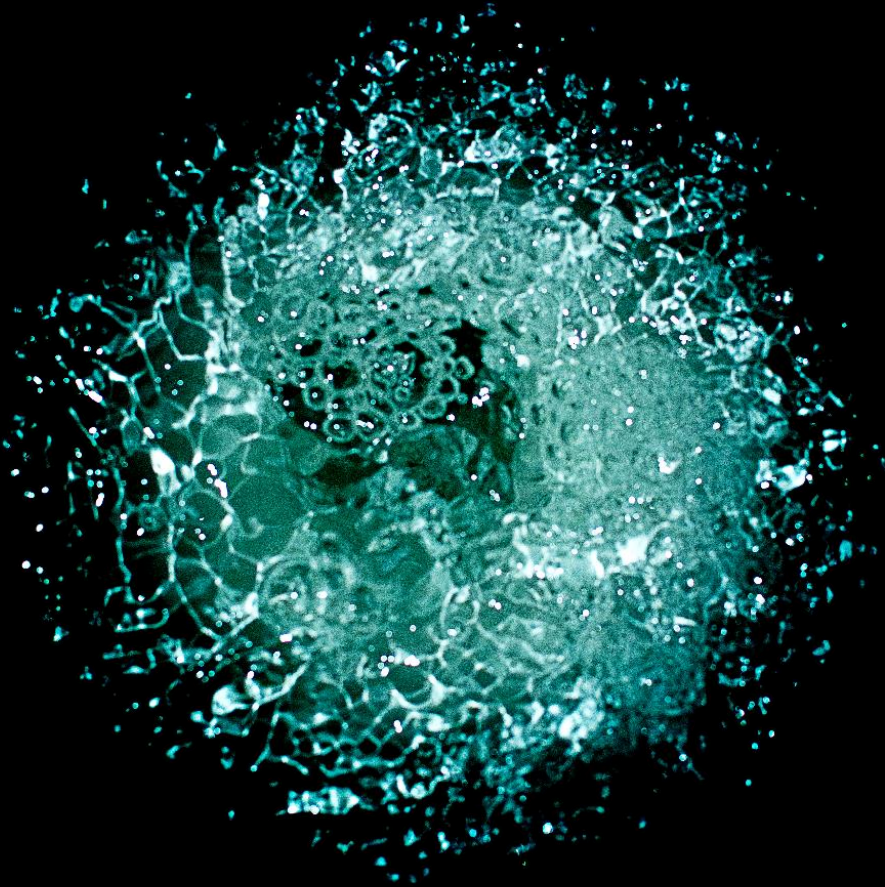


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Budget 2019
Latest Development

Tuesday, 13 November 2018 | REHDA



Government Revenue

2017 - 2019

Government Revenue

2017 to 2019

	RM million			Change (%)			Share (%)		
	2017	2018 ¹	2019 ²	2017	2018 ¹	2019 ²	2017	2018 ¹	2019 ²
Tax revenue	177,658	174,700	176,152	4.9	-1.7	0.8	80.6	73.9	67.3
Direct tax	116,024	133,474	135,068	5.9	15.0	1.2	52.6	56.4	51.6
<i>of which:</i>									
CITA	64,465	70,536	70,187	1.3	9.4	-0.5	29.2	29.8	26.8
Individuals	28,945	34,800	34,954	5.0	20.2	0.4	13.1	14.7	13.4
PITA	11,761	16,845	18,084	39.6	43.2	7.4	5.3	7.1	6.9
Indirect tax	61,634	41,226	41,084	3.2	-33.1	-0.3	28.0	17.5	15.7
<i>of which:</i>									
GST	44,352	23,100	22,000	7.1	-47.9	-4.8	20.1	9.8	8.4
Excise duties	10,112	10,691	11,380	-13.6	5.7	6.4	4.6	4.5	4.4
Import duty	2,784	2,800	2,940	-4.2	0.6	5.0	1.3	1.2	1.1
Export duty	1,355	1,600	1,604	38.3	18.1	0.2	0.6	0.7	0.6
Non-tax revenue	42,748	61,760	85,662	-0.8	44.5	38.7	19.4	26.1	32.7
<i>of which:</i>									
Licences and permits	12,777	14,681	15,567	3.8	14.9	6.0	5.8	6.2	5.9
Investment income	21,638	36,937	59,523	1.0	70.7	61.2	9.8	15.6	22.7
Total revenue	220,406	236,460	261,814	3.8	7.3	10.7	100.0	100.0	100.0
Share of GDP (%)	16.3	16.5	17.1						

¹ Revised estimate.

