October 28, 2017

To:
Our valued clients, friends and affiliates.

BUDGET 2018

SUMMARY & COMMENTS

We are proud to once again present to you this year our BUDGET 2018, Summary & Comments.

This summary focuses on matters which we reckon are important and useful to readers, with updated information to assist them in their planning and decision making process in the year to come.

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

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SECTION A

COMMENTARY

Prime Minister and Minister of Finance of Malaysia, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak tabled Malaysia's 2018 Budget on Friday, 27 October 2017, laying out the government plans to tackle rising costs and to contain the country's fiscal deficit. The Budget 2018 was formulated in line with the 11th Malaysia Plan. Budget 2018 is the third Budget under the Plan, themed "Prospering an inclusive economy, balancing between worldly and hereafter, for the wellbeing of rakyat, towards TN50 aspirations".

A total of RM280.25 billion has been allocated for Budget 2018, marking an increase in allocation compared with RM260.80 billion in Budget 2017. The allocation of RM280.25 billion comprises RM234.25 billion for Operating Expenditure while RM46 billion for Development Expenditure.

There are no significant measures that impact corporate directly where tax rates remain the same and existing incentives are maintained. This year's Budget places significant emphasis on the well-being of the rakyat.

Below are the key takeaways of the eight core thrusts outlined in the Budget 2018.

First thrust: Invigorating investment, trade and industries

- The Budget 2018 has projected increase of total investment in the country by 6.7%, accounting for 25.5% of GDP in 2018. In this regard, Government will continue to emphasize on high-impact investment focusing in industries related to petroleum, logistics, aerospace, rail, robotics and automation, and export-oriented industries.
- RM 1 billion allocation for the Five Main Corridors.
- Principal Hub incentive extended until 31 December 2020.
- RM200 million allocation to the high-impact strategic fund under MIDA.
- Funding of SMEs which includes Skim Jaminan Pembiayaan Perniagaan for working capital and services sector, SME Financing Scheme, loans for insurance coverage for exports, tourism, automation etc.
- Implementation of the Base Erosion and Profit Shifting Plan of Action as well as the Automatic Exchange of Information commencing September 2018.
- Improvement of logistics and transport infrastructure.

Second thrust: Towards 2050 National Transformation ("TN50") Aspiration

- RM2.2 billion allocation for scholarship grants under Public Service Department ("JPA"), Ministry of Higher Education and Ministry of Health.
- RM400 million for research and development grants provided to Public Higher Learning Institutions.
- RM90 million allocation for MyBrain Programme catered for 10,600 individuals to further their studies in Masters and PhD.

Third thrust: Empowering Education, Skills and Trainings, and Talent Development

- A total sum of RM61.6 billion allocation for this sector.
- RM550 million allocation for special fund for school upgrading and maintenance.
- Government extension of discount for repayment of PTPTN loans until 31 December 2018.

Fourth thrust: Driving Inclusive Development

- RM6.5 billion allocation for rural areas infrastructure development, focusing in Sabah and Sarawak.

Fifth thrust: Prioritising The Wellbeing of Rakyat and Provide Opportunities to Generate Income

- Two percentage point reduction in personal income tax for the middle income range households (M40) group. Individual income tax rates reduced by two percentage points for those with chargeable income between RM20,000 to RM40,000.
- RM27 billion allocation to improve healthcare.
- Zero-rate GST for reading materials from 1 January 2018.
- Certain GST relief such as handling services provided by port operators to cruise operators, imports of oil and gas related equipment under lease agreement, aircraft, ships, oil rigs or floating structure effective from 1 January 2018.

Sixth thrust: Fortifying the Fourth Industrial Revolution and Digital Economy

- Provision of matching grant worth RM245 million under the Domestic Investment Strategic Fund for emerging industrial revolution 4.0 business.
- Extension of tax incentives
  - Accelerated Capital Allowance of 200% on automation equipment from year of assessment (YA) 2018 to YA 2020;
  - Capital Allowance for ICT equipment including spending on computer software development from YA 2018 to YA 2020.
- Digital Free Trade Zone (DFTZ) allocation of RM83.5 million for Phase 1 – Aeropolis KLIA.

Seventh thrust: Enhancing Efficiency and Delivery of Government Linked Companies and Public Services

- Increase work benefits and flexible arrangement to be enjoyed by the employees of Government-Linked Companies (GLC).
- Government allocation of RM1.7 billion for the welfare of senior citizens, people with disabilities and children.

Eighth thrust: Balancing Between the Par Excellence of Worldly and Hereafter

- Retirement benefits for public servants who retire on medical reasons
- Cash in lieu for accumulated leave of more than 150 days during the retirement year.
- Minimum pension of RM1,000 per month

AljeffriDean commends the Government for tabling a very broad-based budget, covering practically all economic sectors as well as all segments of the population. It is also reassuring to note that the Government has kept the nation's fiscal deficit to 3% of GDP in 2017 and has committed to further reduce to 2.8% in 2018.

Our professional team members in AljeffriDean have prepared a summary analysis of the 2018 Budget Proposal to assist our valued clients and associates in grasping the salient facts of the Budget and to take further advantage of the provisions included. We at AljeffriDean would be happy to attend to any requests for additional information.

We may be contacted via telephone: 03-23811170 or email at summarybudget2018@aljeffridean.com or info@aljeffridean.com.

AljeffriDean
Kuala Lumpur
October 28, 2017

SECTION B

HIGHLIGHTS

***"Prospering an Inclusive Economy,
Balancing Between Worldly and Hereafter,
for the Wellbeing of Rakyat, Towards the TN50 Aspiration"***

1. High-impact Investment

- Emphasising high impact investment: petroleum-related industries, logistics, aerospace, rail, robotics and automation and export-oriented industries
- High-impact strategic fund under MIDA: **(RM200m)**
- The period of Tax Incentive for Principal Hub to be extended to 31 December 2020.

2. Strengthening Small and Medium Enterprises (SMEs)

- Skim Jaminan Pembiayaan Perniagaan (SJPP) for working capital and services sector: **(RM7b)**
- Government Guarantee loans under SJPP to enable SMEs to automate production process: **(RM1b)**
- Shariah-compliant SME Financing Scheme: **(RM1b)**
- Soft loans, grants and training programmes for SME under SME Corp: **(RM200m)**
- Development of halal industries and products under various agencies: **(RM82m)**

3. Micro Financing

- Loan fund under Tabung Ekonomi Kumpulan Usahawan Niaga (TEKUN): **(RM500m)**
- Amanah Ikhtiar Malaysia (AIM): **(RM200m)**
- Rural Economic Financing Scheme (SPED) for rural Bumiputera entrepreneurs: **(RM80m)**

4. Accelerating Exports

- Expand export market and promotion: **(RM150m)**
- Insurance coverage credit facility for SME exporters: **(RM1b)**
- Loans to enhance automation of local furniture production for export: **(RM100m)**

5. Invigorating Agricultural Sector

- Financial assistance to farmers, rubber tappers, smallholders and fishermen: **(RM2.3b)**
- Upgrade plantation roads and improve irrigation infrastructure: **(RM500m)**
- Developing and replanting for oil palm: **(RM140m)**
- Agricultural programmes as new sources of income: **(RM200m)**
- Coconut replanting (CARECA and MATAG) by cluster: **(RM50m)**
- Financial assistance of RM200 for 3 months prior to paddy harvesting season: **(RM150m)**
- Rubber replanting programme and infrastructure to increase production of latex: **(RM200m)**

6. Revitalise Tourism Industry

- SME Tourism Fund with interest subsidy of 2%: **(RM2b)**
- Tourism Infrastructure Development Fund: **(RM1b)**
- Tourism promotion and development programme: **(RM500m)**
- Tax incentive for investment in new 4-star and 5-star hotels extended until 31 December 2020; and
- Tax incentive for tour operating companies extended to year assessment 2020.

7. Healthcare Tourism Industry: Malaysian Healthcare Travel Council (RM30m)

- Investment Tax Allowance of 100% for medical tourism extended until 31 December 2020;
- Double tax deduction on expenditure incurred for dental and ambulatory services; and
- Increase special tourism healthcare incentive from 50% to 100%, beginning year of assessment 2018 to 2020.

8. Driving Logistics Sector

- East Cost Rail Link (ECRL) Project connecting Port Klang to Pengkalan Kubor; **(RM110m)**
- MRT2 Project Sungai Buluh-Serdang-Putrajaya (52km): **(RM32b)**
- High Speed Rail Project connecting Kuala Lumpur – Singapore (350km);
- Pangkor Island to be recognised as Duty-Free Island;
- Transportation Development Fund: **(RM3b)**
- Public Transportation Fund for working capital and procurement of assets: **(RM1b)**

9. Strengthening Financial Market

- Intellectual property as an instrument of financial collateral for business financing: **(RM1.5b)**
- Duty Stamp exemption for contract note of **Exchange-Traded Fund** and **Structured Warrants** for 3 years;
- Expand income tax exemption to include management and performance fees received by venture capital management company;
- Relief on tax imposed on venture capital companies equivalent to the amount of investment, limited to a maximum of RM20 million annually;
- Tax deduction for angel investors in venture capital;
- Income tax exemption for Sukuk *Green* SRI social grant receiver;
- Income tax exemption on management fee extended to conventional SRI fund managers.

10. Childcare Centre and Welfare Facilities for Persons with Disabilities (PWDs)

- Additional tax deductions are extended to employers hiring PWDs certified by SOCSO.

11. Intensifying Higher Education

- Scholarships: **(RM2.2b)**
- Research and Development Grants to Higher Education Institutions: **(RM400m)**
- Book Voucher Assistance of RM250
- Further study for postgraduate levels under MyBrain: **(RM90m)**

12. TN50 Talent and Career

- Private companies which have successfully secured a Government contract are required to allocate 1% of the contract value to the SL1M Programme.

13. Social Enterprise

- Matching grant to finance social enterprise: **(RM50m)**

14. 1Malaysia Education Saving Scheme (SSP1M)

- Matching grant up to RM500 contributors: **(RM250m)**
- Individual tax relief for SSP1M up to RM6,000 for the next 3 years.

15. **Providing Quality Infrastructure for the Rakyat**

- Pan-Borneo Highway: **(RM2b)**
- Rakyat-centric project: **(RM1.1b)**
- Development of communication infrastructure and broadband facilities: **(RM1b)**

16. **National Blue Ocean Shift (NBOS)**

- Construction of new UTC, Blue Ocean Entrepreneur Township, Mobile CTC, Entrepreneurship programme, Global Entrepreneurship Community as well as inclusive and vibrant Social Entrepreneurs: **(RM300m)**

17. **Welfare of FELDA settlers**

- Special Incentive payment to settlers of RM5,000;
- Cess money will be reimbursed for replanting scheme from rubber to oil palm: **(RM43m)**
- Oil palm replanting programme: **(RM60m)**
- Construction of 5,000 FELDA Second Generation home: **(RM164m)**
- Upgrading of roads, water supply system and street lights in FELDA: **(RM200m)**

18. **Safety and Public Order**

- Procuring and maintaining of defence assets: **(RM3b)**
- Construction of headquarters, police stations & purchase of firearms: **(RM720m)**
- 1Malaysia Civil Service Housing Programme-PDRM (PPA1M PDRM): **(10,000 units)**
- Armed Forces Family Housing (RKAT) Blueprint: **(6,000 unit)**

19. **Bumiputera Wellbeing Transformation Policy**

- Higher education scholarships and training programmes under MARA: **(RM2.5b)**
- Peneraju Professional, Skills and Tunas programmes: **(RM90m)**
- MARA Graduate Employability Training Scheme (GETS): **(RM200m)**
- Bumiputera entrepreneurship enhancement programmes:
- PUNB Entrepreneurship and Business Premise Programme:**(RM200m)**
- Vendor capacity development, TUBE, SUPERB, and Anjakan Usahawan scheme:**(RM155m)**
- MARA Entrepreneurship Programme: **(RM200m)**
- Equity and Investment in strategic sectors: **(RM300m)**

20. Wellbeing of the Chinese and Indian Community

- SME loans through Koperasi Jayadiri Malaysia Berhad (KOJADI): **(RM50m)**
- 1Malaysia Hawkers and Petty Traders Foundation for Chinese community: **(RM30m)**
- Indian Community Entrepreneur Development Scheme (SPUMI) under TEKUN- **(RM50m)**
- Special distribution amounting to 1.5 billion additional units of Amanah Saham 1Malaysia for Indian community.

