Malaysia Budget 2016

October 2015

This Budget analysis provides details on various tax measures that were announced in the 2016 Budget speech.

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Individual Tax

1. Review of income tax rate for individual

Currently, the income tax structure for resident individuals is based on progressive rates ranging from 0% to 25% on chargeable income. Effective from the year of assessment 2015, the rates are as follows:

Chargeable Income (RM)	Current Tax Rates (%)
1 – 5,000	0
5,001 – 20,000	1
20,001 – 35,000	5
35,001 – 50,000	10
50,001 – 70,000	16
70,001 – 100,000	21
100,001 – 250,000	24
250,001 – 400,000	24.5
Exceeding 400,000	25

Non-resident individuals are subject to income tax at a fixed rate of 25%.

To enhance the progressivity of the individual income tax structure, it is proposed that income tax rates for resident individuals whose chargeable income from RM600,001 to RM1,000,000 be increased by 1 percentage point and chargeable income exceeding RM1,000,000 be increased by 3 percentage points as follows:

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

The fixed income tax rate for non-resident individuals be increased by 3 percentage points from 25% to 28%.

Effective date : From year of assessment 2016

2. **Review of tax relief for taxpayer whose spouse has no income and pays alimony to former wife**

   Currently, individual taxpayer whose spouse has no income and / or individual taxpayer who pays an alimony to his former wife is entitled for a total relief of up to RM3,000.

   To assist the individual taxpayer whose spouse has no income and / or pays an alimony to his former wife, it is proposed that the relief be increased from RM3,000 to RM4,000.

   Effective date : From year of assessment 2016

3. **Tax relief for parental care**

   Currently, a taxpayer is eligible to claim relief of up to RM5,000 a year on expenses expanded for medical treatment and care of parents. The claim must be supported by receipts and evidenced by certification of a medical practitioner who is registered with the Malaysian Medical Council.

   To assist taxpayer in reducing parental care cost, a new relief of RM1,500 for a mother and RM1,500 for a father is proposed. This relief can be shared with other siblings provided that the total relief claimed shall not exceed RM1,500 for a mother and RM 1,500 for a father.

   In addition, a taxpayer is allowed to claim relief for eligible parents subject to the following conditions:

   i. such taxpayer does not claim expenses on medical treatment and care of parents;
   ii parents are the legitimate natural parents and foster parents in accordance to the respective law subject to a maximum of 2 persons;
   iii. parents aged 60 years and above;
   iv. parents reside in Malaysia in the current year of assessment; and
   v. parents have an annual income not exceeding RM24,000 per annum for each parent.

   Effective date : From year of assessment 2016 until year of assessment 2020

4. **Review of tax relief for children below 18 years of age**

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

   To assist a taxpayer to bear the cost of bringing up children, it is proposed that the tax relief for each child below 18 years of age be increased from RM1,000 to RM2,000.

   Effective date : From year of assessment 2016

5. Review of tax relief for children studying at tertiary level

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

To assist taxpayers to reduce costs of higher education for their children, it is proposed that the relief be increased from RM6,000 to RM8,000 for each child.

For a handicapped child, this relief is in addition to the handicapped 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 handicapped child who is 18 years or more of age 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.

Effective date : From year of assessment 2016

6. Review of tax relief on fees for tertiary education

Currently, 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 recognized by the Government or approved by the Minister of Finance are eligible to claim relief on the study fees. The relief is subject to a maximum amount of RM5,000 a year and the fields of study are as follows:

Level of Education	Fields of Study
Certificate / Diploma / Degree	Law, Accounting, Islamic Finance, Vocational, Technical, Industrial, Scientific and Technological skills or qualifications
Master / Doctorate	All fields

To encourage life-long learning and support the nation's aspiration towards producing world-class talents, it is proposed that the relief on study fees be increased from RM5,000 to RM7,000 per year.

Effective date : From year of assessment 2016

7. Tax relief on employee's contribution to social security protection scheme

Contribution of private sector employees to social security protection scheme which is administered and enforced by the Social Security Organisation (SOCSO) under the Employees' Social Security Act 1969 consists of two components:

i. 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. The total contribution is capped by a maximum of RM3,000 monthly gross salary although the salary may increase in the future; and

ii. Voluntary contribution by Malaysian citizen employees who are paid monthly gross salary exceeding RM3,000 at a rate of 0.5% from monthly gross salary offered under the employment contract. The total contribution is capped at a maximum of RM3,000 monthly gross salary.