² Budget estimate, excluding 2019 tax measures.

Source: Ministry of Finance, Malaysia.

Corporate Tax

Corporate Tax

Review of corporate income tax rate for small and medium enterprise (“SME”)

Current position	Proposed amendment
Income tax rate on first RM500,000 of chargeable income of SME at 18% .	Income tax rate on first RM500,000 of chargeable income of SME at 17% . Effective: Year of assessment 2019

SME refers to:

1. A resident company incorporated in Malaysia with an ordinary paid-up share capital of RM2.5 million and below; or
2. A Limited Liability Partnership (“LLP”) resident in Malaysia with a total capital contribution (in cash or in kind) of RM2.5 million and below.
3. Such company or LLP must not be related to another company or LLP with ordinary paid-up share capital / capital contribution of more than RM2.5 million.

Corporate Tax

Change of tax treatment for group relief

Current position	Proposed amendment
<p>Tax treatment of group relief:</p> <ul style="list-style-type: none">a) A surrendering company can only surrender its adjusted loss after it has been in operation for at least 12 months.b) Adjusted loss may be surrendered indefinitely.c) A claimant company that has unutilised investment tax allowances or unutilised pioneer losses upon the expiry of its investment tax allowance or pioneer status incentive is eligible to claim group relief.	<p>Tax treatment of group relief:</p> <ul style="list-style-type: none">a) A surrendering company can only surrender its adjusted loss after it has been in operation for at least 12 months.b) Adjusted loss can only be surrendered up to a limit of 3 consecutive years of assessment.c) A claimant company that has unutilised investment tax allowances or unutilised pioneer losses upon the expiry of its investment tax allowance or pioneer status incentive will not be eligible to claim group relief. <p>Effective: Year of assessment 2019</p>

Corporate Tax

Review of tax treatment for unutilised losses and allowances

Current position	Proposed amendment
<p>There is no time limit for carrying forward of unutilised losses and allowances.</p>	<p>Time limit will be imposed as follows:</p> <ul style="list-style-type: none">a) Unutilised business losses and capital allowances – To be carried forward for a maximum of 7 consecutive years of assessment. *Not applicable to dormant companies with substantial change in shareholdings.b) Unutilised reinvestment allowance and investment allowance for service sector – To be carried forward for a maximum of 7 consecutive years of assessment after the expiry of the qualifying period.c) Unutilised investment tax allowance and pioneer losses – To be carried forward for a maximum of 7 consecutive years of assessment after the end of the investment tax allowance / pioneer period. <p>Effective: Year of assessment 2019</p>

Corporate Tax

Double tax deduction for employers hiring senior citizens or ex-convicts

Current position	Proposed amendment
Remuneration paid by employer is tax deductible .	<p>Further deduction will be given to employers on remuneration paid to full-time employees who are senior citizens (aged above 60 years old) or ex-convicts provided the monthly remuneration does not exceed RM4,000.</p> <p>Effective: Years of assessment 2019 to 2020</p>

Corporate Tax

Tax deduction for settlement of employee's Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") loan

Current position	Proposed amendment
Expenses in relation to settlement of employee's PTPTN loan is not tax deductible .	Tax deduction will be given to employers who have settled the PTPTN loans on behalf of their full-time employees, provided the amount is not recovered from the employee. Effective: For payments made between 1 January 2019 and 31 December 2019

Individual Tax

Individual Tax

Resident individual income tax relief on contributions to EPF or takaful or life insurance premiums

