APPENDIX 1

REVIEW OF COMPANY TAX SYSTEM

Present Position

Company income tax is based on full imputation system. Under this system, tax is imposed at the companies' and shareholders' level (on the dividends). However, tax imposed at the shareholders' level will take into account tax imputed at the companies' level through tax credit.

This imputation system involves significant administrative cost to ensure compliance by keeping track of the tax paid and the amount of dividends to be distributed, since dividend can only be distributed if tax had been paid by the companies.

The imputation system has also resulted in companies facing difficulties in paying dividends out of income which was not liable to tax such as capital gains.

Proposal

In order to enhance the simplicity and efficiency of the tax administration system, it is proposed that a single tier company income tax system be introduced at the rate of 26%. Under this single tier system, tax on profits of companies is a final tax and dividend distributed will be exempted from tax in the hands of shareholders.

Companies which have no credit balance of section 108 account (nil balance) on 1 January 2008 will automatically move to the single tier tax system and be taxed at the rate of 26%. Whilst, companies with credit balance in the section 108 accounts are given option to elect for a single tier tax system.

Companies with credit balance of section 108 account which do not elect to switch over to the single tier system are allowed to use the credit balance for purpose of dividend distribution during the transitional period of 6 years until 31 December 2013. The mechanism and conditions to utilise the credit are as follows:

i. the credit balance of section 108 account allowed for the purposes of dividend distribution to the shareholders is the balance as at 31 December 2007;

ii. the credit balance of section 108 account will be adjusted only for tax reductions;

iii. company that has fully utilised the credit balance of section 108 account at any time during the transitional period will automatically move to the single tier tax system;

iv. all companies will automatically move to the single tier tax system on 1 January 2014 even though they still have credit balance of section 108 account as at 31 December 2013;

v. maintaining the current provision of disallowing companies which take over other companies to acquire the credit balance of section 108 account;

vi. companies are only be allowed to pay cash dividend; and

vii. for small and medium companies, tax on dividend paid to shareholders is deducted from the credit balance of section 108 account based on the highest current tax rate.

Conditions for shareholders to claim tax credit

i. Only direct expenses related to dividend income are allowed to be deducted in arriving at adjusted dividend income;

ii. The claim for tax credit is only allowed for shares held continuosly for 90 days or more from the date of purchase of shares (excluding public listed companies);

iii. Only dividend distributed from ordinary shares are eligible for tax credit; and

iv. Dividend income of shareholders of a company which is not from business source is not allowed to be aggregated with other income in the computation of chargeable income. This condition is not applicable to entities other than a company.

In addition, to further enhance the nation’s competitiveness, it is proposed that the company tax rate be reduced by one percentage point to 25% with effect from year of assessment 2009.

For small and medium companies, under the single tier system, tax rate for chargeable income up to RM500,000 is maintained at 20%.

The proposal is effective from year of assessment 2008.

APPENDIX 2

ABOLISH SERVICE TAX THRESHOLD FOR PROFESSIONAL, CONSULTANCY AND MANAGEMENT SERVICES

Present Position

Professional, consultancy and management service providers that have reached the threshold i.e. sales turnover of RM150,000 within a period of 12 months or part thereof, are required to be licensed under the Service Tax Act 1975 and collect 5% service tax.

The sales turnover of such service providers is generally uncertain and making it difficult for them to ascertain whether they have reached the threshold. Thus, exposing them to the risk of being penalised for failure to get the license and collect service tax.

Professional services that are subject to service tax are accounting, legal, engineering, architecture, survey, valuation, appraisal and estate agency.

Proposal

To facilitate providers of professional, consultancy and management services to collect service tax as well as to create healthy competition among the same service poviders, it is proposed that the threshold for professional, consultancy and management services be abolished.

The proposal is effective from 1 January 2008.

APPENDIX 3

PAYMENT OF STAMP DUTY USING PRIVATE VALUATION

Present Position

All instruments of transfer of real property must be stamped to enable the transfer to be completed. Currently, assessment of the amount of stamp duty payable is only based on the official valuation by the Valuation and Property Services Department (JPPH).

Proposal

In order to facilitate urgent transfer of real property before the official valuation from JPPH is available, it is proposed that the private valuation be accepted as an alternative for the purpose of stamp duty payment. The payment must be made together with a bank guarantee that has a validity period of not less than 6 months and is computed based on the difference in stamp duties between JPPH valuation and the private valuation. JPPH valuation is deemed to be 35% higher than the private valuation for the purpose of determinig the amount of bank guarantee.

The amount of bank guaranteed is determined based on the formula below:

$$C = A - B$$

where A is the amount of stamp duty levied based on the value of the property as determined by the following formula:

$$Y \times \frac{100}{65}$$

where Y is the value of the property based on private valuation.

B is the amount of stamp duty levied based on private valuation.

C is the amount of bank guarantee.

The actual amount of stamp duty will be assessed once the official valuation from JPPH is available. If the actual assessment is higher than the amount of stamp duty paid based on private valuation, additional duty has to be paid within 30 days from the date of notice. The bank guarantee will be claimed if additional duty has not been paid.

The proposal is effective from 1 January 2008.

