



# *TaXavvy* Budget 2017 Edition (Part I) 21 October 2016

Welcome to our **TaXavvy Budget 2017 Edition**  
which brings to you the key tax proposals of Budget  
2017



[www.pwc.com/my](http://www.pwc.com/my)

This edition is prepared based on the 2017 Budget speech as announced by the Prime Minister on 21 October 2016. A follow-up edition will be issued to include key tax proposals from the Finance Bill after the Finance Bill is issued.



---

# *Inside this issue*

<b>Corporate tax</b>	<b>4</b>
<ul style="list-style-type: none"><li>• Reduction of corporate income tax for increase in chargeable income</li><li>• Reduction in corporate income tax rate for SMEs</li></ul>	
<b>Personal tax</b>	<b>5</b>
<ul style="list-style-type: none"><li>• Tax relief for lifestyle</li><li>• Tax relief for fees paid to child care centres and kindergartens</li><li>• Tax relief for the purchase of breastfeeding equipment</li></ul>	
<b>Tax incentives</b>	<b>6</b>
<ul style="list-style-type: none"><li>• Extension of tax incentives for new 4 and 5 star hotels</li><li>• Extension of International Currency Business Unit (ICBU) tax incentives</li><li>• Extension of tax incentive for anchor companies under the Vendor Development Programme</li><li>• Expansion of Halal products eligible for incentive for Halal Industry Players</li><li>• Tax incentive for Structured Internship Programme (SIP)</li><li>• Increase in the tax deduction limit for sponsoring arts, cultural and heritage activities</li></ul>	
<b>Goods and services tax</b>	<b>8</b>
<ul style="list-style-type: none"><li>• Widening of GST relief for disabled persons</li><li>• Streamlining the GST treatment in Free Industrial and Free Commercial Zones</li><li>• Streamlining the GST treatment between imported and local goods under the Warehousing Scheme</li></ul>	
<b>Stamp Duty</b>	<b>10</b>
<ul style="list-style-type: none"><li>• Purchase of first residential property</li><li>• Transfer of real estate valued more than RM1 million</li></ul>	
<b>PwC Budget Seminar 2016</b>	<b>11</b>
<b>Let's talk</b>	<b>12</b>

# Corporate tax



## Reduction of corporate income tax for increase in chargeable income

It is proposed that the incremental portion of chargeable income will enjoy stages of tax reduction below the existing headline corporate income tax rate of 24% in YAs 2017 and 2018 as follows:

% of increase in chargeable income compared to the immediate preceding YA	% point reduction	Income tax rate applicable for incremental portion of chargeable income (%)
Less than 5.00	NIL	24
5.00 – 9.99	1	23
10.00 – 14.99	2	22
15.00 – 19.99	3	21
20.00 and above	4	20

The above can be illustrated as follows:

YA	Chargeable income	% of increase in chargeable income	Tax rate
2016	RM 10 million	-	24%
2017	RM 12 million	20%	24% for the first RM10 million; and 20% for the incremental portion of RM2 million

The reduced tax rates are applicable to the following persons:

- Companies
- Limited liability partnerships (LLP)
- Trust bodies
- Executor of estate of an individual domiciled outside Malaysia at the time of death
- Receiver appointed by the court

(Effective for YA 2017 and YA 2018)

## Reduction in corporate income tax rate for SMEs

It is proposed that SMEs\* will be taxed as follows:

Chargeable income	Income tax rate (%)
Up to RM500,000	18
Exceeding RM500,000	24 <sup>^</sup>

\* SMEs refers to companies with paid-up capital in respect of ordinary shares of not more than RM2.5 million and LLPs with total contribution of capital of not more than RM2.5 million

<sup>^</sup> Pending the issuance of the Finance Bill, it is assumed that the reduction of the tax rate for increase in chargeable income shall similarly apply to incremental portions of chargeable income in excess of RM500,000

(Effective from YA 2017)

# Personal Tax



The following new individual tax reliefs are introduced effective from YA 2017:

## ***Tax relief for lifestyle***

In providing flexibility for individuals to claim tax relief on the purchase of reading materials, computer and sports equipment, it is proposed that these reliefs be combined into a new relief known as lifestyle relief with a limit of RM2,500.