Current position	Proposed amendment
<p>A resident individual taxpayer is eligible to claim income tax relief on contributions made to approved provident funds such as the Employees Provident Fund (“EPF”) and payment for life insurance premiums or takaful contributions up to RM6,000 per year of assessment.</p>	<p>Tax relief on contributions to approved provident funds or takaful or payment for life insurance premiums to be increased to RM7,000 and be separated as follows:</p> <ul style="list-style-type: none">a) income tax relief on contributions to approved provident funds up to RM4,000; andb) Income tax relief on takaful contributions and payment for life insurance premiums up to RM3,000. <p>For public servants under the pension scheme, the income tax relief on takaful contributions and payment for life insurance premiums is given up to RM7,000.</p> <p>Effective: Year of assessment 2019</p>

Individual Tax

Increase in the resident individual income tax relief on net annual savings in National Education Savings Scheme (“SSPN”)

Current position	Proposed amendment
<p>A resident individual taxpayer is eligible to claim income tax relief on net annual savings in the SSPN up to RM6,000 per year of assessment.</p>	<p>A resident individual taxpayer is eligible to claim income tax relief on net annual savings in the SSPN up to RM8,000 per year of assessment.</p> <p>Effective: Years of assessment 2019 and 2020</p>

Indirect Tax

Indirect Tax

Service Tax on imported services and imported online services

- Service tax to be charged on **imported taxable services** in two stages:
 - **Business to Business** (“B2B”) transactions: **Malaysian recipient customers** to account for 6% tax via reverse charge from 1 January 2019; and
 - **Business to Consumer** (“B2C”) transactions: Foreign providers of digital products and services are required to register and collect 6% service tax from 1 January 2020.
- **Effective:**
 - **B2B transactions – 1 January 2019**
 - **B2C transactions – 1 January 2020**
 - The expansion of service tax to cover imported services is intended to provide parity between local suppliers and offshore service providers.

Indirect Tax

Service Tax exemption on specific B2B services

- Service tax **exemption** for specific **B2B services** between service tax registrants.
- The exemption is meant to **prevent** the **cascading 'tax-on-tax'** effect of service tax, for example where a service is acquired and onward-supplied through a supply chain.
- **Effective: 1 January 2019**
 - The exemption would be to address tax cascading in specific situations and will not be a blanket exemption on all B2B transactions.
 - It is unclear at this stage how the exemption would be applied, including whether it would require prior approval.

Indirect Tax

Credit system for Sales Tax

- A **credit system** for Sales Tax will be implemented to facilitate **small registered manufacturers** acquiring raw materials and components from small traders and importers who are not themselves registered for sales tax.
- **Effective: 1 January 2019**
 - It may not be practical for these small traders to be registered under the available sales tax exemptions.

Indirect Tax

Excise Duty on Sugar Sweetened Drinks

- An excise duty at the rate of **RM0.40 per litre** is proposed to be charged on sugar sweetened beverages based on the sugar content as follows:
 - i. fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter under the tariff heading of 20.09, which contains sugar **exceeding 12 grams per 100 millilitres**; and
 - ii. beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages under the tariff heading of 22.02, which contains sugar **exceeding 5 grams per 100 millilitres**.

- **Effective: 1 April 2019**

Indirect Tax

Airport Departure Levy

- A levy will be imposed on all outbound travelers by air, at the proposed rates of **RM20** for outbound travelers to ASEAN countries, and **RM40** to countries other than ASEAN.
- The move is to promote domestic tourism.
- **Effective: 1 June 2019**

Stamp Duty

Stamp Duty

Stamp duty rates on transfer of real property

Price / market value of real property	Current rate of stamp duty (%)	Proposed rate of stamp duty (%)	Proposed amendment
First RM100,000	1	1	
RM100,001 to RM500,000	2	2	
RM500,001 to RM1,000,000	3	3	Stamp duty rates on transfer of real property exceeding RM500,000 to be revised. Effective: 1 January 2019
RM1,000,001 and above	3	4	

Stamp Duty

Stamp duty exemption for the purchase of first residential home

Current

Stamp duty exemption	Types of instrument	Value of first residential home	Period where sales and purchase agreement is executed
1. 100%	Instrument of transfer and loan agreement	Up to RM300,000	1 January 2017 to 31 December 2018
2. 100% (on first RM300,000 of the price of the home) <i>Note – the balance is subject to stamp duty at the prevailing rates</i>	Instrument of transfer and loan agreement	RM300,000 to RM500,000	

