

October 23, 2015

To:

Our valued clients, friends and overseas affiliates

BUDGET 2016 Summary & Comments

We present to you a summary and synopsis of the 2016 Budget proposals.

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

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

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SECTION A

COMMENTARY

Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak has tabled the 2016 National Budget, the first budget under the 11th Malaysia five year plan. The budget tabled is to set a direction on how Malaysia can break out of the middle income trap and meet the challenges in the ever shifting of the world economic landscapes and most importantly regain the confidence of foreign and local investors.

Malaysia is not spared from impact of global economic slowdown, declining commodity prices, ringgit depreciation, and slower growth in the advanced economies.

However the budget has made provision for RM267.2 billion allocated under Budget 2016 compared with revised RM260.7 billion in 2015 out of which RM 215.2 billion is for operating expenditure and RM 52 billion is for development expenditure.

In order to maintain the government revenue, the budget has proposed an increased in tax rate for the higher income taxpayer, those earning between RM600,000 and RM1 million, income tax rate is increased to 26% from 25%. For those with an income above RM1 million, the tax rate will be increased to 28% from 25%.

Our foreign reserve maintains at a creditable level of RM 418 billion, indicating that Malaysia is not in a fail state or bankrupt.

The zero GST rate for medicine especially those with serious deceases is most welcome.

Although the budget suggests that the inflation rate is only 2-3 %. In reality the inflation is much higher after taking into consideration the depreciating Ringgit and the impact of GST.

Companies which undertake Research and Development projects should avail themselves for the benefit of double deduction incentives. The company should also take advantage of the reinvestment allowance which is available to manufacturing and selected agriculture activities up to 2018. SMEs that increase their export should take advantage of the increase export incentive.

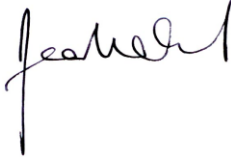
Within the constraint of falling commodity price and Ringgit, we really cannot expect much goodies from the budget but must be prepared to sacrifice especially when the government needs to keep a small budget deficit so that our sovereign credibility can be maintain.

We wish to highlight that within the uncertainty in business environment and slowdown in economy, the government is expecting the federal revenue to maintain at a high level. That is possible through higher level of tax audit and tax investigation. Lately transfer pricing compliance has been the emphasis of the tax investigation. Companies that have related party transactions are advised to prepare and maintain their contemptuous documents for transfer pricing.

Budget 2016 : *Summary & Comments*

AljeffriDean is pleased to forward a copy of our tax analysis for the guidance and reference of our valued clients.

Truly Yours,



AljeffriDean
Kuala Lumpur
October 23, 2015

SECTION B

HIGHLIGHTS

1. The theme for Budget 2016: “Prospering The Rakyat”, outlining 5 priorities:

- First Priority: Strengthening Economic Resilience;
- Second Priority: Increasing Productivity, Innovation and Green Technology;
- Third Priority: Empowering Human Capital;
- Fourth Priority: Advancing Bumiputera Agenda; and
- Fifth Priority: Easing the Cost of Living of the Rakyat.

2. Following are the highlights of the 2016 Budget:

- The 2016 Budget allocates a total of RM267.2 billion, an increase of RM6.5 billion compared with 2015 initial allocation.
- The first priority of Budget 2016 is to spur domestic investment by the increase in private investment at RM218.6 billion and public investment of RM112.2 billion.
- An additional RM1 billion for the Shariah-compliant SME Financing Scheme.
- Allocate RM60 million for the Entrepreneurs Acceleration Scheme, and SME Capacity and Capability Enhancement Scheme.
- Establish a RM200 million SME Technology Transformation Fund.
- RM900 million is proposed for the Jalan Tun Razak Traffic Dispersal Project.
- RM1.2 billion is to be provided to improve the telecommunication infrastructure.
- RM200 million will be allocated to improve roads in Felda settlements.
- RM70 million is allocated for continuation of the Rural Business Challenge and Sustainable Rural programmes.
- Online visa for seven countries - China, India, Myanmar, Nepal, Sri Lanka, United States and Canada.
- RM5.3 billion is allocated to the Ministry of Agriculture and Agro-based Industry, with RM450 million for various high-impact programmes and RM90 million for Youth Agropreneur Development Programme.
- A sum of RM235 million is allocated to MATRADE for 1Malaysia Promotion Programme, Services Export Fund and Export Promotion Fund.
- RM1.5 billion is allocated to the Ministry of Science, Technology and Innovation (MOSTI), with RM200 million under the Funding Scheme for Technology and Innovation Acceleration.
- RM35 million to MaGIC as a Leading Regional Entrepreneurship and Innovation Hub and RM30 million for several youth entrepreneurship programmes such as BAHTERA, GREAT and 1MET.
- Industrialised Building System (IBS) Promotion Fund of RM500 million will be established.

Budget 2016 : *Summary & Comments*

- RM930 million is allocated to the Ministry of Youth and Sports, with RM280 million for technical and vocational training.
- RM150 million is allocated to the Bumiputera Agenda Unit (TERAJU).
- RM100 million is to be provided for the eRezeki and eUsahawan programmes.
- The toll-free Pan-Borneo highway will be completed in 2021 and with estimated cost of RM16.1 billion.
- RM135 million is allocated for upholding Bahasa Malaysia and strengthening Bahasa Inggeris.
- RM200 million allocated for First Home Deposit Financing Scheme to assist first time home owners to pay deposits when purchasing affordable housing.
- RM1.6 billion is allocated for the construction of 175,000 units of PR1MA homes and 10,000 units are expected to be completed next year.
- TEKUN will provide RM600 million of which RM500 million for Bumiputera entrepreneurs and RM100 million for Indian entrepreneurs.
- RM17.3 billion is allocated to the Ministry of Defence.
- Effective 1 July 2016, the national minimum wage will be increased from RM900 to RM1,000 per month for Peninsular Malaysia and from RM800 to RM920 for Sabah, Sarawak and Labuan.
- The Government will allocate a BR1M to households earning less than RM1,000 will be given RM1,050, households earning below RM3,000 will be given RM1,000 and households earning between RM3,001 to RM4,000 will be given RM800.
- Income tax for those earning RM600,000 to RM1 million per annum will be increased to 26% and those more than earning RM1 million is 28%.
- In terms of income tax, relief for each child below 18 years of age is increased to RM2,000 from RM1,000 from year of assessment 2016.
- Tax relief for individual taxpayers whose spouse has no income is increased to RM4,000 from RM3,000.
- Tax relief of RM1,500 for a mother and RM1,500 for a father to the children who supporting their parents if the parents aged 60 years and above.
- Tax exemption of RM8,000 instead of RM6,000 is also set aside for every child above 18 years of age in an education institution, both local and overseas.
- Maximum relief on tuition fees for an individual taxpayer is increased to RM7,000 from RM5,000 a year.
- The eligibility for SOCSO mandatory contribution is increased from a monthly salary of RM3,000 to RM4,000.

SECTION C

SUMMARY OF AMENDMENTS TO DIRECT TAXATION

REVIEW OF INCOME TAX RATE FOR INDIVIDUAL

Refer Section H

Budget 2016 : *Summary & Comments*

REVIEW OF TAX RELIEF FOR TAX PAYER WHOSE SPOUSE HAS NO INCOME AND PAYS ALIMONY TO FORMER WIFE

- PRESENT**
- Individual tax payer whose spouse has no income and/or individual tax payer who pays an alimony to his former wife is entitled for a total relief of up to RM3,000.
- PROPOSED**
- It is proposed that the relief be increased from RM3,000 to RM4,000.
- IMPACT**
- To assist individual tax payer whose spouse has no income and/or pays an alimony to his former wife.
- EFFECTIVE DATE**
- From year of assessment 2016.

TAX RELIEF FOR PARENTAL CARE

PRESENT

- Individual tax payer is eligible to claim relief up to RM5,000 a year on expenses expended for medical treatment and care of parents.

PROPOSED

- It is proposed that a new relief of RM1,500 for a mother and RM1,500 for a father
- This relief can be shared with other siblings provided the total relief claimed shall not exceed RM1,500 each for a mother and a father.

IMPACT

- To assist taxpayer in reducing parental care cost.

EFFECTIVE DATE

- From year of assessment 2016 until year of assessment 2020.

Budget 2016 : *Summary & Comments*

REVIEW OF TAX RELIEF FOR CHILDREN BELOW 18 YEARS OF AGE

- | | |
|-----------------------|--|
| PRESENT | ▪ Individual taxpayer is given a relief of RM1,000 for each child below 18 years of age. |
| PROPOSED | ▪ It is proposed that the tax relief be increased from RM1,000 to RM2,000. |
| IMPACT | ▪ To assist individual taxpayer to bear the cost of bringing up children. |
| EFFECTIVE DATE | ▪ From year of assessment 2016. |

REVIEW OF TAX RELIEF FOR CHILDREN STUDYING AT TERTIARY LEVEL

PRESENT

- Individual taxpayers are eligible to claim relief of RM6,000 for each child over the age of 18 years who pursues full time education at diploma level and above at a recognised institution of higher learning outside Malaysia.

PROPOSED

- It is proposed that:
 - i. the relief be increased from RM6,000 to RM8,000 for each child.
 - ii. for a handicaped child, this relief is in addition to the handicaped child relief of RM6,000 for each handicapped child. Thus, a taxpayer will be eligible to claim relief of RM14,000 for each of his handicaped child who is 18 years or more of aged and pursues full time education at diploma level and above at a recognised institution of higher learning in Malaysia or at a recognised institution of higher learning outside Malaysia.

IMPACT

- To assist taxpayers to reduce costs of higher education for their children.

EFFECTIVE DATE

- From year of assessment 2016.

Budget 2016 : *Summary & Comments*

REVIEW OF TAX RELIEF ON FEES FOR TERTIARY EDUCATION

- PRESENT**
- Individual taxpayers who pursue any course of study up to tertiary level in selected fields of study, or Master of Doctorate level in any field, at any institution or professional body in Malaysia recognised by the Government or approved by the Minister of Finance are eligible to claim relief on the study fees to a maximum amount of RM5,000 a year.
- PROPOSED**
- It is proposed that the relief on study fees be increased from RM5,000 to RM7,000 per year.
- IMPACT**
- To encourage life-long learning and support the nation's aspiration towards producing world-class talents.
- EFFECTIVE DATE**
- From year of assessment 2016.

TAX RELIEF ON EMPLOYEES' CONTRIBUTION TO SOCIAL SECURITY PROTECTION SCHEME

PRESENT

- Statutory contribution by Malaysian citizen employees who are paid monthly gross salary of up to RM3,000 at a rate of 0.5% from the monthly gross salary as offered under the employment contract which is capped by a maximum of RM3,000; and
- Voluntary contribution by Malaysian citizen employees who are paid monthly gross salary exceeding RM3,000 at a rate of 0.5% from the monthly gross salary as offered under the employment contract which is capped at a maximum of RM3,000.
- Employers' contribution to the social security protection scheme is at a rate of 1.75% of the Malaysian employee's monthly gross salary which is capped at a maximum of RM3,000 and is eligible for tax deduction.

PROPOSED

- It is proposed that employees be eligible to claim relief up to a maximum of RM250 per year on the contribution to SOCSO pursuant to the Employees' Social Security Act 1969.

IMPACT

- To encourage more employees to voluntarily contribute to the social security protection scheme.

EFFECTIVE DATE

- From year of assessment 2016.

Budget 2016 : *Summary & Comments*

**TAX INCENTIVE ON ISSUANCE OF SUSTAINABLE AND RESPONSIBLE INVESTMENTS
SUKUK (SRI SUKUK)**

PRESENT

- Deduction is given on expenses incurred on the issuance of sukuk under the principles of *Mudharabah, Musyarakah, Ijarah, Istisna', Murabahah, Wakalah* and *Bai Bithaman Ajil* based on *tawarruq* approved by the Securities Commission of Malaysia. The incentive is given from the years of assessment 2003 until 2015
- Deduction for sukuk issued under the principles of *Ijarah* and *Wakalah* has been extended for another three years from the year of assessment 2016 to year of assessment 2018.
- Deduction is also given on expenses incurred on the issuance of sukuk that complies with the requirements of Sustainable and Responsible Investment (SRI).

PROPOSED

- It is proposed that tax deduction be given for five years on issuance costs of SRI Sukuk approved by or authorised by or lodged with the Securities Commission of Malaysia.

IMPACT

- To promote the issuance of SRI Sukuk and to establish Malaysia as a regional issuance hub for SRI Sukuk.

EFFECTIVE DATE

- For year of assessment 2016 to year of assessment 2020.

TAX INCENTIVE FOR ISSUANCE OF RETAIL BOND AND RETAIL SUKUK

PRESENT

- Double deduction is given on additional issuance costs of retail bonds and further deduction on additional issuance costs of retail sukuk.
- The above tax treatment is effective from years of assessment 2016 to year of assessment

PROPOSED

- It is proposed that double deduction or further deduction for retail bonds and retail sukuk be extended for another 3 years as follows:
 - i. double deduction on additional issuance costs of retail bonds;
 - ii. double deduction on additional issuance costs of sukuk under the principles of *Mudharabah*, *Musyarakah*, *Istisna'*, *Murabahah* and *Bai' Bithaman Ajil* based on *tawarruq*; and
 - iii. further deduction on additional issuance costs of sukuk under the principles of *Ijarah* and *Wakalah*

IMPACT

- To further encourage more investors' involvement particularly individual investors in the capital market.

EFFECTIVE DATE

- From year of assessment 2016 to year of assessment 2018.

Budget 2016 : *Summary & Comments*

EXTENSION OF TAX EXEMPTION ON INCOME FROM MANAGING SHARIAH-COMPLIANT FUNDS

PRESENT

- Exemption is given to the company that provides Shariah-compliant fund management services and certified by the Securities Commission Malaysia on the statutory income derived from business of providing fund management services to:
 - i. foreign investors in Malaysia, effective from years of assessment 2007 to 2016;
 - ii. local investors in Malaysia, effective from years of assessment 2008 to 2016; and
 - iii. business trusts or real estate investment trusts in Malaysia, effective from years of assessment 2014 to 2016.

PROPOSED

- It is proposed that the above tax exemption be extended for another four years.

IMPACT

- To further promote business management activities of Shariah-compliant funds.

EFFECTIVE DATE

- From year of assessment 2017 to year of assessment 2020.

EXTENSION OF TAX INCENTIVE PERIOD FOR REAL ESTATE INVESTMENT TRUSTS (REITs)

PRESENT

- Investors in Real Estate Investment Trusts (REITs) are given the following incentives:
 - i. foreign institutional investors, particularly pension funds and collective investment funds receiving profit distribution from REITs listed on Bursa Malaysia are subject to final withholding tax at 10% from 1 January 2012 until 31 December 2016; and
 - ii. non-corporate investors including resident and non-resident individuals and other local entities receiving profit distribution from REITs listed on Bursa Malaysia are subject to final withholding tax at 10% from 1 January 2012 until 31 December 2016.

PROPOSED

- It is proposed that the tax incentives be extended for another 3 years

IMPACT

- To further promote the development of REITs and boost the capital market and investment in real estates.

EFFECTIVE DATE

- From 1 January 2017 to 31 December 2019.

Budget 2016 : *Summary & Comments*

EXTENSION OF STAMP DUTY EXEMPTION TO REVIVE ABANDONED HOUSING PROJECTS

PRESENT

- Stamp duty exemptions is provided to revive abandoned housing projects as follows:

Rescuing contractors

- i. on instruments of loan agreements to finance the completion of abandoned housing projects; and
- ii. on instruments of transfer of title for land and houses in abandoned housing projects.

Original house purchaser in the abandoned project

- i. on instruments of loan agreements for additional financing; and
- ii. on instruments of transfer of the house.