The scope of lifestyle relief is expanded to include:

- i) Purchase of printed daily newspaper
- ii) Purchase of smartphone or tablet
- iii) Internet subscription
- iv) Gymnasium membership fee

## ***Tax relief for fees paid to child care centres and kindergartens***

A tax relief of up to RM1,000 shall be provided to taxpayers who enroll their children aged up to 6 years in child care centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education respectively.

The relief can only be claimed by either parent of the children.

## ***Tax relief for the purchase of breastfeeding equipment***

It is proposed that a tax relief up to RM1,000 be provided for the purchase of breastfeeding equipment.

The purchase can be made either in a complete set or separate parts consisting of breast pump (manual or electric), cooler bag, containers for collection and storage.

Women taxpayers with children aged up to 2 years are eligible to claim this relief. However, it is only claimable once every 2 years.

# Tax incentives



## **Extension of tax incentives for new 4 and 5 star hotels**

The following tax incentives for hotel operators undertaking investments in new 4 and 5 star hotels are to be extended for another 2 years:

	<b>Peninsular Malaysia</b>	<b>Sabah &amp; Sarawak</b>
Investment tax allowance	Allowance of 60% on qualifying capital expenditure for 5 years to be offset against 70% of Statutory Income	Allowance of 100% on qualifying capital expenditure for 5 years to be offset against 100% of Statutory Income
Pioneer Status	Exemption of 70% of Statutory Income from qualifying activities for 5 years	Exemption of 100% of Statutory Income from qualifying activities for 5 years

(Effective for applications to be received by the Malaysian Investment Development Authority up to 31 December 2018)

## **Extension of International Currency Business Unit (ICBU) tax incentives**

To maintain Malaysia as an International Islamic financial centre, the following existing tax exemptions for Islamic banking and Takaful business which operate ICBU are to be extended up to YA 2020:

- Income tax exemption on statutory income received by Islamic banks operating Islamic banking business transacted in foreign currencies
- Income tax exemption on statutory income received by Takaful companies operating Takaful business transacted in foreign currencies

(Effective YA 2017 to YA 2020)

- Stamp duty exemption on instruments executed pertaining to Islamic banking and Takaful business transacted in foreign currencies.

(For instrument executed from 1 January 2017 to 31 December 2020)

## **Extension of tax incentive for anchor companies under the Vendor Development Programme**

To encourage and develop more competitive local vendors under the Vendor Development Programme approved by the Ministry of International Trade and Industry (MITI), the following existing double deductions for anchor companies that implement the Vendor Development Programme are to be extended up to year 2020:

- activities in relation to product development
- activities in relation to capability improvement
- activities in relation to human capital

(Effective for Memorandum of Understanding signed between anchor companies and MITI from 1 January 2017 to 31 December 2020)

# Tax incentives

## Expansion of Halal products eligible for incentive for Halal Industry Players

To encourage investments and to enhance Malaysia's competitiveness in the halal products industry, the following tax incentives for Halal Industry Players operating in Halal Parks promoted by Halal Development Corporation (HDC), have been extended to include the production of nutraceutical and probiotic products.

- Full income tax exemption on qualifying capital expenditure for a period of 10 years; or  
Income tax exemption on increase of export sales for a period of 5 years;
- Import duty exemption on raw materials used for the development and production of promoted halal products; and
- Double deduction on expenses incurred in obtaining international quality standards certification such as HACCP, GMP Codex Alimentarius (food standards guidelines of FAO and WHO), Sanitation Standard Operating Procedures and regulations for compliance for export markets such as Food and Traceability from farm to fork.

The existing qualifying halal products are:

- Specialty processed food
- Pharmaceuticals, cosmetics and personal care
- Livestock and meat products
- Halal ingredients

(Effective for applications to be received by HDC from 22 October 2016)

## Tax incentive for Structured Internship Programme (SIP)

Currently, persons which participate in the SIP approved by TalentCorp are eligible for double deduction on the following expenses in relation to the SIP up to YA 2016:

- Interns' allowance of RM500 and above
- Training\*
- Meal, travelling and accommodation\*
- Relevant fees\*

*\*collectively capped at RM5,000 for each YA*

It is proposed that the incentive be extended for expenditure incurred up to YA 2019 and that the scope of SIP will be expanded to include Malaysian students pursuing full-time vocational level (Malaysian Skills Certificate Level 3).