In addition, 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. This contribution is eligible for income tax deduction.

Currently, employees are not eligible to claim relief on their contribution to the social security protection scheme.

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

Effective date : From year of assessment 2016

Corporate Tax

1. Tax incentive on issuance of Sustainable and Responsible Investments Sukuk (SRI Sukuk)

Currently, 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.

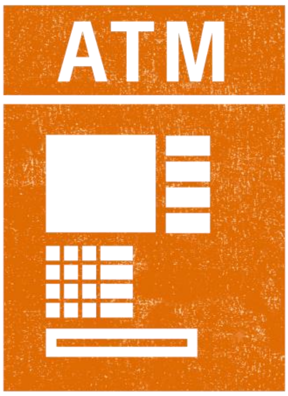
The above tax deduction for sukuk issued under the principles of *Ijarah* and *Wakalah* has been extended for another three years from the year of assessment 2016 to year of assessment 2018.

The same tax treatment is also applicable to the issuance of sukuk that complies with the requirements of Sustainable and Responsible Investments (SRI). SRI Sukuk refers to the financing of projects with the following objectives:

i. preserve and protect the environment and natural resources;
ii. conserve the use of energy;
iii. promote the use of renewable energy;
iv. reduce greenhouse gas emission; or
v. improve the quality of life for society.

To promote the issuance of SRI Sukuk and to establish Malaysia as a regional issuance hub for SRI Sukuk, it is proposed that tax deduction be given for five years on issuance costs of SRI Sukuk approved by, or authorized by or lodged with the Securities Commission of Malaysia.

Effective date : From year of assessment 2016 to year of assessment 2020



2. Tax incentive for issuance of retail bond and retail sukuk

Currently, issuance of retail bonds and retail sukuk incurs additional costs as compared to issuance of non-retail bonds and non-retail sukuk. The additional costs are as follows:

i. professional fees relating to due diligence, drafting and preparation of prospectus;
ii. printing cost of prospectus;
iii. advertisement cost of prospectus;
iv. Securities Commission prospectus registration fee;
v. Bursa Malaysia processing fee and initial listing fee;
vi. Bursa Malaysia new issue crediting fee; and
vii. primary distribution fee.

The above additional costs are given the following tax treatments:

i. double deduction on additional issuance costs of retail bonds; and
ii. further deduction on additional issuance costs of retail sukuk.

The above tax treatment is effective from years of assessment 2012 until 2015.

To further encourage more investors' involvement particularly individual investors in the capital market, 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 *Bal' Bithaman Ajil* based on *tawarruq*; and
iii. further deduction on additional issuance costs of sukuk under the principles of *Ijarah* and *Wakalah.*

Effective date : From year of assessment 2016 to year of assessment 2018

3. Extension of tax exemption on income from managing Shariah-compliant funds

Currently, a company that provides Shariah-compliant fund management services and certified by the Securities Commission Malaysia, is exempted from income tax on the following:

i. statutory income derived from business of providing fund management services to foreign investors in Malaysia. The income tax exemption is effective from years of assessment 2007 to 2016;
ii. statutory income derived from business of providing fund management services to local investors in Malaysia. The income tax exemption is effective from years of assessment 2008 to 2016; and
iii. statutory income derived from business of providing fund management services to business trusts or real estate investment trusts in Malaysia. The income tax exemption is effective from years of assessment 2014 to 2016.

To further promote business management activities of Shariah-compliant funds, it is proposed that the above tax exemptions be extended for another 4 years.

Effective date : From year of assessment 2017 to year of assessment 2020

4. Extension of tax incentive period for Real Estate Investment Trusts (REITs)

Currently, investors in Real Estate Investment Trusts (REITs) are given the following tax 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.

To further promote the development of REITs and boost the capital market as well as investment in real estates, it is proposed that the above tax incentives be extended for another 3 years.

Effective date : From 1 January 2017 to 31 December 2019

5. Tax incentives for the establishment of Independent Conformity Assessment Bodies (ICAB)

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.