21. Women and Family Wellbeing

- Requirement of at least 30% participation of women as Board of Directors in GLCs, GLICs and Statutory Bodies by end of 2018;
- Propose maternity leave for private sectors be increased from 60 to 90 days;
- PEAK Entrepreneur Programme under MyWin Academy: **(RM20m)**
- Individual income tax exemption on income earned within 12 months for women re-entry into workforce at least 2 years after work break.

22. Generate Income for Rakyat

- eRezeki, eUsahawan dan eLadang programme: **(RM100m)**
- Easy loans for Food Truck 1Malaysia (FT1M) through Bank Rakyat with interest rate of 2%: **(RM120m)**
- 1AZAM Programme to increase revenue: **(RM60m)**
- Three-wheel Motorcycle Programme, mobilepreneur and MyAGROSIS programme:**(RM25m)**
- E-hailing application for registered taxi driver to purchase new taxi: **(grant RM5,000)**
- BR1M Programme: **(RM6.8b)**
- Subsidised goods, transportation, electricity an tolls: **(RM3.9b)**
- Provide 50 Kedai Rakyat 1Malaysia (KR1M) by selling 5 basic necessities at lower prices: rice, sugar, oil, flour & gas cooking as well as other 50 branded consumer goods;
- Standardise prices for basic necessities for Sabah and Sarawak: **(RM90m)**
- Develop Agrobazaar Malaysia with lower selling price of agro products: **(RM20m)**
- LKIM and FAMA programme to ensure reasonable food stock: **(RM50m)**
- **Abolish toll collections** starting from 1 January 2018 at **Batu Tiga** and **Sungai Rasau**, **Selangor**, **Bukit Kayu Hitam**, **Kedah** and **Eastern Dispersal Link**, **Johor**.

23. Reduction in Income Tax Rates

- Reduction in individual income tax rates:
  - RM20,001-35,000: 5% to 3%;
  - RM35,001-50,000: 10% to 8%; and
  - RM50,001-70,000: 16% to 14%;

24. 1Malaysia Retirement Scheme

- Increase contribution to 1Malaysia Retirement Scheme (SP1M) to 15% maximum RM250 annually for 5 years from 2018-2022.

25. Housing

- Increase homeownership program **(RM2.2b)** via :
  - People's Housing Programme (PPR) - 17,300 units;
  - Rumah Mesra Rakyat – 3,000 units;
  - PR1MA – 210,000 units;
  - PPA1M – 25,000 units;
  - MyBNHomes – 600 units;
  - MyDeposit & MyHomes – 2,000 units.
- Maintenance and refurbishment of houses including 1Malaysia Maintenance Fund: **(RM200m)**
- Stamp duty exemption for loan agreement and letter of consent to transfer;
- Tax exemption on rental of 50% for rent up to RM2,000.

26. Health

- Medical supplies, consumables and medical support: **(RM4.1b)**
- Upgrade and maintenance of healthcare facilities, medical equipment, ambulance and operation theatre for Muar, Banting and Balik Pulau hospitals: **(RM1.4b)**
- Cardiology & cardiothoracic services at Kuala Terengganu and Alor Setar hospitals;
- Upgrade of hospitals and clinics including wiring systems: **(RM100m)**
- Haemodialysis assistance and Medical Aid Fund: **(RM90m)**
- Support medical cost for rare diseases treatment and Komuniti Sihat Perkasa Negara programme: **(RM40m)**
- Voluntary Health Insurance Scheme (VHIS): **(RM50m)**
- Construction of women and children wards at Tengku Ampuan Afzan Hospital and Putrajaya Hospital: **(RM1b)**
- Construction of Cancer Centre at Sungai Petani Hospital: **(RM500m)**
- Construction of a specialist clinic and new ward at Pulau Pinang Hospital: **(RM500m)**
- Construction of Forensic Medical Centre at Kuala Lumpur Hospital: **(RM380m)**

27. Goods and Services Tax (GST)

- Services provided by local authorities will not be subjected to GST;
- Reading materials will be zero-rated;
- GST relief for cruise operators;
- Full GST relief for services of construction of school buildings and houses of worships funded through donations;
- GST relief for imports of oil and gas-related equipment under lease agreement;
- GST relief for imports of big ticket items such as aircraft and ship by airlines and shipping companies; and
- Management and maintenance services of stratified residential buildings are not subjected to GST.

28. Matching Grant

- Matching Grant under Domestic Investment Strategic Fund to enhance smart manufacturing facilities: **(RM245m)**

29. Futurise Centre

- Strengthening the futurise centre in Cyberjaya as a one-stop centre for corporates and universities to develop prototype products.

30. Tax Incentives

- Extend the incentive period for Accelerated Capital Allowance on automation equipment 2018-2020;
- Accelerated Capital Allowance Incentive up to 200% for manufacturing and manufacturing-related-services sectors;
- Capital Allowance Incentive for ICT equipment beginning 2018-2020

31. Sustainable Development

- Green Technology Financing Scheme: **(RM5b)**
- Non-Revenue Water Programme to reduce loss of water: **(RM1.4b)**
- Construction Off-River Storage as an alternative water resources; **(RM1.3b)**
- Flood mitigation programmes: **(RM517m)**

32. Digital Free Trade Zone (DFTZ)

- Construction first phase of DFTZ in Aeropolis, KLIA: **(RM83.5m)**
- Increase minimum value for imports to RM800.

SECTION C

SUMMARY OF AMENDMENTS TO DIRECT TAXATION

REDUCTION OF INDIVIDUAL INCOME TAX RATES

PRESENT

Resident individual's income tax structure is based on progressive tax rates ranging from 0% to 28% on chargeable income.

Non-resident individuals are taxed at a flat rate of 28%.

PROPOSED

Income tax rates for residents individuals be reduced by 2% points for the 3 chargeable income band as follows:

Chargeable Income Bands (RM)	Current Tax Rates (%)	Proposed Tax Rates (%)
0 – 5,000	0	0
5,001 – 20,000	1	1
20,001 – 35,000	**5**	**3**
35,001 – 50,000	**10**	**8**
50,001 – 70,000	**16**	**14**
70,001 – 100,000	21	21
100,001 – 250,000	24	24
250,001 – 400,000	24.5	24.5
400,001 – 600,000	25	25
600,001 – 1,000,000	26	26
1,000,000 and above	28	28

Income tax savings for individuals resulting from the reduction of tax rates are as follows:

Chargeable Income (RM)	Current Tax Rates (%)	Tax Payable (RM)	Proposed Tax Rates (%)	Tax Payable (RM)	Tax Savings (RM)	Tax Savings (%)
0-5,000	0	0	0	0	-	**-**
5,001-20,000	1	*0	1	*0	-	**-**
20,001-35,000	5	*500	**3**	*200	300	**60**
35,001-50,000	10	2,400	**8**	1,800	600	**25**
50,001-70,000	16	5,600	**14**	4,600	1,000	**17.86**
70,001-100,000	21	11,900	21	10,900	1,000	**8.40**
100,001-250,000	24	47,900	24	46,900	1,000	**2.09**
250,001-400,000	24.5	84,650	24.5	83,650	1,000	**1.18**
400,001-600,000	25	134,650	25	133,650	1,000	**0.74**
600,001-1,000,000	26	238,650	26	237,650	1,000	**0.42**
1,000,000 and above	28		28			

IMPACT The reduction will increase the disposable income of the middle income group to meet the rising cost of living.

EFFECTIVE DATE From year of assessment 2018

TAX EXEMPTION OF RENTAL INCOME FROM RESIDENTIAL HOMES RECEIVED BY MALAYSIAN RESIDENT INDIVIDUALS

PRESENT	Rental income received by a resident individual is subject to income tax rate from 0% to 28%.
PROPOSED	50% income tax exemption be given on rental income received by resident individuals subject to the following conditions: i. Rental income not exceeding RM2,000 per month for each residential home; ii. The residential home must be rented under a legal tenancy agreement between the owner and the tenant; and iii. Tax exemption is given for a maximum period of 3 consecutive years of assessment.
IMPACT	To encourage Malaysian resident individuals to rent out residential homes at reasonable rate and to reduce cost of living for the tenant.
EFFECTIVE DATE	From year assessment 2018 to 2020

EXTENSION OF PERIOD FOR RESIDENT INDIVIDUAL INCOME TAX RELIEF ON NET SAVINGS IN THE NATIONAL EDUCATION SAVINGS SCHEME

PRESENT	Tax relief on resident individual income up to RM6,000 for net savings in the National Education Savings Scheme (SSPN) is eligible to be claimed annually effective from year assessment 2012 to 2017.
PROPOSED	The above income relief be extended for another 3 years.
IMPACT	To further encourage savings for the purpose of financing tertiary education of children.
EFFECTIVE DATE	From year of assessment 2018 to 2020

INCOME TAX EXEMPTION ON THE GREEN SUSTAINABLE AND RESPONSIBLE INVESTMENTS (GREEN SRI) SUKUK GRANT

PRESENT	The securities Commission of Malaysia Through a statutory fund, the Capital Market Development Fund (CMDF), will provide a Green SRI sukuk grant amounting up to RM6 million. The purpose of this grant is to finance external review expenditure incurred of green Sri sukuk issuer up to a maximum amount RM300,000. Each issuer of Green SRI sukuk needs to apply to the Securities Commission of Malaysia for this grant. This grant is subject to tax as it is not provided by the Federal Government or the State Government.
PROPOSED	Income tax exemption be given to each recipient of the Green SRI sukuk grant to finance the external review expenditure in line with the guidelines as set out by the Securities Commission of Malaysia.
IMPACT	To encourage the issuance of Green SRI sukuk in Malaysia.
EFFECTIVE DATE	For applications received by the Securities Commission of Malaysia from 1 January 2018 to 31 December 2020.

TAX EXEMPTION ON MANAGEMENT FEE INCOME FOR SUSTAINABLE AND RESPONSIBLE INVESTMENT (SRI) FUNDS

PRESENT

A company that provides management services of Shariah-compliant funds approved by the Securities Commission of Malaysia is exempted from tax on the following:

i. The statutory income derived from the business of providing fund management services to foreign investor in Malaysia;

ii. The statutory income derived from the business of providing fund management services to local investor in Malaysia; and

iii. The statutory income derived from the business of providing fund management services to business trusts or real estate investment trusts in Malaysia.

The above exemptions are valid until assessment year 2020.

PROPOSED

Fund Manager managing SRI fund approved by the Securities Commission of Malaysia be given tax exemptions on management fee income from managing conventional and *Shariah*-compliant SRI fund.

IMPACT

To further promote fund management activities globally.

EFFECTIVE DATE

From year assessment 2018 to 2020.

CAPITAL ALLOWANCE FOR INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EQUIPMENT AND SOFTWARE

PRESENT

Expenditure incurred on the purchase of ICT equipment and software package is eligible for Accelerated Capital Allowance (ACA) until year of assessment 2016.
Expenditure incurred on consultation fee, licensing fee and incidental fee for the development of customised software is not eligible for capital allowance or deduction for income tax purpose.

