



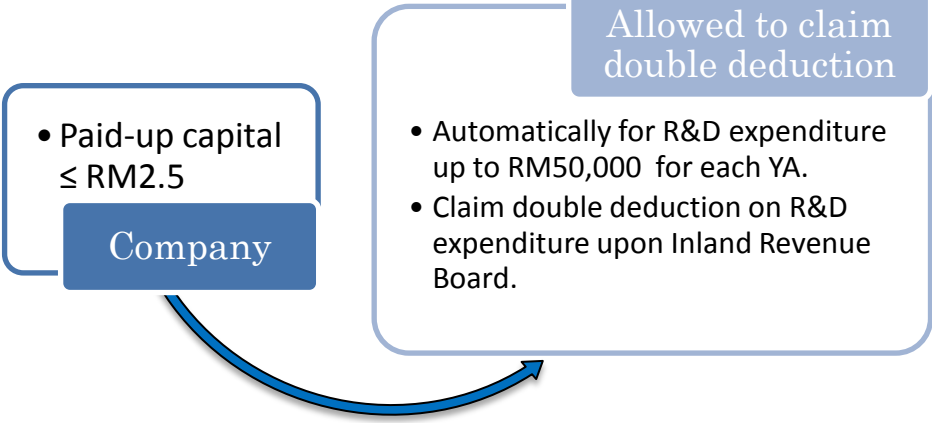
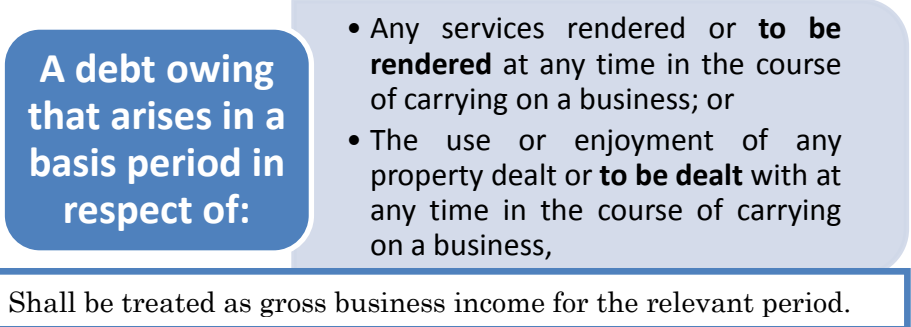
BUDGET 2016 – PROSPERING THE RAKYAT