- The exemptions are given on the above instruments executed from 1 January 2013 to 31 December 2015.
- Abandoned housing projects must be certified by the Ministry of Housing and Local Government to be eligible for above tax incentives.

PROPOSED

- It is proposed that the existing stamp duty exemption to the rescuing contractors and the original house purchasers of abandoned projects be extended for another two years.

IMPACT

- To further encourage rescuing contractors to complete abandoned housing projects and reduce financial burden of affected house purchasers.

EFFECTIVE DATE

- Loan agreements and memorandums of transfer executed from 1 January 2016 to 31 December 2017 for abandoned housing projects approved by Ministry of Housing.

EXTENSION OF STAMP DUTY EXEMPTION ON SHARIAH FINANCING INSTRUMENTS

PRESENT

- Stamp duties treatment on Shariah Financing Instruments approved by the *Shariah Advisory Council of the Bank Negara Malaysia* or the *Securities Commission Malaysia* are as follows:
 - i. Stamp duty exemption on additional instruments executed in accordance to the Shariah principles effective from 11 September 2004; and
 - ii. 20% stamp duty exemption on the principal or primary instrument of financing in accordance to the Shariah principles effective from 2 September 2006 until 31 December 2015.

PROPOSED

- It is proposed that the 20% stamp duty exemption be extended for another two years.

IMPACT

- To further encourage Shariah financing and to reduce cost of home ownership.

EFFECTIVE DATE

- For housing financing instruments executed on or after 1 January 2016 but not later than 31 December 2017.

Budget 2016 : *Summary & Comments*

TAX INCENTIVES FOR THE ESTABLISHMENT OF INDEPENDENT CONFORMITY ASSESSMENT BODIES (ICAB)

PRESENT

- ICAB is a company that offers independent conformity assessment services to its clients to test their products, materials, systems or services for conformance to international specifications or safety standards and other conformities. Currently, there is no tax incentive for companies carrying out independent conformity assessment activities.
- Tax incentive was given to laboratories that tested medical devices but had expired in 31 December 2012.

PROPOSEDFor a new ICAB:

- Income tax exemption of 100% on statutory income derived from qualifying activities for a period of 5 years; or
- Income tax exemption equivalent to Investment Tax Allowance of 60% on qualifying capital expenditure for a period of 5 years. The allowance can be offset against 100% of the statutory income.

For existing ICAB:

- Income tax exemption equivalent to Investment Tax Allowance of 60% on qualifying capital expenditure for a period of 5 years. The allowance can be offset against 100% of the statutory income.
- The above incentives are given to the following sectors:
 - i. Machinery and Equipment;
 - ii. Electrical and Electronics;
 - iii. Chemicals;
 - iv. Aerospace;
 - v. Medical Devices; and
 - vi. Fresh and Processed Food.
- Eligible activities are as follows:
 - i. Testing Laboratories;
 - ii. Calibration Laboratories;
 - iii. Certifications;
 - iv. Inspections; or
 - v. Good Laboratory Practice.
- To qualify for the above incentives, ICAB must obtain accreditation from the following bodies:
 - i. Department of Standards Malaysia;
 - ii. Accrediting bodies recognised by the International Laboratory Accreditation Cooperation (ILAC) under Mutual Recognition Arrangement;
 - iii. International Accreditation Forum (IAF) under Multi-Lateral Agreement; or
 OECD Good Laboratory Practice Mutual Acceptance Data.

IMPACT

- To further promote the development of independent conformity assessment services in Malaysia.

EFFECTIVE DATE

- For applications received by MIDA from 1 January 2016 until 31 December 2018.

REVIEW OF TAX INCENTIVE FOR FOOD PRODUCTION PROJECTS

PRESENT

- Companies carrying out food production projects are given the following tax incentives:
 - i. The company that makes an investment in a subsidiary company carrying out new food production project is given tax deduction equivalent to the amount of investment made in that subsidiary for that year of assessment; and
 - ii. A company carrying out:
 - a. a new food production project is given 100% income tax exemption of statutory income for 10 years of assessment; or
 - b. an expansion of the existing food production project is given 100% income tax exemption of statutory income for 5 years of assessment.

The exemption period for (a) and (b) will commence from the first year of assessment in which the company derives statutory income.

- Food production projects that qualify for the above incentives are as approved by the Minister Finance that are planting of vegetables, fruits, kenaf, herbs, spices; rearing of cows, buffaloes, goats or sheep; aquaculture and deep sea fishing.
- The above incentives are for applications received by the Ministry of Agriculture and Agro-Based Industry until 31 December 2015.

PROPOSED

- To propose that the incentives for food production projects application be extended for another 5 years.
- Qualifying approved food production projects also be extended to include planting of coconuts, mushrooms and cash crops, rearing of deer, cultivation of seaweed, rearing of honey (bees and *kelulut*) and planting of animal feed crops.

IMPACT

- To support the developments and continuous growth of a competitive agro-food sector and agro-based industry.

EFFECTIVE DATE

- Applications received by the Ministry of Agriculture and Agro-Based Industry from 1 January 2016 to 31 December 2020.

Budget 2016 : *Summary & Comments*

EXTENSION OF TAX INCENTIVES FOR TOUR OPERATING COMPANIES

PRESENT

- Tax incentives for tour operating companies are as follows:
 - 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,500 local tourists per year; and
 - 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 750 inbound tourists per year.
- The incentives have been extended from year of assessment 2013 until year of assessment 2015.

PROPOSED

- It is proposed that above incentives be extended for another 3 years of assessment.

IMPACT

- To encourage tour operating companies to promote Malaysia as a preferred destination and boost domestic tourism.

EFFECTIVE DATE

- From year assessment 2016 until year of assessment 2018.

AUTOMATIC DOUBLE DEDUCTION FOR R&D PROJECT

PRESENT

- Companies that carry out approved R&D projects are entitled to claim a double deduction on R&D project expenditures under Section 34A of the Income Tax Act 1967.

PROPOSED

- It is proposed that companies with paid-up capital not exceeding RM2.5 million be allowed to claim a double deduction automatically for R&D project expenditures up to RM50,000 for each year of assessment.

IMPACT

- To promote R&D activities among companies with paid-up capital not exceeding RM2.5 million.

EFFECTIVE DATE

- From year of assessment 2016 to year of assessment 2018.

Budget 2016 : *Summary & Comments*

ALLOWANCE FOR INCREASED EXPORTS INCENTIVE TO SMALL AND MEDIUM ENTERPRISES (SMEs)

PRESENT

- Tax incentives are given to manufacturing and agriculture companies as follows:
 - i Exemption of statutory income equivalent to 10% of the value of the increased exports to manufacturers provided that the goods exported attain at least 30% value added;
 - ii Exemption of statutory income equivalent to 15% of the value of the increased exports to manufacturers provided that the goods exported attain at least 50% value added;
 - iii Exemption of statutory income equivalent to 10% of the value of increased export to companies which export agriculture product.
- The tax exemption mentioned above is restricted to maximum 70% of the statutory income.

PROPOSED

- It is proposed that tax incentives be given with the revised value added criteria as follows:
 - i. Exemption of statutory income equivalent to 10% of the value of the increased exports to manufacturers provided that the goods exported attain at least 20% value added; and
 - ii. Exemption of statutory income equivalent to 15% of the value of the increased exports to manufacturers provided that the goods exported attain at least 40% value added.
- The above tax exemption is restricted to 70% of the statutory income.

IMPACT

- To encourage companies with paid-up capital not exceeding RM2.5 million to expand their export markets to international market.

EFFECTIVE DATE

- From the year of assessment 2016 until year of assessment 2018.

SPECIAL REINVESTMENT ALLOWANCE INCENTIVE

PRESENT

- A company that reinvests for the purposes of expansion, modernization, automation or diversification is eligible for Reinvestment Allowance (RA) for 15 consecutive years beginning from the year of assessment RA is claimed. The rate of RA is 60% of the qualifying capital expenditure and be set off against:
 - i. 70% of statutory income; or
 - ii. 100% of statutory income provided in that relevant year of assessment the company achieves the productivity level as determined by the Minister of Finance.

Eligible activities are manufacturing activities and selected agriculture activities.

PROPOSED

- It is proposed that a special RA be made available for reinvestments made in a period of 3 years of assessment.

IMPACT

- To encourage reinvestments by companies which have exhausted their eligibility to qualify for RA.

EFFECTIVE DATE

- For qualifying capital expenditure incurred from year of assessment 2016 until year of assessment 2018.

SECTION D

SUMMARY OF AMENDMENTS TO INDIRECT TAXATION

STREAM LINING OF FOOD PRODUCTS SUBJECT TO GST AT ZERO RATE

PRESENT

- The following food items are subject to GST at zero rate (GST 0%):
 - i. **Lentils (Dhal)** under tariff code 0713.40 000
 - ii. **Vegetables**
All kinds of vegetable products under tariff code 07.01 until 07.14
 - iii. **Spices**
Tamarind, white pepper, black pepper, clove, cardamom, star anise, turmeric powder, cinnamon, cumin, aniseed, fenugreek and nutmeg
 - iv. **Sugar**
All kinds of white sugar extracted from cane including icing, coarse, castor, fine and rock sugar; and in various forms of packaging
 - v. **Noodle products**
All types of rice noodles (dry), noodles (fresh), laksa (wet) and kuey teow (wet)
 - vi. **Infant milk**
Milk for infant and children from age 0 to 36 months, covering all kinds of flavors under tariff code 19.01

PROPOSED

- The following food items be subject to GST at zero rate:

Milk for infant and children for ages 0 to 36 months to include:

- a. Organic-based milk for infant and children under tariff code 04.02 10 000 and Soy bean -based milk for infant and children under tariff code 2106.90 910 and comply with the requirements under the Food Regulations 1985, Food Act 1983 [Act 281];
- b. Dhal bean to include the bean [Chickpeas (Garbanzos)] under tariff code 0713.20 000, green and white bean [(Beans of the species *Vigna mungo* (L.) Hepper or *Vigna radiate* (L.) Wilczek] under tariff code 0713.31 000, lentils under tariff code 0713.40 000 and bean [Pigeon peas (*Cajanus cajan*)] under tariff code 0713.60 000;
- c. Vegetables to include lotus root and water chestnut under tariff code 0714.90 900;
- d. Spices to include mustard seeds under tariff code 1207.50 000;
- e. Sugar to include the jaggery powder under tariff codes 1701.13 000 and 1701.14 000; and
- f. Noodle products to include *mi kolok* (dry) under tariff code 1902.19 400.

IMPACT

To provide similar treatment for food products in the same category.

EFFECTIVE DATE

1 January 2016.

Budget 2016 : *Summary & Comments*

SCOPE OF DRUGS SUBJECT TO GST AT ZERO RATE

PRESENT

A total of 4,215 brands of medicine and medical gases in the National Essential Medicines List (NEML) issued by the Ministry of Health and approved by the Minister of Finance and put up in measured doses or in the form of packaging for retail sale are subject to GST at zero rates. These include 321 chemical entities for treatment of over 30 diseases including heart disease, diabetes, hypertension, cancer, hepatitis and fertility treatment.

PROPOSED

It is proposed the list of zero rated medicines be widen as follows:

- i. All types of Controlled Drugs in the Poisons Groups A, B, C and D under the Poisons Act 1952 [Act 366] which are registered by the Drug Control Authority, through the National Pharmaceutical Control Bureau (NPCB) with the Registration Number under Suffix A covering 7,397 brands of drugs. This is an increase of 4,320 brands of drugs as compared to 3,077 brands of drugs covered under NEML;
- ii. Over the Counter Medicine registered by the Drug Control Authority, through the NPCB with the Registration Number under Suffix X & N covered under NEML is expanded from 1,013 brands of drugs to 1,105 brands of drugs; and
- iii. Drugs under NEML classified as medical devices are expanded from 125 brands to 128 brands.

IMPACT

To ensure the rakyat have access to the supply of quality drugs at affordable prices

EFFECTIVE DATE

1 January 2016.

**GST TREATMENT ON DOMESTIC AIR PASSENGER TRANSPORT SERVICES IN
SABAH AND SARAWAK**

PRESENT

Domestic air transportation services for passengers are subjected to GST at 6%. This includes domestic air transportation services for passengers under the Rural Air Services in Sabah and Sarawak including Labuan.

PROPOSED

As air transportation is one of the main modes of transportation for the *rakyat* in Sabah and Sarawak especially in the interior areas, it is proposed that domestic air transportation services for passengers within and between Sabah, Sarawak and Labuan for economy class passengers under the Rural Air Services to be determined as an exempt supply.

IMPACT

No GST need to be paid on the airfares by economy class passengers.

EFFECTIVE DATE

1 January 2016.

Budget 2016 : Summary & Comments**REVIEW OF ENTITIES ELIGIBLE FOR APPROVAL UNDER THE APPROVED TRADER SCHEME****PRESENT**

The Approved Trader Scheme (ATS) under Section 71, Goods and Services Tax Act 2014 [Act 762] allows the suspension of GST payment on imported goods by any registered entity which fulfills the stipulated criteria. The entity is required to be registered under Section 20 of the Goods and Services Tax Act 2014 and fulfills one of the following criteria:

- i. Licensed under Section 65A of the Customs Act 1967;
- ii. Operates in a free industrial zone under paragraph 10(1)(b) of the Free Zones Act 1990 [Act 438];
- iii. Approved by the Director General of Malaysian Investment Development Authority as an international procurement centre or regional distribution centre;
- iv. Annual sales turnover exceeding RM25 million and making at least 80% zero-rated supplies;
- v. A toll manufacturer other than a recipient of goods under the Approved Toll Manufacturer Scheme under Section 72 of the Goods and Services Tax Act 2014;
- vi. Approved jeweller under the Approved Jeweller Scheme under Section 73 of the Goods and Services Tax Act 2014; or
- vii. Person or class of persons as determined by the Minister.

PROPOSED

It is proposed a company undertaking aerospace MRO activities is eligible to apply to be approved under the ATS. ATS can be considered for companies carrying out maintenance, repair and overhaul solely in the aerospace sector and comply with the following conditions:

- i. Obtained an *Approval of Organisation of Aircraft & 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:
 - a. Design Authority of Original Equipment Manufacturer; and/or
 - b. Design Organisation Approval.

IMPACT

To ensure the maintenance, repair and overhaul (MRO) activities continue to be competitive and contribute to the rapid growth of the aerospace industry.

EFFECTIVE DATE

1 January 2016.

**RELIEF FROM PAYMENT OF GST ON PROCUREMENT OF GOODS BY SKILLS
AND VOCATIONAL TRAINING CENTRES**

PRESENT	<p>Private educational institutions for child care, pre-school, primary and secondary schools and private higher educational institutions have been given relief from payment of GST on procurement of teaching materials and equipment as follows:</p> <ol style="list-style-type: none">i. Multimedia equipment directly used as teaching aid;ii. Equipment for science and linguistic laboratory;iii. Tools and equipment for technical or vocational studies; andiv. Chemicals, solution and gas for the use in science laboratory.
PROPOSED	<p>It is proposed the procurement of teaching materials and equipment by skills training providers that conduct approved and accredited programs under National Skills Development Act 2006 [Act 652] be given relief from payment of GST. The list of teaching materials and equipment are as approved by the Minister of Finance.</p>
IMPACT	<p>To streamline the GST relief given to the child care centers, pre-schools, primary and secondary private schools and private higher educational institutions</p>
EFFECTIVE DATE	<p>1 January 2016.</p>

Budget 2016 : *Summary & Comments*

RELIEF FROM PAYMENT OF GST ON RE-IMPORTATION OF GOODS TEMPORARILY EXPORTED FOR THE PURPOSE OF PROMOTION, RESEARCH OR EXHIBITION

PRESENT	Goods which have been exported temporarily for the purpose of promotion, research or exhibition are subjected to imposition of GST at standard rate when they are re-imported into Malaysia.
PROPOSED	It is proposed that relief from payment of GST be given every time to the re-importation of goods that are exported temporarily.
IMPACT	To ensure local businesses that have exported their goods temporarily for the purpose of promotion, research or exhibitions are not required to pay GST repeatedly on re-importation
EFFECTIVE DATE	1 January 2016.