PROPOSED

Companies are allowed to claim capital allowances on qualifying expenditure as follows:

Proposals	Qualifying Expenditure	Capital Allowances Rates
1	Expenditure incurred on the purchase of ICT equipment and computer software packages.	Initial allowance: 20% Annual allowance: 20%
2	Expenditure incurred on the development of customised software comprising of consulting fee, licensing fee and incidental fee related to software development.	

IMPACT

Assist companies to remain competitive in the digital era and adopt latest technology.

EFFECTIVE DATE

Proposal 1: From year of assessment 2017.
Proposal 2: From year of assessment 2018.

EXTENSION OF PERIOD FOR STAMP DUTY EXEMPTION TO REVIVE ABANDONED HOUSING PROJECTS

PRESENT

Stamp duty exemption is given on the following instruments:

i. **Rescuing Contractors:**

a. Loan agreements to finance the revival of the abandoned housing projects; and

b. Instruments of transfer of title for land and houses in abandoned housing projects.

Exemption are given from 1 January 2013 until 31 December 2017.

ii. **Original House Purchasers in the Abandoned Projects:**

a. Loan agreements for additional financing; and

b. Instruments of transfer of the houses.

Exemption given from 1 January 2013 until 31 December 2017.

The eligible abandoned housing projects must be certified by the Ministry of Urban Wellbeing, Housing and Local Government.

PROPOSED

Stamp duty exemptions be extended for another 3 years.

IMPACT

To further ease financial burden of the purchasers and to encourage the involvement of rescuing contractors to revive abandoned housing projects.

EFFECTIVE DATE

Loan agreements and memorandums of transfer executed from 1 January 2018 to 31 December 2020 for abandoned housing projects certified by the Ministry of Urban Wellbeing, Housing and Local Government.

STAMP DUTY EXEMPTION FOR TRADING OF EXCAHNGE TRADED FUNDS (ETF) AND STRUCTURED WARRANTS (SW)

PRESENT	Stamp duty is charged on contract notes at the rate of RM1.00 for every RM1,000 and part thereof for trading of shares of listed companies on bursa Malaysia subject to a cap of RM200 for each contract note. The capping of RM 200 is introduced in1999 to ensure that the capital market in Malaysia remains competitive. ETF was introduced since 2005. It is an open-ended investment fund listed and traded on a stock exchange. The ETF is based on an index that offers diversified portfolio of investments to mitigate investor's risk. Currently, there are 8 ETFs listed on the stock exchange. SW is a security instrument listed on a stock exchange and issued by an eligible broker or financial institution. It gives investors the right to buy or sell the underlying instrument in the future for a fixed price. SW can be issued over an underlying asset such as share, ETF or index. The SW was first listed in stock exchange in 2002.
PROPOSED	Stamp duty exemptions be given on contract notes for trading of ETF and SW by investors.
IMPACT	To further promote development of the capital market and to make Malaysia's capital market more competitive at the international level.
EFFECTIVE DATE	For the trading of ETF and SW executed from 1 January 2018 to 31 December 2020.

REVIEW OF TAX INCENTIVES FOR AUTOMATION

PRESENT

A manufacturing company is eligible for Accelerated Capital Allowance (ACA) and Automation Equipment Allowance (AE) on expenses incurred in the purchase of automation equipment as follows:

i. **Category 1 :Labour Intensive Industry (rubber, plastic, wood and textile products)**

ACA of 100% and AE 100% on the first RM4 million for qualifying capital expenditure incurred during the basis period of the year of assessment 2015 to 2017. (These incentive effective for applications submitted to Malaysian Investment Development Authority (MIDA) from 1 January 2015 to 31 December 2017.)

ii. **Category 2 :Industries Other Than Category 1**

ACA of 100% and AE of 100% on the first RM2 million for qualifying capital expenditure incurred during the basis period of year of assessment 2015 to 2020. These incentive effective for applications submitted to Malaysian Investment Development Authority (MIDA) from 1 January 2015 to 31 December 2020.

PROPOSED

The incentive period for Category 1 be extended for another 3 years to be streamlined with Category 2.This allowances is fully claimable within 1 year.

IMPACT

To promote automation in the manufacturing sector, particularly in enhancing productivity and efficiency in the labour intensive industries.

EFFECTIVE DATE

For applications received by MIDA from 1 January 2018 to 31 December 2020.

TAX INCENTIVE FOR TRANSFORMATION TO INDUSTRY 4.0

PRESENT

There are no specific tax incentives for the transformation to Industry 4.0, which includes the following technology drivers:

i. Big data analytics;
ii. Autonomous robots;
iii. simulation;
iv. industrial internet of things;
v. cyber security;
vi. horizontal and vertical system integration;
vii. cloud computing;
viii. additive manufacturing;
ix. augmented reality; and
x. artificial intelligence.

PROPOSED

Accelerated Capital Allowance and Automation Equipment Allowance be provided on the first RM10 million qualifying expenditure incurred in the year of assessments 2018 to 2020 and is fully claimable within 2 years of assessment.

IMPACT

To encourage the transformation to Industry 4.0 which involves the adoption of those technology drivers by manufacturing sector and its related services.

EFFECTIVE DATE

For applications received by Malaysian Investment Development Authority from 1 January 2018 to 31 December 2020.

EXTENSION OF PERIOD OF TAX INCENTIVES FOR TOUR OPERATING COMPANIES

PRESENT

Tour operating companies are given 100% income tax exemption on their statutory income derived from the business of operating tour packages as follows:

i. Tour packages within Malaysia participated by not less than 1, 500 local tourists annually, and

ii. Tour packages to Malaysia participated by not less than 750 foreign tourist annually.

This incentives is available from year of assessment 2007 until year of assessment 2018.

PROPOSED

The above tax incentive be extended for another 2 years.

IMPACT

To encourage tour operating companies to boost tourism activities in conjunction with Visit Malaysia Year 2020 campaign.

EFFECTIVE DATE

From year assessment 2019 until year of assessment 2020.

EXTENSION OF PERIOD FOR APPLICATION OF INCENTIVES FOR NEW 4 AND 5 STAR HOTELS

PRESENT

Hotel operators undertaking investments in new 4 and 5 star hotels are eligible for the following tax incentives:

i. **PENINSULAR MALAYSIA:**

A. PIONEER STATUS
Exemption of 70% of statutory income for a period of 5 years; OR

B. INVESTMENT TAX ALLOWANCE
Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. This allowance can be set- off against up to 70% of statutory income for each year of assessment

ii. **SABAH AND SARAWAK:**

A. PIONEER STATUS
Exemption of 100% of statutory income for a period of 5 years; OR

B. INVESTMENT TAX ALLOWANCE
Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. This allowance can be set- off against up to 100% of statutory income for each year of assessment.

The above incentives are for applications received by MIDA from 30 August 2008 until 31 December 2018.

PROPOSED

Application period for the above incentives be extended for another two years until 2020.

IMPACT

To promote tourism sector in line with Visit Malaysia Year 2020 Campaign.

EFFECTIVE DATE

For applications received by MIDA until 31 December 2020.

EXTENSION OF TAX INCENTIVE FOR PRINCIPAL HUB

PRESENT

Principal Hub was introduced in 2015 which offer income tax exemption according to 3-tier preferential tax rates of 0%,5% or 10% based certain criteria. Among others:-

i. Minimum paid up capital of RM 2,500,000;

ii. Minimum annual sales of RM 300,000,000;

iii. Monitoring and providing services to at least 3 related companies locating and operating outside Malaysia;

iv. Carrying out qualifying services activities including strategic services such as financial and talent management services; and

v. Acquire local professionals and local financial services.

The incentive is for application received by Malaysian Investment Development Authority (MIDA) from 1 May 2015 until 30 April 2018.

PROPOSED

The incentive for Principal Hub be extended for another 3 years and adhering to the criteria of Forum on Harmful Tax Practices.

IMPACT

To further strengthen Malaysia's competitive position as a global operations centre for multinational companies particularly in strategic services activities.

EFFECTIVE DATE

The incentive is given for applications submit to MIDA until 31 December 2020.

EXTENSION OF THE PERIOD FOR TAX INCENTIVE FOR MEDICAL TOURISM

PRESENT

Companies providing private healthcare services which will be carrying out a new investment or which will be undertaking an expansion, modernisation or refurbishment are eligible for tax exemption on statutory income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years and can be set-off with up to 100% of statutory income.

Eligible companies must be:

i. Incorporated under the Companies Act 2016 and residing in Malaysia;

ii. Licensed with the Ministry of Health Malaysia; and

iii. Registered with the Malaysian Health Tourism Council.

Eligible health care travellers are as follows:

i. A non-Malaysian citizen who participates in the Malaysia My Second Home programme and his dependents;

ii. An expatriate who is a non –Malaysian citizen holding a Malaysian worker permit and his dependants; or

iii. A non-Malaysian citizen who visits Malaysia and receives private healthcare services in Malaysia.

The tax incentives is subject to the following conditions:

i. At least 5% of the total number of patients receiving private healthcare services are comprised of qualified healthcare travellers per year of assessment ; and

ii. At least 5% of the company's gross income is derived from qualified healthcare travellers for each year of assessment.

PROPOSED

The current incentive be extended for a period of 3 years.

The tax incentives is subject to the following conditions:

i. At least 10% of the total number of patients receiving private healthcare services are comprised of qualified healthcare travellers per year of assessment ; and

ii. At least 10% of the company's gross income is derived from qualified healthcare travellers for each year of assessment.

EFFECTIVE DATE

For applications submitted to MIDA until 31 December 2020.

EXPANSION OF TAX INCENTIVES FOR HIRING THE DISABLED

PRESENT	Employers who employ disabled persons, certified by the Department of Social Welfare (JKM), are eligible to claim a further deduction on salary paid to the disabled persons. However workers affected by accidents/critical illness but not certified by the JKM are not entitled to claim further deduction.
PROPOSED	Further deduction be given to employers who employ workers affected by accidents/critical illnesses, certified to be able to work within their capabilities by the Medical Board of the Social Security Organisation (SOCSO).
IMPACT	To support those who have been affected by accidents/critical illnesses and are able to secure suitable employment.
EFFECTIVE DATE	From year of assessment 2018.

EXPANSION OF THE SCOPE OF DOUBLE DEDUCTION INCENTIVE FOR EXPENSES INCURRED IN OBTAINING CERTIFICATION FOR QUALITY SYSTEM AND STANDARD

PRESENT	In 2016, under subsection 34(6)(ma) Income Tax Act 1967 the Minister of Finance has approved 5 certification bodies for the accreditation of companies providing private healthcare services. Any private healthcare company registered with the Malaysia Healthcare Travel Council (MHTC) is eligible for double deduction on expenses incurred in obtaining certification for quality systems and standards. The approved qualification body are as follows: i. Malaysian Society For Quality in Health – Malaysia; ii. Joint Commission International – United States of America; iii. CHKS Accreditation Unit – United Kingdom; iv. The Australian Council on Health Care Standard – Australia; and v. Accreditation Canada – Canada.
PROPOSED	The double deduction be extended to companies registered with MHTC that provide dental and ambulatory healthcare services.
IMPACT	To build confidence of healthcare travellers on the level of safety and quality of services offered.
EFFECTIVE DATE	From year of assessment 2018.

REVIEW OF TAX INCENTIVES FOR EXPORT OF PRIVATE HEALTH CARE SERVICES

PRESENT

From the year of assessment 2002, private healthcare companies are eligible to claim for tax exemption on income derived from the export of health care services to foreign patients either in Malaysia or from Malaysia. The income tax exemption is equivalent to 50% of the value of increased exports of services and the exemption can be set-off against 70% of statutory income.

