October 15, 2010

To:
Our valued clients, friends and overseas affiliates

BUDGET 2011
Summary & Comments

We are proud once again this year to present our own BUDGET 2011: Summary & Comments, a summary and synopsis of the 2011 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 2011 Budget presented in Parliament on Friday, 15 October 2010, is the second by The Hon Dato' Sri Mohd Najib Tun Abdul Razak, the Prime Minister cum Finance Minister of Malaysia. He had made it as comprehensive as possible since it was his intention that this Budget will lay the foundation for Malaysia to become an advanced nation by the year 2020, fuelled by a high income economy. Thus the 2011 Budget is designed in a manner that will introduce meaningful changes to the nation's development and guarantee the well being of all Malaysians. The linchpin of this Budget's success is the extent in which the concept of 1Malaysia will be accepted in formulating and thereafter implementing the nation's development plans.

The Government has allocated a sum of RM212 billion to be spent in the year 2011. This is about 2.8% higher than the budgeted spending for the year 2010. Of this amount, RM49.2 billion will be reserved for Development Expenditure, representing only 23% of the total allocated sum. The balance 77% or RM162.8 billion will be expended as the Government's Operating Costs. Grants and Fixed Charges form about 53% of the operating expenditure. Another 28% will be utilized to pay the emoluments of the Civil Servants while 17% of the operating budget is reserved for the procurement of supplies and other services.

The allocation for the Development Expenditure is as follows:

- RM28.3 billion or 57% for infrastructure, industrial, agricultural and rural development
- RM15.5 billion or 31% for the social sector to spend, including on education & training, health, welfare, housing and community development
- RM4.4 billion or 9% is for security development
- RM2 billion or 4% is for contingencies

Revenue collection in 2011 is estimated to amount to RM165.8 billion. Compared to that budgeted for the year 2010 of RM162.1 billion, this represents a 2.3% increase. However, the Government's income source can only meet about 78% of the sum required to be spent in the year 2011. This differential of about 22% has been kept constant with that of the year 2010. For this reason, the 2011 budget deficit of 5.4% of GDP is an insignificant improvement over the 2010 deficit of 5.6%.

Be that as it may, we like to take the view that managing the affairs of Malaysia as a going-concern much like that being done in well-run commercial entities is a strategic financial management. In such a situation, it makes commercial sense to use borrowed funds to do business. The consideration here will be that such ventures should generate sufficient and regular cash flows to service these borrowings. In a situation where the entity is ever on an expansion programme, the level of its outstanding financial obligation may continue to remain at material levels.

Much of the economic development in the coming year is planned for the private sector to lead. With this intention in mind, the theme for the 2011 Budget is "Transformation Towards a Developed and High-Income Nation" encompassed by four key strategies:

1. Reinvigorating Private Investment
2. Intensifying Human Capital Development
3. Enhancing Quality of Life of the People, and
4. Strengthening Public Service Delivery

To motivate private investments in several areas, the Government will do the following:

i) Provide RM1 billion Facilitation Fund to jump-start Public-Private Partnership Initiatives
ii) Support high-impact strategic development
iii) Revitalise the capital market
iv) Strengthen Malaysia's position as a premier Islamic capital market
v) Intensify the venture capital industry in ICT, biotechnology and the creative industry
vi) Create a Bumiputera Property Trust Scheme
vii) Introduce Private Pension Funds for the private sector employees and the self-employed
viii) Enhance the electrical and electronics industry
ix) Propel further the oil, gas and energy sector
x) Develop Green Technology
xi) Increase productivity and generate higher returns in the agriculture sector
xii) Energise the tourism industry to provide more business and employment opportunities
xiii) Revitalise the palm oil and related industries
xiv) Enhance ICT
xv) Promote the development of the business services industry, like aircraft repairs & maintenance
xvi) Accelerate corridor and regional development
xvii) Promote R&D&C activity
xviii) Introduce a new Insolvency Act to consolidate the 1967 Bankruptcy Act and Part 10 of the Companies Act 1965
xix) Develop an integrated creative industry policy
xx) Strengthen the Government's revenue collection system

As for the human capital development, the Government plans to do the followings:

i) Intensify efforts to attract talents
ii) Expand the access to quality education
iii) Strengthen early child education
iv) Strengthen primary and secondary education
v) Strengthen higher education
vi) Intensify the Industrial Skill Enhancement Programme in State Skills Development Training Centres

vii) Introduce the 1Malaysia Training Programme to start in January 2011
viii) Establish a National Wage Consultative Council aimed at fair employees remuneration
ix) Expanding women's participation in the nation's development
x) Develop national sports

The plans for the strategy to enhance the people's quality of life will include:

i) Carrying out various welfare and community programmes such as assisting the less fortunate
ii) Introduce My First House Scheme Aid so as to increase house ownerships
iii) Allocate RM6.9 billion to develop basic rural infrastructure – water, electricity supply and roads
iv) Provide subsidies on essential items to ease the burden of the people
v) Increase monthly allowances of community leaders as a mark of appreciation for their services
vi) Enhance the socioeconomic status of the pribumi people
vii) Reduce transport cost
viii) Expand public health services
ix) Combat crime
x) Empower NGOs
xi) Finance environmental preservation projects
xii) CSR as part of implementing community projects

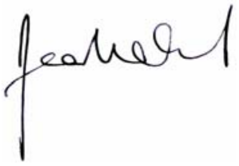
The fourth strategy of strengthening the public service delivery will be done by:

i) Facilitating and not frustrating people's dealings with government agencies
ii) Refine the civil service appraisal system
iii) Recognise and appreciate the contributions of the civil servants

This Budget is devoid of any tax reductions. Changes in the tax law from the Finance Bill 2010 are mainly to remove ambiguity and improve the tax administration. Presumably, the deferment to implement the much anticipated Goods and Services Tax does not make it possible for the Government to reduce the corporate tax and the personal income tax rates. In fact, the Service Tax is increased by 1% to 6%. This increase is considered to be minimal but will also cover the paid television broadcasting services.

AljeffriDean hopes that the enclosed budget commentary will be useful in updating our clients and associates on the Budget 2011. Our partners and staff will be pleased to assist you if you need any further clarification.

We may be contacted via telephone: 03-23811170 or email at summarybudget2011@aljeffridean.com or info@aljeffridean.com.



AljeffriDean
Kuala Lumpur
October 15, 2010

SECTION B

HIGHLIGHTS

1 REINVIGORATING PRIVATE INVESTMENT

- Several Public-Private Partnership projects identified under the 10 Malaysia Plan will be implemented through private investment of RM12.5 billion.
- Development of the Kuala Lumpur International Financial District (KLIFD) valued at RM26 billion.
- Greater KL MRT to be implemented from 2011 with an estimated private investment of RM40 billion.
- Development of the Malaysian Rubber Board land in Sungai Buloh estimated at RM10 billion.
- A new landmark, *Warisan Merdeka*, to be developed by *Permodalan Nasional Berhad* with an estimated total project cost of RM5 billion.
- The government will implement bold measures to revitalise the domestic capital market.
- Tax deduction on expenses for the issuance of Islamic securities which adopt the principles of *Murabahah* and *Bai' Bithaman Ajil* based on *tawarru'*.
- The government will provide Entrepreneurship Enhancement Training Programme to train 500 technopreneurs and attract more angel investors.
- The launch of a *syariah-compliant* Bumiputera Property Trust Scheme with a size of RM1 billion.
- The government will launch a Private Pension Fund in 2011.
- A sum of RM857 million is allocated for local E&E companies to invest in high value-added activities, particularly in Penang and the Kulim High-Tech Park in Kedah.
- The government will allocate RM146 million to support the oil, gas and energy industry.
- The government continue to provide several incentives to develop green technology.
- The government allocates RM3.8 billion in 2011 to increase productivity and generate higher returns in the agriculture sector.
- The government proposes that import duty on approximately 300 goods preferred by tourists and locals, at 5% to 30% be abolished.
- MY Creative Content Programme will be implemented and involves an allocation of RM119 million.
- Corridor and regional development will be accelerated with an allocation of RM850 million for infrastructure support.

- RM411 million is allocated for the research, development and commercialisation activities.
- The government proposes that the rate of service tax be increased from 5% to 6%.

2 INTENSIFYING HUMAN CAPITAL DEVELOPMENT

- Government will establish a Talent Corporation under the Prime Minister's Office in early 2011.
- RM6.4 billion is allocated for development expenditure to build and upgrade schools, hostels, facilities and equipment.
- RM213 million is allocated to reward high-performance schools.
- The government allocates RM111 million for PERMATA programme.
- RM250 million allocated for development expenditure to schools: religious, Chinese-type, Tamil national, missionary and government-assisted.
- RM576 million allocated in the form of scholarships for teachers and instructors wishing to further their studies.
- RM213 million allocated to enhance proficiency in Bahasa Malaysia and strengthen the English language.
- RM20 million allocated to increase PhD qualified academic staff.
- RM60 million allocated to further intensify the Industrial Skill Enhancement Programme in state skills development training centres.
- RM220 million allocated to ensure graduates from other fields are able to enhance their competence and employability.
- RM50 million allocated to Multimedia Development Corporation to train graduates in ICT.
- RM474 million provided to enhance productivity and skills of non-graduates.
- 1Malaysia Training Programme will commence in January 2011 with an allocation of RM500 million.
- RM30 million allocated to introduce the Single Mother Skill Incubator Programme and the Prime Entrepreneur and Women Activist Award.
- For sports development and management, a sum of RM365 million is allocated to the Ministry of Youth and Sports.

3 ENHANCING QUALITY OF LIFE OF THE RAKYAT

- In 2011, the government will allocate RM1.2 billion to the Ministry of Women, Family and Community Development.
- Excise duty exemption be increased from 50% to 100% on national vehicles purchased by the disabled.
- Government will extend tax relief of up to RM5,000 to help parents with expenses such as day care, caretakers and other daily needs.
- The toll rates in four highways owned by PLUS Expressway Berhad will not be raised for the next five years effective immediately.
- RM15.2 billion allocated to build new hospitals, increase the number of doctors and nurses as well as to obtain supplies of medicines and equipment.
- RM350 million allocated to implement various programmes to combat crime, including burglary, motorcycle and car thefts.
- RM70 million allocated for programs with select NGOs to help the government

strengthen the family institution and address social.