**RELIEF FROM PAYMENT OF GST ON RE-IMPORTATION OF GOODS EXPORTED
TEMPORARILY FOR THE PURPOSE OF RENTAL AND LEASE**

PRESENT	Goods which have been exported temporarily for the purpose of rental and lease are subject to imposition of GST at standard rate when re-imported into Malaysia.
PROPOSED	<p>It is proposed that the relief from payment of GST be given to re-importation of eligible equipment that have been exported temporarily for the purpose of rental and lease outside the country. Among the eligible equipment are equipment used in the upstream oil and gas industry.</p> <p>The list of equipment and conditions are as approved by the Minister of Finance.</p>
IMPACT	To promote the development of supporting services activities in the various sectors
EFFECTIVE DATE	1 January 2016.

Budget 2016 : *Summary & Comments*

REBATES EQUIVALENT TO AMOUNT OF GST PAID FOR PREPAID TELECOMMUNICATION SERVICES OR PREPAID CARDS

PRESENT	Prepaid telecommunication services or prepaid cards are subjected to imposition of GST at standard rate for mobile phone users.
PROPOSED	It is proposed that Malaysian consumers will receive rebates equivalent to the amount of GST paid, which will be credited directly to their prepaid accounts
IMPACT	The prepaid company will bear the GST.
EFFECTIVE DATE	from 1 January 2016 to 31 December 2016

SECTION E

SUMMARY OF BUSINESS OPPORTUNITIES AND OTHER INCENTIVES

I. STRENGTHENING ECONOMIC RESILIENCE

Boosting Domestic Investment

- The government will develop the 108,000 hectare Malaysian Vision Valley, which will sprawl from Nilai to Port Dickson with an investment of RM5 billion.
- The government will develop the Cyber City Centre in Cyberjaya, with an investment of RM11 billion over a period of 5 years.
- Development of an airport township or KLIA Aeropolis in area covering 1,300 acres with an investment of RM7 billion.
- Khazanah Nasional Berhad to invest RM6.7 billion in nine domestic projects in sectors such as healthcare, education, tourism, software and communication infrastructure.
- Khazanah Nasional will be allocated RM500 million as venture capital and private equity fund including a tourism capital venture fund of RM50 million.
- Refinery and Petrochemical Integrated Development Project (RAPID) Complex in Pengerang, Johor will be allocated RM18 billion.
- RM320 million will be allocated to develop of Rubber City, Kedah, RM142 million for Samalaju Industrial Park, Sarawak and RM20 million for Palm Oil Jetty in Sandakan, Sabah.
- RM730 million will be allocated to funds under the Malaysian Investment Development Authority (MIDA).

Purpose To attract more private investment.

Energising Small and Medium Enterprises (SMEs)

- To provide an additional RM1 billion for the Shariah-compliant SME Financing Scheme until 31 December 2017 with the Government subsidising 2% of the financing profit rate.
- RM107 million will be allocated for the SME Blueprint to provide funds for entities at various stages of business development.
- RM60 million will be allocated for the Entrepreneurs Acceleration Scheme, and SME Capacity and Capability Enhancement Scheme.
- Establish a RM200 million SME Technology Transformation Fund under the SME Bank to provide soft loans at 4%.
- RM18 million to expand the Small Retailer Transformation Programme (TUKAR) and Automotive Workshop Modernisation (ATOM) projects.

Purpose To develop the business value chain and increase the GDP by 2020.

Improving Infrastructure**i. Logistic Infrastructure**

- To improve logistics infrastructure, including building and improving rail transport network and highways. These include the highways of Damansara - Shah Alam, Sungai Besi - Ulu Klang, Pulau Indah and Central Spine Road.
- RM900 million to implement the Jalan Tun Razak Traffic Dispersal Project through a strategic public and private partnership.
- RM42 million for the construction of Mukah Airport, Sarawak and upgrading of airports in Kuantan and Kota Bharu.
- A cost of RM10 billion is allocate for Ampang LRT line extension project spanning 18.1 kilometres (km) and LRT extension line from Kelana Jaya to Putra Heights spanning 17.4 km.
- A cost of RM32 billion for the MRT line from Sungai Buloh - Semantan will be completed in December 2016 and Phase 2 of Semantan - Kajang will be completed by mid 2017.
- Construction of MRT2 Sungai Buloh - Serdang - Putrajaya costing RM28 billion to begin in second quarter of 2016, and will be completed by 2022.
- Construction of LRT3 Bandar Utama, Damansara - Johan Setia, Klang costing RM10 billion to begin in 2016 and will be completed by 2020.
- The Rapid Transit Bus (BRT) project at a cost of more than RM1.5 billion and BRT Kota Kinabalu at a cost of almost RM1 billion will be implemented.

ii. Telecommunication Infrastructure

- The Malaysian Communications and Multimedia Commission to allocate RM1.2 billion to increase Internet speed in rural areas from 5Mbps to 20Mbps.
- RM250 million will be allocated for the national broadcasting digitalisation project.

iii. Infrastructure Development in Rural Area

- RM1.4 billion to build and upgrade 700 km of rural roads nationwide. A sum of RM200 million is provided for the upgrading of roads in Faderal Land Development Authority (FELDA) settlements.
- RM878 million for the Rural Electrification Project and RM568 million for the Rural Water Supply Project.
- RM60 million for the Social Amenities Programme for drainage projects to mitigate floods.
- RM70 million will be allocated for continuation of the Rural Business Challenge (RBC) and Sustainable Rural programmes.
- RM67 million will be allocated to the MARA Bus Transport Project for operating buses on uneconomic routes in rural areas.

Purpose To ensure the comfort of people in urban areas.

Promote and Strengthen Economic Activity

i. Tourism Sector

- RM1.2 billion will be allocated to the Ministry of Tourism and Culture

Purpose To generate economic activities.

ii. Agriculture Sector

RM5.3 billion will be allocated to the Ministry of Agriculture and Agro-based Industry for the following programmes:

- RM450 million for programmes such as fruit and vegetable cultivation, matching and research grants for herbal products.
- RM180 million to upgrade drainage and infrastructure in the Integrated Agricultural Development areas.
- RM190 million to FAMA, for the Price Reduction Programme.
- RM90 million will be allocated for Youth Agropreneur Development Programme.

iii. Exports

RM235 million will be allocated to MATRADE for 1Malaysia Promotion Programme, Services Export Fund and Export Promotion Fund.

Purpose To further strengthen exports activities.

2. INCREASING PRODUCTIVITY, INNOVATION AND GREEN TECHNOLOGY

Accelerating Innovation and Entrepreneurship

i. RM1.5 billion will be allocated to Ministry of Science, Technology and Innovation (MOSTI).

Purpose To make the nation a competitive technology hub in the region.

ii. The Government will declared as Malaysia Commercialisation Year in year 2016 and the following initiatives will be implemented:

- RM100 million to Malaysian Innovation Agency (AIM).
- RM200 million under the Funding Scheme for Technology and Innovation Acceleration by Malaysia Debt Ventures Berhad.
- RM35 million to MaGIC as a Leading Regional Entrepreneurship and Innovation Hub, including RM10 million as initial allocation for the Corporate Entrepreneurs Responsibility Fund.
- RM30 million for several youth entrepreneurship programmes such as Global Entrepreneurship Community, BAHTERA, GREAT, 1MET, National Innovation Competition and a Pilot Coding Project in schools.
- To accelerate demand-driven innovation activities in 2016, the Government will allocate RM50 million for a Public-Private Research Network.

Budget 2016 : Summary & Comments

Purpose To commercialisation of R&D products by local research institutions.

Leveraging Advancements in Technology

IBS Promotion Fund of RM500 million will be established through the SME Bank to provide soft loans to developers and contractors.

Purpose To enhance the use of technology in the construction sector.

Inculcating Green Technology

- RM877 million will be allocated to the Ministry of Energy, Green Technology and Water.
- RM515 million will be allocated to ensure the reliability of electricity supply in Sabah.
- RM45 million for the implementation of an Electricity Mobility Action Plan including energy audit process.
- Sustainable Energy Development Authority (SEDA) will offer a quota of 100 megawatts per year under the Net Energy Metering Scheme to encourage the use of solar photovoltaics.
- Extend the implementation period of the Green Technology Financing Scheme until 31 December 2017 with a fund of RM1.2 billion.

Purpose To provide clean water supply and to reduce the intensity of greenhouse gas emissions (GHGs) to 40% of GDP in 2020.

3. EMPOWERING HUMAN CAPITAL
Strengthening Malaysia's Quality of Education
i. The Government will build:

- 30 primary schools.
- 27 secondary schools.
- Four MARA Junior Science Colleges (MRSM) will be built in Sik, Kedah, Ketereh and Tanah Merah, Kelantan and Bagan Datoh, Perak.
- Five fully residential schools in Alor Gajah, Melaka; Pendang, Kedah; Segamat and Ledang, Johor; and Jerantut, Pahang

Purpose To increase the enrolments to ensure universal access at any phases of education.

ii. Implement various programmes in 9,113 pre-school classes in school nationwide - RM44.6 million

Purpose To encourage the enrollment and attendance by lowering barriers to access.

iii. Upholding Bahasa Malaysia and strengthening English Language - RM135 million

Purpose To increase proficiency in Bahasa Malaysia and English.

iv. Dual Language Programme and Highly Immerse Programme - RM38.5 million

Purpose To improve the English language to face current global competition.

v. Schooling assistance of RM100 will be continued by targeted to students from household with monthly income of RM3,000 and below – RM350 million

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

vi. Supplementary food programme listed in e-Kasih will be enhanced and expanded to provide breakfast - RM423 million

Purpose To ensure that children receive appropriately nutritious meals to support cognitive development.

vii. The Government will provide allocation to develop and maintain education facilities amounted RM500 million for the following:

- National Schools
- National-type Chinese schools
- National-type Tamil schools
- Religious schools
- Fully residential schools
- National religious assisted schools
- MARA Junior Science Colleges
- Registered Sekolah Pondok
- National-type Chinese Secondary Schools (Conforming Schools) which use the national curriculum

Purpose To ensure a safe and conducive learning environment.

Strengthening Higher Education

i. The Government will allocate RM 2.446 billion for sponsoring education of which RM1.65 billion will be given to the Public Service Department, Ministry of Education RM288 million, Ministry of Higher Education RM250,000,000 and Ministry of Health RM258 million

Purpose To ease the burden in the cost of education.

ii. 1Malaysia Book Voucher Programme (RM250)

Purpose To easing the burden on students while cultivating a healthy interest towards reading among Malaysians.

Transforming Technical and Vocational Education and Training (TVET)**i. Target 60% of 1.5 million new jobs by 2020 for workers with TVET skills – RM4.8 billion**

Purpose To enhance employees' income.

ii. The Ministry of International Trade and Industry (MITI) will establish an Industrial Skills Committee to coordinate TVET programmes in collaboration with industries of:

- Training equipment at polytechnics, community colleges, MARA Skills Institutes, National Youth Skills Institutes, Industrial Training Institutes, GiatMARA and vocational colleges – RM585 million.
- Finance various TVET training programmes under the Skills Development Fund Corporation – RM350 million.
- Establish a Tourism Academy at Community College in Kota Kinabalu and Vocational College in Sandakan as well as Industrial Training Institute of Serian, Sarawak – RM80 million.

Purpose To open up more applications opportunities in TEVT programs.

Empowering Youth, Community and NGOs**i. The Ministry of Youth and Sports have allocate RM930 million for the following initiatives:**

- Technical and vocational training in National Youth Skills Training Institutes (IKBN) and National Youth Advance Skills Training Institutes (IKTBN) – RM280 million.
- To enhance youth participation in economic and entrepreneurial activities – RM50 million.
- To prepare athletes for the 29th SEA Games and the 9th ASEAN Para Games in 2017 in Kuala Lumpur – RM145 million.
- To produce world-class champions under the Preparation of Elite Athletes (Podium Programme) – RM75 million.
- To build two sports complexes in Bagan Datoh and Kuantan – RM22 million.
- To improve the National Service Training Programme (PLKN) – RM360 million.

Purpose To attract more community involves in healthy lifestyle.

ii. Implements programmes based on community development, solidarity, social welfare, health and safety – RM360 million

Purpose To involve the participation of community in programs.

Empower Human Capital through a Quality Workforce

i. The Governments had implement the following programmes:

- Allocate Human Resources Development Fund (HRDF) to implement training programmes to meet the needs of local industries in Sabah and Sarawak as well as an Outplacement Centre.
- Train an additional participants under the 1Malaysia Training Scheme (SL1M) – RM250 million.

Purpose To improve the employability of the workforce

ii. PSMB implement programmes such as Train & Replace – RM77 million

Purpose To improve the management of foreign workers.

iii. The Government will monitor the participation of women in decision-making positions either in public and private sectors.

Purpose To increase women's capacity to participate in decision-making and leadership.

4. ADVANCING BUMIPUTERAAGENDA

Empowering Bumiputera Unit

i. Bumiputera Agenda Unit (TERAJU) – RM150 million

Purpose Implementing various programmes including Bumiputera Entrepreneurs Startup Scheme and High Performing Bumiputera Companies Programme.

ii. Bumiputera Education Steering Foundation – RM150 million

Purpose Implementing *Peneraju Tunas*, *Peneraju Professional* as well as *Peneraju Skil* and *Itizam* programmes.

iii. Majlis Amanah Rakyat (MARA) – RM3.7 billion

Purpose For expenditure purposes including the sponsorship of 72,000 Bumiputera students to pursue studies at tertiary level.

Budget 2016 : Summary & Comments
iv. Bumiputera Entrepreneurship and Equity Ownership

- RM400 million will be allocated to National Equity Fund Limited (EKUINAS).
- RM250 million will be allocated to Perbadanan Usahawan Nasional Berhad (PUNB).
- RM150 million will be allocated to Pelaburan Hartanah Berhad.
- RM100 million loan to UDA Holdings for development of Kampung Baru, Kuala Lumpur.

Purpose To increase ownership and strengthen Bumiputera entrepreneurship and businesses

v. Intensifying Development in Sabah and Sarawak

- Completing the toll-free Sarawak Pan-Borneo Highway spanning 1,090-km by year 2021 with estimated cost of RM16.1 billion. Meanwhile, in Sabah, construction work on the 706-km highway from Sindumin to Tawau will commence in 2016 with an estimated cost of RM12.8 billion.
- Interest free loans for the purpose of building longhouses with a maximum loan up to RM50,000 for every unit in the longhouse. Provision of RM70 million is provided via Bank Simpanan Nasional in collaboration with state government of Sabah and Sarawak to execute this agenda.
- Subsidy for hill paddy fertilizer to increase food supply and income for paddy farmers in Sabah and Sarawak. RM70 million will be allocate to this programme which will cover 65,000 hectares of crop areas in Sarawak and 11,000 hectares in Sabah.
- RM260 million is provided to ensure price uniformity of selected items nationwide through the 1 Price 1Sarawak and 1 Price 1Sabah programmes.
- RM115 million is allocated to the Special Programme for Bumiputera in Sabah and Sarawak, such as for native customary rights, including mapping procedures and customary land surveys as well as for building native courts. RM20 million is provided for land surveys in Sabah and RM30 million in Sarawak.
- Enhance services of 1Malaysia Mobile Clinics in the interior areas of Sabah and Sarawak including procurement of new boats and vehicles.