PROPOSED

The level of tax exemption on income derived from the export of health care services to foreign clients either in Malaysia or from Malaysia be increased from 50% to 100% of the value of increased exports of services and to be set-off against 70% of statutory income.
The tax incentive is subject to the following conditions:

At least 10% of the total number of patients receiving private healthcare services are comprised of qualified healthcare travelers per year of assessment; and

At least 10% of the company's gross income is derived from qualified healthcare travelers for each year of assessment.

IMPACT

To promote growth in health care services and establishes Malaysia as a health care hub for foreign patients.

EFFECTIVE DATE

From the year of assessment 2018 to year of assessment 2020

REVIEW OF TAX INCENTIVES FOR VENTURE CAPITAL

PRESENT

Tax incentives for venture capital are as follows:

i. **Venture Capital Management Corporation (VCMC)**
Exemption of income tax on statutory income derived from share of profits received on investment made by VCC.

ii. **Venture Capital Company (VCC)**

a. Exemption of income tax on statutory income derived from all sources of income except interest income from savings or fixed deposits and profits from *Shariah*-compliant deposits; and

b. The exemption is given for a period of 10 years or according to the life of the fund established for investment in the Venture Company (VC), whichever is shorter. The VCC must be registered with SC, invests at least 70% of seed, start-up and early stage fund in VC OR at least 50% in the form of seed capital. The VCC and VC are not related companies.

iii. **Investment in a VC**
Companies or individual with business income that make an investment in a VC are given a tax deduction equivalent to the amount of investment made in the VC at the adjusted income level.

PROPOSED

The following tax treatment is proposed to:

i. **Venture Capital Management Corporation (VCMC)**
Income which is exempted from tax be expanded to include income received from management fees and performance fees in managing VCC funds.

ii. **Venture Capital Company (VCC)**

a. The investment limit in VC at the seed, start-up and early stage be reduced from 70% to 50% and the 50% balance is allowed for other investments; and

b. Companies or individuals with business income investing into the VCC funds created by VCMC be given tax deduction equivalent to the amount of investment made and restricted to a maximum of RM20 million per year for each company or individual.

Tax exemption be given for the period of 5 years from the year of assessment 2018 until year of assessment 2022.

IMPACT

To further promote investment in venture capital.

EFFECTIVE DATE

For applications received by the Securities Commission Malaysia from 1 January 2018 until 31 December 2018

EXTENSION OF PERIOD FOR TAX INCENTIVES FOR ANGEL INVESTORS

PRESENT

The period of applications for angel investor's incentive is from 1 January 2013 until 31 December 2017. The application has to be submitted to the Ministry of Finance. Angel investors who invest in investee companies in the form of ordinary shares are entitled for tax exemption equivalent to the amount of investment made in the investee companies.

The qualifying criteria for the incentive are as follows:

i. **Angel Investor:**

a. An individual who is a resident in Malaysia and whose sources of income is not derived solely from business;

b. investors who do not have family relations with the investee company;

c. investors whose investment is for the sole purpose of financing the activities of the investee company as approved by the Minister; and

d. whose investment shall not be more than 30% of the total paid- up share capital of the investee company.

ii. **Investee Company:**

a. Incorporated under the Companies Act 1965 and a resident in Malaysia;

b. At least 51% of the company's ordinary share capital is owned by a Malaysian citizen; and

c. Carries out activities approved by the Minister.

PROPOSED

The application period for tax incentive for the angel investor be extended for another 3 years.

IMPACT

To attract prospective angel investors to contribute to economic activities through capital injection in investee companies.

EFFECTIVE DATE

From applications submitted to Ministry of Finance from 1 January 2018 until 31 December 2020.

TAX INCENTIVE FOR WOMEN RETURNING TO WORK AFTER CAREER BREAK

PRESENT	Chargeable income for resident individuals is subject to a progressive personal income tax rates between 0% and 28%.
PROPOSED	The employment income up to maximum of 12 consecutive months be given individual income tax exemption. The incentive is available for women who return to the work force after being on a career break for at least 2 years on 27 October 2017. The tax exemption is claimable in year of assessment 2018 to year of assessment 2020.
IMPACT	To encourage women who have been on a career break to return to the workforce and contribute to the economy
EFFECTIVE DATE	From applications submitted to Talent Corporation Malaysia Berhad from 1 January 2018 until 31 December 2020.

IMPLEMENTATION OF EARNING STRIPPING RULES TO REPLACE THIN CAPITALISATION RULES

PRESENT	Malaysia has been participating in various initiatives of the Organisation for Economic Cooperation and Development (OECD) to curb aggressive tax plannings between related companies, including the implementation of the Thin Capitalisation Rules (TCR).TCR was introduced during the 2009 Budget in ensuring the deduction on interest payment for loans between related companies does not exceed the threshold as specified under the TCR. The enforcement of TCR has been deferred until 31 December 2017 to provide taxpayers with adequate time line for its implementation. With continuous improvements on measures to prevent tax evasion and avoidance as well as profit shifting at international levels, the OECD has introduced a new method, namely the Earning Stripping Rules (ESR),in order to control excessive deductibility of interest expense on loans between related parties. Under the ESR, the interest deduction on loans between related companies within the same group will be limited to a ratio as determined by a country's tax authority, ranging from 10% to 30% of the company's profit before tax either using the Earning Before Interest and Taxes (EBIT)or the Earning Before Interest, Tax, Depreciation, and Amortisation (EBITDA).
PROPOSED	To introduce new method - Earning Stripping Rules (ESR) to be implemented in replacement for Thin Capitalisation Rules (TCR).
IMPACT	To prevent tax evasion and to address tax leakages due to excessive interest claims on loans made between related companies.
EFFECTIVE DATE	From 1 January 2019.

SECTION D

SUMMARY OF AMENDMENTS TO INDIRECT TAXATION

HARMONISING GST TREATMENT ON READING MATERIALS

PRESENT	All types of books which are reading materials and newspaper are treated as zero-rated supply under the Goods and Services Tax (Zero-rated Supply) Order 2014. Magazines, journals, periodicals and comics have been subjected to GST standard rate of 6%.
PROPOSED	In order to enhance GST compliance through harmonization and certainty of treatment to consumers,it is proposed that the GST treatment on magazines, journals, periodicals and comics be harmonized with treatment on all types of books which are reading materials and be subjected to zero-rated supply.
EFFECTIVE DATE	1 January 2018

GST TREATMENT ON MANAGEMENT AND MAIN TENANCE SERVICES OF STRATIFIED RESIDENTIAL BUILDINGS

PRESENT	The management and maintenance services supplied by joint management body and management corporation to owners of stratified residential buildings are categorized as GST exempt supply. This treatment also applies to cost recovery of group insurance, quit rent and assessments supplied by joint management body and management corporation. The provisions of the above services by parties other than joint management body and management corporation, such as housing developers are subjected to GST at 6%.
PROPOSED	In order to harmonise GST treatment on management and maintenance services including cost recovery of group insurance, quit rent and land assessments of stratified residential buildings supplied by a joint management body and management corporation to owners of houses held under strata titles, it is proposed that such services supplied by housing developers be treated as an exempt supply.
EFFECTIVE DATE	1 January 2018

REVIEW OF THE GST TREATMENT FOR LOCAL AUTHORITIES

PRESENT

Section 64, Goods and Services Tax Act 2014 stipulates that any supply made by the Federal and the State Government is not subject to GST (out of scope supply). Such treatment also applies to the supply made by Local Authorities in respect of regulatory and enforcement function. Other taxable supplies made by the local authorities are subjected to GST.

Local authorities which make taxable supplies have to be registered under the Goods and Services Tax Act 2014 and eligible to claim input tax credit in respect of their supplies relating to regulatory and enforcement function and other taxable supplies.

PROPOSED

To harmonise GST treatment between the Federal and the State Government and Local Authorities, it is proposed that all supplies made by Local Authorities is not subjected to GST (out of scope supply).

As the Local Authorities are no longer required to be registered under the Goods and Services Tax Act 2014 and not eligible to claim input tax credit, GST relief will be given to Local Authorities on the acquisition of all goods excluding petroleum, commercial buildings or land and on the importation of motorcars.

EFFECTIVE DATE

April 2018 or 1 October 2018 as opted by the Local Authorities.

GST RELIEF ON CONSTRUCTION SERVICES FOR SCHOOL BUILDINGS AND PLACES OF WORSHIP

PRESENT

Government schools, Government-aided schools and Chinese independent high schools have been given 50% GST relief on construction services for the construction of school building including hall and sport facilities. The GST relief is granted only for construction projects approved by the respective authorities. The GST relief is subject to construction contracts signed before 1 April 2015. This date was extended to 31 March 2017.

There is no specific GST relief given for construction services in respect of places of worship.

PROPOSED

To assist construction committees of schools and places of worship in optimizing funds received from donation, it is proposed that 100% GST relief be given on construction services for the construction of school buildings and places of worship financed through public donations.

The GST relief is restricted to construction services for which the invoice has not been issued and subject to the following conditions:

i. the approval under the Subsection 44(6) of Income Tax Act 1967 for their construction fund has been obtained;

ii. the approvals for development and constructions by Local Authorities, the Ministry of Education Malaysia or State Religious Councils (for *surau* or mosques) have been obtained;

iii. construction of school building including hall and sport facilities are directly used for teaching and learning purposes;

iv. the relief does not apply to the purchase of commercial buildings; and

v. construction services contract signed on or after1 April 2017.

EFFECTIVE DATE

For applications submitted to the Ministry of Finance from 27 October 2017.

GST RELIEF ON THE IMPORTATION OF BIG TICKET ITEMS

PRESENT	Importations of big ticket items such as aircrafts, ships and oil rigs by companies in aviation, shipping and oil and gas industries are subjected to GST of 6%.
PROPOSED	To promote investment in new and modern assets and enhancing Malaysia's competitiveness in the aviation, shipping and oil and gas industries as well as to improve cash flow position of companies, it is proposed that companies carrying out activities in such industries be given relief from paying GST on the importation of big ticket items. The list of big ticket items and the terms and conditions of approvals are to be stipulated by the Minister of Finance.
EFFECTIVE DATE	From 1 January 2018.

RELIEF FROM PAYMENT OF GST ON IMPORTATION OF GOODS UNDER LEASE AGREEMENTS FROM DESIGNATED AREAS

PRESENT	Goods under lease agreements supplied by companies located in Designated Area i.e. Labuan, Langkawi and Tioman and imported into Malaysia from the Designated Areas are subjected to GST of 6%.
PROPOSED	To ease cash flow and facilitate GST administration in relation to the importation of goods from Designated Areas to Malaysia, especially by companies involve in the oil and gas industry, it is proposed that relief from payment of GST be given to companies involves in the oil and gas industry on the importations of goods under lease agreements into Malaysia from Designated Areas. The list of goods and the terms and conditions of approvals are to be stipulated by the Minister of Finance.
EFFECTIVE DATE	From 1 January 2018.

GST RELIEF ON HANDLING SERVICES RENDERED TO OPERATORS OF CRUISE SHIPS

PRESENT

Handling services provided by sea port operators to ships such as stevedoring, loading, unloading and reloading and inspection of cargo are categorised as zero-rated supply. Ships that are eligible for this treatment must fulfill the definition of "ship" as stated under the Item 2, Goods and Services Tax (Zero-Rated Supply) Order 2014, where the ship must be used in sea navigation, not propelled by oars as provided under the Merchant Shipping Ordinance 1952. This includes any vessel owned or operated by the Government of a foreign state but does not include any vessel which is designed or adapted for the purpose of recreation, pleasure or other than freight transportation or passenger transportation.

Cruise ships are categorised as "ship" used for recreation and pleasure are not eligible for zero-rated treatment for handling services provided by sea port operators.

