



## In this issue

- Disallowance of tax deduction for payments to Labuan Companies
- 6-month deferment of increase of stamp duty rate from 3% to 4% for property valued up to RM2.5 million
- Real property gains tax exemption – certain disposals after 5 years
- Real property gains tax exemption – Node Medini properties
- Stamp duty exemption for purchase of first residential home by citizens

## ***Disallowance of tax deduction for payments to Labuan Companies***

The Income Tax (Deductions not allowed for Payment Made to Labuan Company by a Resident) Rules 2018 has been gazetted to prescribe the amount which is disallowed in respect of payments made by residents to Labuan Companies as follows:

Type of Payment	Percentage not deductible
Interest expense	33%
Lease rental	33%
Other payments	97%

The above tax treatment commences from 1 January 2019.

## ***6-month deferment of increase of stamp duty rate from 3% to 4% for property\* valued up to RM2.5 million***

The stamp duty rates that are applicable for the instrument of transfer of a property\* that is valued in excess of RM1 million have been revised pursuant to the Finance Act 2018. The revised rates, effective from 1 January 2019 are as follows:

Value of property*	Stamp duty rates	
	With effect from 1 January 2019	Prior to 1 January 2019
First RM100,000	1%	1%
RM100,001 to RM500,000	2%	2%
RM500,01 to RM1,000,000	3%	3%
RM1,000,001 and above	4%	3%

## **6-month deferment of increase of stamp duty rate from 3% to 4% for property\* valued up to RM2.5 million (cont'd)**

However, following the increase in the stamp duty rate under the Finance Act 2018, the Stamp Duty (Remission) (No. 2) Order 2018 has been gazetted to provide a 6-month deferment of the increase of the stamp duty rate, only for property\* valued up to RM 2.5 million as follows:

Value of property*	Stamp duty rates	
	Instrument of transfer stamped from 1 January 2019 to 30 June 2019	Instrument of transfer stamped from 1 July 2019
First RM100,000	1%	1%
RM100,001 to RM500,000	2%	2%
RM500,01 to RM1,000,000	3%	3%
RM1,000,001 to RM2,500,000	<b>3% rate is maintained</b>	4% rate shall apply

\* Based on the law, "property" consists of properties listed under item 32(a) of the First Schedule of the Stamp Act 1949 which in addition to real properties, covers sale of any property (except stock, shares, marketable securities, and account receivables or book debts factored to financial institutions).

## **Real property gains tax (RPGT) exemption – certain disposals after 5 years**

Pursuant to the Finance Act 2018, RPGT rates for disposals of real properties after the fifth year from acquisition have been revised. The revised rates, effective from 1 January 2019 are as follows:

Disposer	RPGT rate
Company, non-citizen, and non-permanent resident individual	10% (previously 5%)
Malaysian citizen or permanent resident	5% (previously 0%)

However, Exemption Orders have since been issued to exempt the disposals of the following, after the fifth year from acquisition from RPGT:

- 1) Disposal of real properties (excluding shares in a real property company) priced not more than RM200,000, by citizens
- 2) Disposal of real properties by a citizen/permanent resident pursuant to a conditional contract (requiring approval from the Federal Government or State Government) where:
  - The sale and purchase agreement for the disposal is signed before 1 January 2019; and
  - The approval by the Federal Government or State Government is obtained from 1 January 2019 onwards.

## ***Real property gains tax (RPGT) exemption – Node Medini properties***

Properties in Node Medini (in Iskandar Malaysia) which are disposed from 1 January 2010 to 31 December 2020 shall be exempt from RPGT provided the following conditions are met:

<b>Disposer</b>	<b>Conditions</b>
Individual	<ul style="list-style-type: none"><li>Property is acquired directly from approved developers.</li><li>Property includes whole building, part of a building or parcel of a building for residential, commercial or both in Node Medini, Iskandar Malaysia.</li></ul>
Iskandar Development Region (IDR) Status Company	<ul style="list-style-type: none"><li>Property is acquired directly from approved developers.</li><li>Property includes whole building, part of a building or parcel of a building for residential, commercial or both in Node Medini, Iskandar Malaysia.</li><li>The IDR status company undertakes qualifying activities in the following sectors:<ul style="list-style-type: none"><li>Creative industries</li><li>Education services</li><li>Healthcare services</li><li>Tourism</li><li>Logistics services</li><li>Global business services</li></ul></li></ul>

## ***Stamp duty exemption for purchase of first residential home by citizens***

Pursuant to Budget 2019 announcement, the following exemptions/remission have been gazetted into law.

<b>Stamp duty exemption / remission</b>	<b>Type of instrument</b>	<b>Value of first residential home</b>	<b>Date of signing of sale and purchase agreement</b>
100%	<ul style="list-style-type: none"><li>Instrument of transfer</li><li>Loan agreement</li></ul>	Up to RM300,000	1 Jan 2019 to 31 Dec 2020
RM1,500 (i.e. stamp duty that is applicable to the first RM300,000 of the value of the home. The balance of value in excess of RM300,000 is subject to stamp duty at prevailing rates.)	<ul style="list-style-type: none"><li>Loan agreement</li></ul>	RM300,001 to RM500,000	1 Jul 2019 to 31 Dec 2020
100%	<ul style="list-style-type: none"><li>Instrument of transfer</li></ul>	RM300,001 to RM1,000,000	1 Jan 2019 to 30 Jun 2020 (Property must be purchased directly from a property.) developer

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