(Effective from YA 2017 to YA 2019)

## Increase in the tax deduction limit for sponsoring arts, cultural and heritage activities

To encourage arts, cultural and heritage activities in Malaysia, the tax deduction limits have been increased for companies that sponsors such activities, approved by the Ministry of Tourism and Culture:

	Existing Limit	Proposed Limit
Local arts, cultural and heritage activities in Malaysia	RM500,000 per year	RM700,000 per year
Foreign arts, cultural and heritage activities in Malaysia	RM200,000 per year	RM300,000 per year

(Effective from YA 2017)

# Goods and Services Tax



## ***Widening of GST relief for disabled persons***

It is proposed that the GST relief for disabled persons is given to all OKU card holders who purchase approved equipment from designated suppliers.

The list of goods which are eligible for GST relief under Item 7, First Schedule GST Relief Order 2014 will be expanded to include the following:

- |   |   |
|---|---|
| i. Callipers;                                     | xi. Medical cushion;                        |
| ii. Artificial prosthetic and orthotic;           | xii. Ripple mattress;                       |
| iii. Motorized wheelchair;                        | xiii. Walking frame;                        |
| iv. Home care / hospital bed;                     | xiv. Crutches and rubber ends;              |
| v. Braille display;                               | xv. Vehicle wheelchair lift and restraints; |
| vi. Vibrating alarm indicators;                   | xvi. Portable ramps;                        |
| vii. Flashing / signaling device;                 | xvii. Hand controls for driving;            |
| viii. Magnifier;                                  | xviii. Shower chair;                        |
| ix. Special lenses;                               | xix. Commode chair; and                     |
| x. Optical character recognition (OCR) equipment; | xx. Teletypewriter.                         |

(Effective from 1 January 2017)



---

# Goods and Services Tax

## **Streamlining the GST treatment in Free Industrial and Free Commercial Zones**

The following GST treatments have been proposed for supplies made between and within the Free Industrial Zone (FIZ) and Free Commercial Zone (FCZ).

### **Free Industrial Zone**

The following supplies will not be subject to GST:

- Goods supplied within FIZ
- Goods supplied from FIZ to a warehouse under the Warehousing Scheme
- Goods supplied from a warehouse under the Warehousing Scheme to FIZ
- Goods imported into any FIZ

### **Free Industrial Zone and Free Commercial Zone**

---

Goods supplied between FIZ and FCZ	No GST
Goods supplied from FIZ or FCZ to a Designated Area	GST suspended
Goods supplied from a Designated Area to FIZ or FCZ	GST suspended

---

### **Exclusions**

- Goods prescribed under the Free Zones (Exemption of Goods and Services) Order 1998
- Goods and services as prescribed under Goods and Services Tax (Imposition of Tax for Supplies in Respect of Designated Areas) Order 2014
- Any other goods prescribed by the Minister of Finance

(Effective from 1 January 2017)

## **Streamlining the GST treatment between imported and local goods under the Warehousing Scheme**

Goods from a Licensed Manufacturing Warehouse, Excise Warehouse or Free Industrial Zone that are deposited into and supplied within or between warehouses under the Warehousing Scheme are not subject to GST.

(Effective from 1 January 2017)

# Stamp Duty



## ***Purchase of first residential property***

To further reduce the cost of buying a first residential property, it is proposed that the existing 50% stamp duty exemption be increased to 100% exemption on the first RM300,000. This applies to residential property priced not exceeding RM500,000.

(For sale and purchase agreement executed from 1 January 2017 to 31 December 2018)

## ***Transfer of real estate valued more than RM1 million***

It is proposed that the rate of stamp duty on instrument of transfer of real estate valued more than RM1 million is to be increased from 3% to 4%.

(Effective from 1 January 2018)

# The Academy brings to you...

## Igniting Confidence PwC Budget Seminar 2016

### Kuala Lumpur

**Date:** 3 November 2016  
**Venue:** Hilton, Kuala Lumpur  
**Contact:** Fazlina Jaafar / Fiona Ren  
+ 60(3) 2173 3830 / + 60(3) 2173 1313  
**Email:** events.info@my.pwc.com

### Penang

**Date:** 8 November 2016  
**Venue:** Equatorial Penang  
**Contact:** Ann Yee / Susan Ong  
+60(4) 238 9291 / +60(4) 238 9169  
**Email:** siew.lay.yew@my.pwc.com  
susan.ong.lay.khim@my.pwc.com



**Interactive.  
Informative.  
Insightful.**

Join our PwC tax specialists and guest speakers as they discuss the key points of Budget 2017 and their impact on the tax landscape.