Tax incentive was given to laboratories that tested medical devices but had expired in 31 December 2012. Currently, there is no tax incentive for companies carrying out independent conformity assessment activities.

To further promote the development of independent conformity assessment services in Malaysia, it is proposed that the following incentives be given:

A. For 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.

B. 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 recognized 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.

Effective date : For applications received by MIDA from 1 January 2016 until 31 December 2018

6. Review of tax incentive for food production projects

Currently, 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 as approved by the Minister of Finance 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.

To support the development and continuous growth of a competitive agro-food sector and agro-based industry, it is proposed 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 as determined by the Minister of Agriculture and Agro-Based Industry and approved by the Minister of Finance.

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

7. Extension of tax incentives for tour operating companies

Currently, tax incentives for tour operating companies are as follows:

i. 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
ii. 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.

To encourage tour operating companies to promote Malaysia as a preferred destination and boost domestic tourism, it is proposed that above incentives be extended for another 3 years of assessment.

Effective date : From year of assessment 2016 until year of assessment 2018.

8. **Automatic double deduction for R&D project**

Currently, companies that carry out R&D projects are entitled to claim a double deduction on R&D project expenditures under Section 34A of the Income Tax Act 1967. Companies must obtain an approval for the R&D project from the Inland Revenue Board (IRB) to qualify for the double deduction.

To promote R&D activities among companies with paid-up capital not exceeding RM2.5 million, it is proposed that these companies be allowed to claim a double deduction automatically for R&D project expenditures up to RM50,000 for each year of assessment. However, companies are required to submit R&D project application to IRB.

Effective date : From year of assessment 2016 to year of assessment 2018

9. **Allowance for increased exports incentive to Small and Medium Enterprises (SMEs)**

Currently, tax incentives are provided to manufacturing and agriculture companies to boost exports. The incentives are 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 exports to companies which export agriculture product.

The tax exemption mentioned above is restricted to maximum 70% of the statutory income.

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

Effective date : From year of assessment 2016 until year of assessment 2018

10. Special Reinvestment Allowance incentive

Currently, 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.

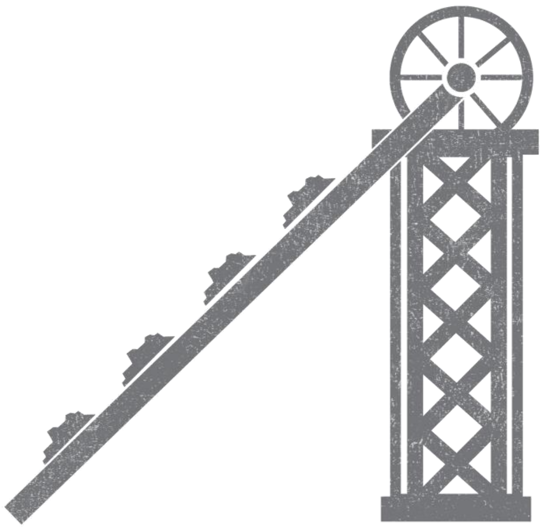
Eligible activities are:

A. **Manufacturing activities**; and
B. **Selected agriculture activities** as follows:

  i. cultivation of rice and maize;
  ii. cultivation of vegetables, tuber and roots;
  iii. cultivation of fruits;
  iv. livestock farming;
  v. spawning, breeding or culturing of aquatic products; and
  vi. any other activities approved by the Minister of Finance.

To encourage reinvestments by companies which have exhausted their eligibility to qualify for RA, it is proposed a special RA be made available for reinvestments made in a period of 3 years of assessment.

Effective date : For qualifying capital expenditure incurred from year of assessment 2016 until year of assessment 2018



Goods and Services Tax (GST)

1. Stream lining of food products subject to GST at zero rate

Currently, 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 kind 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

To provide similar treatment for food products in the same category, the following food items be subject to GST at zero rate:

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

a. Organic-based milk for infant and children under tariff code 0402.10 000; and

b. 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]:

ii. Dhal bean to include the bean [Chickpeas (Garbanzos)] under tariff code 0713.20 000, green and white beans [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;

iii. Vegetables to include lotus root and water chestnut under tariff code 0714.90 900;

iv. Spices to include mustard seeds under tariff code 1207.50 000;

v. Sugar to include the jaggery powder under tariff codes 1701.13 000 and 1701.14 000; and

vi. Noodle products to include *mi kolok* (dry) under tariff code 1902.19 400.