- 1Malaysia Development Fund Bhd (1MDB) will provide RM20 million to the 1Malaysia Youth Fund to instil the 1Malaysia spirit.

4 **STRENGTHENING PUBLIC SERVICE DELIVERY**

- The application for Permanent Resident status may be submitted after five years of residence.

SECTION C

SUMMARY OF AMENDMENTS TO DIRECT TAXATION

TAX INCENTIVE FOR THE ISSUANCE OF ISLAMIC SECURITIES

PRESENT

- Expenses incurred in the issuance of Islamic securities issued under the principles of *Mudharabah, Musyarakah, Ijarah* and *Istisna'* or other *Syariah* principles approved by the Minister of Finance are eligible for tax deduction if the issuance of such Islamic securities are approved by the Securities Commission or the Labuan Services Authority.

- The incentive is given from year of assessment 2003 until year of assessment 2015.

PROPOSED

- The Government has launched the world's first Syariah-compliant commodity trading platform known as Bursa *Suq al-Sila.*

- Expenses incurred in the issuance of Islamic securities under the principles of *Murabahah* and *Bai' Bithaman Ajil* based on tawarruq will be given deduction for the purpose of income tax computation.

- Such *Sukuk* must be approved by the Securities Commission or the Labuan Financial Services Authority.

IMPACT

- To strengthen Malaysia's position as the leading *sukuk* market.

- To further encourage innovation and to promote transactions in Bursa *Suq al-Sila.*

EFFECTIVE DATE

- Year of assessment 2011 to 2015.

REFERENCE

- To be gazetted by way of statutory order.

TAX INCENTIVE ON EXPORT CREDIT INSURANCE PREMIUM BASED ON *TAKAFUL* CONCEPT

PRESENT	▪ The Government has given double tax deduction on payment of conventional insurance premium for export credit to companies approved by the Minister of Finance. ▪ The deduction is given from year of assessment 1986.
PROPOSED	▪ Payments of insurance premium for export credit based on *takaful* concept be given double tax deduction. ▪ Insurance premium based on the *takaful* concept must be purchased from *takaful* operators approved by the Minister of Finance.
IMPACT	▪ To grant equal tax treatment between conventional insurance and *takaful*.
EFFECTIVE DATE	▪ Year of assessment 2011.
REFERENCE	▪ To be gazetted by way of statutory order.

EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVES FOR THE GENERATION OF ENERGY FROM RENEWABLE SOURCES

PRESENT

A) Companies generating energy from renewable sources:

i. Pioneer Status with income tax exemption of 100% of statutory income for 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years and the allowance can be set-off against 100% of statutory income for each year of assessment; and

iii. Import duty and sales tax exemption on equipment used to generate energy that is not produced locally and sales tax exemption on equipment purchased from local manufacturers.

Other companies in the same group undertaking the same activities are eligible for the above incentives.

B) Companies generating renewable energy for own consumption:

i. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years and the allowance can be set-off against 100% of statutory income for each year assessment; and

ii. Import duty and sales tax exemption on equipment used to generate energy that is not produced locally and sales tax exemption on equipment purchased from local manufacturers.

C) Non-energy generating companies which import or purchase equipment to generate energy from renewable sources for consumption of thirds parties:

i. Import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties given to importers including photovoltaic service providers approved by the Energy Commission; and

ii. Sales tax exemption is given on the purchase of solar heating system equipment from local manufacturers.

The above incentives are given for applications received by the

	Malaysian Industrial Development Authority ("MIDA") until 31 December 2010.
PROPOSED	▪ Current tax incentive application period for the generation of energy from renewable sources be extended.
IMPACT	▪ To advance green technology and to ensure sustainable environment.
EFFECTIVE DATE	▪ Incentive A and B be extended for applications received until 31 December 2015; and ▪ Incentive C be extended for applications received until 31 December 2012.
REFERENCE	▪ To be gazetted by way of statutory order.

EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVES FOR ENERGY CONSERVATION

PRESENT

A) Companies providing energy conservation services:

i. Pioneer Status with income tax exemption of 100% of statutory income for 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years and the allowance can be set-off against 100% of the statutory income for each year of assessment; and

iii. Import duty and sales tax exemption on energy conservation equipment that are not produced locally and sales tax exemption on the purchase of locally produced equipment.

B) Companies which incur capital expenditure for energy conservation for own consumption:

i. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years and the allowance can be set-off against 100% of statutory income for each year of assessment; and

ii. Import duty and sales tax exemption on energy conservation equipment that are not produced locally and sales tax exemption on equipment purchased from local manufacturers.

C) Companies importing or purchasing locally manufactured energy efficiency equipment for third party consumption:

i. Import duty and sales tax exemption on energy efficiency equipment such as high efficiency motors and insulation materials given to importers including authorised agents approved by the Energy Commission; and

ii. Sales tax exemption is given on the purchase of energy efficiency consumer goods such as refrigerator, air conditioner, lightings, fan and television which are produced by local manufacturers.

The above incentives are given for applications received by the

Malaysian Industrial Development Authority ("MIDA") until 31 December 2010.

PROPOSED	▪ The current tax incentives application period for energy conservation be extended.
IMPACT	▪ To encourage the efficient utilisation of energy.
EFFECTIVE DATE	▪ Incentive A and B be extended for applications received until 31 December 2015; and ▪ Incentive C be extended for applications received until 31 December 2012.
REFERENCE	▪ To be gazetted by way of statutory order.

EXTENSION OF TAX INCENTIVE PERIOD FOR REDUCTION OF GREENHOUSE GAS EMISSION

PRESENT	▪ Malaysia had introduced an incentive to reduce greenhouse gas (GHG) emission by granting tax exemption on income received from the sale of Certified Emission Reductions (CERs) from Clean Development Mechanism (CDM) projects approved by the Ministry of Natural Resources and Environment. ▪ The income exempted is equal to the gross income from sale of CDM less the cost of expenditure (not being capital expenditure) to obtain the CERs. ▪ The exemption period is for 3 years from the year of assessment 2008 until year of assessment 2010.
PROPOSED	▪ The tax exemption period on the income from the sales of CERs be extended for another 2 years.
IMPACT	▪ To encourage companies to invest in CDM projects to overcome global warming.
EFFECTIVE DATE	▪ Year of assessment 2011 to 2012.
REFERENCE	▪ To be gazetted by way of statutory order.

EXTENSION AND ENHANCEMENT OF TAX INCENTIVES FOR HYBRID CARS

PRESENT

- Franchise holders of hybrid cars are given 100% exemption of import duty and 50% exemption of excise duty on new completely-built-up (CBU) hybrid cars.
- The above exemption is subject to the following criteria and conditions:

  i) Hybrid cars should comply with the United Nations' definitions as follows:

  "A vehicle with at least 2 different energy converters and 2 different energy storage systems (gasoline and electric) on-board the vehicle for purpose of vehicle propulsion";

  ii) Limited to new CBU hybrid passenger cars with engine capacity below 2000 cc;

  iii) Engine specification of at least Euro 3 technology;

  iv) Hybrid cars certified by the Road Transport Department, obtaining Vehicle Type Approval and certified to have achieved not less than 50% increase in the city-fuel economy or not less than 25% increase in a combined city-highway fuel economy relative to a comparable vehicle that is an internal combustion gasoline fuel; and

  v) Emission of carbon monoxide of less than 2.3 gram per kilometre.

- The exemption is given for application received by the Ministry of Finance from 30 August 2008 until 31 December 2010.

PROPOSED

- Full exemption of import duty and full exemption of excise duty be given on new CBU hybrid cars.
- This incentive is also extended to electric cars as well as hybrid and electric motorcycles.

IMPACT

- To further promote Malaysia as a regional hub for hybrid cars and as an incentive for local car manufacturers and assemblers.

EFFECTIVE DATE

- For applications received by the Ministry of Finance from 1 January 2011 to 31 December 2011.

REFERENCE

- To be gazetted by way of statutory order.

EXTENSION OF TAX INCENTIVE APPLICATION PERIOD FOR FOOD PRODUCTION

PRESENT

- Tax incentives are given to the company that invests and its subsidiary company that is engaged in the food production activities, as follows:

  i) The company that invests in its subsidiary company engaged in food production activities is granted tax deduction equivalent to the amount of investment made in that subsidiary; and

  ii) The subsidiary company undertaking food production activities is granted income tax exemption of 100% on its statutory income for 10 years of assessment for new project or 5 years of assessment for expansion project. The exemption period commences from the first year of assessment the company derived statutory income, in which:

     a. Losses incurred before the exemption period is allowed to be brought forward after the exemption period;

     b. Losses incurred during the exemption period is also allowed to be brought forward after the exemption period, and

- The incentives are granted on the following conditions:

  i) The equity condition for a company which invests at least 70% in the subsidiary company that undertakes food production activities;

  ii) The approved food productions activities by the Minister of Finance are cultivation of kenaf, vegetables, fruits, herbs, spices; aquaculture; rearing of cattle, goats, sheep; and deep sea fishing; and

  iii) The food production project should commence within a period of one year from the date the incentive is approved.

- The above incentives are given for applications received by the Ministry of Agriculture and Agro-based Industry until 31 December 2010.

PROPOSED	▪ The tax incentive for food production activities is extended for another 5 years.
IMPACT	▪ To ensure continuous development in agro-food and agro-based industry. ▪ To further stimulate investments in high scale agriculture projects.
EFFECTIVE DATE	▪ Application received from 1 January 2011 until 31 December 2015.
REFERENCE	▪ To be gazetted by way of statutory order.

EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVE FOR LAST MILE NETWORK FACILITIES PROVIDER FOR BROADBAND

PRESENT

- Income tax exemption equivalent to 100% of the qualifying capital expenditure incurred for broadband infrastructure for the period of 5 years. The allowance to be set off against 70% of statutory income for each year of assessment. The implementation of this exemption is similar to the Investment Allowance under Schedule 7B Income Tax Act 1967. The above incentives are given for applications received until 31 December 2010 which is submitted to Ministry of Finance; and

- Import duty and sales tax exemption on broadband equipment and consumer access devices which are basic in providing the broadband services and not produced locally. The above incentives are given for applications received until 31 December 2010 which is submitted to the Malaysian Industrial Development Authority ("MIDA").

PROPOSED

- The application period for tax incentive to companies that invests in last mile infrastructure to be extended for another 2 years.

IMPACT

- To further encourage investments in broadband services infrastructures for continuous growth.

EFFECTIVE DATE

- Application received from 1 January 2011 until 31 December 2012.

REFERENCE

- To be gazetted by way of statutory order.

TAX RELIEF ON MEDICAL EXPENSES AND CARE FOR PARENTS

PRESENT

- Tax relief of up to RM5,000 is claimable by individual taxpayers on medical expenses for parents limited to the following:
  - treatment in clinics and hospitals;
  - treatment in nursing homes; and
  - dental treatment excluding cosmetic dental treatment.

PROPOSED

- Existing tax relief be extended to include expenses to care for parents such as:
  - parents who suffer from diseases or with physical or mental disabilities; and
  - who need regular treatment certified by a qualified medical practitioner.

- Such treatment and care provided include the treatment and care at home, day care centres or home care centres.

- Qualifying expenses related to the treatment and cares are as follows:

  i. treatment and medical expenses supported with receipts issued by registered medical centres, pharmacies or licensed medical stores; or

  ii. expenses for the care of parents supported with receipts or written certification by carers (does not include the tax payer claiming the relief, the spouse and the children) including certifying that the care was provided and the total payment involved. Foreign hired carers are required to posses valid visa/special work permit for the care of parents of taxpayers; or

  iii. expenses on special needs for parents certified by qualified medical practitioner and supported by receipts as proof purchase.

IMPACT

- To reduce the cost of financing expenses on medical treatment and care for parents.

EFFECTIVE DATE

- Year of assessment 2011.

REFERENCE

- Section 46(1)(c) of Income Tax Act 1967.

STAMP DUTY EXEMPTION ON INSTRUMENTS OF TRANSFER OF RESIDENTIAL PROPERTY

PRESENT

- Stamp duty rates on instruments of transfer of property including residential property are as follows:

Value of property	Stamp duty rate for every RM100 or part thereof
First RM100,000	RM1.00
> RM100,001 to RM500,000	RM2.00
> RM500,001	RM3.00

- Instruments of transfer of a residential property priced not exceeding RM250,000 are given stamp duty exemption of 50%.
- The exemption is granted on one residential property for each individual Malaysia citizen.
- The exemption is effective for sales and purchase agreements executed from 8 September 2007 to 31 December 2010.

PROPOSED

- The cost of ownership especially for the first residential property should to be reduced.
- The stamp duty exemption of 50% be given on instrument of transfer of a residential property priced not exceeding RM350,000 for the first residential property.
- The exemption is granted on the first residential property purchased by a Malaysian citizen and eligible to be claimed once only within the exemption period.
- The first residential property means a situation whereby an individual does not own any residential property (or does not own a part of a residential property in the case of joint ownership) in his name at the time he applies for the 50% stamp duty exemption for residential property priced not exceeding RM350,000.
- Residential property includes a terrace house, condominium, apartment or flat.

IMPACT

- To ensure every citizen owns a residential property.
- To encourage ownership of the first residential property.

EFFECTIVE DATE

- Sales and purchase agreements executed from 1 January 2011 to 31 December 2012.

REFERENCE

- To be gazetted by way of statutory order.

STAMP DUTY EXEMPTION ON LOAN AGREEMENTS FOR RESIDENTIAL PROPERTY

PRESENT

- Stamp duty rate on loan agreement instruments for residential property is at 0.5% of the loan value.
- Loan agreement instruments for residential properties priced not exceeding RM250,000 are given stamp duty exemption of 50% and the exemption is granted for the purchase of one residential property for each individual Malaysian citizen.
- The exemption is granted on one residential property for each individual Malaysia citizen.
- The exemption is effective for sales and purchase agreements executed from 30 August 2008 to 31 December 2010.

PROPOSED

- Stamp duty exemption of 50% be given on loan agreement instruments for a residential property priced not exceeding RM350,000.
- Such loan agreements are made between purchaser with the bank, financial institutions, insurance companies, cooperatives or employer under the employee housing loan scheme.
- The exemption is granted on the first residential property purchased by a Malaysian citizen and eligible to be claimed once only within the exemption period.
- The first residential property means a situation whereby an individual does not own any residential property (or does not own a part of a residential property in the case of joint ownership) in his name at the time he applies for the 50% stamp duty exemption for residential property priced not exceeding RM350,000.
- Residential property includes a terrace house, condominium, apartment or flat.

IMPACT

- To ensure every citizen affords to own a residential property.
- To reduce the cost of ownership of the first residential property.

EFFECTIVE DATE

- Sales and purchase agreements executed from 1 January 2011 to 31 December 2012.

REFERENCE

- To be gazetted by way of statutory order.

SECTION D

SUMMARY OF AMENDMENTS TO INDIRECT TAXATION

ABOLISHMENT OF IMPORT DUTY ON TOURISM PRODUCTS AND DAILY USED PRODUCTS

PRESENT

- Import duty on most tourism products such as camera, watches and perfumes has been abolished.
- Tourism dutiable products such as apparel, handbags, wallets and foot wear with FOB value exceeding RM200 are given exemption under Item 174, Customs Duties (Exemption) Order 1988.

PROPOSED

- Import duty be abolished on:

  i. Handbags, wallets, suitcases, briefcases, apparel, footwear and hats (with duty of between 5% and 20%);

  ii. Jewellery, costume jewellery and ornaments (with duty of between 5% and 20%);

  iii. Toy such as dolls and small scale recreational models (with duty of between 5% and 20%);

  iv. Talcum powder, face powder and shampoo (with duty of between 10% and 20%); and

  v. Bedspreads, blankets, curtains and table cloth (with duty of between 10% and 20%).

IMPACT

- To further boost the tourism industry.
- To render Malaysia as the leading shopping destination.
- To reduce the burden of the *rakyat* on the cost of daily used products.

EFFECTIVE DATE

- Effective from 4.00 pm on 15 October 2010.

REFERENCE

- To be gazetted by way of statutory order.

EXEMPTION OF SALES TAX ON MOBILE PHONES

PRESENT

- Ordinary mobile phones are subject to sales tax of 10%.
- Personal Digital Assistant (PDA) with Global System Mobile (GSM) which may function as a mobile phone is given sales tax exemption under the Sales Tax (Exemption) Order 2008.

PROPOSED

- Mobile phones be exempted from sales tax.

IMPACT

- To harmonise tax treatment on PDA with GSM and ordinary mobile phones.

EFFECTIVE DATE

- Effective from 4.00 pm on 15 October 2010.

REFERENCE

- To be gazetted by way of statutory order.

EXCISE DUTY EXEMPTION ON NATIONAL VEHICLES FOR DISABLED PERSONS

PRESENT

- A disabled person is given exemption of excise duty of 50% on the purchase of a national vehicle.
- The exemption is given for a disabled person with certain physical disabilities, namely handicapped limbs.
- The criteria to apply for the exemption are as follows:

  i. Registered as a disabled person and possesses a Registration Certificate from the Social Welfare Department;

  ii. Have a valid driving license;

  iii. The vehicle bought must be from the stock of unpaid duty and tax;

  iv. The vehicle should not be sold or its ownership transferred until the expiry of 5 years except with a written approval from the Treasury; and

  v. The exemption is given only for one vehicle within a period of 5 years.
- This exemption is given from 28 October 2000.

PROPOSED

- 100% exemption of excise duty be given on national vehicle purchased by physically disabled persons subject to the existing conditions stipulated above and also extended to disabled persons who have hearing and speaking disabilities.

IMPACT

- To reduce the financial burden of the physically disabled persons who wish to own vehicles to facilitate their mobility.

EFFECTIVE DATE

- For applications received by the Ministry of Finance from 18 October 2010.

REFERENCE

- To be gazetted by way of statutory order.

REVIEW OF SERVICE TAX RATE

PRESENT	▪ Service tax is charged by service providers at the rate of 5% on all taxable services. ▪ This rate is not applicable to credit cards whereby service tax is charged at specific rate of RM50 per year on principal cards and RM25 per year on supplementary cards.
PROPOSED	▪ The rate of service tax on all taxable services be increased from 5% to 6%.
IMPACT	▪ To generate additional tax revenue for national development.
EFFECTIVE DATE	▪ Effective from 1 January 2011.
REFERENCE	▪ To be gazetted by way of statutory order.

SERVICE TAX ON PAID BROADCASTING SERVICES

PRESENT

- Service tax is charged on all telecommunication services such as telephone, facsimile, leased line and bandwidth effective from 1 January 2001.
- Telecommunication services adopting satellite applications such as paid television broadcasting services are not subject to service tax.

PROPOSED

- Service tax of 6% be imposed on paid television broadcasting services.
- This service tax is charged on the monthly subscription fees on paid television broadcasting services.

IMPACT

- To widen the tax base.

EFFECTIVE DATE

- Effective from 1 January 2011.

REFERENCE

- To be gazetted by way of statutory order.

SECTION E

SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES

I. FUNDS AND SCHEMES UNDER MINISTRIES AND AGENCIES

Ministry of Science, Technology and Innovations (MOSTI)

i. Enterprise Innovation Fund

Purpose	To encourage Malaysian companies to be more innovative in using and adapting to the existing technologies and creating new technologies, products and processes, as well as promoting closer co-operation between private and public sector. The scheme would facilitate Malaysian companies to establish strategic global and regional linkages in research and development to enhance indigenous technology development.

ii. Science Fund

Purpose	To generate more research and expertise within country.

iii. Tech-no Fund

Purpose	To enhance global competitiveness and research and development culture among Malaysian medium and large enterprise.

iv. Content Industry Development Fund (eContent Fund)

Purpose	To spur the development of quality local ICT content for domestic and export market and also to develop a more resilient and competitive local content industry in Malaysia.