Selected Summary of Malaysia's Tax Budget 2016

CHANGES AFFECTING INDIVIDUAL

SUBJECT	CONTENT	EFFECTIVE DATE																					
Review Tax Rate for Individual	<p>Resident individual taxpayer: Income tax rate be increased between 1% and 3% for chargeable income starting from RM600,001;</p> <table border="1"> <thead> <tr> <th>Chargeable Income (RM)</th> <th>Previous Rates (%)</th> <th>Current Rates (%)</th> <th>Increase (%)</th> </tr> </thead> <tbody> <tr> <td>600,001 – 1,000,000</td> <td>25</td> <td>26</td> <td>1</td> </tr> <tr> <td>Above 1,000,000</td> <td>25</td> <td>28</td> <td>3</td> </tr> </tbody> </table> <p>Non-resident individual taxpayer: Income tax rate be increased from 25% to 28%.</p>	Chargeable Income (RM)	Previous Rates (%)	Current Rates (%)	Increase (%)	600,001 – 1,000,000	25	26	1	Above 1,000,000	25	28	3	YA 2016 onwards									
Chargeable Income (RM)	Previous Rates (%)	Current Rates (%)	Increase (%)																				
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Changes to Tax Relieves for Resident Individual Taxpayer	<table border="1"> <thead> <tr> <th>Tax Relief</th> <th>Previous (Max)</th> <th>Current (Max)</th> </tr> </thead> <tbody> <tr> <td>Spouse with no income and/or individual taxpayer who pays alimony to former wife</td> <td>RM3,000</td> <td>RM4,000</td> </tr> <tr> <td>Disabled child studying at tertiary level</td> <td>RM12,000</td> <td>RM14,000</td> </tr> <tr> <td>Child below 18 years of age</td> <td>RM1,000</td> <td>RM2,000</td> </tr> <tr> <td>Child above 18 years of age studying at tertiary level</td> <td>RM6,000</td> <td>RM8,000</td> </tr> <tr> <td>Fees for tertiary education</td> <td>RM5,000</td> <td>RM7,000</td> </tr> <tr> <td>Employees' contribution to SOCSO</td> <td>N/A</td> <td>RM250</td> </tr> </tbody> </table>	Tax Relief	Previous (Max)	Current (Max)	Spouse with no income and/or individual taxpayer who pays alimony to former wife	RM3,000	RM4,000	Disabled child studying at tertiary level	RM12,000	RM14,000	Child below 18 years of age	RM1,000	RM2,000	Child above 18 years of age studying at tertiary level	RM6,000	RM8,000	Fees for tertiary education	RM5,000	RM7,000	Employees' contribution to SOCSO	N/A	RM250	YA 2016 onwards
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Tax Relief for Parental Care	<p>A new tax relief of RM1,500 for each parent is entitled to resident individual tax payer, subject to the following conditions:-</p> <ol style="list-style-type: none"> 1) Taxpayer does not claim tax relief for expenses incurred on medical treatment and care of parents; 2) Parents are the legitimate natural parents and foster parents in accordance with the respective law subject to a maximum of 2 persons 3) Parents are aged 60 years and above; 4) Parents are resident of Malaysia in the current year of assessment; and 5) Parents have annual income not exceeding RM24,000 per annum for each parent. <p>This relief can be shared with other siblings provided that the total relief gained shall not exceed RM1,500 per parent.</p>	YA 2016 until YA 2020																					
Exemption for Gratuity on Retirement from Employment	<p>New Paragraph 25D Schedule 6 of Income Tax Act (ITA) 1967 enacted that an exemption of no more than RM1,000 is be given for every completed year of service of that individual for any sums received by way of gratuity on retirement from an employment under any written law or termination of a contract of employment regardless of the age and period of service of the individual.</p>	YA 2016 onwards																					
Changes to Basis Period to which Employment Income is Related	<p>Amendment for Subsection 25(1) enacted that receivable income from employment will be treated as gross income and tax arrears assessed in the period received.</p> <p>For departing taxpayer, the provision remains the same.</p>	YA 2016 onwards																					

CHANGES AFFECTING COMPANIES AND UNINCORPORATED BUSINESSES

SUBJECT	CONTENT	EFFECTIVE DATE
<p>Automatic Double Deduction for Research and Development ("R&D") Project for SMEs</p>	 <ul style="list-style-type: none"> • Paid-up capital ≤ RM2.5 • Automatically for R&D expenditure up to RM50,000 for each YA. • Claim double deduction on R&D expenditure upon Inland Revenue Board. 	<p>YA 2016 to YA 2018</p>
<p>Deduction for Interest on Money Borrowed</p>	<p>Section 33(5) – Where interest is due to be paid in the following year of assessment, the taxpayer is required to notify the Director General in writing not later than 12 months from the end of the basis period for the YA. Upon receipt of such claim by the taxpayer, the Director General may revise the assessment accordingly.</p>	<p>YA 2016</p>
<p>Debts Arising from Services to be Rendered or The Use or Enjoyment of Property</p>	 <ul style="list-style-type: none"> • Any services rendered or to be rendered at any time in the course of carrying on a business; or • The use or enjoyment of any property dealt or to be dealt with at any time in the course of carrying on a business, <p>Shall be treated as gross business income for the relevant period.</p> <ul style="list-style-type: none"> ❖ New Subsection 24(1A) – advance payment in respect of the above will also be taxable in the year of receipt notwithstanding that there is no debt owing. ❖ However, if the advance payment is subsequently refunded, a tax deduction can be claimed in the year of refund - New subsection 34 (7A). 	<p>YA 2016</p>

