

BUDGET 2016



TAX PROPOSALS

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TAX AMENDMENTS AND HIGHLIGHTS

- ✓ INDIVIDUAL TAX
- ✓ CORPORATE TAX
- ✓ GOODS AND SERVICES TAX



Review of Income Tax Rates for Resident Individual

Present

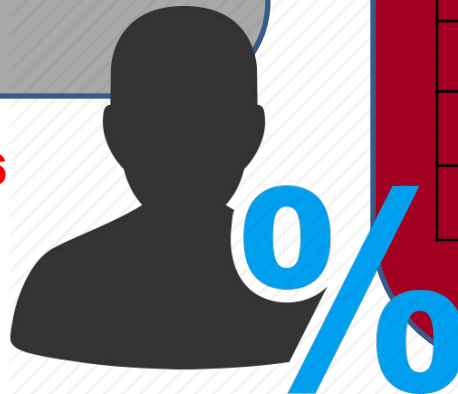
Resident individual is tax at scales rates ranging from 0% to 25% with the maximum rate of 25% being applicable to chargeable income exceeding RM400,000.

Proposed

It is proposed that the scale rates for resident individual having a chargeable income exceeding RM400,000 be restructured as follows:

Chargeable Income (RM)	Proposed Tax Rate (%)
400,001 – 600,000	25
600,001 – 1,000,000	26
Exceeding 1,000,000	28

Effective date: YA 2016



Review of Income Tax Rate for Non-Resident Individual

Present

Non-resident individual is subject to income tax at a fixed rate of 25%.

Proposed

In line with the new income tax structure for individuals, the fixed income tax rate for non-resident individual be increased from 25% to 28%.

Effective date: YA 2016



Tax Relief for Parental Care

Present

Resident individual who pays for their parent's medical treatment and care is eligible to claim a maximum relief up to RM5,000 a year.

Effective date: YA 2016 to YA 2020



Proposed

A new relief of RM1,500 a year is given in respect of each legitimate or foster parent provided in that year –

- no medical expenses is claimed by the individual;
- parents are residing in Malaysia;
- parents are aged 60 years and above; and
- each parent having annual income not exceeding RM24,000 per annum.

Tax Relief for Tax Payer Whose Spouse Has No Income and Pays Alimony to Former Wife

Present

Resident individual is entitled for a total relief of RM3,000 provided –

- his/her spouse has no source of income; or
- he pays an alimony to his former wife.

Proposed

It is proposed that the relief be increased from RM3,000 to RM4,000.

Effective date: YA 2016

RM3,000



RM4,000

Tax Relief for Children Below 18 Years of Age

Present

Resident individual is given a relief of RM1,000 for each unmarried child below 18 years of age.

Proposed

It is proposed that the relief be increased from RM1,000 to RM2,000.

Effective date: YA 2016

RM1,000



RM2,000

Tax Relief for Children Studying at Tertiary Level

Present

Resident individual is given a relief of RM6,000 for each child who is 18 years of age and above and pursues full time education at -

- diploma level and above at a recognized institution of higher learning in Malaysia; or
- degree level and above at a recognized institution of higher learning outside Malaysia.

Proposed

It is proposed that the relief be increased from RM6,000 to RM8,000.

**Effective date:
YA 2016**



Tax Relief on Fees for Tertiary Education

Present

Resident individual who pursues higher education on the following field of study is given a relief of RM5,000 each year:

Level of Education	Field of Study
Certificate/ Diploma/ Degree	Islamic finance, vocational, law, accounting, technical, industrial, scientific and technological skills or qualification
Master/ Doctorate	All fields

Proposed

It is proposed that the relief be increased from RM5,000 to RM7,000.

Effective date: YA 2016



Tax Relief on Employees' Contribution to Social Security Protecting Scheme (SOCSO)

Present

Resident individuals who made contribution to SOCSO pursuant to the Employee's Social Security Act 1969 are not eligible to claim any relief.

Proposed

A new relief of up to a maximum of RM250 per year is given to individual for contribution made to SOCSO.

Effective date: YA 2016

Tax Exemption of Gratuity Payment

Present

Existing legislation provides tax exemption to individual on particular* sums received by way of gratuity on retirement from an employment.

* Schedule 6 Paragraphs 25, 25A, 25B or 30A of the Income Tax Act 1967 referred.

Proposed

In addition to the existing exemption, it is proposed that exemption of not exceeding RM1,000 be given for every completed year of service of that individual for any sums received by way of gratuity on retirement from an employment under any written law or termination of a contract of employment.

Effective date: YA 2016

Proposed

Review of Penalty and Offences

- Introduction of a new Section 112(1A) to provide that failure to furnish tax returns for 2 years or more are liable to a fine of RM1,000 to RM20,000 or imprisonment up to six months or both.



Effective date: Upon coming into operation of the Finance Act 2015

- Failure to furnish correct particulars are liable to a penalty of not less than RM200 and not more than RM20,000 or imprisonment up to six month or both.

Changes in Basis Period for Employment Income

Present

Where the gross income from employment when received by an individual is related to a particular period, the income will be treated as gross income for the particular year of assessment to which it relates to, with exception of the following –

- director's fees
- bonus
- income which relates to a particular period exceeding 4 years

Proposed

In order to simplify the Monthly Tax Deduction (MTD) process and eliminate the administrative burden related to the issuance of additional assessments for prior years, it is proposed that gross income from employment will be treated as gross income for current year of assessment. Hence, all income will be assessed in the year of receipt.

Effective date: YA 2016

Review of Tax Incentive for Food Production Projects

Present

Tax incentives are given up to 31 December 2015 for:

- Company making investment in a subsidiary carrying out new food production project;
- Carrying out new food production projects (100% exemption of statutory income for 10 YAs);
- Expansion of food production projects (100% exemption of statutory income for 5 YAs).