Ministry of Agriculture and Agro-Based Industry (MOA)

1. Bumiputra Industrial and Trade Society Financing Scheme

Purpose	To encourage the development of Bumiputra entrepreneur in production, marketing and processing of agricultural products.

<u>Ministry of Tourism</u>

1. Tourism Infrastructure Fund

Purpose — To develop infrastructure tourism.

<u>Ministry of Information, Communication and Culture</u>

1. Seed Capital Scheme (Batik and Craft)

Purpose — To promote Malaysian Batik and craft industry by providing financing to Bumiputera batik and craft operator.

2. Fiction Film Financing Scheme

Purpose — To encourage Malaysian film company to produce successful fiction film for local or international market.

<u>Bank Pembangunan Malaysia</u>

1. Tourism Infrastructure Fund (TIF)

Purpose — To finance the incremental cost of new/existing projects excluding working capital. For acquisition of land, a maximum amount of 40% of the land cost or project cost whichever is lower is allowed.

2. Maritime Fund

Purpose —
(i) To finance the acquisition of all type of brand new/second hand vessels;
(ii) To finance the acquisition of land, construction of shipyard infrastructure and its related machinery and equipment;
(iii) To finance the acquisition of land, construction of building, plant and machinery of port, bonded warehouse, port yard and haulage for the maritime activities; and
(iv) To part finance the working capital requirement.

3. Contract Financing Scheme

Purpose — To part finance working capital requirements.

4. Deferred Payment Scheme

Purpose — To finance contracts awarded by federal government.

5. Private Finance Initiative Scheme

Purpose	To part finance the working capital requirements of established constructions, engineering and fabrication companies who have been awarded related contracts by the respective contract awarder.

Malaysian Venture Capital Management Berhad

1. Venture Capital Financing

Purpose	To provide venture capital financing.

Perbadanan Nasional Berhad (PNS)

1. PNS Equity Investment Scheme

Purpose	To develop the number of medium class Bumiputera entrepreneurs through financial assistance or SME equity financing.

2. PNS Franchise Investment Scheme

Purpose	To develop the number of Middle-Level Bumiputera Enterpreneurs (MLBE) in franchise businesses through PNS equity investment scheme.

3. PNS Franchisee Financing Scheme

Purpose	To develop the number of Middle-Level Bumiputera Entrepreneurs (MLBE) in franchise businesses via financial assistance for purposes of business expansion and starting-up franchise companies.

4. Contract Financing

Purpose	To finance contract of supply finished products or provide services.

Perbadanan Usahawan Nasional Berhad (PUNB)

1. SME Financial Packages

Purpose	To provide funds to help Bumiputera enterprises set up and grow their businesses in areas related to product, market and operation.

2. PROSPER Runcit

Purpose	To offer financing on the principle of Qard Al-Hassan.

3. PROSPER Siswazah

Purpose	To equip young Bumiputera graduates and certificate holders with skills and knowledge

4. Pemborong PROSPER

Purpose	To develop Bumiputera entrepreneurs involved in bulk buying and selling activity of goods and supplies.

5. Siswazah Perantis PUNB

Purpose	To provide opportunities for young graduates to venture into retail and distributive business.

II. OTHER BUSINESS OPPORTUNITIES AND INCENTIVES *(As proposed in Budget 2011)*

Reinvigorating Private Investment

- **Public-Private Partnership Initiatives (PPP) – RM1 billion allocation**

Purpose	To enhance private sector involvement in economic activities.
Mechanism	(i) Construction of highways such as the Ampang-Cheras-Pandan Elevated Highway, Guthrie-Damansara Expressway, Damansara-Petaling Jaya Highway, Pantai Barat-Banting-Taiping Highway, Sungai Dua-Juru Highway and Paroi-Senawang-KLIA Highway; (ii) Construction of a 300-megawatt combined-cycle gas power plant in Kimanis, Sabah to increase electricity generation capacity to meet rising demand; and (iii) Development of projects such as the International Islamic University Malaysia Teaching Hospital in Kuantan, Pahang, the Women and Children's Hospital as well as the Integrated Health Research Institute Complex in Kuala Lumpur. (iv) The Academic Medical Centre, a joint venture between Academic Medical Centre Sdn Bhd and Johns Hopkins Medicine International as well as Royal College of Surgeons Ireland.

- **Electrical and Electronics Industry – RM857 million allocation**

Purpose	To invest in electrical and electronics (E&E) high value-added activities, particularly in Penang and the Kulim High-Tech Park in Kedah.

- **Oil, Gas and Energy Industry – RM146 million allocation**

Purpose	To meet the increase in gas demand by industries, Petronas to implement regasification project with RM3 billion investment in Malacca, which will be operational in 2012.
Mechanism	Among the projects to be implemented are the oil field services and equipment centre in Johor with private investment of RM6 billion over 10 years.

- **Agriculture Sector – RM2.2 billion allocation**

Purpose	To increase productivity and generate higher returns in the agricultural sector.
Mechanism	(i) Develop large-scale integrated Aquaculture Zones in Pitas, Sungai Telaga and Sungai Padas in Sabah, Batang Ai and Tanjung Manis in Sarawak; (ii) Upgrade the drainage and irrigation system, use high quality paddy seeds to enhance productivity in Muda Agricultural Development Area (MADA), Kedah and other areas; (iii) Encourage farmers participation in high value agriculture activities, including swiftlet nests, aquaculture, seaweeds, ornamental fish, herbs and spices; (iv) Foster partnership between small-scale fruit and vegetable farmers with anchor companies; (v) Improve the Agriculture College in Kubang Pasu, Kedah by constructing a diagnostic lab; (vi) Build an International Centre for Crops of the Future in Semenyih, Selangor; (vii) Price subsidy for paddy, fertilisers and paddy seeds; and (viii) Incentives for fishermen, boat owners and workers to increase fish landing.

- **Information and Communication Technology (ICT) – RM119 million allocation**

Purpose	To enhance the potential of the ICT industry
Mechanism	MY Creative Content Programme to be implemented to encourage the development of local content creation, hosting local content and unlocking new channels for content.

- **Business Services Industry – RM91 million allocation**

Purpose	To promote the development of the business services industry.
Mechanism	(i) The Sultan Abdul Aziz Shah Airport, Subang will be developed as a centre for maintenance and overhaul of aircrafts as well as provide specific training to develop experts in this field; and (ii) For capacity building in the maintenance, repair and overhaul (MRO) services industry, aerospace and aeronautical engineering training programmes as well as promotion of business outsourcing services.

- **Tourism Sector – RM235 million allocation**

Purpose	To attract more foreign tourist by offering innovative tourism packages and products.
Mechanism	(i) Provide infrastructure facilities to facilitate construction of hotels and resorts in remote areas; (ii)Construct several shaded walkways in the KLCC-Bukit Bintang vicinity; (iii) Restructure the Department of Civil Aviation to Civil Aviation Authority; and (iv) Project of Nexus Karambunai, a renowned resort in Sabah.

- **Corridor and Regional Development – RM850 million allocation**

Purpose	To support infrastructure for corridor and regional development.
Mechanism	Through construction of Iskandar Malaysia, Newcastle University Medicine Malaysia and Chelsea Factory Outlet, The Northern Corridor Economic Region (NCER), The East Coast Economic Region (ECER), Sarawak Corridor of Renewable Energy (SCORE) and Sabah Development Corridor.

- **Research & Development – RM411 million allocation**

Purpose	To enhance value-added activities across economic sectors.
Mechanism	Establish a Special Innovation Unit (UNIK) as a one- stop centre to formulate policies and strategies for a conducive ecosystem to drive innovation.

Intensifying Human Capital Development

- **Education – RM6.4 billion alocation**

Purpose	To focus on thinking skills, character building, creativity, innovation and competitiveness.
Mechanism	Early Education The construction of the second phase of *Sekolah* PERMATA *Pintar* School Complex, 32 PERMATA Children Centres (PAPN) and financing operations of 52 completed PAPNs and continuing PERMATA *Pintar, Seni, Insan* and *Remaja* Programmes. Primary and Secondary Education (i) Development expenditure to religious schools, Chinese-type schools, Tamil national schools, missionary schools and Government-assisted schools nationwide; (ii) Scholarships for teachers and instructors wishing to further their studies; and (iii) To enhance proficiency in *Bahasa Malaysia*, strengthen the English Language and streamline the Standard Curriculum for Primary Schools (KSSR). Higher Education Raise the number of PhD qualified academic staff to 75% in research universities and to 60% in other public institutions of higher learning.

- **Training and Skills Programmes – RM974 million allocation**

Purpose	To enhance skills of engineering graduates and technical employees in line with market requirements.
Mechanism	Industrial Skill Enhancement Programme in State Skills Development Training Centres, Multimedia Development Corporation (MDeC) and 1Malaysia Training Programme.

- **National Sports – RM365 million allocation**

Purpose	To encourage sports research and development, organise more international games, provide facilities and expertise to mould competitive athletes and develop high-performance sports.
Mechanism	Establish a Football Academy in Pahang

Enhancing Quality of Life of the *Rakyat*

- **Health Services – RM15.2 billion allocation**

Purpose	To ensure the *rakyat* to have access to adequate health services.
Mechanism	To construct new hospitals, increase the number of doctors and nurses and to obtain supplies of medicines and equipment.

- **Ministry of Rural and National Development – RM6.9 billion allocation**

Purpose	To bring development to rural areas and improve the quality of life of the rural population.
Mechanism	Implementation of basic infrastructure such as water and electricity supply and rural roads.

- **Housing Ownership – RM568 million allocation**

Purpose	To empathises with the rakyat's need to own affordable houses particularly, the poor and lower income group.
Mechanism	Projek Bantuan Perumahan Bandar, Program Perumahan Rakyat, Projek Bantuan Rumah Sewa.