Effective date : From 1 January 2016

2. Scope of drugs subject to GST at zero rate

Currently, 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.

To ensure the *rakyat* have access to the supply of quality drugs at affordable prices, it is proposed the list of zero-rated medicines be widen as follows:

i. All types of Controlled Drugs in the Poison 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.

Effective date : From 1 January 2016

3. GST treatment on domestic air passenger transport services in Sabah and Sarawak

Currently, 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.

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. Therefore, no GST need to be paid on the airfares by economy class passengers.

Effective date : From 1 January 2016

4. Review of entities eligible for approval under the Approved Trader Scheme

Currently, 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. 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 2014; or
vii. Person or class of persons as determined by the Minister.

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

Effective date : From 1 January 2016

5. Relief from payment of GST on procurement of goods by skills and vocational training centres

Currently, 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:

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.

To streamline the GST relief given to the child care centers, pre-schools, primary and secondary private schools and private higher educational institutions, 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.

Effective date : From 1 January 2016

6. Relief from payment of GST on re-importation of goods temporarily exported for the purpose of promotion, research or exhibition

Currently, 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.

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, it is proposed that relief from payment of GST be given every time to the re-importation of goods that are exported temporarily.

Effective date : From 1 January 2016

7. **Relief from payment of GST on re-importation of goods exported temporarily for the purpose of rental and lease**

   Currently, 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.

   To promote the development of supporting services activities in the various sectors, it is proposed that the relief from payment of GST be given to re-importation of eligible equipment that has been exported temporarily for the purpose of rental and lease outside the country. Among the eligible equipment is equipment used in the upstream oil and gas industry.

   The list of equipment and conditions are as approved by the Minister of Finance.

   Effective date : From 1 January 2016

8. **Reduction on annual sales turnover threshold for registration under the Flat Rate Scheme**

   Currently under conditions imposed by the Director General of Customs a small farmer below the GST registration threshold of RM500,000 may seek approval to use the Flat Rate Scheme. The Director General has been imposing an entry threshold of RM100,000 sales turnover.

   To enable small-scale farmers to benefit from the Flat Rate Scheme, the Government proposes that the annual sales turnover threshold for registration under this scheme be reduced from RM100,000 to RM50,000.

   Currently, an approved person shall keep full and true records of all transactions in relation to the supply under this scheme. It is proposed that the requirement to maintain records be simplified.

9. **Rebates equivalent to the amount of GST paid on prepaid telecommunication services or prepaid cards will be given to Malaysian consumers**

   There has been considerable debate about whether prepaid telecommunications cards are GST inclusive or GST exclusive. The Government has taken the view that the prepaid cards are inclusive of GST. Therefore, the telcos should not have charged an additional 6% for the prepaid service.

   Malaysian consumers will receive rebates equivalent to the amount of GST paid, which will be credited directly to their prepaid accounts.

   Effective date : From 1 January 2016 to 31 December 2016

Stamp Duty and Others

1. Extension of stamp duty exemption to revive abandoned housing projects

Currently, stamp duty exemption is provided to revive abandoned housing projects as follows :

A. Rescuing contractors :

i. on instruments of loan agreements to finance the completion of abandoned housing projects; and

ii. on instruments of transfer title for land and houses in abandoned housing projects.

The exemptions are given on the above instruments executed from 1 January 2013 until 31 December 2015

B. Original house purchaser in the abandoned project :

i. on instruments of loan agreements for additional financing; and

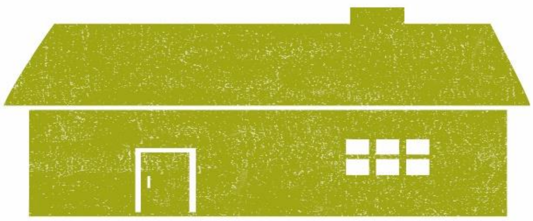
ii. on instruments of transfer of the house.