Purpose To enhance the infrastructure and mobility of people, yet, to boost up the agricultural sector in Sabah and Sarawak by providing the abovementioned benefits.

5. EASING COST OF LIVING OF THE RAKYAT

i. Increasing the Quality Of Live Of B40 Households

- TEKUN will provide:
 - Bumiputera entrepreneurs - RM500 million
 - 10,000 Indian entrepreneurs through Community Development Scheme - RM100 million;
- Small-scale Indian entrepreneurs - RM50 million under SME Bank
- Micro-financing facility to B40 household - RM200 million through Amanah Ikhtiar Malaysia (AIM);
- RM100 million is provided under the Socio-Economic Development of Indian Community Programme in collaboration between NGOs and private skills training institutes;
- Microcredit to Chinese hawkers and petty traders – RM90 million
 - KOJADI – RM50 million
 - Residents in Chinese New Village - RM40 million to implement infrastructure projects and soft loans programme
- Career and Skill Training Programme as well as Income Increment Programme – RM50 million under Ministry of Rural and Regional Development (KKLW);
- Enhancing skills of B40 group in order to get jobs or start business – RM100 million via private skills training institutions and NGOSs
- Expanding the *eRezeki* and *eUsahawan* programmes across nationwide to increase employment opportunities and raise income – RM100 million provided by the Ministry of Communication and Multimedia

Purpose To increase the quality of life of B40 households, providing affordable houses, and ensuring welfare and progress for Orang Asli community, less fortunate and Persons with Disabilities (PWD).

Budget 2016 : *Summary & Comments*

ii. Enhancing Welfare And Progress Of Orang Asli Community – RM300 million

- Development of Integrated Villages including Sungai Siput, Perak – RM80 million
- Supplementary food assistance, pocket money and school transport fee – RM45 million
- Development of rubber and oil palm plantations as well as cash crops – RM 25 million via Orang Asli Economic Development Project

iii. Paddy Farmers, Smallholders and Rubber Tappers – RM852 million via RISDA and FELCRA

- Improve the rubber production incentives (IPG) – RM200 million
- Implement a paddy grading initiative and improve the paddy price subsidy scheme (SSHP) from 01 January 2016

iv. Providing Affordable Houses

- House Ownership Programme for all level of income
 - Build-up 175,000 PR1MA houses which will be sold at 20% below market price. Included in here, out of 5,000 units will be located in 10 locations in the vicinity of LRT and Monorail stations.
 - Build-up 10,000 units of Rumah Mesra Rakyat with a subsidy of RM20,000 for each house – RM200 million.
 - Build-up 100,000 houses, priced between RM90,000 and RM300,000 under *Perumahan Penjawat Awam 1 Malaysia* (PPA1M). A Facilitation Fund up to 25% of development cost is provided. Included in here, out of 5,000 units will be located in 10 locations in the vicinity of LRT and Monorail stations.
 - Build 22,300 units of apartments and 9,800 units of terrace houses – RM863 million under People's Housing Programme (PPR), KPKT.
 - Establish a First House Deposit Financing Scheme under KPKT to assist first-time buyers to pay the deposits – RM200 million is allocated.
 - Building houses for Orang Asli community – RM60 million via Orang Asli Development.

- Build houses for the second generations of settlers:
 - a. 20,000 units by FELDA (reduced price by RM20,000 as compared to previous year)
 - b. 2,000 units by FELCRA
 - c. 2,000 units by RISDA
- GLCs to build affordable houses in the vicinity of the MRT station in Bandar Kwasa Damansara – 800 units by Kwasa Land and 4,600 units by Sime Darby Property.
- Reviving abandoned low and medium-cost private housing projects – injection of RM40 million to KPKT.
- Build and repair 11,000 dilapidated houses in rural areas by KKLW – RM150 million.
- Maintenance of low-cost public housing and 1 Malaysia Maintenance Fund by KPKT – RM155 million

Purpose To enable the Rakyat to at least own a personal house or asset.

v. Quality Healthcare Services

- Building five new hospitals in Pasir Gudang, Kemaman, Pendang, Maran and Cyberjaya.
- The RM848 million Kuala Lumpur Women and Children's Hospital will commence operations in October 2016.
- Redevelopment of Kajang Hospital.
- Build and upgrade rural clinics, health clinics, dental clinics as well as quarters nationwide – cost to RM260 million.
- Allocate RM52 million for operating the existing 328 1Malaysia clinics and establishing 33 new ones.
- Provide medical assistance, including haemodialysis, which is expected to benefit nearly 10,000 poor patients – RM72 million.
- Supply of medicines, consumables, vaccines and reagents to all Government hospitals and clinics – RM4.6 billion.

Purpose To strive for the best world-class health quality.

Budget 2016 : *Summary & Comments*

vi. Ensuring the Welfare of the Less Fortunate and Persons with Disabilities (PWD) – RM2 billion

- Monthly allowance of RM350 for employed PWD; assistance of RM200 for unemployed PWD; and assistance of RM300 for taking care of bedridden PWD - RM445 million.
- Establish an additional 20 Community - Based Rehabilitation Centres – RM100 million.
- Monthly assistance of RM100 to RM450 for children from poor families and RM300 for poor senior citizens – RM662 million.

Purpose To strengthen the social safety net system by assisting PWD, the elderly and poor families.

vii. Strengthening Natural Disaster Management – Rm180 Million

i. Implementing Flood Mitigation Projects – RM730 million

Out of the total allocation, RM60 million is allocated to implement the National Flood Forecasting and Warning Programme and to develop a National Earthquake and Tsunami Sub-Centre in Sabah.

Purpose To strengthen the natural disaster management and prevent losses in various field.

viii. Strengthening National Security And Defence

i. Implementing capacity-building plans for the Malaysian Armed Forces (ATM) – RM17.3 billion via Ministry of Defence

This includes the procurement of six Littoral Combatant Ships, Very Short Range Air Defence weapons system, armoured vehicles and the A-400M Airbus.

ATM will be equipped with the latest technology including the use of Unmanned Airborne System to improve Intelligence, Surveillance and Reconnaissance capacity

ii. Development of an ESSCOM armed forces camp in FELDA Sahabat, Lahad Datu, Sabah – RM523 million

iii. Build 4,000 quarters for ATM personnel- RM160 million

Via the Armed Forces Fund Board (LTAT), government also plans to build 2,000 units of affordable houses for armed forces personnel beginning 2016.

iv. Malaysian Maritime Enforcement Agency (APMM) – RM864 million

Inclusive in the allocations are to acquire Offshore Patrol Vessels and patrol boats.

Purpose To strengthen the national security and defence by improving the force facilities and national assets.

ix. Enhance Safety And Security - RM13.1 Billion

- Building two new district police headquarters (IPD) in Lawas, Sarawak and Kota Kinabalu, Sabah while 10 IPD and five police stations are under construction – RM155 million.
- Plans to build 2,000 units of affordable houses for members of Polis Diraja Malaysia (PDRM), among them, in Rawang while other areas are being identified.
- Build offices, quarters and upgrading of immigration detention depots – RM36 million
- Enhancing security measures in prisons – RM50 million
- Safe City Programme in 60 black areas – RM20 million

Purpose To enhance safety and security in the country as well as to continuously reduce crime rate.

x. Appreciation To Civil Servants – RM1.4 Billion

- Provide benefit of salary adjustment equivalent to one annual increment according to grade, to benefit 1.6 million civil servants with an allocation of RM1.1 billion.
- Improve 252 schemes of service to benefit 406,000 civil servants.
- Set a minimum starting salary in the civil service at RM1,200 a month to benefit 60,000 civil servants.
- Set minimum pension rate at RM950 a month for pensioners with at least 25 years of service, which will benefit almost 50,000 pensioners.
- Offer permanent post to contract of service officers who have at least 15 years of service to 43,000 contract officers.
- Addition of RM500 to all civil servants regards as a special assistance to reduce the burden of rising cost of living.
- A special payment of RM250 will be provided to benefits 700,000 Government pensioners with effect from January 2016 – RM1 billion

Purpose An appreciation towards the civil servants contributions towards the nation.

Budget 2016 : *Summary & Comments*

xi. Bantuan Rakyat 1 Malaysia (BR1M) – RM5.9 billion

- Monthly income below than RM1,000 – will receive RM1,050
- Households with monthly income of RM3,000 and below - will receive RM1,000
- Households with monthly income between RM3,001 and RM4,000 – will receive RM800
- The Bereavement Scheme of RM1,000 will be continued
- Single individuals aged 21 and above with monthly income not exceeding RM2,000 – will receive RM400

Purpose To assist cost of living.

xii. National Minimum Wages

- Peninsular Malaysia – RM1,000
- Sabah, Sarawak and Federal Territory of Labuan – RM920

Purpose To increase national minimum wage and to reduce the burden of increased cost of living. It is applicable in all sectors except for domestic services or domestic maids.

SECTION F

SYNOPSIS AND COMPARISON (Period under review 2010 to 2016)

PERSONAL TAX

Tax Rate, Personal relief and Rebate

Refer to Section H

Requirement to qualify for resident status

2010-2015	Where a citizen is employed in the public services or statutory authority having and exercising his employment outside Malaysia or attending any course of study in any institution or professional body outside Malaysia which is fully sponsored by the employer.
2016	No changes

Tax treatment on bonus and directors fees

2010-2015	Taxed in the year such incomes are received.
2016	No changes

Assistance for individual owners of budget taxis and hire cars

2010-2011	There's no subsidy on interest rate for financing purchases of such cars. There's no any assistance regarding budget taxis and hire cars for individual owners.
2012-2015	Interest rate subsidy of 2% per annum for 2 years on full loans for financing the purchase of new locally manufactured cars used as budget taxis and hire cars. Assisting of RM3,000 for replacement of budget taxis and hire cars aged more than seven years but less than 10 years. For budget taxis and hire cars aged 10 years and above, an assistance of RM1,000 will be given.
2016	No changes

Income exempted from income tax:

1. Leave passage

2010-2015	Exemption is extended to meals and accommodation.
2016	No changes

2. Computer given by employer

2010-2015	Exempted until YA2010. In addition, broadband subscription fee paid by employers is also exempted.
2016	No changes

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

2010-2015	Tax exemption on royalty up to RM10,000 a year.
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Budget 2016 : Summary & Comments

2016	No changes
4. Compensation for loss of employment	
2010-2015	Exempted amount is increased to RM10,000 for every completed year of service. Employment ceased on or after 1 July 2008
2016	No changes
5. Tax treatment for perquisite	
2010-2015	Extended to award related to innovation, productivity and efficiency and exemption be increased to RM2,000 effective from year of assessment 2008.
2016	No changes
6. Dividend received	
2010-2013	All dividend are exempted (single tier system)
2014-2016	No changes
7. Income received by expatriates working for International Procurement Centre (IPC) and Regional Distribution Centre (RDC).	
2010-2015	Expatriates working for IPC and RDC will also be taxed only on portion of employment income attributable to the number of days they are in the country.
2016	No changes
8. Interest income from deposits	
2010-2015	All interest income be fully exempted. (w.e.f. 30.08.2008)
2016	No changes
9. Allowances and benefits in kind	
2010-2015	Exemption extended to: <ul style="list-style-type: none"> i. Petrol allowance or travel allowance between home and work place and for official duties up to RM2,400 and RM6,000 respectively. ii. Allowance for parking and meal provided. iii. Allowance or subsidies from childcare up to RM2,400 per year. iv. Telephone, mobile phone, telephone bills, pager, PDA and internet subscription. v. Value employer's own products or services received by employees free of charge or discounted where value of discounted not exceed RM1,000 and cannot be transferable. vi. Subsidies on interest on loans totalling up to RM300,000 for housing, passenger motor vehicle and education. vii. Maternity and traditional medicines.
2016	No changes
10. Profits from foreign currency sukuk	
2010-2011	Extended to sukuk approved by Labuan Offshore Financial Services Authority.
2012-2015	Extended for another 3 years from 2012 until 2014
2016	No changes

11. Income from private retirement scheme fund (PSC)	
2010-2011	PSC is not an approved scheme and therefore income is taxable
2012	PSC is recognised as an approved scheme and the tax exempted under paragraph 20 of schedule 6 (TA 1967)
2013-2015	Tax exemption is given on income received by annuity funds approved by Bank Negara Malaysia and maintained in accounts separate from life funds or takaful family funds.
2016	No changes
12. Income from managing Shariah –Compliant Funds	
2010-2014	i) Statutory income derived from business of providing fund management services to foreign investors in Malaysia. ii) Statutory income derived from business of providing fund management services to local investors in Malaysia. iii) Statutory income derived from business of providing fund management services to business trusts or real estates investment trusts in Malaysia.
2015	Extended until 2016
2016	Extended effective date from 2017 until 2020

CORPORATE TAX

Tax Rates

Refer to Section H

Offshore Company

2010-2015	May choose to be taxed under Income Tax Act 1967.
2016	No changes

Premium on professional indemnity insurance

2010-2015	Deductible
2016	No changes

Non-profit oriented school

2010-2015	Exempted
2016	No changes

Profit oriented private schools

2010-2011	Income received is taxable
2012	Income tax exemption of 70% for period of 5 years; or Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application received by MIDA from 8 October 2011 until 31 December 2015)

Budget 2016 : Summary & Comments

2013-2015	<ul style="list-style-type: none"> i. Tax exemption at the statutory level on all income for a period of 5 years. (new and existing private schools must be registered with the State Education Department) ii. Industrial Building Allowance with an annual allowance rate of 10% for pre-school buildings. (from year assessment 2013)
2016	No changes

Profit oriented international schools

2010-2011	Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application received by MIDA from 14 July 2010 until 31 December 2015)
2012-2015	Income tax exemption of 70% for period of 5 years. (application received by MIDA from 8 October 2011 until December 2015)
2016	No changes

Deductible Expenses

1. Donation to approved institution

2010-2015	Deduction restricted to 10% of aggregate income.
2016	No changes

2. Infrastructure available for public use (community project)

2009-2015	Extended to projects related to increase the income of the poor as well as for the conservation or preservation of the environment.
2016	No changes

3. Expenses to establish Islamic stock broking company

2010-2015	Extended to application received by Securities Commission (SC) until 31 December 2015.
2016	No changes

4. Recruitment cost

2010-2015	Expenses incurred before commencement of business is allowable such as cost in participating in job fairs, payment to employment agencies and head-hunters
2016	No changes

5. Renovation of workplace for disabled workers

2010-2015	Deductible
2016	No changes

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

2010-2015	Deductible expenses for SME company from year assessment 2010 until 2014. Allowable including fees or payment made to patent and trademark agents registered under the Patents Act 1983 and Trade Marks Act 1976. Definitions of SME for the purpose of incentives are as follows:- <ul style="list-style-type: none"> i. Companies as defined under Para. 2A and 2B, Sch. 1, Income Tax Act 1967.
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- ii. Manufacturing Industries, Manufacturing Related Services Industries and Agro-Based Industries – enterprises with full-time employees not exceeding 150 persons, OR with annual sale turnover not exceeding RM25 million.
 - iii. Services Industries, Primary Agriculture and Information & Communication Technology (ICT) - enterprises with full time employees not exceeding 50 persons, OR with annual sales turnover not exceeding RM5 million.
- 2016 No changes
7. Franchisee fee
- 2010-2011 Not deductible
- 2012-2015 Deductible for local franchise brands
- 2016 No changes