PROPOSED

To attract more cruise ships to make Malaysia as a port of call or home port and further increase the number of inbound tourists especially foreigners, it is proposed that cruise ship operators are given relief from payment of GST on handling services provided by sea port operators in Malaysia.

EFFECTIVE DATE

From 1 January 2018 to 31 December 2020.

THE MERGER OF CUSTOMS APPEAL TRIBUNAL AND GOODS AND SERVICES TAX APPEAL TRIBUNAL

PRESENT

Any taxpayer or company aggrieved by the decision of the Director General of Customs on matters relating to customs and Goods and Services Tax (GST) may appeal to the Customs Appeal Tribunal (CAT) and the GST Appeal Tribunal (GSTAT) separately.

Both tribunals are independent judicial bodies to hear and decide appeals filed against the decision of the Director General of Customs. The CAT began operating on 1 June 2007 and its authority covers appeals against all the decision of the Director General of Customs under the Customs Act 1967, the Excise Act 1976, Sales Tax Act 1972 and the Service Tax Act 1975 except matters relating to compound and seizure of goods.

GSTAT began operating on 1 April 2015 and its authority covers appeals against the decision of the Director General of Customs relating to GST, except those stipulated under the Fourth Schedule, Goods and Services Tax Act 2014.

PROPOSED

To ensure smooth and efficient management of appeals and operations of the Tribunals, as well as optimum use of resources, it is proposed that both Tribunals be merged and all appeals relating to the decision of the Director General of Customs to be heard by a single Tribunal which is CAT. Through this merger, taxpayers or companies aggrieved by the decision of the Director General of Customs on customs and GST matters may submit their appeal to CAT.

EFFECTIVE DATE

From 1 January 2019.

SECTION E

SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES

1. INVIGORATING INVESTMENT, TRADE, AND INDUSTRIES

i. Investment

- RM1 billion allocated for the 5 Main Corridors including Southern Perak Region, Bukit Kayu Hitam Duty-Free Zone, Kedah, Tok Bali Industrial Park, Kelantan and Baleh Dam, Sarawak.
- RM200 million for MIDA to the high-impact strategic fund.
- Principal Hub tax incentive period to be extended to 31 December 2020.

PURPOSE To emphasise on high-impact investment.

ii. Small and Medium Enterprises (SMEs)

- RM7 billion will be allocated under the Skim Jaminan Pembiayaan Perniagaan **(SJPP)** with a breakdown of RM5 billion for working capital and RM2 billion loan with 70% guaranteed by Government for services sector including Industrial Revolution (IR 4.0).
- RM1 billion for Government Guarantee loans under **SJPP** to enable SMEs to automate production.
- RM1 billion allocated for Shariah-compliant SME Financing Scheme with subsidy of 2% provided on profit earned.
- RM200 million is allocated for training programs, grants and soft loans under SME Corp.
- RM82 million is provided for the development of halal industries and product under various agencies.

PURPOSE To enhance SMEs to be more competitive and becoming a key figure to Gross Domestic Product.

iii. Micro Financing

- RM500 million for Tabung Ekonomi Kumpulan Usahawan Niaga (TEKUN) in providing financing to entrepreneurs.
- RM200 million will be provided to Amanah Ikhtiar Malaysia's (AIM) benefitting nearly 400,000 borrowers.
- RM80 million is allocated to provide financing facilities to rural Bumiputera entrepreneurs under Rural Economic Financing Sceme (SPED) through Bank Rakyat and SME Bank.

PURPOSE To encourage micro entrepreneurs in business development.

iv. Exports

- RM150 million is provided to MATRADE, MIDA and SME Corp to implement promotional programmes, and expand export markets including Market Development Grant.
- RM1 billion and RM200 million is provided by EXIM Bank for insurance coverage credit facilities and allocated for credit financing facilities to SME exporters respectively.
- RM100 million will be allocated as loan to enhance automate production of local furniture for export with 70% guaranteed by the Government.

PURPOSE To accelerated exports activity by focusing on high-impact export sectors.

v. Agricultural Sector

- RM2.3 billion is allocated to provide financial assistance and incentive such as fertilizers and input to farmers, rubber smallholders and fishermen.
- RM500 million to improve irrigation infrastructure and upgrade plantation roads.
- RM200 million is provided for infrastructure in rubber replanting programme.
- RM140 million is provided for developing and replanting oil palm.
- RM200 million will be allocated for the agricultural programme as new sources of income.
- RM50 million in implementing a special scheme to replanting of coconuts in new varieties, CARECA and MATAG, benefitting 10,000 smallholders.
- RM150 million is allocated to provide financial assistance of RM200 for 3 months to paddy farmers while waiting for the harvest season.

PURPOSE To emphasise better infrastructure and development for agricultural sector.

vi. Tourism Industry

- RM2 billion is allocated to SME Tourism Fund to provide loans to tour operators with an interest subsidy of 2%.
- RM1 billion is allocated to Tourism Infrastructure Development Fund as soft loans.
- RM500 million is provided to tourism promotion and development programme through upgrading infrastructure facilities.
- Expand eVisa regional hub to ease the visa application worldwide.
- Extension period of tax incentive for investment in new 4 and 5 star hotels to 31 December 2020.
- Extension period of tax incentive for tour operators to year assessment 2020.

PURPOSE To revitalise tourism industry and becoming key sources of income to the nation’s economy.

vii. <u>Healthcare Tourism Industry</u>

RM30 million to Malaysian Healthcare Travel Council (MHTC) to implement the following incentive:

- Promote Malaysia as the Asian Hub for Fertility Treatment and Cardiology by creating eVisa facility and high-value healthcare packages.
- Offers special incentive to private hospitals to attract medical tourists by introduce Flagship Medical Tourism Hospital Programme.
- Extension period of investment tax allowance (ITA) of 100% medical tourism until 31 December 2020.
- Provide double tax deduction on expenditure incurred in obtaining certification for dental and ambulatory services registered with MHTC.
- Increase the special tourism healthcare incentive from 50% to 100% of the incremental value of exports for private healthcare services, beginning year of assessment 2018 to 2020.

PURPOSE	To strengthened health-tourism industry in becoming one of the country's sources of income.

viii. <u>Logistic Sector</u>

- RM110 million is allocated to provide an alternative road to Port Klang to smoothen and complement the transportation network in develop East Coast Rail **(ECRL)** Project which connects Port Klang to Pengkalan Kubor, Kelantan.
- RM32 billion will be allocated to build MRT2 Line from Sungai Buloh – Serdang – Putrajaya Projects, spanning 52 kilometres and covering 37 stations.
- Expedite the construction of MRT3 or Circle Line, expected to be completed by 2025 compared to initial target in 2027.
- High Speed Rail Project connects Kuala Lumpur and Singapore with a distance of 350 kilometres, expected to be completed by 2026.
- RM230 million will be allocated for Central Spine Road to continue the construction work, road from Raub to Bentong and Gua Musang, Kelantan to Kampung Relong, Pahang.
- Declare Pulau Pangkor as Duty-Free Island.
- Special Border Economic Zone in Bukit Kayu Hitam will be developed that includes Free Industrial Zone (FIZ) for local and foreign investor attraction.
- RM3 billion is provided to Transportation Development Fund.
- RM1 billion is also allocated to Public Transportation Fund for working capital and procurement of buses and taxis.
- RM95 million will be allocated to upgrade and construct jetties as well as dredge river estuaries.
- RM45 million to develop a biometric control system to monitor the bus drivers.
- RM55 million to subsidise train services in rural areas, from Tumpat to Gua Musang.
- Upgrade and expansion of Pulau Pinang, Langkawi International Airport and Kota Bharu Airport.

PURPOSE	To provide efficient and safe public transportation system, improve logistics and transport infrastructure to ensure a more balanced economic spillover between urban and rural areas.

ix. Financial Market

- RM1.5 billion will be allocated to SJPP in using intellectual property as an instrument of financial collateral with up to 80% financing guarantee for business financing.
- Provide duty stamp exemption for contract notes for sales and purchase transactions of Exchange-Traded Fund and Structured Warrants for 3 years, effective January 2018.
- Introduce Alternate Trading System to stimulate capital market and provide access to investment.
- RM1 billion is provided by major institutional investors for investment in venture capital in main selected sectors.
- Expand income tax exemption to include management and performance fees received by venture capital management company, effective year of assessment 2018 to 2022.
- Facilitate venture capital companies to invest in venture companies.
- Provided tax deduction to companies or individuals investing in venture capital companies equivalent to the amount of the investment made, limited of RM20 million annually.
- Extension period of income tax exemption incentive equivalent to the amount of investment made by an angel investor in venture companies to 31 December 2020.
- For Sustainable and Responsible Investment (SRI), income tax exemption for recipients of the special Green SRI Sukuk grant totalling RM6 million and income from management fee to be expanded to approved conventional SRI fund managers from year of assessment 2018 to 2020.

PURPOSE	• To strengthen Malaysia's position as a comprehensive and competitive financial centre. • To provide stimulate capital market, provide access to investment and encourages venture capital markets.

2. MOVING TOWARDS TN50 ASPIRATION

i. Childcare Centre and Welfare Facilities for Persons with Disabilities (PWDs)

- Childcare facilities are provided in all new office buildings, starting with Kuala Lumpur.
- Additional tax deductions are extended to cover employers hiring workers affected by accidents or critical illnesses and certified by SOCSO.

PURPOSE In achieving work and life balance and also safeguarding all groups, including the welfare of PWDs.

ii. Inculcating the Culture of savings in TN50 Generation

- Malaysian Children Trust Fund (ADAM50) of RM200 through PNB's Unit Trust Scheme for every Malaysian baby born from 1 January 2018 to 2022

PURPOSE Ensure bright future of TN50 generation.

iii. Education for TN50 Generation

- RM250 million will be allocated to set up a Science, Technology, Engineering and Mathematics (STEM) centre.
- Enhance Computer Science module including Coding programme in primary and secondary school curriculums, exist in Form One and Form Three.
- RM190 million will be allocated to upgrade 2,000 classes into 21st Century Smart Classrooms.
- RM20 million allocated to Cultural Economy Development Agency.

PURPOSE To develop latest learning methods to train STEM specialist teachers with collaboration with Academy of Science Malaysia and to enhance creative-based learning and innovative thinking.

iv. Intensifying Higher Education

- RM2.2 billion allocated for scholarship provided by Public Service Department, Ministry of Higher Education and Ministry of Health.
- RM400 million will be allocated for research and development grants provided to Public High Learning Institutions (IPTA).
- RM90 million is allocated for MyBrain Programme.
- RM250 book voucher assistance for students in Higher Learning Institutions (HLI) and Form Six.

PURPOSE To achieve target of the Regional Higher Education Hub.

v. Talent and Careers of TN50

- RM40 million will be allocated for interview programme by the SL1M unit and additional 5,000 graduates will be trained under SL1M Apprenticeship Programme.
- Private companies awarded with Government contracts are mandated to allocate 1% of their total project value to SL1M.
- One-stop centre incorporating agencies such as JobsMalaysia, SL1M, SOCSO, Human Resources Development Fund (HRDF) and Unit Peneraju Agenda Bumiputera (TERAJU) in Urban Transformation Centre (UTC).
- National Leaders Circle under the TalentCorp will be created.

PURPOSE

- To provide professional advisory in seeking employment and training.
- To identify and shortlist suitable and credible candidates to fill critical and senior posts.

vi. Social Enterprise

- RM50 million will be provided to social enterprise and NGOs.

PURPOSE To resolves daily social issues and challenges in innovative ways.

vii. Sports Development

- RM1 billion will be allocated to implement various initiatives including FitMalaysia, National Sports Day, training for athletes, grassroots programme and national football development programme.
- RM112 million provided to build 14 new sports complexes nationwide.
- RM20 million will be allocated to upgrades facilities in Bukit Jalil Sports School.