The exemptions are given on the above instruments executed from 1 January 2013 until 31 December 2015

Abandoned housing projects must be certified by the Ministry of Housing and Local Government to be eligible for the above tax incentives.

To further encourage rescuing contractors to complete abandoned housing projects and reduce financial burden of affected house purchasers, 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 2 years.

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 and Local Government.



2. Extension of stamp duty exemption on Shariah financing instruments

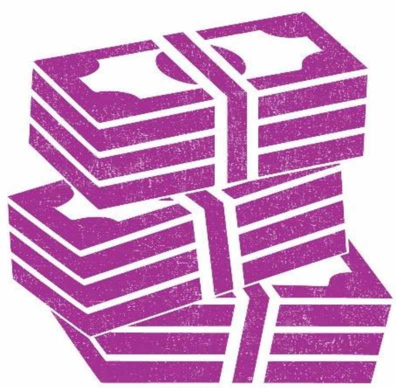
Currently, Shariah Financing Instruments approved by the *Shariah Advisory Council of the Bank Negara Malaysia* or the *Shariah Advisory Council of the Securities Commission Malaysia* are given stamp duties treatment as follows:

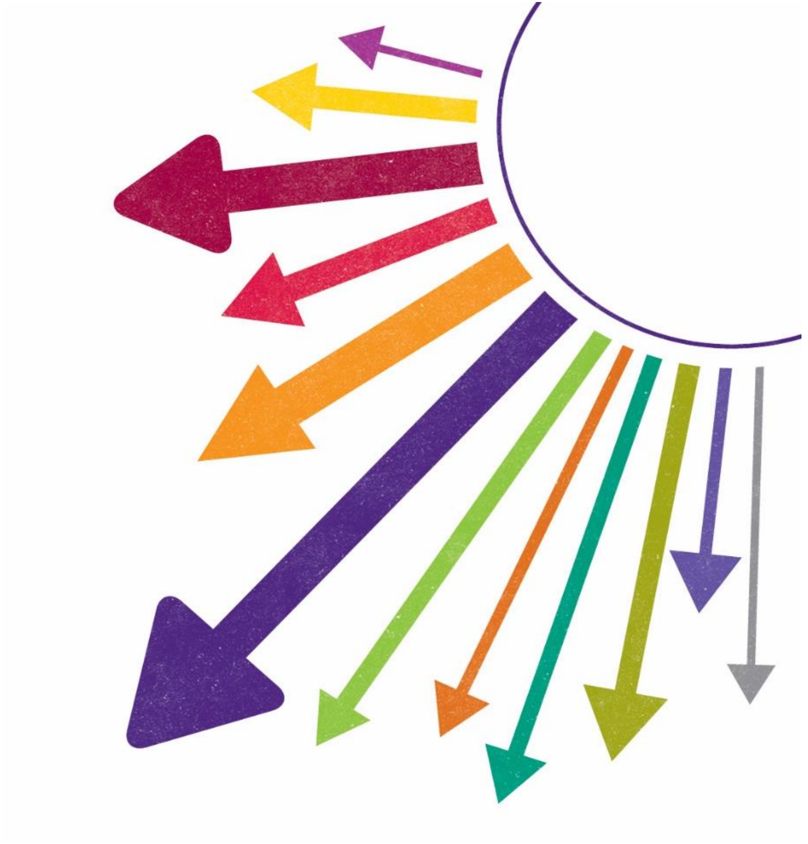
i. stamp duty exemption on additional instruments executed in accordance to the Shariah principles to ensure *tax neutrality* between conventional and Shariah financing. This exemption is given effective from 11 September 2004; and

ii. 20% stamp duty exemption on the principal or primary instrument of financing in accordance to the Shariah principles to encourage the development of Islamic financial sector. This exemption is given effective from 2 September 2006 until 31 December 2015.

To further encourage Shariah financing and to reduce cost of home ownership, it is proposed that the 20% stamp duty exemption be extended for another of 2 years. This exemption be given to the targeted sector on the principal or primary instrument of financing in accordance to the Shariah for home financing product approved by the *Shariah Advisory Council of the Bank Negara Malaysia* or the *Shariah Advisory Council of the Securities Commission Malaysia*.

Effective date : For housing financing instruments executed on or after 1 January 2016 but not later than 31 December 2017





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