Double Deduction

1. Training expenses (Malaysian).

- 2010-2014 Double deductions be given on selected fields:
- i. Post graduate courses in ICT, electronics and life sciences.
 - ii. Post basic courses in nursing and allied health care.
 - iii. Aircraft maintenance engineering courses.
- 2015 Further deduction be given on the employees to obtain industry recognized certifications and professional qualifications in the field of accounting, finance and project management. Training programs are those approved by the Minister of Finance. (effective from year of assessment 2015)
- 2016 No changes

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

- 2010-2015 Extend to year of assessment 2015.
- 2016 No changes

3. Export credit insurance premium

- 2010 Double deduction on payment of conventional insurance premium to companies approved by MOF
- 2011-2015 Extended to takaful concept and premium must be purchased from operators approved by MOF
- 2016 No changes

4. Profit oriented private schools and international schools

- 2010-2011 Single deduction for expenses.
- 2012-2015 Double deduction for overseas promotion expenses.
- 2016 No changes

Budget 2016 : *Summary & Comments*
5. Structured Internship programme

2010-2011	Single deduction
2012-2014	If the internship programme is for full time undergraduate students from Public/Private Higher Educational Institutions; and internship programme is for a minimum period of 10 weeks with monthly allowance not less than RM500 (w.e.f year of assessment 2012 until 2016)
2015	Double deduction be given to full time students pursuing training at the vocational and diploma levels. The eligibility criteria for students and conditions for the companies under the current SIP programme is to be maintained. (for year of assessment 2015 until 2016)
2016	No changes

6. Awarding scholarships

2010-2011	Single deduction given if scholarships is awarded to students by the following criteria:- i. A full time Malaysian students study for diploma and bachelor's degree at local institutions or higher learning registered with the Ministry of Higher Education; ii. Have no sources of income; iii. Total monthly income of parents/guardian does not exceed RM5,000.
2012-2014	Double deduction. (for year of assessment 2012 until 2016)
2015	Double deduction extended to vocational and technical fields. (for year of assessment 2015 until 2016)
2016	No changes

7. Career fair abroad

2010-2011	Single deduction
2012-2015	Double deduction if the fair is endorsed by Talent Corporation Malaysia Bhd (TalentCorp) (for year of assessment 2012 until 2016)
2016	No changes

8. 1Malaysia Training Scheme Programme

2013-2014	Double deduction on expenses incurred for soft skills and on-job-training to increase employability of graduates. (effective from 1 June 2013 until 31 December 2016)
2015	Double deduction extended to 31 December 2020.
2016	No changes

9. Vendor Development Programme (VDP)

- 2014-2015 Double deduction on expenses for R&D and cost related for increasing vendor capabilities and skills by the following criteria:-
- i. A sign of Memorandum of Understanding (MOU) with the Ministry of International Trade (MITI);
 - ii. Expenses must be certified by MITI;
 - iii. Limit at RM300,000 per year;
 - iv. Deduction is given for 3 years of assessment.
(effective from 1 January 2014 until 31 December 2016)
- 2016 Double deduction automatically for R&D project expenditures up to RM50,000 for each year of assessment by the following criteria:-
- i. Companies with paid-up capital not exceeding RM 2.5 million (SME company);
 - ii. Required to submit R&D project application to IRB.
(for year assessment 2016 until 2018)

Capital Allowance

1. Class of Plant & Machinery

- 2010-2015
- i. SMEs will be given Accelerated Capital Allowance on expenses incurred on plant and machinery acquired in year of assessment 2009 and 2010.
 - ii. Bus purchased by bus operator eligible for Accelerated Capital Allowance for 100% w.e.f 2009 until 2011.
- 2016 No changes

2. Computer and ICT equipment

- 2010-2013 Accelerated Capital Allowance be given on expenses incurred on ICT equipment, computer and software w.e.f 2009 to 2013.
- 2014-2015 Extended for another 3 years from 2014 to 2016.
- 2016 No changes

3. Cost of dismantling and removing assets

- 2010-2015 Cost for dismantling and removing assets as well as restoring the site be given balancing allowance subject to the following conditions:
- i. Eligibility only applies where obligation to carry out works on dismantling and removing is provided for under any written law or agreement: and
 - ii. Such plant and machinery is not allowed to be used by that person in another business or in the business of another person.
- 2016 No changes

Budget 2016 : Summary & Comments
4. Security control equipment

2010-2012	Extended to all business premises. Type of security control equipment eligible: <ul style="list-style-type: none"> i. Anti-theft alarm system ii. Infra-red motion detection system iii. Siren iv. Access control system v. Closed circuit television vi. Video surveillance system vii. Security camera viii. Wireless camera transmitter ix. Time lapse recording and video motion detection equipment. x. Global Positioning System (GPS) (Effective from year of assessment 2009 to 2012)
2013-2015	<ul style="list-style-type: none"> i. Extended for another 3 years. ii. Extended to companies that install security control and surveillance equipment in residential areas. iii. Equipment also includes safety mirrors and panic buttons. (Effective from year assessment 2013 to 2015)
2016	No changes

5. Capital allowances on small value assets

2010-2015	SMEs not subject to the maximum limit of RM10,000.
2016	No changes

6. Automation in labour intensive industries

2010-2014	Standard rate.
2015	<ul style="list-style-type: none"> i. Provided on the first RM4 million expenditure for high labour intensive industries. (Effective from year assessment 2015 to 2017) ii. Provided on the first RM2 million expenditure for other industries. (Effective from year assessment 2015 to 2020)
2016	No changes

Industrial Building Allowance**1. Disposal of industrial building by company to REIT.**

2010-2015	Not subject to balancing charge.
2016	No changes

2. Industrial Building Allowance for Pre-School

2013-2015	An annual rate of 10% on pre-school buildings Must be registered with the State Education Department.
2016	No changes

3. Industrial Building Allowance for Childcare Centres

2013-2015	An annual rate of 10% for buildings used as childcare centres. Must be registered with the Social Welfare Department
2016	No changes

WITHHOLDING TAX

1. Technical fee paid to non-residents.

- 2010-2015 Reimbursements for hotel accommodation in Malaysia be excluded in computation of gross income.
2016 No changes

2. Technical training services.

- 2010-2015 Exemption in the field below:
i. Post graduate courses in ICT, electronics and life sciences.
ii. Post basic courses in nursing and allied health care.
iii. Aircraft maintenance engineering courses
2016 No changes

3. Real Estate Investment Trusts (REITs)

- 2010-2011 i. Foreign institutional investors, particular pension fund and collective investments funds receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011
ii. Non-corporate investors including resident and non-resident individuals and other local entities receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011.
2012-2015 Extended to 31 December 2016
2016 No changes

4. Interest payment on borrowing by the Treasury Management Company to Overseas banks and related companies.

- 2010-2011 No exemption
2012-2015 Exempted
2016 No changes

5. Withholding tax Oil and Gas industry for private operators

- 2013-2015 Exempted
2016 No changes

TAX ON COOPERATIVES

Refer to Section H

TRADE ASSOCIATION

Professional associations

- 2010-2015 Professional associations are incorporated in the definition of trade associations.
2016 No changes

Budget 2016 : Summary & Comments
TAX TREATMENT ON CLUB

- 2010-2015
- i. Income derived from transactions with members not subject to tax while transactions with non members subject to tax.
 - ii. Income from investment and external sources being non-mutual receipts be subject to tax.
 - iii. Deduction be only allowed on expenses incurred in the production of chargeable income and limited only on the portion attributable to non-members.
- It is also applicable to institutions similar to clubs. Effective from year of assessment 2009.
- 2016 No changes

TAX TREATMENT FOR UPSTREAM PETROLEUM COMPANIES

- 2010 Upstream petroleum companies are subject to Petroleum (Income Tax) Act 1967 and uses:-
- i. Preceding year assessment system; and
 - ii. Official assessment system undertaken by the IRB
- 2010-2015 Changes the system to:-
- ii. Current year assessment system; and
 - iii. Self-assessment system.
- 2016 No changes

FLEXIBILITY IN ESTIMATING TAX PAYABLE FOR COMPANIES

- 2010-2015 Newly set-up company with paid-up capital of RM2.5M not required to make estimate and instalment payment for 2 years
- 2016 No changes

TAX TREATMENT ON TAKAFUL BUSINESS

- 2010-2015 Special provision introduced for Takaful business as follows:-
- i. Management expenses borne from shareholders' fund will allowed a deduction from gross income of the shareholders' income;
 - ii. Share of profits distributed from the family fund and general takaful fund will allowed as tax deduction;
 - iii. Share of profits distributed to the participants in relation to investment income be taxed on the participants through a final withholding tax mechanism;
 - iv. Tax imposed on the Wakalah fee received by the shareholder from the family takaful fund and general takaful fund; and
 - v. Deduction be allowed for Qard from the shareholders' fund and to impose tax on the repayment of Qard.
- 2016 No changes

TAX TREATMENT OF COMPANY MANAGING FOREIGN ISLAMIC FUNDS

- 2010-2015 All fee received from managing the funds will tax exempted from YA2008 until YA2016. The Islamic fund must be approved by SC
- 2016 No changes

INCENTIVES

1. Reinvestment Allowance (RA)

- 2010-2015 Incentives be given for chicken and duck rearers who reinvest to expand the closed house system in existing or new locations as follows:
- i. Projects located in promoted areas be given RA of 60% on qualifying capital expenditure and be set-off against 100% of statutory income.
 - ii. Projects located outside the promoted areas be given RA 60% on qualifying expenditure and be set-off the statutory income
- Effective from YA 2009 to YA 2010.
Reinvestment allowance is improved for criteria and conditions of incentive be amended.
- i. Manufacturing activity be given specific and clear definition under Schedule 7A ITA 1967
 - ii. Company can claim RA must be operation for at least 12 months to extend to 36 months.
 - iii. Company purchasing an asset from a related company cannot claim RA if RA has been claim for that assets.
 - iv. Provision to claw back RA assets disposed off within period of 2 years be extended to 5 years.
- 2016 Special RA be made available in a period of 3 years of assessment effective date year of assessment 2016 until 2018.

2. Pioneer Status

- 2010-2011 For hotel 4 and 5 star in Sabah and Sarawak be given Pioneer Status or Investment Tax Allowance similar to 1 to 3 star hotels. Proposal is effective for applications received by MIDA from 30th August, 2008 until 31st December, 2013.
- 2012-2013
- i. Hotel 4 and 5 star in Peninsular Malaysia be given tax exemption of 70% of statutory income for 5 years (application received from MIDA from 08.10.2011 until 31.12.2013)
 - ii. Industrial design services be given Pioneer Status with income tax exemption of 70% for 5 years.
(application received from MIDA from 08.10.2011 until 31.12.2016)
- 2014-2015 Hotel 4 and 5 star in Peninsular Malaysia be given tax exemption of 70% of statutory income.
(application received from MIDA from 01.10.2014 until 31.12.2016)
- 2016 No Changes

Budget 2016 : Summary & Comments
3. Investment Tax Allowance (ITA)

2010-2011	<ul style="list-style-type: none"> i. Incentives for Small and Medium Industries (SMEs) that supply components, technology or R&D granted for ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010. ii. Incentives for SMEs that capable of achieving world class standard in terms of pricing, quality and capacity granted for ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment will be effective for applications received not later than 31 December 2010. iii. Companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralised in the Cybercities and Cybercentres and be given MSC Malaysia status company where, Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of 5 years to be set-off against 100% of statutory income for each year of assessment starting 8 December 2007. iv. Incentives for companies which undertaking ICT activities located outside Cybercities and Cybercentres to be discontinued starting 8 December 2007.
2012	<ul style="list-style-type: none"> i. 4 and 5 star hotel in Peninsular Malaysia be given ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment (after approved by MIDA from 08.10.2011 until 31.12.2013) ii. Profit oriented private schools be given ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment. (application approved by MIDA from 08.10.2011 to 31.12.2011)
2013	Investment in refinery activities on petroleum products be given ITA of 100% for the period of 10 years.
2014-2015	4 and 5 star hotel in Peninsular Malaysia be given ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment (after approved by MIDA from 01.01.2014 until 31.12.2016)
2016	No Changes.

4. Incentive on issuance of Islamic securities

- 2010
- i. The incentive extended until the YA 2015; and
 - ii. Incentive for Islamic securities approved by the Securities Commission or the Labuan Offshore Financial Services Authority effective from YA 2010 to YA 2015.
- 2011
- Expenses incurred in the issuance of Islamic securities under the principles of Murabahah and Bai' Bithaman Ajil based on tawarruq be given deduction provided that the security is approved by the Securities Commission or the Labuan Financial Services Authority w.e.f YA 2011 to 2015
- 2012-2014
- Expenses on the issuance of Islamic securities based on Wakalah Principles approved by the Security Commission or the Labuan Financial Services Authority be given deduction for the purpose of income tax computation.
- 2015
- Expenses incurred under the principles of Ijarah and Wakalah will be extended for three years w.e.f YA 2016 to YA 2018.
- 2016
- Extended the incentives for another 5 years on issuance costs of Sustainable and Responsible Investment (SRI) Sukuk approved by, or authorized by or lodged with the Securities Commission of Malaysia effective date year assessment 2016 until 2020.

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

- 2010-2015
- Extended to SPV establish under Offshore Companies Act 1190 electing to the taxed under Income Tax Act 1967.
- 2016
- No Changes.

6. Incentives to Promote Tourism

- 2010-2010
- Tour operators be given 50% excise duty exemption on locally assembled 4WD vehicles (w.e.f. 02.09.2006).
Extended the incentives for tour operators for another 5 years until YA 2011.
- 2011-2012
- Import duty on most tourism dutiable products with FOB value exceeding RM200 are given exemption under Item 174, Customs Duties (Exemption) Order 1988.
- Import duty abolished on tourism dutiable product (duty between 5% to 20%) :
- i. Handbags, wallets, suitcases, briefcases, apparel, footwear and hats;
 - ii. Jewellery, costume jewellery and ornaments;
 - iii. Toys such as dolls and small scale recreational models.
- Import duty abolished on cost of daily used products (duty between 10% to 20%) :
- i. Talcum powder, face powder and shampoo;
 - ii. Bedspreads, blankets, curtains and table cloth.
- w.e.f 15 October 2010.

Budget 2016 : Summary & Comments

- 2013-2015
- i. 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 750 inbound tourists per year.
 - ii. 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,000 local tourists per year.
 - iii. Extended the incentives for another 3 years.
 - iv. Effective from year assessment 2013 to 2015.
- 2016
- i. Extended the incentives for another 3 years.
 - ii. Effective from year assessment 2016 to 2018.

7. Incentive for Venture Capital Companies (VCC)

- 2009-2012
- VCCs investing in VCs with at least 30% of its funds in seed capital and start-up/early stage financing be given income tax exemption for 5 years.
- 2013-2015
- i. The investment by an angel investor in VSs be allowed as a deduction against all income.
 - ii. The qualifying criteria are as follow:-
 - a) Angel Investor
 - i. An individual is not associated to the venture company prior to investing;
 - ii. A tax resident with an annual income not less than RM180,000;
 - iii. Holds at least 30% of the shares in the venture company for a period of at least 2 years; and
 - iv. All his shares in the venture company must be paid in cash.
 - b) Venture company
 - i. 51% shares in the company is owned by Malaysians;
 - ii. Qualifying activities of venture company are approved by the Minister of Finance; and
 - iii. Accumulated profit is not more than RM5 million and has a track record of less than 3 years.
- (Effective from 01.01.2013 until 31.12.2017)
- 2016
- No changes.

8. Incentives to promote export

- 2010
- Exempted from income tax equivalent to 10% of the increased export value for a period of 5 years provided that:
- i. Equity holdings by Malaysian in the company be reduced from 70% to 60%.
 - ii. Annual sales turnover be reduced from more than RM25 million to more than RM10 million.
 - iii. Export of goods of related companies is allowed without any restrictions.
- Double tax deduction on payment of conventional insurance premium for export credit to companies approved by the Minister of Finance.
- 2011-2015
- Payment of insurance premium for export credit based on takaful concept given double deduction commencing from YA 2011. Insurance premium must be purchased from takaful operators approved by the Minister of Finance.