Proposed

The incentives be extended for another 5 years and qualifying projects to include:

- Planting of coconuts, mushrooms and cash crops;
 - Rearing of deer;
- Cultivation of seaweed;
- Rearing of honey; and
- Planting of animal feed crops

Effective date: Applications received from 1 January 2016 to 31 December 2020

Extension of Tax Incentives for Tour Operating Companies



Present

100% tax exemption on statutory income for domestic (> 1,500 local tourist per year) and group inclusive tour (. 750 inbound tourists per year)

Proposed

The incentives to be extended for another 3 YAs from YA 2016 to YA 2018

Automatic Double Deduction for Research and Development Projects



Present

Companies to obtain approval for the projects to qualify for double deductions

Companies carrying out research and development projects are entitled to claim double deduction

Proposed

Companies with paid-up capital not exceeding RM2.5 million be allowed to claim double deduction up to RM50,000 automatically after submission of application to IRB.

**Effective date:
YA 2016 to YA 2018**

Allowance for Increased Exports Incentive to Small and Medium Enterprises (SMEs)

Present

Tax incentives given to manufacturing and agricultural companies:

Value added of goods	Exemption on statutory income equivalent to (restricted to 70% of statutory income)
30%	10% of the value of the increased exports
50%	15% of the value of the increased exports
10% of the value of the increased exports of agriculture products	

Proposed

Companies with paid-up capital not exceeding RM2.5 million:

Value added of goods	Exemption on statutory income equivalent to (restricted to 70% of statutory income)
20%	10% of the value of the increased exports
40%	15% of the value of the increased exports

Effective date: YA 2016 to YA 2018

Submission of Employer's Return via e-Filing

Present

Presently, employer has the option to furnish the annual Employer's Return (Form E) by way of manual submission or electronic submission.

Proposed

It is proposed that where the employer is a company, it will be mandatory for that employer to submit the Form E by way of electronic medium (ie. e-filing)

Effective date: YA 2016

Stream Lining Of Food Products Subject To GST At Zero Rate

Proposed



Additional food items are proposed to be subject to GST at zero rate (GST 0%):

- Organic, soy bean based milk for infants from age 0-36 months
- Chickpeas, green and white bean, pigeon peas
- Lotus root, water chestnut
- Mustard seeds
- Jaggery powder
- Mee kolok (Dry)

Effective date: 1 January 2016

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 rate. These include 321 chemical entities for treatment of over 30 diseases including heart disease, diabetes, hypertension, cancer, hepatitis and fertility treatment.

Proposed

4,415 new brands of products to be added to the existing list of zero rated medicines as below:

- 4,320 brands of controlled drugs which fall / are included under Poisons Groups A, B, C and D under the Poisons Act 1952
- 92 brands of over-the-counter medicines
- 3 brands of medical devices under NEML


Effective date: 1 January 2016

GST Treatment On Domestic Air Passenger Transport Services In Sabah And Sarawak

Present

Domestic air transportation services for passengers is 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



Domestic air transportation within and between Sabah, Sarawak and Labuan by economy class passengers under Rural Air Services to be exempt from GST.

Effective date: 1 January 2016

Review Of Entities Eligible For Approval Under The Approved Trader Scheme (ATS)

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 fulfill the stipulated criteria.



Proposed

Eligibility for ATS be extended to include companies carrying out maintenance, repair and overhaul (“MRO”) activities solely in the aerospace sector and subject to fulfill certain conditions.

Effective date: 1 January 2016

Proposed

Time of Supply for Imported Services

The time of supply for imported services shall be the earlier of:

- i. the date when payment is made; or
- ii. the date when invoice is issued.

**Effective date:
1 January 2016**

Implications Arising from GST Input Tax Treatment on Capital Allowance (CA)

Proposed



GST input tax paid or to be paid by a person to be excluded from the amount of qualifying expenditure (QE) for the purpose of CA if:

- i. The person liable to be registered under the GST Act and has failed to do so; or
- ii. The person is entitled under the GST Act to credit on that amount as input tax.

Effective date : YA 2015

Deduction Not Allowed due to Non-Registration of GST

Proposed

Present

GST implemented from 1 April 2015, the person with taxable turnover more than RM500,000 is mandatory to register for GST and who is entitled to claim input tax for the purchase of goods and services.

Effective date : YA 2015

- GST input tax paid or to be paid is not allowable if:
 - i. The taxable person liable to be registered under the GST Act and has failed to do so; or
 - ii. The taxable person is entitled under the GST Act to credit on that amount as input tax.
- Output tax paid or to be paid not allowed as deduction if borne by the taxable person registered or liable to be registered.

GST Expenditure on RPGT

Proposed

- GST expenditure is part of incidental cost if:
 - i. Disposer is not liable to register under GST Act; or
 - ii. Disposer registered under GST Act but not entitled to credit amount as input tax.

- GST expenditure excluded from acquisition price if:
 - i. Disposer liable to be registered under the GST Act and has failed to do so; or
 - ii. Disposer is entitled under the GST Act to credit on that amount as input tax.

Effective date : YA 2015

Proposed

Special Reinvestment Allowance Incentives

- To encourage reinvestment by companies which have exhausted their eligibility to qualify for RA, a special RA will be made available from YA 2016 to YA 2018

Budget 2016: Others



Proposed

Budget 2016: Others



Extension of Stamp Duty Exemption to Revive Abandoned Housing Projects

- Exemption of stamp duty available to rescuing contractors and original house purchaser is extended for loan agreements and instruments of transfer executed from 1 January 2016 to 31 December 2017



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