PURPOSE To continue momentum towards becoming sports powerhouse.

3. EMPOWERING EDUCATION, SKILLS AND TRAININGS, AND TALENT DEVELOPMENT

i. Upgrading and Maintaining Schools

- RM654 million will be allocated for construction of four pre-schools, nine PERMATA centres, including two new centres for autistic children; 48 primary, secondary schools and vocational colleges as well as one matriculation centre.
- RM550 million will be allocated for Special Fund for School Upgrading and Maintenance. Of which:
  - National Schools - RM250 million;
  - National-type Chinese Schools - RM50 million;
  - National-type Tamil Schools - RM50 million;
  - Missionary Schools - RM50 million;
  - Boarding Schools - RM50 million;
  - MARA Junior Science Colleges - RM50 million; and
  - Government-aided Religious Schools - RM50 million.
- RM2.5 billion will be allocated to rebuild and upgrade 2,000 dilapidated schools using Industrial Building System (IBS). RM500 million to schools in Peninsular Malaysia, RM1 billion in Sabah, and RM1 billion in Sarawak.

PURPOSE To ensure students receive complete access to education.

ii. Schooling Assistance

- RM2.9 billion will be allocated for food assistance, textbooks, per capita grants and Federal Scholarships for schools.
- RM328 million will be allocated for Schooling Assistance worth RM100 per student from the low-income household.

PURPOSE To ease the burden of schooling expenses faced by parents.

iii. Higher Education Funding

- The Government agrees to extend the discount for repayment of PTPTN loans until 31 December 2018 as follows:
  - 20% on the outstanding debt for full settlement;
  - 10% for repayment of at least 50% on the outstanding debt made in a single payment; and
  - 10% for repayment through salary deductions or scheduled direct debit.
- Additional flexibility for PTPTN loans as follows:
  - RM200 million will be allocated to increase total maximum loan for students from B40 families.
  - Extend grace period for repayment of loan from 6 to 12 months.

PURPOSE To encourage repayments of PTPTN loans.

iv. 1Malaysia Education Saving Scheme (SSP1M)

- RM250 million will be allocated to 500,000 contributors aged 7 to 12 years under National Education Savings Scheme (SSPN-i Plus) which was rebranded as Skim Simpanan Pendidikan 1Malaysia (SSP1M) managed by PTPTN.
- A matching grant of RM500 will be provided to contributors with a total contribution of at least RM500 and only can be withdrawn upon attaining the age of 18 years.

PURPOSE To inculcate the culture of savings for education.

v. Technical and Vocational Education Training (TVET)

- All TVET institutions under seven Ministries be merged and known as “TVET Malaysia” under the purview of the Ministry of Human Resources.
- RM4.9 billion will be allocated to implement TVET Malaysia Masterplan.
- RM4.5 million will be provided to 100 TVET Outstanding Student Scholarships.

PURPOSE To produce highly skilled and competitive workforce.

vi. Establishment of National Rail Centre of Excellence (NRCOE)

- Malaysia Rail Link Sdn. Bhd. in collaboration with IPTAs will train 3,000 professionals in this industry.

PURPOSE To oversee and coordinate quality assurance as well as accreditation of national rail education and training.

4. DRIVING INCLUSIVE DEVELOPMENT

i. Providing Quality Infrastructure for the Rakyat

- RM2 billion will be allocated for Pan Borneo Highway.
- RM1.1 billion will be allocated for Rakyat-centric projects including building and upgrading of bridges, village street lights, *musolla,* small bridges and markets.
- RM1 billion will be allocated through Malaysia Communications and Multimedia Commission (MCMC) to develop communication infrastructures and broadband facilities in Sabah and Sarawak.
- RM934 million will be allocated for the construction of rural roads, including almost RM500 million for Sabah and Sarawak.
- RM672 million will be allocated for electricity supply in rural areas, including RM620 million for Sabah and Sarawak, benefitting 10,000 rural homes.
- RM420 million will be allocated, including almost RM300 million for Sabah and Sarawak to provide clean water supply, benefiting 3,000 homes.
- RM500 million will be allocated for the Public Infrastructure Maintenance Programme and Basic Infrastructure Project to meet the needs and wish list of the rakyat at the grassroots level.
- RM50 million will be allocated for surveying and mapping of customary lands, of which RM30 million for Sarawak and RM20 million for Sabah.

PURPOSE To ensure the comfort of rural areas.

ii. National Blue Ocean Shift (NBOS)

- RM300 million will be allocated to implement NBOS programmes, including construction of new UTCs, Blue Ocean Entrepreneur Township, Mobile CTC, entrepreneurship programmes, Global Entrepreneurship Community as well as inclusive and vibrant Social Entrepreneurs.

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

iii. Welfare of FELDA settlers

- Special Incentive payment to settlers of RM5,000.
- RM43 million will be allocated for cess money that had been paid by settlers for replanting scheme from rubber to oil palm from 2010 to 2016.
- RM60 million will be allocated for oil palm replanting programme.
- RM164 million will be allocated to build 5,000 Second Generation FELDA Homes in collaboration with SPNB.
- RM200 million will be allocated for FELDA to supply water and upgrade road as well as street lights.

PURPOSE To safeguard the welfare of FELDA settlers.

iv. **Security and Public Order**

- RM3 billion will be allocated for procuring and maintaining defence assets.
- RM720 million will be allocated to build 11 headquarters and six police stations as well as purchase of firearm fittings and operations vehicle.
- RM170 million will be allocated to upgrade ICT equipment, including 1PDRMnet system.
- RM100 million will be allocated to upgrade communication systems.
- 10,000 units of houses under 1Malaysia Civil Servants Housing-PDRM (PPA1M-PDRM) at affordable price according to police salary scheme.
- RM490 million will be allocated to APMM for repairing and maintaining ships and boats, upgrading jetties as well as procuring three patrol boats.
- RM250 million will be allocated to Eastern Sabah Security Command (ESSCOM) to enhance security controls at Sabah and Sarawak borders, including RM50 million for coastal surveillance radar.
- RM50 million will be allocated to upgrade the capability of firearm assets of special taskforces to combat anti-terrorism activities.
- 250 million will be allocated to RELA for necessary equipment, including uniforms.
- To built 6000 units the Armed Forces Family Housing (RKAT) blueprint.
- RM40 million will be allocated to upgrade five hospitals, build four polyclinics and hospital for ATM veterans.

PURPOSE To increase safety at the borders and enhance public order and safeguarding the welfare of armed forces.

v. **Bumiputera Wellbeing Transformation Policy**

- RM2.5 billion is provided for higher education scholarship and training programmes under the Council of Trust for the People (MARA).
- RM90 million is allocated for programmes namely Peneraju Profesional, Skil and Tunas.
- RM200 million is allocated for the MARA Graduate Employability Training Scheme (GETS).
- RM555 million is allocated for Bumiputera entrepreneurship enhancement programme, comprising:
  - RM200 million for Program Keusahawanan dan Premis Perniagaan PUNB.
  - RM200 million is allocated for Program Keusahawanan MARA.
  - RM155 million for programmes such as vendor capacity development, Tunas Usahawan Belia Bumiputera (TUBE), Skim Usahawan Permulaan Bumiputera (SUPERB), and Skim Anjakan Usahawan.
- RM150 million is provided to Pelaburan Hartanah Berhad (PHB).
- RM150 million to Ekuiti Nasional Berhad (EKUINAS).

PURPOSE
- To uphold Bumiputera empowerment as a national agenda.
- To increase equity and investment in strategic sector.

vi. Wellbeing of Chinese and Indian Communities

- RM50 million as loans for SMEs through Koperasi Jayadiri Malaysia Berhad (KOJADI).
- RM30 million will be allocated to the 1Malaysia Hawkers and Petty Traders Foundation.
- RM65 million is provided to develop Chinese New Villages.
- RM10 million for housing refurbishment programme.
- RM50 million for Indian Community Entrepreneur Development Scheme (SPUMI).
- RM50 million is allocated for Indian community socioeconomic development programme.
- Increased to 7% new intake of Indians to public higher learning institutions and public service.
- PNB's special distribution of 1.5 billion additional units of Amanah Saham 1Malaysia for the Indian community.

PURPOSE To ensure in the nation development no one is left behind.

vii. Orang Asli

- RM50 million is provided, comprising community food assistance programmes.
- RM3,000 for parents to prepare their children's enrolment in IHLs.
- RM60 million allocation for Orang Asli Settlement Integrated Development Programme

PURPOSE To raise the standard of living and economic development of Orang Asli community.

viii. Women and Family Wellbeing

- 2018 as the Women Empowerment Year.
- Requirement at least 30% participation of women as board of directors in GLCs, GLICs and statutory bodies by end-2018.
- Propose maternity leave for the private sector to be increased from 60 days to 90 days.
- RM20 million is allocated to conduct training and entrepreneurship programmes including PEAK Entrepreneur Programme under MyWin Academy.
- Individual income tax exemption on income earned within 12 months for women re-entry into workforce at least 2 years after work break.

PURPOSE
- To recognise women's contribution.
- To encourage women to return to the workforce.

5. PRIORITISING THE WELLBEING OF RAKYAT AND PROVIDE OPPORTUNITIES TO GENERATE INCOME

i. Generating Rakyat's Income

- RM100 million to expand eRezeki, eUsahawan and eLadang Programmes under MDEC
- RM120 million will be allocated for easy loan to 1,000 1Malaysian Food truck (1FTM) and 1Malaysia Mobile Food Kiosk entrepreneurs with government's subsidy of 4% interest rates.
- RM60 million to implement 1AZAM Programme including RM10 million each for Sabah and Sarawak.
- RM25 million provided to Three-Wheel Motorcycle Programme under FAMA, Giat Mara mobilepreneur and MyAGROSIS programmes.
- RM5,000 grant for taxi drivers who wish to shift to ehailing application for purchase new car.
- BRIM cash transfer up to RM1,200
- RM3.9 billion subsidies for goods and transport including cooking gas, flour, cooking oil and toll.
- 50 outlets of KR1M will provide five basic necessities at low prices such as rice, sugar, cooking oil, flour and cooking gas.
- RM80 million will be allocated to for Standardisation of Prices for Basic Necessities Programme in Sabah and Sarawak.
- RM20 million is provided to develop Agrobazaar Malaysia beginning in Putrajaya.
- RM50 million is allocated to implement programmes through FAMA and LKIM.
- Abolish toll collection effective 1 January 2018 at Batu Tiga and Sungai Rasau, Selangor, Bukit Kayu Hitam, Kedah and Eastern Dispersal Link, Johor.

PURPOSE

- To provide opportunities to generate income.
- To narrow the income gap in the country.
- To provide market space and agro food sales centre at a lower price.

ii. 1Malaysia Retirement Scheme

- Government increase its contribution to 15% subject to a maximum of RM250 annually under the 1Malaysia Retirement Scheme (SP1M) begins from 2018 to 2022.

iii. Foreign Domestic Helper

- Allows employers hire foreign domestic helper directly without agents.

PURPOSE To help employers cut costs for hiring the foreign domestic helpers.

iv. Housing

- RM2.2 billion allocations for home-ownership divided as follows:
  - 17,300 units of People's Housing Programme.
  - 3,000 units of People's Friendly Home under SPNB.
  - 210,000 units under PRIMA with prices RM250,000 and below.
  - 25,000 units of 1Malaysia Civil Servants Housing Programme (PPA1M).
  - 600 units of MyBeautiful New Homes (MyBNHomes) schemes in Terengganu, Pahang, Melaka, Johor, Sabah and Sarawak as well as Orang Asli settlements.
  - 2,000 units under MyDeposit and MyHmes programmes.
- RM200 million will be allocated for maintenance and refurbishment of houses including 1 Malaysian Maintenance Fund.
- Step-up financing scheme introduced by PRIMA will be extend to private housing developers subject to certain criteria.
- Stamp duty exemption for loan agreements and letter of consent to transfer effective 1 January 2018 to 31 December 2020.