- 2016 It is proposed companies with paid-up capital not exceeding RM2.5 million (Small and Medium Enterprises - SMEs), that tax incentives be given with the revised value added criteria as follows:
- i. Exemption of statutory income equivalent to 10% of the value of the increased exports to manufacturers provided that the goods exported attain at least 20% value added; and
 - ii. Exemption of statutory income equivalent to 15% of the value of the increased exports to manufacturers provided that the goods exported attain at least 40% value added.
- The above tax exemption is restricted to 70% of the statutory income. (Effective from year of assessment 2016 to year of assessment 2018)

9. Incentive to increase food production

- 2010 Incentives extended to application received until December 31, 2010.
2011-2015 Incentives extended for another 5 years from January 2011 until December 2015.
2016 Incentives extended for another 5 years from January 2016 until December 2020.

10. Group relief

- 2009-2015 The rate of current year losses allowed to be set-off in group relief treatment be increased to 70%.
2016 No Changes.

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

- 2010
- i. Pioneer status with tax exemption of 70% be increased to 100% of statutory income and the incentive period be extended from 5 to 10 years; or
 - ii. Investment tax allowance of 60% be increased to 100% on qualifying capital expenditure incurred within a period of 5 years with the allowance to be set off against 100% of statutory income.
- In addition, the incentive package of Pioneer and Investment Tax Allowance as well as import duty and sales tax exemption be extended for another 5 years until 31 December 2010.
- 2011-2015 Application for incentive for companies generating energy from renewable sources and companies generating renewable energy for own consumption to be extended to December 2015.
2016 No Changes.

Budget 2016 : Summary & Comments
12. Incentives for conservation of Energy

- 2010
- i. Exemption of import duty and sales tax be given on Energy Efficiency (EE) equipment such as high efficiency motors and insulation materials to importers including authorized agents approved by the Energy Commission.
 - ii. Sales tax exemption be given on the purchase of locally manufactured EE consumer goods such as refrigerator, air conditioner, lightings, fan and television.
- Effective for applications received from 30 August 2008 until 31 December 2010.
- 2011-2015 Application for incentive for companies providing energy conservation services and companies which incur capital expenditure for energy conservation for own consumption to be extended to December 2015.
- 2016 No Changes.

13. Incentives for commercialisation of public sector R&D

- 2010-2012
- i. A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings be given tax deduction equivalent to the amount of investment made in the subsidiary company.
 - ii. The subsidiary company that undertakes the commercialisation of the R&D findings be given Pioneer Status with 100% tax exemption on statutory income for 10 years.
- 2013
- i. Tax incentives applicable to both resources based and non-resources based. Non-resources based activities/product are subject to the list of promoted activities/products under the Promotion of investment Act 1986.
 - ii. The incentive is effective for applications received by the (MIDA) from 29 September 2012 until 31 December 2017.
- 2014-2015
- i. Tax deduction for companies that invest to acquire technology platform in bio-based industry.
 - ii. Exemption on import duty on R&D equipment for companies that invest in pilot plants for the purpose of pre-commercialisation in Malaysia.
 - ii. Special incentive to companies to partially cover the operational cost for human capital development for Centre of Excellence for R&D.
- Subject to approval from BiotechCorp, incentive provided is for R&D projects in Bioeconomy sector. Effective from 01 January 2014 until 31 December 2018.
- 2016 No Changes.

14. Real Estate Investment Trusts (REITs)

- 2010-2011 Withholding tax rate imposed on foreign institutional investors and non-corporate investors including individual residents and non-residents be reduce to 10%.
(w.e.f 01.01.2009 to 31.12.2011)
- 2012-2015 The exemption will be extended for a period of 5 years commencing 01.01.2012 until 31.12.2016.
- 2016 The exemption will be extended for a period of 3 years commencing 01.01.2017 until 31.12.2019.

15. Incentives for export of financial services

2010-2015	<ul style="list-style-type: none"> i. Extended to insurance companies and takaful companies; ii. 5 years exemption be given flexibility to be deferred from the date of commencement of operations to begin not later than the 3rd year of operations; and iii. New branches or subsidiaries overseas be received by Bank Negara Malaysia not later than 31 December 2015.
2016	No Changes.

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

2010-2015	100% exemption of the additional capital expenditure incurred to obtain the GBI certificate. Allowable to be set off against the statutory income. Only for the first GBI certificate issued with effective from 24 October 2009 until 31 December 2014.
2016	No Changes.

17. Incentives for health tourism

2010-2014	<p>The exemption rate of 50% on the value of increased export to be increased to 100% subject to 70% of the statutory income for each year of assessment. Foreign clients exclude:</p> <ul style="list-style-type: none"> A non-Malaysian citizen that participates in Malaysia My Second Home Programme and his dependants; A non-Malaysian citizen holding a Malaysian student pass and his dependents; A non-Malaysian citizen holding a Malaysian work permit and his dependants; or Malaysian citizen who are non-residents living abroad and his dependents. <p>However, healthcare services offered to such foreign clients as mentioned above continue to enjoy the existing incentives.</p>
2015	<p>The exemption on statutory income to the amount of 100% of Investment Tax Allowance of qualifying capital expenditure for a period of 5 years (Application received by MIDA effective from 01.01.2015 until 31.12.2017)</p>
2016	No Changes.

Budget 2016 : Summary & Comments

18. Incentives for Treasury Management Centre (TMC)

2010-2011	No exemption
2012-2015	<ul style="list-style-type: none"> i. 70% tax exemption on the statutory income arising from the following qualifying treasury services rendered by the TMC to its related companies for a period of 5 years: <ul style="list-style-type: none"> a. All fees income and management income from providing qualifying services to related companies in Malaysia and overseas. b. Interest income received from lending to related companies in Malaysia and overseas. c. Interest income and gains received from placement of funds with licensed onshore banks or short term investments (onshore and offshore) as part of managing surplus funds within the group. d. Foreign exchange gains from managing risks for the group. e. Guarantee fees. ii. Exemption from withholding tax on interest payments on borrowings by the TMC to overseas banks and related companies provided the funds raised are used for the conduct of qualifying TMC activities. iii. Full exemption from stamp duty on all loan agreements and service agreement executed by TMC in Malaysia for qualifying TMC activities. iv. Expatriates working in a TMC are taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia.
2016	No Changes.

19. Tax incentive for providers of industrial design services

2010-2011	No tax incentive
2012-2015	<p>Pioneer status with income tax exemption of 70% on statutory income for 5 years. The incentive is given to industrial service providers that fulfil the following criteria:</p> <ul style="list-style-type: none"> New service providers who employ at least 50% Malaysian designers. Existing industrial design service providers undertaking expansion and non-industrial design service providers which would be carrying out industrial design activities on upgrading the design facilities by increasing the capital investment of at least 50% or employ an additional 50% qualified Malaysian designers. <p>(application received by MIDA from 08.10.2011 until 31.12.2016)</p>
2016	No Changes.

20. Tax incentive for shipping companies

2010-2011	Income of shipping company is fully exempted under section 54A of ITA 1967 since year of assessment 1984.
2012-2015	The exemption will be reduced to 70% of statutory income.
2016	No Changes.

21. Tax on the disposal of real property

2010-2011	5% taxed with collection mechanism and exemption as follows: <ul style="list-style-type: none">i. tax is collected through a withholding mechanism whereby the purchaser withhold 2% of the purchase value and pays to the Inland Revenue Board;ii. exemption up to RM10,000 or 10% of the gains, whichever is higher be given to individuals; andiii. existing exemption under the Real Property Gains Tax Act 1976 are retained:<ul style="list-style-type: none">a. gifts between parent and child, husband and wife, grandparent and grandchild; andb. disposal of a residential property once in a lifetime for an individual who is a citizen or permanent resident of Malaysia.
2012	0% - 10% taxed with existing collection mechanism and exemption under RPGT Act 1976 are retained. (w.e.f 01.01.2012)
2013	0% - 15% tax as disclosed in section (H) and exemption under RPGT Act 1967 are retained.
2014-2015	0% - 30% tax as disclosed in section (H) and exemption under RPGT Act 1967 are retained.
2016	No Changes.

22. Tax Incentives to revive abandoned housing projects

2013-2015	The parties involved in the revival of such projects be given the followings: <ul style="list-style-type: none">i. Banking and financial institutions Tax exemption on interest income received from the rescuing contractorii. Rescuing contractor<ul style="list-style-type: none">a. Double deduction on interest expenses and all costs involved in obtaining loans to revive the abandoned project;b. Stamp duty exemption on instrument of loan agreements to finance the revival of the abandoned housing project; andc. Stamp duty exemption in instruments of transfer of land or houses in the abandoned project.iii. Original house purchaser in the abandoned project<ul style="list-style-type: none">a. Stamp duty exemption on instrument of loan agreements for additional financing; andb. Stamp duty exemption on instruments of transfer of the house. <p>(Abandon housing projects eligible for tax incentive must be certified by Ministry of Housing and Local Government)</p>
2016	No Changes.

Budget 2016 : Summary & Comments

23. Tax incentive to corporate wakaf

- 2013-2015
- ii. Income tax exemption for 10 years for TRX-status companies;
 - iii. Stamp duty exemption;
 - iv. Industrial building allowance;
 - v. Accelerated capital allowance for TRX Marquee-status companies; and
 - vi. Tax exemption for property developers.
- 2016
No Changes.

24. Tax incentive for issuance of Agro-*Sukuk*, Retail *Sukuk* and Retail Bonds

- 2013-2015
- i. To promote the issuance of *Sukuk* primarily for the agricultural sector, it is proposed that double deduction be given on the expenses for the issuance of Agro-*Sukuk* approved by the Securities Commission or the Labuan Financial Services Authority.
 - ii. To reduce the cost of the issuance of retail *sukuk* and retail bonds and to encourage more individual investors to participate in the capital market, it is proposed that:
 - a. Double deduction be given on additional expenses for the issuance of retail *sukuk* and retail bonds; and
 - b. Stamp duty exemption is given on instruments relating to the subscription of retail *sukuk* and retail bonds executed by individual investors.

Effective Date

Proposal i: From year of assessment 2013 to 2015

Proposal ii(a): From year of assessment 2012 to 2015

Proposal ii(b): For instruments executed from 1.10.2012 to 31.12.2015

- 2016
It is proposed that double deduction or further deduction for retail bonds and retail *sukuk* be extended for another three years as follows:

- i. Double deduction on additional issuance costs of retail bonds;
- ii. Double deduction on additional issuance costs of *sukuk* under the principles of Mudharabah, Musyarakah, Istisna', Murabahah and Bai' Bithaman Ajil based on tawarruq; and
- iii. Further deduction on additional issuance costs of *sukuk* under the principles of Ijarah and Wakalah.

(Effective from year of assessment 2016 to 2018)

25. Tax incentive for implementation of minimum wages

- 2014
The difference between the original salary and the minimum wages paid by SMEs, cooperatives, associations and organisations employers to be given further deduction.

Effective date from 01 January 2014 to 31 December 2014

- 2015-2016
No Changes.

26. Tax Incentive Under Investment Account Platform (IAP)

2015 The profit earned by individual investors from investment made through IAP be accorded income tax exemption with subject to the following conditions:

- a. Tax exemption shall only be accorded for 3 consecutive years starting from the first year profit earned
- b. The investment is made for a period of 3 years starting from the operation date of IAP
- c. The incentive shall only be accorded for investment activities in Malaysia, in venture companies owned by Malaysian or locally incorporated companies
- d. Tax exemption shall only be accorded for investment made in SMEs and venture companies in any sectors
- e. Definition for SMEs is as per latest definition issued by SME Corporation Malaysia.

(Effective date from 01 September 2015 to 31 August 2018)

2016 No Changes.

27. Tax Incentive For Industrial Area Management

2010-2014 No exemption

- 2015
- i. 100% income tax exemption for a period of 5 years to private sector for industrial estates in less developed areas
 - ii. 70% income tax exemption for a period of 5 years to private sector for others industrial estates.

2016 No Changes.

28. Tax Incentive For The Establishment Of Independent Conformity Assessment Bodies (ICAB)

2016 It is proposed the following incentives be given:

a. For a new ICAB:

- i. Income tax exemption 100% on statutory income derived from qualifying activities for a period of 5 years; or
- ii. Income tax exemption equivalent to Investment Tax Allowance of 60% on qualifying capital expenditure for a period of 5 years. The allowance can be offset against 100% of the statutory income.

b. For existing ICAB:

- i. Income tax exemption equivalent to Investment Tax Allowance of 60% on qualifying capital expenditure for a period of 5 years.
- ii. The allowance can be offset against 100% of the statutory income.

• The above incentives are given to the following sectors:

- i. Machinery and Equipment;
- ii. Electrical and Electronics;
- iii. Chemicals;
- iv. Aerospace;
- v. Medical Devices; and
- vi. Fresh and Processed Food.

Budget 2016 : Summary & Comments

- Eligible activities are as follows:
 - i. Testing Laboratories;
 - ii. Calibration Laboratories;
 - iii. Certifications;
 - iv. Inspections; or
 - v. Good Laboratory Practice.
- To qualify for the above incentives, ICAB must obtain accreditation from the following bodies:
 - i. Department of Standards Malaysia;
 - ii. Accrediting bodies recognised by the International Laboratory Accreditation Cooperation (ILAC) under Mutual Recognition Arrangement;
 - iii. International Accreditation Forum (IAF) under Multi-Lateral Agreement; or
 - iv. OECD Good Laboratory Practice Mutual Acceptance Data.
- For applications received by MIDA from 1 January 2016 until 31 December 2018

IMPORT DUTIESReduction in duties
2010-2015

- i. From 10% and 30% to between 5% and 15% (Food products)
- ii. From 15% and 30% to between 5% and 20% (Electrical goods)
- iii. From 10% and 30% to between 5% and 20% (Petrochemical and polymer industrial goods)
- iv. From 20% to 5% (Port cranes)
- v. From 25% and 60% to between 20% and 30% (Textiles)

2016

No changes

Exempted
2010

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

2011

- i. Exemption for broadband equipment and consumer access device which received in 2008 will be extended for another 2 years (01.01.2011-31.12.2012)
- ii. Exemption on solar photovoltaic system equipment for the usage by third parties will be extended for application received until 31.12.2012
- iii. Exemption for EE equipment and isolation materials to importers including authorized agents approved by the Energy Commission will be extended for application received until 31.12.2012

	iv.	Exemption on the energy conservation equipment that are not produced locally for companies providing energy conservation services and for own consumption will be extended to application received until 31.12.2015
	v.	Exemption on equipment used to generate energy from RE that is not produced locally and for own consumption will be extended applications received until 31.12.2015
	vi.	Full exemption on new CBU hybrid cars is also extended to electric cars as well as hybrid and electric motorcycle (w.e.f 01.01.2011 until 31.12.2011)
2012	i.	Full exemption on new CBU hybrid and electric cars will be extended for application received until 31.12.2013
	ii.	Exemption on educational equipment for profit oriented private schools and international schools for application received from 8 October 2011.
2013		Full exemption on new CBU hybrid and electric cars will be extended for application received until 31.12.2015
2014	i.	Exemption on R&D equipment for companies that invest in pilot plants for the purpose of pre-commercialisation in Malaysia for application received by BioTech Corp from 01.01.2014 to 31.12.2018
	ii.	The R&D incentives will be provided for viable projects which will be assessed by BioTech Corp.
Abolished 2010	i.	2% and 25% on import duty on food products
	ii.	5% and 50% import duty on electric goods/components
	iii.	5% and 25% import duty on fertilizers and pesticides
	iv.	Import license on port cranes, hydraulic loading cranes and crawler cranes and heavy machinery
2011-2015	i.	Duty between 5% and 20% on handbags, wallets, suitcases, briefcases, apparel, footwear and hats
	ii.	Duty between 5% and 20% on jewellery, costume jewellery and ornaments
	iii.	Duty between 5% and 20% on toys such as dolls and small scale recreational models
	iv.	Duty between 10% and 20% on talcum powder, face powder and shampoo
	v.	Duty between 10% and 20% on bedspreads, blankets, curtains and table cloth
2016		No changes