Stamp Duty

Stamp duty exemption for the purchase of first residential home (cont'd)

Proposed

Stamp duty exemption	Types of instrument	Value of first residential home	Period where sales and purchase agreement is executed
1. 100%	Instrument of transfer and loan agreement	Up to RM300,000	1 January 2019 to 31 December 2020
2. 100% (on first RM300,000 of the price of the home) <i>Note – the balance is subject to stamp duty at the prevailing rates</i>	Instrument of transfer and loan agreement	RM300,001 to RM500,000	1 July 2019 to 31 December 2020
3. 100% <i>Note: purchase from housing developers</i>	Instrument of transfer	RM300,001 to RM1,000,000	1 January 2019 to 30 June 2019

RPGT

RPGT

Review of Real Property Gains Tax Rates

Current

Disposal	Current RPGT Rates		
	Company	Malaysian citizen and permanent resident individual	Non-citizen and non-permanent resident individual
Within 3 years	30%	30%	30%
In the 4th year	20%	20%	30%
In the 5th year	15%	15%	30%
In the 6th and subsequent years	5%	0%	5%

RPGT

Review of Real Property Gains Tax Rates (cont'd)

Proposed

Disposal	Proposed RPGT Rates		
	Company	Malaysian citizen and permanent resident individual	Non-citizen and non-permanent resident individual
Within 3 years	30%	30%	30%
In the 4th year	20%	20%	30%
In the 5th year	15%	15%	30%
In the 6th and subsequent years	10%	5%	10%

However, Malaysian citizens will be exempted from RPGT on gains for the disposal of low cost, medium low and affordable residential homes at the price of RM200,000 and below in the 6th and subsequent years.

Effective: 1 January 2019

Other measures

Other Measures

Special Voluntary Disclosure Program (“SVDP”)

- In line with the OECD initiatives on tax transparency and the implementation of the Automatic Exchange of Information (AEOI), Malaysia will receive financial information on Malaysian resident taxpayers from foreign tax jurisdictions.
- The SVDP allows voluntary disclosure and settlement of payments on:
 - **income not previously declared** / under declared, expenses over claimed / not allowable and reliefs / deductions / rebates over claimed;
 - gains on disposal of **assets** (real properties and shares in real property companies); and
 - **stamping** of instruments not previously stamped.
- Taxpayers who voluntarily disclose and settle the tax arrears during the SVDP period will enjoy reduced penalty rates as follows:

Period	Penalty rate
From 3 November 2018 to 31 March 2019	10%
From 1 April 2019 to 30 June 2019	15%

- Upon the **expiry** of the SVDP on 1 July 2019, the penalty rates would range from **80% up to 300%**.

Other Measures

Investigation into unexplained extraordinary wealth

- IRB will examine and investigate any **unexplained extraordinary wealth** shown through the possession of luxury goods or real estate.
- “Extraordinary wealth” was not defined and it is unclear at this juncture where the IRB would draw their information from.
- However, in view of Malaysia’s implementation of the Automatic Exchange of Information (AEOI) under Common Reporting Standard (CRS), Malaysia would now have access to financial information on Malaysian residents from foreign jurisdictions.
- For the time being, it is mentioned that IRB will take appropriate action in accordance with the law to obtain return of cash, whether in the form of additional taxes, penalties or fines. This would be in line with the IRB’s intention to improve current enforcement in compliance and collection of taxes.

Other Measures

Review of minimum wage

- It is proposed that the minimum wage be revised as follows:

Locations	Current position	Proposal
Peninsular Malaysia	RM1,000 per month	RM1,100 per month
Sabah, Sarawak and Labuan	RM920 per month	Effective: 1 January 2019

Other Measures

Tax deduction on donations to national schools and public institutions of higher learning (“IPTA”)

- All donations to **national schools** and **IPTA** registered with the Ministry of Education for the purposes of upgrading infrastructure are tax deductible.
- The tax deductibility for donations to other schools and institutions of higher learning registered with the Ministry of Education will be evaluated on a case-by-case basis.

Effective: 1 January 2019



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