PURPOSE
- To increase home-ownership for Rakyat
- To assists down payment and provide more affordable homes.

v. Health

- RM2.5 billion allocated for medical supplies
- RM1.6 billion allocated for consumable and medical support items
- RM1.4 billion allocate for upgrading and maintaining healthcare facilities, medical equipments and ambulances including construction of operation hall in three hospitals in Muar, Banting and Balik Pulau.
- Upgrade cardiology and cardiothoracic services at Sultanah Nur Zahirah Hospital in Kuala Terengganu and Sultanah Bahiyah Hospital in Alor Setar.
- RM100 million is allocated to upgrade hospitals and clinics, including wiring systems.
- RM50 million is allocated for haemodialysis assistance with a subsidy of RM100 from the overall treatment cost of RM110 per session.
- RM40 million is allocated for the Medical Aid Fund.
- RM10 million is allocated for the treatment of increasing cases of rare diseases
- RM30 million provided for Healthy Community Empowers the Nation programme.
- RM50 million is allocated for Voluntary Health Insurance Scheme
- Build new hospitals and wards which is:
  - RM1 billion allocated for two blocks of women and children wards at Tengku Ampuan Afzan Hospital and Putrajaya Hospital.
  - RM500 million for Cancer centre at Sungai Petani.
  - RM500 millions for a block for specialist clinics and new wards at Pulau Pinang Hospital.
  - RM380 million for construction of international forensic medical service centre at Kuala Lumpur Hospital.

PURPOSE To provide quality healthcare services

6. FORTIFYING THE FOURTH INDUSTRIAL REVOLUTION AND DIGITAL ECONOMY

i. Matching Grant

- Matching Grant worth RM245 million under Domestic Investment Fund to upgrade the Smart Manufacturing facilities.

PURPOSE To support digital investment and business activities.

ii. Futurise Centre

- Strengthening the futurise centre in Cyberjaya as a one-stop centre for corporates and universities.

PURPOSE To develop prototype products and elevate innovation.

iii. Sustainable Development

- Provide a total of RM5 billion under Green Technology Financing Scheme to promote investment in green technology industry.
- Implement Non-Revenue Water Programme with a cost of RM1.4 billion to reduce loss of water.
- A sum of RM1.3 billion for construction Off-River Storage as an alternative water resources.
- Provide a total of RM517 million for flood mitigation programmes.

PURPOSE To preserving the environment, as the heritage of our ancestral homeland.

iv. Digital Free Trade Zone (DFTZ)

- Construction first phase of DFTZ in Aeropolis, KLIA with a cost RM83.5 million.
- Increase *de minimis* value or minimum value for imports from RM500 - RM800.

PURPOSE To boost the country in electronic commerce.

v. Regulatory Sandbox

- Create a conducive ecosystem for commercialised innovation in all commissions.

PURPOSE To facilitate companies to test innovative ideas and new business capital.

7. ENHANCING EFFICIENCY AND DELIVERY OF GOVERNMENT-LINKED COMPANIES (GLC) AND PUBLIC SERVICE

i. GLCs Employees

- Increase the distribution of profits to employees.
- Introducing flexible benefits - concert the annual leave and health leave entitlement to cash rewards.
- Enhance flexible working arrangement - modification of weekly working hours, flexible working hours and part-time work.
- Introduce leaves for *umrah*.
- Providing nurseries at the GLC's main office and reduced working hours for pregnant women workers.
- Increase training investment and education assistance for employee's children.

PURPOSE To increase the employee compensation ratio, in line with productivity growth.

ii. Priorities the Welfare of Senior Citizens, People with Disabilities (PWD) and Children

- Increase allowances for senior citizens to RM350 per month with an allocation of RM603 million.
- Increase allowance for working and unemployed PWDs as well as caretakers of PWDs by RM50 per month with an allocation of RM100 million.
- Assistance to children from poor families (RM245m).

PURPOSE To prioritize the welfare of all parties including senior citizens, disabled and children.

iii. Public Sector Home Financing Board (LPPSA)

- LPPSA funding on real estate developed on *waqf* land.
- Include legal fees relating to the provision of housing financing agreements.
- Allow LPPSA joint-loan for husband and wife or children (all applicants must be public servants).
- Allow joint-home financing between husband and wife or children (at least one of the applicants is a public servant).

PURPOSE To facilitate civil servants to have a dream house.

8. BALANCING BETWEEN THE PAR EXCELLENCE OF WORLDLY AND HEREAFTER

i. SERI and KITA-UKM

- Establish Socio-Economic Research Institute under Prime Minister's Office and upgrade Institute of Ethics Studies, KITA-UKM as a national institution.

PURPOSE To form the values and integrity of the human family.

ii. Enhancing Public Service Efficiency

- Introduce second time-based promotion for support staff after 13 years.
- Provide retirement benefit to public servants who retire on medical reasons.
- Allow Cash Award in lieu of Accumulated Leave (GCR) of more than 150 days to be taken during the retirement year.
- Raising special leaves rates for education service officers from 7 days to 10 days a year.
- Increase special leaves for education officers from 7 to 10 days a year.
- providing a seven-day leaves without a record during the period of service for the umrah.
- Introduce new working hour from 9 am to 6 pm.
- Letting up one day a week for a week for Medical specialists (Grade UD54 and above) who have served a minimum of four years (gazetted) to perform flexible working hours.
- Allow women with five months pregnant onwards (and husband) to leave work an hour earlier. (Provided both working in the same location).
- Increase the maternity leave entitlement from 300 days to 360 days throughout the service subject to a maximum of 90 days a year.
- Performing In-house Masters and PhD programmes.
- Raising the lowest pension rate to RM1,000 per month.
- Extension of medical facilities for parents to retirees.
- Special Assistance to Civil Servants of RM1,500.

PURPOSE To appreciate the contributions of civil servants.

iii. Neighbourhood and Community

- Special Assistance of RM1,500 to Village Heads and Tok Batin.
- 1Malaysia Residents Community Grant (KP1M) up to RM10,000 to registered resident associations with a total allocation of RM40 million.
- A sum of RM40 million is allocated to community training programme in 50 Rakyat Housing Programme (PPR) areas.

PURPOSE To improve the welfare of the neighbourhood and the community.

iv. Upholds the Greatness of Islam and the Integrity of the Rakyat

- Upgrade wiring system in all registered Tahfiz schools by Giat Mara with a cost of RM50 million.
- Skills training scheme at selected Giat Mara will be introduced to tahfiz schools.

PURPOSE To uphold Islam and the integrity of human beings.

SECTION F

SUMMARY OF REVENUE AND ALLOCATION

1. STATISTIC

	2018 RM Millions	2017* RM Millions	Percentage of total 2018 %	Percentage of total 2017 %	Increase/ (Decrease) %
Source of revenue:					
Income tax & other direct taxes	127,713	119,699	53.3%	53.1%	6.7%
Indirect taxes and duties	63,856	60,495	26.6%	26.9%	5.6%
Non-tax revenues	48,291	45,143	20.1%	20.0%	7.0%
Total	**239,860**	**225,337**	**100.0%**	**100.0%**	**6.4%**
Budget allocation					
Operating expenditure:					
Emolument, pension, gratuities	103,699	102,449	44.3%	46.6%	1.2%
Debt servicing charges	30,882	28,866	13.2%	13.1%	7.0%
Supply & services	33,621	32,642	14.3%	14.9%	3.0%
Grant & other expenditures	66,048	55,953	28.2%	25.4%	18.0%
	234,250	**219,910**	**100.0%**	**100.0%**	**6.5%**
Development expenditure:					
Economic	26,342	25,897	57.3%	56.3%	1.7%
Social	11,720	12,119	25.5%	26.4%	-3.3%
Security	5,214	5,286	11.3%	11.5%	-1.4%
General administration	2,724	2,660	5.9%	5.8%	2.4%
	46,000	**45,962**	**100.0%**	**100.0%**	**0.1%**
Total expenditure	**280,250**	**265,872**			**5.4%**
Deficit	**(40,390)**	**(40,535)**			
%	**14%**	**15%**			

* Revised estimate

(Sources: Economic Report 2017/2018)

2. REVENUE

Total revenue in 2018 is estimated to increase by 6.4% to RM239,860 million, largely supported by unexpected higher collection of tax revenue. Tax revenue is expected to increase by 6% to RM191,569, which represent 79.9% of total revenue. The tax revenue consisting direct and indirect taxes represent RM127,713 million and RM63,856 million, respectively. Direct tax is expected to be increased by RM8,014 million or 6.7% as compared to 2017 due to higher collection of corporate income taxes (CITA). On the other hand, the revenue increase from indirect tax which is mainly generated from GST collection, is projected to be higher at RM43,800 million.

In 2018, non-tax revenue is projected to be higher at RM48,291 million, an increase of 7% against 2017 and contributing 20.1% to total revenue. The increase of non-tax revenue is supported by stable investment income primarily from Petroleum National Berhad (PETRONAS) and Bank Negara Malaysia.

3. EXPENDITURE

Total Federal Government expenditure for the 2018 Budget is estimated at RM280,250 million, an increase of 5.4% over 2017. Of this, RM234,250 million is for operating expenditure and the remaining of RM46,000 million is allocated for development expenditure. Operating expenditure is expected to increase moderately by 6.5% due to continuous effort on prudent and efficient spending without compromising public service delivery. Emolument, pension and gratuities is estimated to increase to RM103,699 million or 1.2% as compared to 2017 due to two salary increment, implementation of minimum wage and improvement to selected service schemes for support staff beginning July 2016 that will benefit almost 1.6 million civil servants.

Government development expenditure is projected to increase by 0.1% to RM46,000 million over 2017. The economic service sector will be allocated the largest sum of RM26,342 million or 57.3% of total development expenditure in 2018. It is expected to be largely spent on transport and infrastructure development (RM10,479 million), trade and industry sector (RM4,149 million), public utilities and energy (RM2,746 million) and boosting agricultural productivity as well as accelerating rural development (RM2,523 million). Allocation for social service sector will be for education and training subsector which has been provided the largest sum at RM5,256 million to empowering human capital, followed by housing (RM1,167 million), and health (RM1,910 million) to build more affordable houses and better healthcare services.

4. ANALYSIS OF CHANGES

Revenue

The total estimated revenue for 2018 is RM234,250 million compared to RM219,910 million in 2017. This is due to Government expectation of higher collection form direct tax which consists of corporate, individual and petroleum income taxes. Meanwhile, the increase in revenue is also derived from indirect tax in the form of higher GST collection primarily contributed by wholesale and retail trade, repair of motor vehicles and motorcycles sector.

Expenditure

The total estimated expenditure for 2018 is RM280,250 million compared to RM265,872 million in 2017, an increase of RM14,378 million or 5.4% as compared to 2017. Major components of expenditure are allocated to subsidies and social assistance, grants to statutory bodies and state governments.

The overall development expenditure has been budgeted to increase by 0.1% particularly in the areas of economic and social services sector where government is focusing on infrastructure projects and investments with high multiplier effect to create productive capacity for national development.

5. MACRO ECONOMY

The Malaysian economy in 2018 is expected to recover with real GDP expanding between 5% to 5.5% at the backdrop of growing GDPs in advance and, emerging market and developing economies of 3.7% and 4.9%, respectively. This will be largely contributed from growth by domestic demand driven by private sector investment and consumption which are expected to expand 8.9% and 6.8%, respectively. With investment growing at a faster pace, the savings investment will narrow 2.3% of Gross National Income (GNI).

