issued under the Tourism vehicle Licensing Act 1999

Buses

- used for commercial transportation of passengers or conveyance of tourists
- locally assembled or constructed and not a reconditioned bus

Allowance

Initial allowance: 20% Annual allowance:80%

3. **Plant and machinery**

Effective: Assessment year 2009 to 2010

Conditions:

a) Companies incorporated and resident in Malaysia with paid-up capital (ordinary share) not exceeding RM2,500,000 at the beginning of the basis period; and

b) Plant and machineries used for that business

Capital Allowance Rates …. Contd.

Disqualified:

a) If more than-

i. 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or

ii. 50% of paid capital (ordinary share) of the related company is directly or indirectly owned by the company; or

iii. 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.

b) Has been granted any incentive under the Promotion of Investment Act 1986 or Reinvestment Allowance under Schedule 7A of the Income Tax Act 1967 in the basis period for the assessment year; or

c) Qualified for and has claimed capital allowance under paragraph 19A of Schedule 3 of the Income Tax Act 1967 (small value asset)

Allowance

Initial: 20% Annual: 80%

4. Plant and machinery

Effective from assessment year 2009

Conditions:

a) person resident in Malaysia
b) incur qualifying plant expenditure between March 10, 2009 to 31 December 2010
c) plant use for business purposes

Disqualified:

A person who in the period 10 March 2009 to 31 December 2010-

a) has been granted any incentive under the Promotion of Investments Act 1986;
b) has made a claim for reinvestment allowance under Schedule 7A of the Income Tax Act 1967;
c) has been granted any exemption under paragraph 127(3)(b) or subsection 127(3A) of the Income Tax Act 1967; or
d) qualifies for capital allowance at a higher rate

Allowance:

Initial: 20% Annual: 40%

Capital Allowance Rates …. Contd.

5. **Information and communication technology equipment**

Effective: Assessment year 2009 to 2013

Qualifying assets:

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

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

Industrial Building Allowance……contd.

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

Renovation or refurbishment allowance

Conditions:

a) person

b) incur qualifying renovation or refurbishment of business premises between 10 March 2009 to 31 December 2010

c) premises used for business purpose

d) total amount of qualifying expenditure for that period shall not exceed RM100,000

Allowance: 50% for the year the expenditure was incurred and 50% for the immediate following year.