**Igniting confidence**  
PwC Budget Seminar 2016  
Thursday, 3 November 2016 | KL Hilton, Grand Ballroom, Level 6

**Our speakers and panellists will comprise Senior Executive Directors and Executive Directors from PwC, as well as officials from the Royal Malaysian Customs Department and the Inland Revenue Board.**

**pwc** [www.pwc.com/my](http://www.pwc.com/my)

### Johor Bahru

**Date:** 9 November 2016  
**Venue:** Renaissance Johor Bahru  
**Contact:** Loo Wei Sze/ Brenda Beh  
+60(7)-218 6000  
**Email:** wei.sze.loo@my.pwc.com  
brenda.hk.beh@my.pwc.com

## Let's talk

Our offices	Name	Email	Telephone
<b>Kuala Lumpur</b>	Jagdev Singh	jagdev.singh@my.pwc.com	+60(3) 2173 1469
<b>Penang / Ipoh</b>	Tony Chua	tony.chua@my.pwc.com	+60(4) 238 9118
<b>Johor Bahru</b>	Benedict Francis	benedict.francis@my.pwc.com	+60(7) 218 6000
<b>Melaka</b>	Teh Wee Hong Au Yong	wee.hong.teh@my.pwc.com paik.hup.au@my.pwc.com	+60(3) 2173 1595 +60(6) 283 6169
<b>Labuan</b>	Jennifer Chang	jennifer.chang@my.pwc.com	+60(3) 2173 1828

Our services	Name	Email	Telephone
<b>Corporate Tax Compliance &amp; Planning</b>			
▪ Consumer & Industrial Product Services	Steve Chia Margaret Lee	steve.chia.siang.hai@my.pwc.com margaret.lee.seet.cheng@my.pwc.com	+60(3) 2173 1572 +60(3) 2173 1501
▪ Emerging Markets	Fung Mei Lin	mei.lin.fung@my.pwc.com	+60(3) 2173 1505
▪ Energy, Utilities & Mining	Lavindran Sandragasu	lavindran.sandragasu@my.pwc.com	+60(3) 2173 1494
▪ Financial Services	Jennifer Chang	jennifer.chang@my.pwc.com	+60(3) 2173 1828
▪ Technology, InfoComm & Entertainment	Heather Khoo	heather.khoo@my.pwc.com	+60(3) 2173 1636
<b>GST / Indirect Tax</b>	Raja Kumaran Yap Lai Han	raja.kumaran@my.pwc.com lai.han.yap@my.pwc.com	+60(3) 2173 1701 +60(3) 2173 1491
<b>International Tax Services / Mergers and Acquisition</b>	Frances Po	frances.po@my.pwc.com	+60(3) 2173 1618
<b>Transfer Pricing, Tax Audits &amp; Investigations</b>	Jagdev Singh	jagdev.singh@my.pwc.com	+60(3) 2173 1469
<b>International Assignment Services</b>	Sakaya Johns Rani Hilda Liow	sakaya.johns.rani@my.pwc.com hilda.liow.wun.chee@my.pwc.com	+60(3) 2173 1553 +60(3) 2173 1638
<b>Corporate Services</b>	Lee Shuk Yee	shuk.yee.lee@my.pwc.com	+60(3) 2173 1626
<b>Japanese Business Consulting</b>	Yuichi Sugiyama	yuichi.sugiyama@my.pwc.com	+60(3) 2173 1191

## [pwc.com/my](http://pwc.com/my)

**TaxAvvy** is a newsletter issued by PricewaterhouseCoopers Taxation Services Sdn Bhd. Whilst every care has been taken in compiling this newsletter, we make no representations or warranty (expressed or implied) about the accuracy, suitability, reliability or completeness of the information for any purpose. PricewaterhouseCoopers Taxation Services Sdn Bhd, its employees and agents accept no liability, and disclaim all responsibility, for the consequences of anyone acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Recipients should not act upon it without seeking specific professional advice tailored to your circumstances, requirements or needs.