SECTION F

SYNOPSIS AND COMPARISON

(Period under review 2004 to 2011)

PERSONAL TAX

Tax Rate, Personal relief and Rebate

Refer to Section H

Requirement to qualify for resident status

2004-2008	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.
2009-2010	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.
2011	No changes

Tax treatment on bonus and directors fees

2004-2008	Taxed on receivable basis.
2009-2010	Taxed in the year such incomes are received.
2011	No changes

Tax incentive for Malaysian and foreign knowledge workers in Iskandar Malaysia

2004-2009	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.
2011	No changes

Tax relief on medical expenses and care for parents

2004-2010	Tax relief for medical expenses for parents amounting to RM5,000 only limit to:- vi. Treatment in clinics and hospitals; vii. Treatment in nursing homes; and viii. Dental treatment excluding cosmetic dental
2011	Extended to care of parents who suffer from diseases or with physical or mental disabilities and need regular treatment certified by a qualified medical practitioner. Treatment include care at home, day care centre and home care centre, qualifying expenses as follows:- i. Treatment and medical expenses supported with receipts issued by registered medical centres, pharmacies or licensed medical stored. ii. Expenses for the care of parents supported with the receipts or written certification by carers. For foreign carers must possess valid visa or special work permit for the care. iii. Expenses on special needs for parents must be certified by qualified medical practitioner and evidenced by receipt.

Income exempted from income tax:

1. Leave passage.

2004-2006	Exemption for overseas trip is restricted to RM3,000.
2007-2010	Exemption is extended to meals and accommodation.
2011	No changes

2. Computer given by employer.

2004-2007	Taxable
2008-2010	Exempted until YA2010. In addition, broadband subscription fee paid by employers is also exempted.
2011	No changes

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

2004-2005	Exempted.
2006-2010	Tax exempted from withholding tax for a period of 5 years.
2011	No changes

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

2006-2010	Tax exemption on royalty up to RM10,000 a year.
2011	No changes

5. Export of qualifying services by resident.

2004-2010	Exemption equivalent to 50% of the increased in export value
2011	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
2007-2010	Exemptions included rental payment of ships under voyage charter, time charter and/or bare boat charter.
2011	No changes

7. Compensation for loss of employment.

2004-2008	Exemption limit increase from RM4,000 to RM6,000 per complete year of service
2009-2010	Exempted amount is increased to RM10,000 for every completed year of service. Employment ceased on or after 1 July 2008
2011	No changes

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

2004-2010	Exempted
2011	No changes

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

2004-2010	Exempted
2011	No changes

10. Income from foreign source remitted by a resident.

2004-2010	Exempted
2011	No changes

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

2004	Taxable
2005-2010	Exempted
2011	No changes

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

2004	Taxable
2005-2010	Exempted
2011	No changes

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

2004	Taxable
2005-2006	Exemption up to RM6,000 per complete year of service
2007-2010	Full exemption
2011	No changes

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

2004-2006	Taxable
2007-2010	Exempted
2011	No changes

15. Tax treatment for perquisite

2004-2007	Taxable
2007-2008	Tax exemption for award received by employees in cash or in kind up to RM1,000
2009-2010	Extended to award related to innovation, productivity and efficiency and exemption be increased to RM2,000 effective from year of assessment 2008 until 2010.
2011	No changes

16. Dividend received

2004-2007	Taxable unless paid out of tax exempt income
2008-2010	All dividend are exempted (single tier system)
2011	No changes

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

2004-2007	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.
2008-2010	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.
2011	No changes

18. 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.

2009-2010 All interest income be fully exempted. (w.e.f. 30.08.2008)

2011 No changes

19. Allowances and benefits in kind

2004-2008
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.

2009-2010 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.

2011 No changes

20. Profits from foreign currency sukuk

2004-2007	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.
2011	No changes

CORPORATE TAX

Tax Rates

Refer to Section H

Imputation system

2004-2007	Company have to deduct tax from dividend paid to shareholders.
2008-2010	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.
2011	No changes

Offshore Company

2004-2007	Offshore business activity is taxed under Labuan Offshore Business Activity Act 1990.
2008-2010	May choose to be taxed under Income Tax Act 1967.
2011	No changes

Premium on professional indemnity insurance

2004-2007	Non-deductible
2008-2010	Deductible
2011	No changes

Non-profit oriented school

2004-2007	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.
2008-2010	Exempted
2011	No changes

Deductible Expenses

1. Donation to approved institution

2004-2006	Deduction restricted to 5% of aggregate income.
2007-2008	Deduction restricted to 7% of aggregate income.
2009-2010	Deduction restricted to 10% of aggregate income.
2011	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.
2007-2010	Deduction increase up to RM500,000
2011	No changes

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

2004-2010	Restricted to RM100,000 if on the road price is not more than RM150,000 and brand new
2011	No changes

4. New computer given to employees

2004-2007	Not deductible
2008-2010	Deductible. In addition, broadband subscription fee paid by employers is also deductible (expiry date 2010)
2011	No changes

5. Infrastructure available for public use (community project)

2004-2007	Non-deductible
2008	Deductible
2009-2010	Extended to projects related to increase the income of the poor as well as for the conservation or preservation of the environment.
2011	No changes

6. Expenses to obtain halal and quality certifications.

2004	Single deduction
2005-2010	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
2011	No changes

7. Expenses to establish Islamic stock broking company.

2004-2006	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.
2011	No changes

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

2004-2010	Deductible
2011	No changes

9. Entertainment incurred in relation to business

2004-2010	i. Full deduction for promotional purposes. ii. 50% for others purposes
2011	No changes

10. Recruitment cost

2004-2008	Allowable accept incurred before the commencement of business.
2009-2010	Expenses incurred before commencement of business is allowable such as cost in participating in job fairs, payment to employment agencies and head-hunters
2011	No changes

11. Audit fee

2004-2005	Allowable on consensus.
2006-2010	The expenses incurred on audit fees by companies are deemed as allowable expenses.
2011	No changes

12. Renovation of workplace for disabled workers.

2004-2007	Not deductible
2008-2010	Deductible
2011	No changes

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

2004-2009 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:-

i. Companies as defined under Para. 2A and 2B, Sch. 1, Income Tax Act 1967.
ii. Manufacturing Industries, Manufacturing Related Services Industries and Agro-Based Industries – enterprises with full-time employees not exceeding 150 persons, OR with annual sale turnover not exceeding RM25 million.
iii. Services Industries, Primary Agriculture and Information & Communication Technology (ICT) – enterprises with full time employees not exceeding 50 persons, OR with annual sales turnover not exceeding RM5 million.

2011 No changes

Double Deduction

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

2004-2006 Double deduction (must be owner of the brand name).

2007-2010 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.

2011 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

2004-2010	Double deduction
2011	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

2004-2010	Double deduction
2011	No changes

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

2004	Double deduction
2005-2010	Double deduction for expenses incurred in preparing architectural & engineering models, perspective drawings & 3-D animations for participating in competitions at international level
2011	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.
2007-2010	Extended to unlisted companies for double deduction under the supervision of the Securities Commission w.e.f 02.09.2006
2011	No changes

6. Expenses to obtain halal & quality certification.

2004	Single deduction
2005-2010	Double deduction
2011	No changes

7. Training expenses (Malaysian).

2008	Double deduction be given for training of employees at approved training institutions such as INCIEF and PSDC.
2009-2010	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.
2011	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.	
2011	No changes	

9. Export credit insurance premium

2004-2010	Double deduction on payment of conventional insurance premium to companies approved by MOF
2011	Extended to takaful concept and premium must be purchased from operators approved by MOF

Capital Allowance

1. Class of Plant & Machinery

2001-2008	Accelerated Capital Allowance for companies provide services in conserve energy and recycling activities.
2009-2010	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.
2011	No changes

2. Computer and ICT equipment

2002-2008	Initial allowance @ 20% Annual allowance @ 40%
2009-2010	Accelerated Capital Allowance be given on expenses incurred on ICT equipment, computer and software w.e.f 2009 to 2013.
2011	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.
2009-2010	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.
2011	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.
2009-2010	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.
2011	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.
2009-2010	SMEs not subject to the maximum limit of RM10,000.
2011	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
2006-2010	IBA for a period of 10 years be given to owners of new buildings occupied by MSC status companies in Cyberjaya.
2011	No changes

2. Disposal of industrial building by company to REIT.

2002-2007	Subject to balancing charge
2008-2010	Not subject to balancing charge
2011	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.
2009-2010	Reimbursements for hotel accommodation in Malaysia be excluded in computation of gross income.
2011	No changes

2. Technical training services.

2002-2008	10%
2009-2010	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
2011	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.
2007-2010	10% penalty on withholding tax be imposed on the amount of unpaid tax.
2011	No changes

TAX ON COOPERATIVES

Refer to Section H

TRADE ASSOCIATION

Exemption from income tax

2002-2004	Statutory income from members' subscription fees are exempted from income tax determined by the formula:- $\frac{\text{Subscription fees}}{\text{Gross income}} \times \text{Statutory income}$
2005-2010	Statutory income from members' subscription fees that is exempted, be calculated according to the attributable method by taking into consideration actual expenditure incurred
2011	No changes

Professional associations

2002-2008	Not trade association.
2009-2010	Professional associations be incorporated in the definition of trade associations.
2011	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
2005-2010	50% of the income received in the preceding year must be disbursed annually for charitable purposes
2011	No changes

TAX TREATMENT ON INCOME OF INVESTMENT HOLDING COMPANY (IHC)

2006-2010	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.
2011	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.
2009-2010	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.
2011	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:- ii. Current year assessment system; and iii. Self assessment system.
2011	No changes

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.
2008-2010	Newly set-up company with paid-up capital of RM2.5M not required to make estimate and instalment payment for 2 years
2011	No changes