EXCISE DUTY

Increased 2010-2015	i.	Cigarettes, cheroots and cigarillos, containing tobacco and tobacco substitute's increase from RM150 per kg and 20% to RM180 per kg and 20%.
	ii.	Cigarettes containing tobacco increase from RM0.15 per stick and 20% to RM0.18 per stick and 20%
2016		No changes

Budget 2016 : Summary & Comments

Exemption	
2010	50% exemption on new CBU hybrid cars (applications received by the Ministry of Finance from 30.08.2008 to 31.12.2010)
2011	Exemption on CBU hybrid cars, electric cars as well as hybrid and electric motorcycles will be increased to 100% exemption (applications received by the Ministry of Finance from 01.01.2011 to 31.12.2011)
2012-2015	<ul style="list-style-type: none"> i. Full exemption on CBU hybrid cars and electric cars will be extended for application received until 31.12.2013 ii. Exemption on sale or change of ownership of budget taxis and hire cars after seven years of registration from 08.10.2011
2016	No changes
Abolished	
2009-2015	National car purchased by car rental operators
2016	No changes
Vehicles for the physically disabled	
2010	Exemption of 50% for motorcycles, cars and vans subject to following conditions:- <ul style="list-style-type: none"> i. Applicant registered with Social Welfare Department and possess a Registration Certificate ii. Applicant must have a valid driving license iii. Vehicle bought must be from the stock of unpaid duty and tax iv. Vehicle not be sold or its ownership transferred until the expiry of 5 years except with a written approval from the Treasury v. One vehicle within period of 5 years
2011-2015	Increased to 100% exemption and also extended to disabled persons who have hearing and speaking disabilities
2016	No changes

GOOD AND SERVICES TAX

2014	<p>Sales tax and service tax will be abolished and be replaced with Goods and Services Tax (GST). The scope of GST are as follows :</p> <ul style="list-style-type: none"> i. To be charged on good and services at all levels starting from production, manufacture, wholesale and retail. ii. To be charged on goods and services supplied within the country or imported into the country. iii. Some services prescribed by the Minister of Finance are within the scope of GST except supplies made by the Federal and State Government departments. iv. Supplies made by the local authorities and statutory bodies in relation to regulatory and enforcement functions are not within the scope of GST. v. GST charged on all sales is known as output tax. While, GST charged on all business inputs is known as input tax, which is fully recoverable from the Government through the input tax credit mechanism. <p>(GST standard rate is 6% effective from 01.04.2015)</p>
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- 2015
- The items that exempted from GST are as follows:
- i. Food: Fruits, bread and yellow mee
 - ii. Drinks: Coffee powder tea dust and cocoa powder
 - iii. Medicine: heart failure, diabetes, hypertension, cancer and fertility treatment
 - iv. Reading materials: Reference books, text books, dictionaries, religious books and newspaper
 - v. Electricity
 - vi. Petrol RON95, Diesel and LPG

For further details of the items, please refer to Section D.

- 2016
- The items that subject to zero rate as follows:
- i. Infant Milk : Organic-based milk, soy bean-based milk
 - ii. Food: Dhal bean, green and white bean, jiggery powder
 - iii. Vegetables: Lotus root and water chestnut
 - iv. Spices: Mustard seeds
 - v. Noodles: Mi kolok (dry)
 - vi. Medicine be widen as follows:
 - a. Controlled Drugs in the Poisons Groups A, B,C,D under the Poisons Act 1952 (Act 366),
 - b. Over the Counter Medicine registered by the Drug Control Authority through the NPCB
 - c. Drugs under NEML classified as medical devices are expanded from 125 brands to 128 brands.

(Effective date 01 January 2016)

For further details of the items, please refer to Section D.

1. Approved Trader Scheme

2015

Suspension of GST payment on imported goods by any registered entity under Section 20 of the GST Act 2014 which fulfils one of the following criteria:

- i. Licensed under Section 65A of the Customs Act 1967;
- ii. Operates in a free industrial zone under paragraph 10(1)(b) of the Free Zones Act 1990 [Act 438];
- iii. Approved by the Director General of Malaysian Investment Development Authority as an international procurement centre or regional distribution centre;
- iv. Annual sales turnover exceeding RM25 million and making at least 80% zero-rated supplies;
- v. A toll manufacturer other than a recipient of goods under the Approved Toll Manufacturer Scheme under Section 72 of the Goods and Services Tax Act 2014;
- vi. Approved jeweller under the Approved Jeweller Scheme under Section 73 of the Goods and Services Tax Act 2014; or
- vii. Person or class of persons as determined by the Minister

Budget 2016 : Summary & Comments

- 2016 Proposed a company undertaking aerospace MRO activities is eligible to apply to be approved under the ATS. ATS can be considered for companies carrying out maintenance, repair and overhaul solely in the aerospace sector and comply with the following conditions:
- iii. Obtained an *Approval of Organisation of Aircraft & Components*; and/or
 - iv. Have a valid approval from:
 - a. Design Authority of Original Equipment Manufacturer; and/or
 - b. Design Organisation Approval.
 (Effective from 1 January 2016)
2. Domestic Air Passenger Transport Services in Sabah & Sarawak
- 2015 Subjected to 6% GST includes domestic air transportation for passengers under the Rural Air Services in Sabah, Sarawak & Labuan.
- 2016 Domestic air transportation services within and between Sabah, Sarawak & Labuan for economy class passengers be determined as exempt supply.
(Effective from 1 January 2016).
3. Procurement of goods by skills and vocational training centres.
- 2015 Private educational institutions for child care, pre-school, primary and secondary schools and private higher educational institutions given relief on procurement of teaching materials and equipment as follows:
- i. Multimedia equipment directly used as teaching aid;
 - ii. Equipment for science and linguistic laboratory;
 - iii. Tools and equipment for technical or vocational studies; and
 - iv. Chemicals, solution and gas for the use in science laboratory
- 2016 Relief will be given to procurement of teaching materials and equipment by skills training providers that conduct approved and accredited programs under National Skills Development Act 2006.
(Effective from 1 January 2016)
4. Re-importation of goods temporarily exported for the purpose of promotion, research or exhibition
- 2015 Standard rate 6%
- 2016 Relief will be given
(Effective from 01 January 2016)
5. Re-importation of goods exported temporarily for the purpose of rental and lease
- 2015 Standard rated 6%
- 2016 Relief will be given to re-importation of eligible equipment used in the upstream oil and gas industry outside the country. The list of equipment and conditions are as approved by the MOF.
(Effective from 1 January 2016)

OTHER SIGNIFICANT TAXES AND FEES

Stamp Duty

1. Instruments of transfer of property

- | | |
|-----------|--|
| 2010 | Instruments for transfer of property between husband and wife be exempted effective from 8 September 2007 |
| 2011-2015 | 50% exemption on instruments of transfer of a residential property priced not exceeding RM350,000 (for sales and purchase agreements executed from 01.01.2011 to 31.12.2012) |
| 2016 | No changes |

2. Instruments of Islamic financing approved by the Syariah Advisory Council of Bank Negara Malaysia or the Syariah Advisory Council of the Securities Commission.

- | | |
|-----------|--|
| 2010-2015 | Exemption will be extended until 31 December 2015. |
| 2016 | 20% stamp duty exemption will be extended for another 2 years effective date executed on or after 01 January 2016 but not later than 31 December 2017. |

3. Real property assessment of stamp duty

- | | |
|-----------|--|
| 2010-2015 | Private valuation is accepted as an alternative for the purpose of stamp duty payment. |
| 2016 | No changes |

4. Purchase of residential property

- | | |
|-----------|--|
| 2010 | 50% stamp duty exemption are given for property up to RM250,000 and given to individual Malaysian citizen and limited to one residential only (w.e.f sale and purchase agreement from 30.08.2008 to 31.12.2010) |
| 2011-2012 | 50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012) |
| 2013-2015 | Exemption extended to 31 December 2014 and given for property not exceeding RM400,000 (w.e.f sale and purchase agreement from 01.01.2013 to 31.12.2014) |
| 2016 | No changes |

5. Stamp duty on loan agreements and service agreements

- | | |
|------|--|
| 2010 | All loan and service agreements instruments except for education loans are subject to ad valorem stamp duty rates of RM2.00 for every RM1,000 of part thereof. Fixed rate at RM10 for education loan agreements (w.e.f 01.01.2009) |
| 2011 | 50% stamp duty exemption are given for property up to RM350,000 and given to first residential property Malaysian citizen and eligible to be claimed once only within the exemption period (w.e.f sale and purchase agreement from 01.01.2011 to 31.12.2012) |
| 2012 | i. Full exemption be given on loan agreements for the purchase of residential properties under Skim Perumahan Rakyat 1Malaysia (PR1MA) priced up to RM300,000.(w.e.f sale and purchase agreement from 01.01.2012 to 31.12.2016) |

Budget 2016 : Summary & Comments

- ii. Full exemption be given on loan agreements up to RM50,000 under the Micro Financing Scheme which executed between micro enterprise and SME with any banking and financial institutions. (w.e.f 01.01.2012)
 - iii. Full exemption be given on loan agreement up to RM50,000 undertaken from Professional Services Fund which executed between any professionals with Bank Simpanan Nasional (w.e.f 01.01.2012)
 - iv. Full exemption on all agreements and service agreements executed by Treasury Management Centre (TMC) in Malaysia for qualifying TMC activities (application received by MIDA from 8 October 2011 until 31 December 2016)
- 2013 50% stamp duty exemption are given for property not exceeding RM400,000 and extended to 31 December 2014.
- 2014 Stamp duty exemption for loan agreements under the soft loan incentive scheme and extended to 31 December 2017.
- 2015 50% stamp duty exemption are given for first residential property not exceeding RM500,000 and extended to 31 December 2016.
- 2016 No changes
6. Instrument of transfer of ownership for buyers of buildings and residential properties awarded Green Building Index (GBI)
- 2010-2015 Exemption
Condition: For sales and purchase agreements from 24 October 2009 until 31 December 2014.
- 2016 No changes
7. Stamp duty on reviving abandoned housing projects for Rescuing Contractors
- 2010-2014 No extension
- 2015 Abandoned housing projects must be certified by the Ministry of Housing. Exemption on:
- i. Instruments of loan agreements to finance the completion of projects;
 - ii. Instruments of transfer of title for land and houses in projects.
(effective from 1 January 2013 until 31 December 2015)
- 2016 Exemption will be extended for another 2 years until 31 December 2017.
8. Stamp duty on original house purchaser in the abandoned project
- 2010-2014 No extension
- 2015 Abandoned housing projects must be certified by the Ministry of Housing. Exemption on :
- i. Instruments of loan agreements for additional financing;
 - ii. Instruments of transfer of the house.
(from 1 January 2013 until 31 December 2015)
- 2016 Exemption will be extended for another 2 years until 31 December 2017.

Road tax

1. Bus for workers

2010-2015	Reduce to RM20 per year
2016	No changes

2. Private diesel vehicle

2010-2015	Will be reduced to similar to petrol vehicle
2016	No changes

3. Taxis/Hired cars

Hire and Drive Vehicles/Limousines

2010-2011	Reduction of RM20 per year
2012-2015	Abolished
2016	No changes

4. Green Diesel Vehicles

2010-2015	Reduce rate withdrawn
2016	No changes

INCOME TAX ADMINISTRATION

1. Enhancing the competency of tax agents

2010-2015	Tax agents be allowed to file the income tax returns through e-filing for their clients using Personal Identification Number (PIN) assigned to the tax agents
2016	No changes

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

2010-2015	Income deemed derive from Malaysia if: <ul style="list-style-type: none">i. if responsibility for the payment of gains or profit lies with Federal Government, States Governments or local authoritiesii. if responsibility for the payment of gains or profits lies with the residentiii. if such payment is charged as an outgoing or expenses in the accounts of a business carried on in Malaysia Income under Section 4(f) is taxed on 105 of gross income and collection from non-resident income be implemented under withholding tax mechanism(w.e.f 01.01.2009)
2016	No changes

3. Self-amendment for additional assessment of income tax

2010-2012	May amend subject to the following condition: <ul style="list-style-type: none">a. in respect of error resulting in increased assessmentb. allowed only once for each year assessmentc. within 6 month from due date of furnishing the tax formd. tax payer makes self-amendment in specified forms This amendment will not subject to penalty. Tax payer subject to late payment penalty equivalent to the penalty imposed on a tax payer who files a correct return but default in paying tax due within the stipulated period(w.e.f assessment year 2009)
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Budget 2016 : Summary & Comments

2013-2015	Addition tax assessment reduced from 6 years to 5 years effective from 01.01.2014
2016	No changes
4. Widening the scope of appeal to special commissioners of income tax	
2010-2015	Tax payer may file appeal by using Notification of Non-Chargeability instead of the notice of assessment. Appeal is made using Form Q through DGIR (w.e.f 01.01.09)
2016	No changes
5. E-filing system	
2010-2011	E-filing system is introduced in 2004. However, individual tax payers are still required to key-in information such as total income, scheduler tax deductions (PCB), EPF, insurance and zakat.
2012-2015	Individual tax payers are allowed to use e-filing via mobile device and information on total income, PCB deductions, EPF contributions, insurance and zakat are pre-filled by IRB which must be submitted by their employers.
2016	No changes
6. Compensation for late refund of income tax by IRB	
2010-2011	No compensation is given to the tax payers if IRB is late in refunding their tax overpaid
2012-2015	Compensation of 2% on the tax overpaid is to be paid to the taxpayers on a daily basis commencing 1 day: <ul style="list-style-type: none"> i. After 90 days from the due date for e-Filing; and ii. After 120 days from the due date for manual tax filing Eligibility for taxpayers: <ul style="list-style-type: none"> i. Salaried individuals: not later than 30 April; ii. Individuals with business income: not later than 30 June; and iii. Companies: not later than 7 months from the expiry of the accounting period (w.e.f YA 2013)
2016	No changes
7. Provision to allow tax assessments after six years	
2010-2015	The DGIR be empowered to make assessment after 6 years in cases where the assessment is determined by the court or withdrawal, revocation or cancellation of any exemption, relief, remission or allowance.
2016	No changes
8. Extending the scope of fund for tax refund	
2010-2015	The scope of fund for tax refund be extended to include refunds for petroleum income tax, real property gains tax and stamp duty.
2016	No changes

9. Introduction of Advance Rulings in Income Tax Administration

- 2010-2015 The advance ruling is introduced under the Income Tax Act 1967. It is a written statement given by the Director General on the tax treatment of an arrangement to be undertaken by the taxpayer which features:
- i. application in prescribed form;
 - ii. fees charged on advance ruling;
 - iii. only applicable to applicant;
 - iv. ruling issued on actual facts and not on assumptions; and
 - v. advance ruling is not applicable if the facts used are incorrect or different.
- 2016 No changes

10. Framework for tax audit and investigation by IRB

- 2010-2015 Issued by IRB where the areas to be covered in the guideline/framework are as follows:
- i. selection of audit/investigation criteria;
 - ii. methodology;
 - iii. rights and responsibilities – taxpayers, tax agents and investigation officers;
 - iv. audit/investigation settlement; and
 - v. offences and penalties.
- 2016 No changes