CHANGES AFFECTING COMPANIES AND UNINCORPORATED BUSINESSES

SUBJECT	SUBJECT	EFFECTIVE DATE
Industrial Building Allowance (IBA)	<p>A person is no longer entitled to claim IBA if the building or part of it is let out to another person who uses the building as:-</p> <ul style="list-style-type: none"> ❖ Licensed private hospital, maternity homes and nursing homes ❖ Building used for/ as: <ul style="list-style-type: none"> ➢ Research ➢ Warehouses ➢ Approved service projects ➢ Hotels ➢ Living accommodation in manufacturing, hotel, tourism, or approved projects under Schedule 7B ❖ Schools or educational institutions 	<p>YA 2016</p>
Review of Special Allowances on Small Value Assets	<p>It is redefined that SME is a company which is resident and incorporated in Malaysia. SME company is eligible to claim 100% capital allowance on small value assets with value of not more than RM1,300 each.</p>	<p>YA 2016</p>
Replacement Parts	<p>It is enacted that where any part of an asset ceased to be used for purpose of a business in a basis period for a YA due to replacement and depreciated separately in accordance with Generally Accepted Accounting Principles (GAAP), that part of an asset is deemed to have been disposed for tax purposes.</p>	<p>YA 2016</p>
Deductibility of Goods and Services Tax	<ul style="list-style-type: none"> ❖ Any input tax paid or to be paid by a person in respect of Goods and Service Tax (GST) is not allowed as a deduction under the new Subsection 39(1)(o) of ITA 1967 if he is liable to be registered under the GST Act 2014 (GSTA) but failed to do so, or is entitled to the input tax credit under GSTA but has failed to claim. ❖ Any output tax paid or to be paid under the GSTA which is borne by a person who is registered or liable to be registered under the GSTA is also not allowed as a deduction under the new Subsection 39(1)(p) of ITA 1967. 	<p>YA 2015</p>
Tax Treatment for Goods and Services Tax under Schedule 3, 7A and 7B of Income Tax Act 1967	<p>Qualifying expenditure incurred by a person for the purpose of claiming capital allowance and the capital expenditure incurred by a company for the purpose of claiming reinvestment allowance and investment allowance shall not include any amount paid or to be paid in respect of GST as input tax, if:-</p> <ol style="list-style-type: none"> (i) The person or company is liable to be registered under the GST Act 2014 and has failed to do so, or (ii) The person or company is entitled under the Act to credit that amount as its input tax. 	<p>YA 2015</p>



CHANGES AFFECTING COMPANIES AND UNINCORPORATED BUSINESSES

SUBJECT	SUBJECT	EFFECTIVE DATE
E-Filing	<div data-bbox="412 516 716 655">Employer's Return (Form E)</div> <ul data-bbox="716 499 1198 680" style="list-style-type: none">• New Subsection 83(1B) of the ITA 1967• Must be submitted by way of an electronic medium or electronic submission (via e-filing) <div data-bbox="412 800 716 1037">Furnishing of Estimate or Revised Estimate of Tax Payable</div> <ul data-bbox="716 783 1198 1062" style="list-style-type: none">• Company, Limited Liability Partnership (LLP), trust body or co-operative society• File estimate or revised estimate of tax payable for each YA by way of an electronic medium or electronic submission (via e-filing)	YA 2016