TAX TREATMENT ON BENEFIT FROM EMPLOYEES' SHARE OPTION SCHEME

2006-2010	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.
2011	No changes

TAX TREATMENT ON ISLAMIC BANKING

2004-2006	All income derived from transacted from local or international currencies are taxable
2007-2010	For income derived from business transacted in international currencies including with Malaysian residents will be exempt starting from YA2007 until YA2016
2011	No changes

TAX TREATMENT ON TAKAFUL BUSINESS

2004-2006	All income derived from transacted from local or international currencies are taxable
2007	For income derived from business transacted in international currencies including with Malaysian residents will be exempt starting from YA2007 until YA2016
2008-2010	Special provision introduced for Takaful business as follows:- i. Management expenses borne from shareholders' fund will allowed a deduction from gross income of the shareholders' income; ii. Share of profits distributed from the family fund and general takaful fund will allowed as tax deduction; iii. Share of profits distributed to the participants in relation to investment income be taxed on the participants through a final withholding tax mechanism; iv. Tax imposed on the Wakalah fee received by the shareholder from the family takaful fund and general takaful fund; and v. Deduction be allowed for Qard from the shareholders' fund and to impose tax on the repayment of Qard.
2011	No changes

TAX TREATMENT OF COMPANY MANAGING FOREIGN ISLAMIC FUNDS

2004-2006	Local or foreign companies to manage foreign investors' funds licensed by SC under the Approved Foreign Fund Management Status will be tax at 10% on management fee received from foreign investors.
2007	Management fee is tax exempted for 10 years starting from YA2007 until YA2016. The Islamic fund must be approved by SC
2008-2010	All fee received from managing the funds will tax exempted from YA2008 until YA2016. The Islamic fund must be approved by SC
2011	No changes

INCENTIVES

1. Reinvestment Allowance (RA)

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.
2009-2010	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.
2011	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.
2009-2010	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.
2011	No changes

3. Streamlining tax treatment for pioneer status companies

2006-2010	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.
2011	No changes

4. Investment Tax Allowance (ITA)

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.

2008-2010	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.
2011	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 the Securities Commission or the Labuan Offshore Financial Services Authority effective from YA 2010 to YA 2015.
2011	Expenses incurred in the issuance of Islamic securities under the principles of Murabahah and Bai'Bithaman Ajil based on tawarruq be given deduction provided that the security is approved by the Securities Commission or the Labuan Financial Services Authority w.e.f YA 2011 to 2015

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.
2011	No changes

7. Incentives to Promote Tourism

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%.
2007-2010	Tour operators be given 50% excise duty exemption on locally assembled 4WD vehicles (w.e.f. 02.09.2006).

	Extended the incentives for tour operators for another 5 years until YA 2011.
	Import duty on most tourism dutiable products with FOB value exceeding RM200 are given exemption under Item 174, Customs Duties (Exemption) Order 1988.
2011	Import duty abolished on tourism dutiable product (duty between 5% to 20%) : i. Handbags, wallets, suitcases, briefcases, apparel, footwear and hats; ii. Jewellery, costume jewellery and ornaments; iii. Toys such as dolls and small scale recreational models. Import duty abolished on cost of daily used products (duty between 10% to 20%): i. Talcum powder, face powder and shampoo; ii. Bedspreads, blankets, curtains and table cloth. w.e.f 15 October 2010.

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

2004-2010	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.
2011	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.
2009-2010	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.
2011	No changes

10. Incentives to promote export

2004-2010	Exempted from income tax equivalent to 10% of the increased export value for a period of 5 years provided that: i. Equity holdings by Malaysian in the company be reduced from 70% to 60%. ii. Annual sales turnover be reduced from more than RM25 million to more than RM10 million. iii. Export of goods of related companies is allowed without any restrictions. Double tax deduction on payment of conventional insurance premium for export credit to companies approved by the Minister of Finance.
2011	Payment of insurance premium for export credit based on takaful concept given double deduction commencing from YA 2011. Insurance premium must be purchased from takaful operators approved by the Minister of Finance.

11. Incentive to increase food production

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.
2005-2010	Incentives extended to application received until December 31, 2010.
2011	Incentives extended for another 5 years from January 2011 until December 2015.

12. Group relief

2004-2005	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.
2009-2010	The rate of current year losses allowed to be set-off in group relief treatment be increased to 70%.
2011	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.
2005-2010	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.
2011	No changes

14. Incentives for bond market

2004-2005	Stamp duty and real property gains tax on instrument on transfer of assets.
2006-2010	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.
2011	No changes

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

2004-2010	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.
2011	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.

2010
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.

2011 No change

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

2006-2010
i. Pioneer status with tax exemption of 70% be increased to 100% of statutory income and the incentive period be extended from 5 to 10 years; or
ii. Investment tax allowance of 60% be increased to 100% on qualifying capital expenditure incurred within a period of 5 years with the allowance to be set off against 100% of statutory income.

In addition, the incentive package of Pioneer and Investment Tax Allowance as well as import duty and sales tax exemption be extended for another 5 years until 31 December 2010.

2011 Application for incentive for companies generating energy from renewable sources and companies generating renewable energy for own consumption to be extended to December 2015 and incentive for non-energy generating companies which import or purchase equipment to generate energy from renewable sources for consumption of third parties to be extended to December 2012.

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.

2009-2010

i. Exemption of import duty and sales tax be given on Energy Efficiency (EE) equipment such as high efficiency motors and insulation materials to importers including authorized agents approved by the Energy Commission.

ii. Sales tax exemption be given on the purchase of locally manufactured EE consumer goods such as refrigerator, air conditioner, lightings, fan and television.

The proposal is effective for applications received from 30 August 2008 until 31 December 2010.

2011 Application for incentive for companies providing energy conservation services and companies which incur capital expenditure for energy conservation for own consumption to be extended to December 2015 and for companies importing or purchasing locally manufactured EE equipment for third party consumption to be extended to December 2012.

19. Incentives on Practical training for non- employees

2004-2010 Tax deductible if the trainees are resident.

2011 No changes

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

2004-2010
i. Income is taxed at 10% for 5 years.
ii. Dividend paid out is tax exempt.

2011 No changes

21. Incentives for machinery and equipment industry

2004-2010 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.

2011 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.

2004-2010
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.

2011 No changes

23. Incentive to acquire a foreign companies abroad

2004-2010 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.

2011 No changes

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

2004-2010
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.

2011 No changes

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

2004-2010
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.

2011 No changes

26. Incentives for knowledge-based economy

2004-2010
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.

2011 No changes

27. Incentives to increase the planting of rubber wood trees

2004-2007 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.

2008-2010 Incentives will be effectives until year of assessment 2010.

2011 No changes

28. Incentives for automotive component modules

2004-2010 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.

2011 No changes

29. Incentives for Regional Distribution Centre (RDC)

2004-2010 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.

2011 No changes

30. Incentives for International Procurement Centre (IPC)

2004-2010 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.

2011 No changes

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

2004-2010 Tax will be charged on the portion of chargeable income attributable to the number of days they are in the Malaysia.

2011 No changes

32. Incentives for commercialisation of public sector R&D

2005-2010

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
2011	No changes	

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

2006-2010	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.
2011	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.
2007-2010	Deduction been extended to cooperatives and trust bodies.
2011	No changes

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

2006-2010	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
2011	No changes	

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

2004-2008	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.
2009-2010	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.
2011	No changes

37. Incentives for private higher education institutions (PHEIs)

2006-2010	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
2011	No changes

38. Incentives for industrialised building System

2006-2010	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
2011	No changes

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

2004-2010	Exempted
2011	No changes

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

2004	Taxable
2005-2010	Exempted
2011	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.
2008-2010	Stamp duty exemption on all instruments pertaining to mergers and acquisitions be extended for another 3 years until 2010
2011	No changes

42. Incentive for reduction of greenhouse gas emission (GHG)

2008-2010	Income derived from trading of Certified Emission Reductions (CERs) certificates are exempted.
2011	The exemption will be extended for another 2 years.

43. Incentive for last mile network facilities provider for broadband

2008-2010	100% tax exemption of the qualifying capital expenditure for 5 years which to be set off against 70% of statutory income for each assessment year and there has to be approved by Ministry of Finance.
2011	Exempted will be extended by another 2 years w.e.f 01 January 2011 to 31 December 2012.

44. 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
2009-2010	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)
2011	No changes

45. Low cost housing projects

2006-2010	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.
2011	No changes

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

2006	Taxable
2007-2010	Exempted
2011	No changes

47. 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.
2011	No changes

48. 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.
2009-2010	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)
2011	No changes

49. Incentive for employing local retrenched

2004-2008	Single deduction
2009-2010	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.
2011	No changes

50. 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.
2011	No changes

51. 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.

2011 No changes

52. 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.

2011 No changes

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

2011 Tax rate for all taxable services will be increased from 5% to 6%. (w.e.f 01.01.2011)

Asset backed securities

2004-2010 Management service rendered by originator to special purpose vehicles in respect of Asset Backed Securities is exempted.

2011 No changes

Refund of service tax on uncollected debts

2003-2006	Licensee is eligible to apply for refund of the tax under certain conditions.
2007-2010	The tax refund can be claimed 6 months instead of 12 months previously from the date the tax is paid.
2011	No changes

Broadcasting services

2001-2010	All telecommunication service (ex: telephone, facsimile, leased line and bandwith) excluding telecommunication service adoptions satellite application (ex: paid television broadcasting service) are eligible for service tax
2011	6% of service tax is extended to paid television broadcasting services (w.e.f 01.01.2011)

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
2009-2010	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)

2011	i.	Exemption on broadband equipment and consumer access devices which received in 2008 will extended for another 2 years
	ii.	Exemption on equipment used to generate energy for companies providing energy conservation services and for own consumption will be extended for application until 31.12.2015
	iii.	Exemption for EE equipment and insulation materials to importers including authorized agents approved by the Energy Commission will be extended to application received until 31.12.2012
	iv.	Exemption on equipment used to generate energy for companies generating energy from renewable sources (RE) and for own consumption will be extended to application received until 31.12.2015
	v.	Exemption on solar photovoltaic system equipment for the usage by third parties will be extended for application received until 31.12.2012
	vi.	Exemption on the purchase of solar heating on system equipment will be extended application received until 31.12.2015
	vii.	Exemption for purchase of locally manufactured EE consumer goods will be extended for application received until 31.12.2012.
	viii.	All mobile phones will be exempted from sales tax (w.e.f 4.00 p.m, 15.10.2010)

Higher sales tax

2002-2005	Liquor – increased from 15% to 20% Cigarettes - increased from 15% to 25%
2006-2010	Liquor – increased by 9% Cigarettes – increased by 13%
2011	No changes

Sales tax valuation for locally manufactured goods

2001-2002	Based on an open market price.
2003-2010	Based on transaction value
2011	No changes

Refund on sales tax for the uncollected debt.