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

- 2010-2011 6 years from the date tax assessment is made
- 2012-2015 Reduced from 6 years to 5 years (w.e.f. YA 2013)
- 2016 No changes

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

- 2010-2015 Special regulation need to be formulated and published in the Gazette with the purpose of bringing the business within the ambit of paragraph 36(a)(iv) of the Income Tax Act 1967. With specific salient features.
- 2016 No changes

13. Monthly tax deduction as final tax

- 2014-2015 Tax payers no longer need to submit tax returns and that amount of MTD is the final tax paid. The proposal is only applicable to :
- i. Employees who receive employment income prescribed under section 13 of the Income Tax 1967;
 - ii. Employees whose MTD are made under the Income Tax (Deduction from Remuneration) Rules 1994; and
 - iii. Employees serving under the same employer for a period of 12 months in a calendar year. (w.e.f. YA 2014)
- 2016 No changes

14. Disposal Of Property Under Real Property Gain Tax

- 2010-2014 Assessed formally
- 2015 Self-assessed by taxpayer effective from year 2016
- 2016 No changes

SECTION G**SUMMARY OF REVENUE AND ALLOCATION****1. STATISTIC**

	2016 RM Millions	2015* RM Millions	Percentage of total		Increase/ (Decrease) %
			2016 %	2015 %	
Source of revenue:					
Income tax & other direct taxes	125,566	116,760	55.6	52.5	7.5
Indirect taxes and duties	57,987	53,258	25.7	23.9	8.9
Non-tax revenues	42,103	52,437	18.7	23.6	(19.7)
Total	225,656	222,455	100.0	100.0	1.4
Budget allocation					
Operating expenditure:					
Emolument, pension, gratuities	89,962	87,266	41.8	40.9	3.1
Debt servicing charges	26,639	24,379	12.3	11.4	9.3
Supply & services	36,315	36,638	16.9	17.2	(0.9)
Grant & other expenditures	62,308	65,031	29.0	30.5	(4.2)
	215,224	213,314	100.0	100.0	0.9
Development expenditure:					
Economic	30,303	28,316	60.6	59.7	7.0
Social	13,094	12,474	26.2	26.3	5.0
Security	5,010	4,932	10.0	10.4	1.6
General administration	1,593	1,701	3.2	3.6	(6.3)
	50,000	47,423	100.0	100.0	5.4
Total expenditure	265,224	260,737			1.7
Deficit	(39,568)	(38,282)			3.4
%	15	15			

* Revised estimate

(Sources: Economic Report 2015/2016)

2. REVENUE

Total revenue in 2016 is estimated to increase by 1.4% to RM225,656 million, largely supported by an expected higher collection of tax revenue. Tax revenue is estimated to increase by 8% to RM183,553, which represent 81.3% of the total revenue. The tax revenue consisting direct and indirect taxes represent RM125,566 million and RM57,987 million, respectively. Direct tax is expected to be increased by RM8,806 million or 7.5% as compared to 2015 due to higher collection of corporate and individual income taxes. On the other hand, the revenue increase from indirect tax which is mainly generated from 12-month implementation of GST, is projected to be significantly higher at RM39,000 million.

In 2016, non-tax revenue is projected to be lower at RM42,103 million, a reduction of 19.7% over 2015 and contributing 18.7% to total revenue. The decrease of non-tax revenue is caused by lower global crude oil prices that affect certain amount of dividend contributed from Petroliam Nasional Berhad (PETRONAS) to Treasury every year.

3. EXPENDITURE

Total Federal Government expenditure for the 2016 Budget is estimated at RM265,224 million, an increase of 1.7% over 2015. Of this, RM215,224 million is for operating expenditure and the remaining of RM50,000 million is allocated for development expenditure. Operating expenditure is expected to increase by 0.9%. This insignificant change is a continuous effort to rationalise and optimise Government spending that prioritizes the well-being of the citizen. Emolument, pension and gratuities is estimated to increase to RM89,962 or 3.1% as compared to 2015 due to the government appreciation to the contributions of civil servants that provide benefit such as salary annual increment, setting minimum starting salary and pension rate which will benefit almost 1.7 million civil servants.

Government development expenditure is projected to increase by 5.4% to RM50,000 million over 2015. The economic services sector will be allocated the largest sum of RM30,303 million or 60.6% of total development expenditure in 2016. It is expected to be largely spent on transport and infrastructure development (RM8,440 million), trade and industry sector (RM8,349 million), and boosting agricultural productivity as well as accelerating rural development (RM3,394 million). Allocation for social services sector will be for the education and training subsector which has been provided the largest sum at RM4,691 million to empowering human capital, followed by housing (RM2,588 million), and health (RM1,780 million) to build more affordable houses and better healthcare services.

4. ANALYSIS OF CHANGES**Revenue**

The total estimated revenue for 2016 is RM225,656 million compared to RM222,455 million in 2015. This is due to Government expectation of higher collection from direct tax which consists of corporate income tax and individual income tax. Meanwhile, the increase in revenue is also derived from indirect tax in the form of GST collection.

Expenditure

The total estimated expenditure for 2016 is RM265,224 million compared to RM260,737 million in 2015. This is a reflection of the budgeted increase in operating expenditure by 0.9% as an appreciation to the contribution by the civil servants.

The overall development expenditure has been budgeted to increase by 5.4% particularly in the areas of economic and social services sector to provide a better quality of life for the citizen.

5. MACRO ECONOMY

The Malaysian economy in 2016 is projected to remain steady between 4% to 5%. This will be largely contributed from growth by domestic demand driven by private sector as the engine of the growth with the services and manufacturing sectors remain as the major contributors. Services sector is expected to grow by 5.4% which led by wholesale and retail trade and stronger tourism activities. Meanwhile, manufacturing sector projected to grow by 4.3% will be driven by export-oriented subsectors.

In addition, domestic inflation is expected to remain stable at 2% - 3% in 2016 due to the diminishing impact of GST and lower oil prices.

The broad-based growth from all sectors in the economy, particularly from services and manufacturing sectors, the nominal Growth National Income (GNI) per capita is expected to increase by 5.6% to RM38,438 (2015: 4.2%; RM36,397).

SECTION H

TAX INFORMATION

Resident individual income tax rates

Chargeable Income	ASSESSMENT YEAR							
	2010-2012		2013-2014		2015		2016	
RM	%	RM	%	RM	%	RM	%	RM
First 2,500	0	0	0	0	0	0	0	0
Next 2,500	1	25	0	0	0	0	0	0
First 5,000		25		0		0		0
Next 15,000	3	450	2	300	1	150	1	150
First 20,000		475		300		150		150
Next 15,000	7	1,050	6	900	5	750	5	750
First 35,000		1,525		1,200		900		900
Next 15,000	1	1,800	11	1,650	10	1,500	10	1,500
	2							
First 50,000		3,325		2,850		2,400		2,400
Next 20,000	1	3,800	19	3,800	16	3,200	16	3,200
	9							
First 70,000		7,125		6,650		5,600		5,600
Next 30,000	2	7,200	24	7,200	21	6,300	21	6,300
	4							
First 100,000		14,325		13,850		11,900		11,900
Next 150,000	2	39,000	26	39,000	24	36,000	24	36,000
	6							
First 250,000		53,325		52,850		47,900		47,900
Next 150,000	2	39,000	26	39,000	24.5	36,750	24.5	36,750
	6				5			
First 400,000		92,325		91,850		84,650		84,650
Next 200,000	2	52,000	26	52,000	25	50,000	25	50,000
	6							
First 600,000		144,325		143,850		134,650		134,650
		5		0				
Next 400,000	2	104,000	26	104,000	25	100,000	26	104,000
	6	0		0				
First 1,000,000		248,325		247,850		234,650		238,650
		5		0				
Above 1,000,000	2		26		25		28	
	6							

Non-resident individual income tax rates

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

Budget 2016 : *Summary & Comments*

Co-operative income tax rates

Chargeable Income	ASSESSMENT YEAR					
	2010 - 2012		2013-2014		2015-2016	
RM	%	RM	%	RM	%	RM
First 20,000	0	0	0	0	0	0
Next 10,000	2	200	0	0	0	0
On 30,000		200		0		0
Next 10,000	6	600	5	500	5	500
On 40,000		800		500		500
Next 10,000	9	900	5	500	5	500
On 50,000		1,700		1,000		1,000
Next 10,000	12	1,200	5	500	5	500
On 60,000		2,900		1,500		1,500
Next 15,000	12	1,800	10	1,500	10	1,500
On 75,000		4,700		3,000		3,000
Next 25,000	16	4,000	10	2,500	10	2,500
On 100,000		8,700		5,500		5,500
Next 50,000	20	10,000	15	7,500	15	7,500
On 150,000		18,700		13,000		13,000
Next 100,000	23	23,000	20	20,000	18	18,000
On 250,000		41,700		33,000		31,000
Next 250,000	26	65,000	22	55,000	21	52,500
On 500,000		106,700		88,000		83,500
Next 250,000	26	65,000	24	60,000	23	57,500
On 750,000		171,700		148,000		141,000
Above 750,000	26		25		24	

Company income tax rates

Assessment Year	2007	2008	2009-2015	2016
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
First RM500,000	20%	19%
Above RM500,000	25%	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.

Limited Liability Partnership (LLP) Resident in Malaysia

Assessment Year	2015 and before	2016
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
First RM500,000	20%	19%
Above RM500,000	25%	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.

Budget 2016 : *Summary & Comments***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

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 4 th . Year	20%	30%	20%
In the 5 th . Year	15%	30%	15%
In the 6 th year onwards	5%	5%	0%

Income Tax Rebates for resident individuals

Rebates	ASSESSMENT YEAR	
	2007-2008	2009-2016
Resident individual with chargeable income of RM35,000 or less	350	400
Rebate for spouse if the tax payer chargeable income is RM35,000 or less and the spouse has no income or opt for joint assessment	350	400
Zakat	Amount of zakat paid restricted to amount of tax payable	

Personal relief for resident individuals

Types of Relief	ASSESSMENT YEAR			
	2012	2013-2014	2015	2016
Self	9,000	9,000	9,000	9,000
Additional relief for disabled tax payer	6,000	6,000	6,000	6,000
Spouse with no income or opt for joint assessment	3,000	3,000	3,000	4,000
Additional relief for disabled spouse (spouse has no income or opt for joint assessment)	3,500	3,500	3,500	3,500
Normal Child				
- unmarried and age of 18 and below	1,000	1,000	1,000	2,000
- above 18, unmarried and studying in tertiary education institute				
- Local (diploma and above)	4,000	6,000	6,000	8,000
- Overseas (Degree and above)	4,000	6,000	6,000	8,000
Disabled child				
- unmarried	5,000	5,000	6,000	6,000
- above 18, unmarried and studying in tertiary education institute (diploma and above in local University and Degree and above in Overseas University)	9,000	11,000	12,000	14,000
Life insurance premium on tax payer and/or spouse's life and contribution to approved fund	6,000	6,000	6,000	6,000
SOCSSO	NIL	NIL	NIL	250
Private Retirement Scheme and deferred annuity	3,000	3,000	3,000	3,000
Insurance premiums for education or medical benefit for tax payer, spouse or children	3,000	3,000	3,000	3,000
Medical expenses on tax payer, spouse and children for serious diseases.	5,000	5,000	6,000	6,000

Budget 2016 : *Summary & Comments*

Personal relief for resident individuals (continued)

Types of Relief	ASSESSMENT YEAR			
	2012	2013-2014	2015	2016
Complete medical examination on tax payer, spouse and children. (max) Total deduction for medical expenses and examination is restricted to RM5,000	500	500	500	500
Medical expenses for parents (max)	5,000	5,000	5,000	5,000
Parental care (Note 1) ➤ Father ➤ Mother	NIL NIL	NIL NIL	NIL NIL	1,500 1,500
Books, journal and magazine for tax payer, spouse or children	1,000	1,000	1,000	1,000
Basic supporting equipment for disabled tax payer, spouse, parent or children (max)	5,000	5,000	6,000	6,000
Personal computer. The relief will be given once in every 3 assessment years (maximum)	3,000	3,000	3,000	3,000
Net deposit in Skim Simpanan Pendidikan Nasional (max)	3,000	6,000	6,000	6,000
Education fee on qualified course for tax payer (Note: 2)	5,000	5,000	5,000	7,000
Sports & exercise equipment (maximum)	300	300	300	300
Broadband subscription fee (YA2010-2012)	500	NIL	NIL	NIL

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

Capital Allowance Rates

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
Heavy machinery (excluding imported machinery) and motor vehicle: <ul style="list-style-type: none"> • Building & construction industry • Timber industry • Tin mining industry • Imported heavy machinery used in building & construction, mining, plantation and timber industry • Other industry 	<p>30</p> <p>60</p> <p>60</p> <p>10</p> <p>20</p>	<p>20</p> <p>20</p> <p>20</p> <p>10</p> <p>20</p>
Plant & Machinery: <ul style="list-style-type: none"> • Building & construction industry • Timber industry • Tin mining industry • Other industry 	<p>30</p> <p>60</p> <p>60</p> <p>20</p>	<p>14</p> <p>14</p> <p>14</p> <p>14</p>
Others: <ul style="list-style-type: none"> • Building & construction industry • Timber industry • Tin mining industry • Other industry 	<p>30</p> <p>60</p> <p>60</p> <p>20</p>	<p>10</p> <p>10</p> <p>10</p> <p>10</p>
Special plant & equipment: <ul style="list-style-type: none"> • Plant or machinery used by manufacturing company for recycling of wastes (w.e.f. YA 2001) • Bus using natural gas • Natural gas refuelling equipment used at natural gas refuelling outlet • Plant or machinery used for qualifying project under Schedule 7A (w.e.f YA 2001) • Qualifying machinery and equipment used in agriculture sector including plantation (w.e.f. 2005) • Qualifying equipment used by companies to ensure quality of power supply (w.e.f. 2005) 	<p>40</p> <p>40</p> <p>40</p> <p>20</p> <p>20</p>	<p>20</p> <p>20</p> <p>20</p> <p>40</p> <p>40</p>

 Budget 2016 : *Summary & Comments*
Capital Allowance Rates (Continued)

Types of Asset	Initial Allowance (%)	Annual Allowance (%)
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%

5. Information and communication technology equipment

Effective: Assessment year 2009-2016

Qualifying assets:

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

Conditions

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

Disqualified:

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

Allowance:

Initial: 20% Annual: 80%

Industrial Building Allowances (IBA)

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

Industrial Building Allowances (IBA)

Type of Building	Initial Allowance (%)	Annual Allowance (%)
Public road & ancillary structures on which expenditure is recoverable through toll collection	10	6
Warehouse for purpose of storage of goods for export or imported goods to be processed and distributed or re-exported	NIL	10
Living accommodation for employees employed in manufacturing, hotel, tourism business and approved service project	NIL	10
School and approved educational institution, approved industrial, technical and vocational training	NIL	10
Building constructed for accommodation for employees (with industrial building)	40	3
Building constructed under an approved build-lease-transfer agreement with the Government	10	6

Budget 2016 : Summary & Comments

New buildings occupied by MSC status companies in Cyberjaya. (w.e.f YA 2006)	NIL	10
Building acquired/constructed and used by resident BioNexus status company for its new business or expansion projects (w.e.f 02.09.2006)	NIL	10
Child care centre (w.e.f YA 2013)	NIL	10
Pre-school buildings (w.e.f YA 2013)	NIL	10
Old folks care centre	NIL	10
Renovation cost by TRX Marquee status company	NIL	10

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

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

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

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

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

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

Disposal value at the expiry of the agreement = Zero

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