INVESTMENT INCENTIVES

SUBJECT	CONTENT	EFFECTIVE DATE
Special Reinvestment Allowance (RA) Incentive	To encourage reinvestments among companies whose RA incentive period has expired, it is enacted a special RA be made available for reinvestments made within a period of 3 years of assessment starting from YA 2016.	YA 2016 to YA 2018
Allowance for Increased Exports Incentive (SMEs)	Companies with paid-up capital not exceeding RM2.5 million are eligible to claim tax exemption of statutory income equivalent to 10% or 15% of the value of increase of exports, provided that the goods exported attain at least 20% or 40% value added respectively.	YA 2016 to YA 2018
Tax Incentive for Tour Operating Companies	<p>In order to boost domestic tourism and promote Malaysia as the preferred destination for foreign tourists, the following tax incentive be extended till year of assessment 2018 for tour operating companies licensed under Tourism Industry Act 1992:-</p> <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: center;"> <div style="background-color: #4a86e8; color: white; padding: 5px; border-radius: 5px; text-align: center; width: 150px;"> Tour Packages within Malaysia </div> <div style="background-color: #e6f2ff; padding: 10px; border-radius: 10px;"> <ul style="list-style-type: none"> 100% tax exemption on statutory income Participated by not less than 1,500 local tourist per year </div> </div> <div style="display: flex; align-items: center;"> <div style="background-color: #4a86e8; color: white; padding: 5px; border-radius: 5px; text-align: center; width: 150px;"> Tour Packages to Malaysia </div> <div style="background-color: #e6f2ff; padding: 10px; border-radius: 10px;"> <ul style="list-style-type: none"> 100% tax exemption on statutory income Participated by not less than 750 foreign tourist per year </div> </div> </div>	YA 2016 to YA 2018
Tax Incentive for Food Production Projects	<p>The application of food production projects incentives from the Ministry of Agriculture and Agro-Based Industry is extended to 31 December 2020 for both the company which invest in a subsidiary company engaged in an Approved Food Production Project (AFPP) and its subsidiary company undertaking the AFPP.</p> <p>The scope of food production projects also extended to:-</p> <ul style="list-style-type: none"> planting of coconuts, mushrooms and cash crops rearing of deer cultivation of seaweed rearing of honey (bees and <i>kelulut</i>) planting of animal feed crops as determined by the Ministry of Agriculture and Agro-Based Industry and approved by the Ministry of Finance 	<i>Applications received by the Ministry of Agriculture and Agro-Based Industry from 1 January 2016 to 31 December 2020.</i>

TAX ADMINISTRATIVE MATTERS

SUBJECT	CONTENT	EFFECTIVE DATE
Additional Penalty for Not Furnishing Tax Return	Taxpayer who is fail to furnish a tax return in any year of assessment for more than 2 years, upon conviction, shall be liable to a fine for in between RM1,000 and RM20,000 or imprisonment for not more than 6 months or both and a special penalty equal to treble the amount which the Director General may, according to the best of his judgement, determine as the income tax charged on the chargeable income of that person for those years of assessment.	<i>Upon coming into operation of the Finance Act 2015</i>
Penalty for Not Providing Correct Particulars	Taxpayer who fails to furnish the correct particulars in its tax returns required by the Director General, shall be guilty of an offence and shall upon conviction, shall be liable for a fine between RM200 and RM20,000 or imprisonment not more than 6 months or both.	<i>Upon coming into operation of Finance Act 2015</i>

REAL PROPERTY GAINS TAX (RPGT)

SUBJECT	CONTENT	EFFECTIVE DATE
Penalty on Additional RPGT for Late Filing	The Director General (DG) is empowered to impose additional penalty in accordance with Section 29(3) in respect of any additional tax payable by the person for year of assessment.	<i>Upon coming into operation of the Finance (No.2) Act 2015</i>
Tax Treatment for GST under Schedule 2 of RPGT Act 1976	<p>For the purposes of computing the acquisition price and disposal price, the incidental cost of the acquisition of disposal of a chargeable asset shall includes any input tax paid or to be paid where the disposer is not liable to register for GST or if he is registered but not entitled to input tax credit.</p> <p>Additional Subparagraph 7(d) and (e) of Schedule 2 of RPGT 1976, the following shall not be taken into account computing the acquisition price or disposal price of a chargeable asset:</p> <ul style="list-style-type: none"> ❖ Any input tax paid or to be paid by the disposer if he is liable to be registered under the GST Act 2014 and failed to do so, or if he is entitled under the GST Act 2014 to credit that amount as input tax. ❖ Any output tax paid or to be paid under the GST Act 2014 which is borne by the disposer if he is registered or liable to be registered under the GST Act 2014 	<i>YA 2015 onwards</i>