2003-2006	Licensee may apply for refund of the tax under certain conditions.
2007-2010	The tax refund can be claimed 6 months instead of 12 months previously from the date the tax is paid.
2011	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.
2009-2010	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)
2011	No changes
Increased duties	
2004-2005	Increment from RM 216 per kg to RM259 per kg for cigarettes and tobacco products
2006-2010	Increment from RM259 per kg to RM340 per kg for cigarettes and tobacco product
2011	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
2009-2010	i. Food product in air tight containers (w.e.f 4.00 p.m on 29 August 2008) ii. Solar photovoltaic system equipment for the usage by third parties given to importers including photovoltaic service providers approved by the Energy Commission iii. Energy Efficiency (EE) equipment and isolation materials to importers including authorized agents approved by the Energy Commission iv. 100% exempted on franchise holders of hybrid cars (application received by the Ministry of Finance from 30.08.2008 to 31.12.2010)
2011	i. Exemption for broadband equipment and consumer access device which received in 2008 will be extended for another 2 years (01.01.2011-31.12.2012) ii. Exemption on solar photovolataic system equipment for the usage by third parties will be extended for application received until 31.12.2012 iii. Exemption for EE equipment and isolation materials to

importers including authorized agents approved by the Energy Commission will be extended for application received until 31.12.2012

iv. Exemption on the energy conservation equipment that are not produced locally for companies providing energy conservation services and for own consumption will be extended to application received until 31.12.2015

v. Exemption on equipment used to generate energy from RE that is not produced locally and for own consumption will be extended applications received until 31.12.2015

vi. Full exemption on new CBU hybrid cars is also extended to electric cars as well as hybrid and electric motorcycle (w.e.f 01.01.2011 until 31.12.2011)

Abolished	
2004	7 items
2005-2008	27 items
2009-2010	i. 2% and 25% on import duty on food products ii. 5% and 50% import duty on electric goods/components iii. 5% and 25% import duty on fertilizers and pesticides iv. Import license on port cranes, hydraulic loading cranes and crawler cranes and heavy machinery (w.e.f 4.00 p.m on 29.08.2008)
2011	i. Duty between 5% and 20% on handbags, wallets, suitcases, briefcases, apparel, footwear and hats ii. Duty between 5% and 20% on jewellery, costume jewellery and ornaments iii. Duty between 5% and 20% on toys such as dolls and small scale recreational models iv. Duty between 10% and 20% on talcum powder, face powder and shampoo v. Duty between 10% and 20% on bedspreads, blankets, curtains and table cloth (w.e.f 4.00 p.m on 15.10.2010)

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%
2009-2010	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)
2011	No changes	

Exemption

2002-2008	No exemption
2009-2010	50% exemption on new CBU hybrid cars (applications received by the Ministry of Finance from 30.08.2008 to 31.12.2010)
2011	Exemption on CBU hybrid cars, electric cars as well as hybrid and electric motorcycles will be increased to 100% exemption (applications received by the Ministry of Finance from 01.01.2011 to 31.12.2011)

Abolished

2002-2010	National car purchased by car rental operators
2011	No changes

Vehicles for the physically disabled

2004-2010 Exemption of 50% for motorcycles, cars and vans subject to following conditions:-

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

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

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.
2008-2010	Instruments for transfer of property between husband and wife be exempted effective from 8 September 2007
2011	50% exemption on instruments of transfer of a residential property

	priced not exceeding RM350,000 (for sales and purchase agreements executed from 01.01.2011 to 31.12.2012)

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.
2011	No changes

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

2004-2010	Exempted
2011	No changes

4. Contract notes

2002-2005	RM10
2006-2010	For SMEs, remission of stamp duty 50% on applicable charges be given on instruments for a loan up to RM1 million.
2011	No changes

5. Mergers of private institution of higher learning

2005-2010	Stamp duty exempted for mergers undertaken not later than December 31, 2006
2011	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)
2008-2010	Private valuation is accepted as an alternative for the purpose of stamp duty payment.
2011	No changes

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

2008-2010	Stamp duty exemption given on all instruments relating to mergers of such vendors involved in upstream activities
2011	No changes

8. Purchase of residential property

2008	Transfer for purchase of a house not exceeding RM250,000 be given 50% stamp duty exemption
2009-2010	50% stamp duty exemption are given for property up to RM250,000 and given to individual Malaysian citizen and limited to one residential only (w.e.f sale and purchase agreement from 30.08.2008 to 31.12.2010)
2011	50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012)

9. Stamp duty on loan agreements and service agreements

2002-2008	Subject to various rates of stamp duty
2009-2010	All loan and service agreements instruments except for education loans are subject to ad valorem stamp duty rates of RM2.00 for every RM1,000 of part thereof. Fixed rate at RM10 for education loan agreements (w.e.f 01.01.2009)
2011	50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012)

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.
2011	No changes

Leasing Activity

Interest expense for leasing activity

2006-2010	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.
2011	No changes

Entertainment Duty

2005-2010	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
2011	No changes

Road tax

1. Motorcycles

2004-2010	Motorcycle below 150 cc is exempted
2011	No changes

2. Vintage car

2002-2010	Reduced from 20% to 10% of the prevailing rate
2011	No changes

3. Multi purpose semi-trailers and prime movers

2003-2010	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
2011	No changes

4.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
2009-2010	Reduce to RM20 per year
2011	No changes

5. Private diesel vehicle	
2006-2008	Private diesel vehicles exceeding 1600 c.c be reduced by 40%, except in Sarawak
2009-2010	Will be reduced to similar to petrol vehicle
2011	No changes

6. 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
2009-2010	Reduction of RM20 per year
2011	No changes

7. Green Diesel Vehicles	
2002-2008	Road tax is 50% lower than diesel vehicle
2009-2010	Reduce rate withdrawn
2011	No changes

Customs

1. Enhancing efficiency of customs agents	
2003-2010	Approval for customs agent be given to those who have undergone training and are successful in the examinations conducted by Customs Department.
2011	No changes

2. Establishment of Customs Appeal Tribunal (CAT)	
2002-2006	Appeal made to Minister of Finance.
2007-2010	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.
2011	No changes

3. Introduction of Customs Ruling

2007-2010	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.
2011	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.
2007-2010	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.
2011	No changes

INCOME TAX ADMINISTRATION

1. Provision to allow tax assessments after six years

2006-2010	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.
2011	No changes

2. Extending the scope of fund for tax refund

2006-2010	The scope of fund for tax refund be extended to include refunds for petroleum income tax, real property gains tax and stamp duty.
2011	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.
2008-2010	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
2011	No changes

4. Introduction of Advance Rulings in Income Tax Administration

2007-2010	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.
2011	No changes

5. Framework for tax audit and investigation by IRB

2007-2010	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.
2011	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
2007-2010	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.
2011	No changes

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

2002-2008	Not clearly provided
2009-2010	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)
2011	No changes

8. Self amendment for additional assessment of income tax

2002-2008	Tax payers are not allowed to amend the submitted tax return.
2009-2010	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)
2011	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.
2009-2010	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)
2011	No changes

SECTION G

SUMMARY OF REVENUE AND ALLOCATION

1. STATISTIC

	2011 RM Millions	2010* RM Millions	Percentage of total 2011 %	2010 %	Increase/ (Decrease) %
Source of revenue:					
Income tax & other direct taxes	83,983	76,156	50.6	47.0	10.3
Indirect taxes and duties	31,518	30,936	19.0	19.0	1.9
Non-tax revenues	50,324	55,039	30.4	34.0	(8.6)
Total	**165,825**	**162,131**	**100.0**	**100.0**	**2.3**
Budget allocation					
Operating expenditure:					
Emolument, pension, gratuities	57,858	57,436	35.6	37.7	0.7
Debt servicing charges	18,517	15,886	11.3	10.4	16.6
Supply & services	28,232	23,590	17.4	15.5	19.7
Grant & other expenditures	58,198	55,248	35.7	36.4	5.3
	162,805	**152,160**	**100.0**	**100.0**	**7.0**
Development expenditure:					
Economic	28,315	27,123	57.6	50.3	4.4
Social	15,539	21,197	31.6	39.2	(26.7)
Security	4,373	3,914	8.9	7.2	11.7
General administration	955	1,809	1.9	3.3	(47.2)
	49,182	**54,043**	**100.0**	**100.0**	**(9.0)**
Total expenditure	**211,987**	**206,203**			**2.8**
Deficit	**(46,162)**	**(44,072)**			**4.7**
%	**22**	**22**			

* Revised estimate

(Sources: Economic Report 2010/2011)

2. REVENUE

The total revenue in 2011 is estimated to increase by 2.3% to RM165,825 million largely supported by a strong turnaround in receipts from company income tax and excise duties. Tax revenue is expected to increase by 7.9% to RM115,501 million, which represent 69.7% of total revenue. Of this, direct taxes represent RM83,983 million while indirect taxes RM31,518 million. Main component of direct tax revenue are corporate tax (RM36,210 million), PITA (RM21,786 million) and individual income tax (RM19,867 million).

In 2011, non-tax revenue is estimated at RM50,324 million, a reduction of 8.6% over 2010 and contributing 30.4% to total revenue. The main sources of non-tax revenue are mainly from licenses/permits (RM10,012 million) and investment income (RM33,174 million).