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

The broad-based growth from all sectors in the economy, particularly from services and manufacturing sectors, the nominal GNI per capita is expected to increase 5.1% from RM40,713 in 2017 to RM42,777 in 2018.

SECTION G

TAX INFORMATION

1. RESIDENT INDIVIDUAL INCOME TAX RATES

CHARGEABLE INCOME		ASSESSMENT YEAR							
		2013-2014		2015		2016-2017		2018	
RM		%	RM	%	RM	%	RM	%	RM
First	2,500	0	0	0	0	0	0	0	0
Next	2,500	0	0	0	0	0	0	0	0
First	5,000		0		0				0
Next	15,000	2	300	1	150	1	150	1	150
First	20,000		300		150		150		150
Next	15,000	6	900	5	750	5	750	3	450
First	35,000		1,200		900		900		600
Next	15,000	11	1,650	10	1,500	10	1,500	8	1,200
First	50,000		2,850		2,400		2,400		1,800
Next	20,000	19	3,800	16	3,200	16	3,200	14	2,800
First	70,000		6,650		5,600		5,600		4,600
Next	30,000	24	7,200	21	6,300	21	6,300	21	6,300
First	100,000		13,850		11,900		11,900		10,900
Next	150,000	26	39,000	24	36,000	24	36,000	24	36,000
First	250,000		52,850		47,900		47,900		46,900
Next	150,000	26	39,000	24.5	36,750	24.5	36,750	24.5	36,750
First	400,000		91,850		84,650		84,650		83,650
Next	200,000	26	52,000	25	50,000	25	50,000	25	50,000
First	600,000		143,850		134,650		134,650		133,650
Next	400,000	26	104,000	25	100,000	26	104,000	26	104,000
First	1,000,000		247,850		234,650		238,650		237,650
Above	1,000,000	26		25		28		28	

2. NON-RESIDENT INDIVIDUAL INCOME TAX RATES

Assessment Year	2009	2010-2014	2015	2016-2018
Tax Rate (%)	27	26	25	28

3. CO-OPERATIVE INCOME TAX RATES

CHARGEABLE INCOME		ASSESSMENT YEAR					
		2010 - 2012		2013-2014		2015-2018	
	RM	%	RM	%	RM	%	RM
First	20,000	0	0	0	0	0	0
Next	10,000	2	200	0	0	0	0
On	30,000		200		0		0
Next	10,000	6	600	5	500	5	500
On	40,000		800		500		500
Next	10,000	9	900	5	500	5	500
On	50,000		1,700		1,000		1,000
Next	10,000	12	1,200	5	500	5	500
On	60,000		2,900		1,500		1,500
Next	15,000	12	1,800	10	1,500	10	1,500
On	75,000		4,700		3,000		3,000
Next	25,000	16	4,000	10	2,500	10	2,500
On	100,000		8,700		5,500		5,500
Next	50,000	20	10,000	15	7,500	15	7,500
On	150,000		18,700		13,000		13,000
Next	100,000	23	23,000	20	20,000	18	18,000
On	250,000		41,700		33,000		31,000
Next	250,000	26	65,000	22	55,000	21	52,500
On	500,000		106,700		88,000		83,500
Next	250,000	26	65,000	24	60,000	23	57,500
	750,000		171,700		148,000		141,000
Above	750,000	26		25		24	

4. COMPANY INCOME TAX RATES

Assessment Year	2007	2008	2009-2015	2016-2018
Tax Rate (%)	27	26	25	24

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

CHARGEABLE INCOME	Tax Rate		
	YA 2009 – 2015	2016	2018
First RM500,000	20%	19%	18%
Above RM500,000	25%	24%	24%

Note:

- Effective from assessment year 2009 the 20% tax rate is not applicable to a company having paid up capital (ordinary share) not more than RM2.5 million if more than-
    - 50% of its paid-up capital (ordinary share) is directly or indirectly owned by a related company; or
    - 50% of paid capital (ordinary share) of the related company is directly or indirectly owned by the company; or
    - 50% of the paid-up capital (ordinary share) of the company and the related company is directly or indirectly owned by another company.

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

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

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

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

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

6. LIMITED LIABILITY PARTNERSHIP (LLP) RESIDENT IN MALAYSIA

Assessment Year	**2015 and before**	**2016-2018**
Tax Rate (%)	25	24

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

CHARGEABLE INCOME	TAX RATE		
	YA 2015 AND BEFORE	2016	2018
First RM500,000	20%	19%	18%
Above RM500,000	25%	24%	24%

Note:

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

a) 50% of its capital contribution (in cash or in kind) is directly or indirectly contributed by a company; or

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

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

“The company”, other than “another company” referred to in the above paragraph, shall have a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a year of assessment.

7. WITHHOLDING TAX

TYPES OF PAYMENT TO NON-RESIDENT	TAX RATE (%)
Interest	15
Royalty	10
Remuneration/fee to public entertainer	15
Technical advice, assistance or technical services rendered in Malaysia	10
Installation fee and rental of moveable property	10
Income fall under section 4(f) ITA 1967 (w.e.f. 01.01.2009)	10
Non-resident contractor **(w.e.f. 21/9/2002)** Previously the rate is 15% + 5%	10 + 3

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

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

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

9. INCOME TAX REBATES FOR RESIDENT INDIVIDUALS

REBATES	ASSESSMENT YEAR	
	2007-2008	2009-2018
Resident individual with chargeable income of RM35,000 or less	350	400
Rebate for spouse if the tax payer chargeable income is RM35,000 or less and the spouse has no income or opt for joint assessment	350	400
Zakat	Amount of zakat paid restricted to amount of tax payable	

10. PERSONAL RELIEF FOR RESIDENT INDIVIDUALS

TYPE OF RELIEF	ASSESSMENT YEAR			
	2013-2014	2015	2016	2017-2018
Self	9,000	9,000	9,000	9,000
Additional relief for disabled tax payer	**6,000**	**6,000**	**6,000**	**6,000**
Spouse with no income or opt for joint assessment	**3,000**	**3,000**	**4,000**	**4,000**
Additional relief for disabled spouse who has no income or opt for joint assessment	**3,500**	**3,500**	**3,500**	**3,500**
Normal child (unmarried and has no income)				
a) age of 18 and below	**1,000**	**1,000**	**2,000**	**2,000**
b) age above 18 and study in tertiary education institute local (diploma and above), Overseas (Degree and above)	**6,000**	**6,000**	**8,000**	**8,000**
Disabled child (unmarried and has no income) Age above 18 and studying in tertiary education institute (diploma and above in local education institute or degree and above if study abroad)	**5,000** **11,000**	**6,000** **12,000**	**6,000** **14,000**	**6,000** **14,000**

TYPE OF RELIEF	ASSESSMENT YEAR			
	2013-2014	2015	2016	2017-2018
Life insurance premium on tax payer and/or spouse life and contribution to approved fund	6,000	6,000	6,000	6,000
SOCSO	NIL	NIL	250	250
Private retirement scheme	3,000	3,000	3,000	3,000
Education and/or medical insurance for tax payer, spouse and children	3,000	3,000	3,000	3,000
Medical expenses for tax payer, spouse and children with serious diseases	5,000	6,000	6,000	6,000
Complete medical examination on tax payer, spouse and children. Total deduction for medical expenses and examination is restricted to RM5,000	500	500	500	500
Parental care (Note 1) a) Father b) Mother	 NIL NIL	 NIL NIL	 1,500 1,500	 1,500 1,500
Basic supporting equipment for tax payer, spouse, parent or children who is disabled	5,000	6,000	6,000	6,000
Net deposit in Skim Simpanan Pendidikan Nasional (Note 2)	6,000	6,000	6,000	6,000
Education fee on qualified course for tax payer (Note 3)	5,000	5,000	7,000	7,000
Books, journal and magazine	1,000	1,000	1,000	
Personal computer (once in every 3 years)	3,000	3,000	3,000	2,500 (Note 4)
Sports and exercise equipment	300	300	300	
Smartphone and tablet	NIL	NIL	NIL	
Internet subscription	NIL	NIL	NIL	
Printed newspaper	NIL	NIL	NIL	
Gymnasium membership fee	NIL	NIL	NIL	
Fees paid to child care centres and kindergartens (Note 5)	NIL	NIL	NIL	1,000
Purchase of breastfeeding equipment for child aged up to 2 years. Claimable once in 2 years	NIL	NIL	NIL	1,000

Note:

1. The relief is subject to the following conditions-
   a) Tax payer does not claim expenses on medical treatment and care of parents;
   b) Parents are legitimate natural parents and foster parents in accordance to the respective law subject to a maximum of 2 persons;
   c) Parents aged 60 years and above and reside in Malaysia
   d) Parents annual income not exceeding RM24,000 for each parent.
2. Valid for assessment years 2012 to 2020.

3. **Qualified course** – technical, vocational, industrial, scientific or technological skill or qualification. Accountancy and law courses undertaken at the recognised institution of higher learning (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)

4. Effective from assessment year 2017 these relief are combined into new relief known as lifestyle relief with a limit of up to RM2,500

5. The child must be aged up to 6 years, the child care centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education. The relief can only be claimed by either parent.

CAPITAL ALLOWANCE RATES

TYPES OF ASSET	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
Heavy machinery (excluding imported machinery) and motor vehicle:		
• Building & construction industry	30	20
• Timber industry	60	20
• Tin mining industry	60	20
• Imported heavy machinery used in building & construction, mining, plantation and timber industry	10	10
• Other industry	20	20
Plant & Machinery:		
• Building & construction industry	30	14
• Timber industry	60	14
• Tin mining industry	60	14
• Other industry	20	14
Others:		
• Building & construction industry	30	10
• Timber industry	60	10
• Tin mining industry	60	10
• Other industry	20	10
Special plant & equipment:		
• Plant or machinery used by manufacturing company for recycling of wastes **(w.e.f. YA 2001)**	40	20
• Bus using natural gas	40	20
• Natural gas refuelling equipment used at natural gas refuelling outlet		

CAPITAL ALLOWANCE......CONT'D.

TYPES OF ASSET	INITIAL ALLOWANCE (%)	ANNUAL ALLOWANCE (%)
• Plant or machinery used for qualifying project under Schedule 7A (w.e.f YA 2001)	40	20
• Qualifying machinery and equipment used in agriculture sector including plantation **(w.e.f. 2005)**	20	40
• Qualifying equipment used by companies to ensure quality of power supply **(w.e.f. 2005)**	20	40
Purchase of mould used in the production of Industrial Building System (IBS) **(w.e.f. YA 2006)**	40	20
Control equipment used for collecting wastes, limiting environmental pollution and pollution control	40	20

Notes:

1. "**Heavy machinery**" – Bulldozers, cranes, ditchers, Excavators, graders, loaders, rippers, rollers, rooters, 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)

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

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

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

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

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

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

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

ACCELERATED CAPITAL ALLOWANCE FOR SPECIFIED PERIOD ONLY

1. Security control equipment and monitor equipment

Effective from YA 2009 to 2015

a) Qualifying security control equipment

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

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

Conditions:

i. Individual

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

ii. Company

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

b) Global Positioning System (GPS) for vehicle tracking

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

Allowance

Initial allowance: 20% Annual allowance: 80%

2. <u>Information and communication technology equipment</u>

Effective: Assessment year 2009-2016

Qualifying assets:

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

Conditions

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

Disqualified:

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

Allowance:

Initial: 20% Annual: 80%

Effective from Assessment Year 2017 the initial and annual allowance is 20% respectively.

Effective from assessment year 2018 expenditure incurred on the development of customized software comprising of consultation fee, licensing fee and technical fee related to software development eligible for initial and annual allowance of 20% respectively.

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

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

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

Note: ** Where part of the building is rented out and that part is more than 10% of the floor area then that part shall not be treated as industrial building.

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