GOODS AND SERVICES TAX

SUBJECT	CONTENT	EFFECTIVE DATE												
<p>Amendment to the GST (Zero-Rated) Supply Order 2014</p>	<p>The scope of zero-rated items to be broadened and include the following food products:-</p>	<p>1 January 2016</p>												
<p>Extended Scope of Drugs subject to GST at Zero rate (NEML)</p>	<p>The current zero rating for medicines and medical gases to be broadened include controlled drugs registered under the Drug Control Authority.</p> <p>The list of drugs classified as medical devices and over-the-counter medicines under the NEML are expanded to include more brands.</p> <table border="1" data-bbox="407 1234 1344 1381"> <thead> <tr> <th></th> <th>Previous</th> <th>Current</th> </tr> </thead> <tbody> <tr> <td>Controlled Drugs</td> <td>3,077</td> <td>4,320</td> </tr> <tr> <td>Over-the-counter Medicine</td> <td>1,013</td> <td>1,105</td> </tr> <tr> <td>Medical Devices</td> <td>125</td> <td>128</td> </tr> </tbody> </table>		Previous	Current	Controlled Drugs	3,077	4,320	Over-the-counter Medicine	1,013	1,105	Medical Devices	125	128	<p>1 January 2016</p>
	Previous	Current												
Controlled Drugs	3,077	4,320												
Over-the-counter Medicine	1,013	1,105												
Medical Devices	125	128												
<p>Domestic Air Passenger Transport Services in Sabah and Sarawak to be exempted from GST</p>	<p>Domestic air transportation services for passengers within and between Sabah, Sarawak and Labuan for economy class passengers under the Rural Air Services to be treated as an exempt supply.</p>	<p>1 January 2016</p>												



GOODS AND SERVICES TAX

SUBJECT	CONTENT	EFFECTIVE DATE												
Amendment of Approved Trader Scheme (ATS)	<p>Companies in the aerospace industry undertaking maintenance, repair and overhaul services (MRO) are eligible to apply for the ATS subjected to the following conditions:</p> <ol style="list-style-type: none"> i. Obtained an Approval of Organisation of Aircraft and Components which is still valid and issued by the Department of Civil Aviation under Section 2B Civil Aviation Act 1969 [Act 3]; and/or ii. Have a valid approval from: <ol style="list-style-type: none"> a. Design Authority of Original Equipment Manufacturer; and/or b. Design Organisation Approval. 	<i>1 January 2016</i>												
Amendment to the GST (Relief) Order 2014	<p>GST relief for procurement of teaching materials and equipment by skills training providers conducting approved programmes under the National Skills Development Act 2006. The list of teaching materials and equipment are as approved by the Minister of Finance.</p>	<i>1 January 2016</i>												
Amendment to Time of Supply for Imported Services	<p>The time of supply of imported services shall be treated to have been made at the earlier of the following date:</p> <ol style="list-style-type: none"> a) The date when any payment is made by the recipient; or b) The date when any invoice is issued by the supplier who belongs in a country other than Malaysia or who carries on business outside Malaysia. 	<i>1 January 2016</i>												
Amendment to Section 41 of the Goods and Service Tax Act 2014 – Furnishing of Returns and Payment of Tax	<p>If the taxable person fails to make payment for the tax due and payable, the penalty will be subjected to the followings:-</p> <table border="1" data-bbox="391 1276 1317 1423"> <thead> <tr> <th>Tax Remain Unpaid</th> <th>Rate of Penalty</th> <th>Cumulative</th> </tr> </thead> <tbody> <tr> <td>1 – 30 days</td> <td>5%</td> <td>5%</td> </tr> <tr> <td>31 – 60 days</td> <td>10%</td> <td>15%</td> </tr> <tr> <td>61 – 90 days</td> <td>10%</td> <td>25%</td> </tr> </tbody> </table> <p>Prosecution under Section 41(7) of the Act may be instituted after the expiry of 90 days.</p> <p>The penalty shall be ceased to be calculated from the date the Director General (DG) allows the payment by instalments.</p>	Tax Remain Unpaid	Rate of Penalty	Cumulative	1 – 30 days	5%	5%	31 – 60 days	10%	15%	61 – 90 days	10%	25%	<i>1 January 2016</i>
Tax Remain Unpaid	Rate of Penalty	Cumulative												
1 – 30 days	5%	5%												
31 – 60 days	10%	15%												
61 – 90 days	10%	25%												
Relief for Re-importation of Goods which Exported Temporarily	<p>The following re-importation transactions will be granted relief from payment of GST:</p> <ul style="list-style-type: none"> ✓ Goods which are exported temporarily for the purpose of promotion, research or exhibitions. ✓ Eligible equipment which have been exported temporarily for the purpose of rental and lease outside the country. Eligible equipments are equipment which is used in the upstream oil and gas industry. 	<i>1 January 2016</i>												