3. EXPENDITURE

Total Federal Government expenditure for the 2011 Budget is estimated at RM211,987 million, a increase of 2.8% over 2010. Of this, RM162,805 million is for operating expenditure while the balance, RM49,182 million for development expenditure. Operating expenditure is expected to increase 7.0%.This is due to high expenditure on major components such as subsidies (RM23,704 million), supplies and services (RM28,232 million) as well as grants to statutory bodies (RM13,165 million). The provision for emoluments decrease to RM45,562 million, but debt service charges (RM18,517 million) as well as pensions and gratuities (RM12,296 million) increase in line with rising commitments.

Government development expenditure is estimated to decrease 9.0% to RM49,182 million. Allocation for the economic services sector under the 2011 Budget will be for transport and infrastructure development (RM9,644 million), building capacity in trade and industry (RM9,621 million), boosting agricultural productivity as well as accelerating rural development (RM836 million). Meanwhile, the allocation for the social services sector will be for education and training (RM10,363 million), health (RM2,212 million) and housing (RM903 million).

4. ANALYSIS OF CHANGES

Revenue

The total estimated revenue for 2011 is RM165,825 million compared to RM162,131 million in 2010. This is due to strong contribution from direct tax which consists of corporate income tax, individual income tax and the collection of petroleum income tax (PITA).

Expenditure

The total estimated expenditure for 2011 is RM211,987 million compared to RM206,203 million in 2010. These consist of increase in operating expenditure by 7.0% whereas development expenditure on overall, has decreased by 9.0%. The significant movement in development expenditure is derived from the trade and industry, health sector and security related expenditure.

The increase in operating and decreased in development expenditures is due to direct fiscal injection under the second stimulus package under NKRAs.

5. MACRO ECONOMY

An expansion of between 5.0% to 6.0% is estimated to the Malaysian economy in 2011 due to anticipated growth in domestic demand and favourable external sector. Growth in domestic demand is spurred by significant increase in private investment activities via the impending commencement of 52 Private Finance Initiatives (PFIs) and projects under the 10MP's New Key Economic Areas (NKEAs). The anticipated increase in private consumption as a result of lower unemployment, increasing disposable household income and firm prices of major commodities had contributed towards favourable external sectors.

While the private sector drives the economic growth, the expected moderate public spending by the government will realise its commitment towards prudent fiscal management.

The broad-based growth from all sectors in the economy, particularly from the service sector, the nominal Gross National Income (GNI) per capita is expected to rise 6.1% to RM27,950 (2010: 10.5%; RM26,355). In terms of Purchasing Power Parity (PPP), per capita income is expected to increase 13.7% to reach USD16,028 (2010: 19.7%; USD14,102).

(Sources: Economic Report 2010/2011)

SECTION H

TAX INFORMATION

Resident individual income tax rates

Chargeable Income		2000(CY)-2001		2002-2008		2009		2010-2011	
RM		%	RM	%	RM	%	RM	%	RM
First	2,500	0	0	0	0	0	0	0	0
Next	2,500	1	25	1	25	1	25	1	25
On	5,000		25		25		25		25
Next	5,000	3	150	3	150	3	150		150
On	10,000		175		175		175	3	175
Next	10,000	5	500	3	300	3	300		300
On	20,000		675		475		475	3	475
Next	15,000	9	1,350	7	1,050	7	1,050	7	1,050
On	35,000		2,025		1,525		1,525		1,525
Next	15,000	15	2,250	13	1,950	12	1,800	12	1,800
On	50,000		4,275		3,475		3,325		3,325
Next	20,000	20	4,000	19	3,800	19	3,800	19	3,800
On	70,000		8,275		7,275		7,125		7,125
Next	30,000	25	7,500	24	7,200	24	7,200	24	7,200
On	100,000		15,775		14,475		14,325		14,325
Next	50,000	28	14,000	27	13,500	27	13,500	26	13,000
On	150,000		29,775		27,975		27,825		27,325
Next	100,000	29	29,000	27	27,000	27	27,000	26	26,000
On	250,000		58,775		54,975		54,825		53,325
Above	250,000	29		28		27		26	

Non-resident individual income tax rates

Assessment Year	1989-1992	1993	1994	1995 – 2000 (PY)	2000 (CY) -2001	2002-2008	2009	2010-2011
Tax Rate (%)	35	34	32	30	29	28	27	26

Co-operative income tax rates

Chargeable Income		Assessment Year							
		2000(CY) -2001		2002 – 2008		2009		2010-2011	
	RM	%	RM	%	RM	%	RM	%	RM
First	10,000	0	0	0	0	0	0	0	0
Next	10,000	1	100	0	0	0	0	0	0
On	20,000		100		0		0		0
Next	10,000	4	400	3	300	2	200	2	200
On	30,000		500		300		200		200
Next	10,000	7	700	6	600	6	600	6	600
On	40,000		1,200		900		800		800
Next	10,000	10	1,000	9	900	9	900	9	900
On	50,000		2,200		1,800		1,700		1,700
Next	25,000	13	3,250	12	3,000	12	3,000	12	3,000
On	75,000		5,450		4,800		4,700		4,700
Next	25,000	17	4,250	16	4,000	16	4,000	16	4,000
On	100,000		9,700		8,800		8,700		8,700
Next	50,000	21	10,500	20	10,000	20	10,000	20	10,000
On	150,000		20,200		18,800		18,700		18,700
Next	100,000	24	24,000	23	23,000	23	23,000	23	23,000
On	250,000		44,200		41,800		41,700		41,700
Next	250,000	27	67,500	26	65,000	26	65,000	26	65,000
On	500,000		111,700		106,800		106,700		106,700
Above	500,000	29		28		27		26	

Company income tax rates

Assessment Year	1989-1992	1993	1994	1995 – 1997	1998 - 2006	2007	2008	2009-2011
Tax Rate (%)	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 (w.e.f. 01.01.2010)

	Company	Others	Individual who is not a citizen and not a permanent resident
Disposal within 2 years after date of acquisition	30%	30%	30%
Disposal in the 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%	5%	5%

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

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

A/B X C; where

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

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

C = amount of such chargeable gain

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

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

Exemption for individual:

1. RM10,000 or 10% of the gains, 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	2009-2011
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			

Personal relief for resident individuals

Types of Relief	Assessment Year					
	2004	2005	2006	2007	2008-2009	2010-2011
Self	8,000	8,000	8,000	8,000	8,000	9,000
Additional relief for disabled tax payer	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
Additional relief for disabled spouse (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 (diploma and above) - Overseas (Degree and above)	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 (diploma and above in local University and Degree and above in Overseas University	5,000 5,000	5,000 5,000	5,000 9,000	5,000 9,000	5,000 9,000	5,000 9,000

Relief…..contd.

Types of Relief	Assessment Year 2004	2005	2006	2007	2008-2009	2010-2011
Life insurance premium on tax payer and/or 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
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	0	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 contracted on or after 1 January 2010.

2. **Qualified course** – technical, vocational, industrial, scientific or technological skill or qualification. Accountancy and law courses undertaken at the recognised institution of higher learning (w.e.f YA 2006). Courses in Islamic Finance approved by Bank Negara Malaysia or Securities Commission at local institutions of higher education including at the International Centre for Education in Islamic Finance (w.e.f YA 2007). All field of studies at post graduate level i.e. masters and doctorate (w.e.f YA 2008)

Capital Allowance Rates

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
Heavy machinery & motor vehicle: • Building & construction industry • Timber industry • Tin mining industry • Imported heavy machinery used in building & construction, mining, plantation and timber industry • Other industry	 30 60 60 10 20	 20 20 20 10 20
Plant & Machinery: • Building & construction industry • Timber industry • Tin mining industry • Other industry	 30 60 60 20	 14 14 14 14
Others: • Building & construction industry • Timber industry • Tin mining industry • Other industry	 30 60 60 20	 10 10 10 10
Special plant & equipment: • Plant or machinery used by manufacturing company for recycling of wastes **(w.e.f. YA 2001)** • Bus using natural gas • Natural gas refuelling equipment used at natural gas refuelling outlet	 40 40	 20 20
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)** Qualifying machinery and equipment used in agriculture sector including plantation **(w.e.f. 2005)** Qualifying equipment used by companies to ensure quality of power supply **(w.e.f. 2005)**	40 20 20	20 40 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 is capped at RM10,000. Effective from YA 2009 the RM10,000 cap does not apply to company resident in Malaysia which has paid up capital of ordinary share not exceeding RM2,500,000 at the beginning of the basis period. The cap however still apply if more than-

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

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

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

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

Accelerated Capital Allowance for specified period only

1. Security control equipment and monitor equipment

Effective from YA 2009 to 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.

<u>**Disqualified**</u>**:**

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)

<u>**Allowance**</u>

Initial: 20% Annual: 80%

4. <u>Plant and machinery</u>

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 package.

Conditions

a) person resident in Malaysia
b) equipment used for business purposes

Disqualified:

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

Allowance:

Initial: 20% Annual: 80%

Industrial Building Allowances (IBA)

Type of Building	Initial Allowance (%)	Annual Allowance (%)
Factory, dock, wharf, jetty or other similar building, warehouse (with factory) Building used in the business of supplying water, electricity and telecommunication services, agriculture and mining	10	3
Canteen, rest-room, recreation room, lavatory, bathhouse, bathroom or wash-room (with industrial building) Building for the welfare or living accommodation of persons employed in the working of a farm	10	3
Private hospital, nursing home, maternity home	10	3
Building for the purpose of approved research	10	3
Building for the purpose of approved service project under Schedule 7B	10	3
Hotel registered with the Ministry of Tourism	10	3
Airport, approved motor racing circuit	10	3

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.

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

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

a) under a privatisation project and private financing initiatives approved by the Privatisation/PFI Committee, Public Private Partnership Unit, Prime Minister's Department; and

b) pursuant to an agreement entered into between a person and the Government of Malaysia or statutory body on a build-lease-maintain-transfer basis and for which no consideration has been paid by the Government of Malaysia or statutory body to that person

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

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

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

Disposal value at the expiry of the agreement = Zero

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