APPENDIX 4

COMPOSITE OF CUSTOMS FORMS

To strengthen the Royal Malaysian Customs service delivery system, it is proposed that customs forms which require almost similar information be combined. The customs forms involved are as follows:

Current Forms		Proposed Forms
CJ3	- Sales Tax Return	JKED No. 3 (Internal Tax Returns)
CP3	- Service Tax Return	
K13	- Warehouse License	JKED No. 4 (License/Certicicate)
K14	- Manufacturing Warehouse License	
K21	- Duty Free Shop License	
CJ2	- License Under The Sales Tax Act - Manufacturing License	
CJ7	- Certificate of Exemption From Sales Tax Licensing	
CP2	- Service Tax License	
E1	- Manufacturing License (Excise Act)	
E2	- Warehouse License (Excise Act)	
Schedule 1	- Bottling and Movement of Intoxicating Liquors (Excise Regulation)	
K4	- Inward Manifest	JKED No. 5 (Manifest)
K5	- Outward Manifest	
K6	- Transhipment Manifest	
K19	- Permit To Go Alongside A Legal Landing Place Or Alongside An Ocean-Going Vessel Within The Port Limits	JKED No. 6 (Permit For Landing/Permit To Carry Goods)
K20	- Permit To Carry Dutiable Or Prohibited Goods By Local Craft	

` The proposal is effective from 1 January 2008.

APPENDIX 5

ALLOWING TAX AGENTS TO FILE INCOME TAX RETURNS THROUGH e-FILING ON BEHALF OF THEIR CLIENTS

Present Position

Tax payers who use tax agents to prepare their income tax return forms still have to file on their own if they want to file electronically. There is no provisions for tax agent to file the return forms of the clients through e-filling.

Proposal

To facilitate the tax agents to file their clients' income tax returns, it is proposed that the tax agents be allowed to file the income tax returns through e-filing for their clients using Personal Identification Number (PIN) assigned to the tax agents.

The proposal is effective from year of assessment 2008.

APPENDIX 6

DEDUCTION FOR PROFESSIONAL INDEMNITY INSURANCE

Present Position

Professional indemnity insurance is to protect a professional against risk of claims made on his personal assets in the event of negligence while performing his duties. Such insurance premiums are not allowed as a deduction for income tax purposes.

Proposal

To inculcate professionalism and to protect consumers in cases of negligence, it is proposed that professional indemnity insurance premiums be allowed as a deduction for income tax purposes.

The proposal is effective from year of assessment 2008.

APPENDIX 7

STAMP DUTY EXEMPTION FOR MERGERS AND ACQUISITIONS OF LISTED COMPANIES

Present Position

Stamp duty and real property gains tax exemptions are given to companies listed on Bursa Malaysia that undertake mergers and acquisitions approved by the Securities Commission from 1 October 2005 until 31 December 2007.

Proposal

To encourage more companies listed on Bursa Malaysia to undertake mergers and acquisitions, it is proposed that stamp duty exemption on all instruments pertaining to mergers and acquisitions be extended for another 3 years.

The proposal is effective for mergers and acquisitions approved by the Securities Commission until 31 December 2010 and such mergers and acquisitions must be completed not later than 31 December 2011.

APPENDIX 8

STAMP DUTY EXEMPTION FOR MERGERS OF PETRONAS VENDORS

Present Position

There are more than 1,000 vendors licensed with Petronas carrying out services related to the oil and gas industry. Most of them operate mainly for domestic market.

Proposal

To encourage vendors licensed with Petronas to merge and be competitive globally, it is proposed that stamp duty exemption be given on all instruments relating to mergers of such vendors involved in upstream activities.

The proposal is for mergers completed not later than 31 December 2010.

APPENDIX 9

TAX TREATMENT ON TRANSFER OF BUILDINGS TO REAL ESTATE INVESTMENT TRUST

Present Position

A company that disposes buildings which qualify for Industrial Building Allowance (IBA) is subject to balancing charge when the disposal value exceeds the balance of unclaimed IBA. This includes the disposal to Real Estate Investment Trusts (REITs).

However, no balancing charge is imposed on disposals of buildings that fufills the provision of ‘control sales’ between companies in the same group.

Proposal

To encourage the growth of REITs in Malaysia, it is proposed that the disposal of buildings from companies to REITs is not subject to balancing charge. As such, REITs are eligible to claim the balance of unclaimed IBA of the disposer.

The proposal is effective from year of assessment 2008.

APPENDIX 10

TAX INCENTIVE FOR COMPANIES MANAGING ISLAMIC FUNDS

Present Position

Local and foreign companies managing approved Islamic funds of foreign investors have been granted income tax exemption on management fees from the year of assessment 2007 until year of assessment 2016.

Proposal

To further promote Islamic fund management activities, it is proposed that local and foreign companies managing Islamic funds of local and foreign investors be given income tax exemption on all fees received from managing the funds. The Islamic fund must be approved by the Securities Commission.

The proposal is effective from year of assessment 2008 until year of assessment 2016.

APPENDIX 11

ADDITIONAL INCENTIVES FOR MALAYSIA INTERNATIONAL ISLAMIC FINANCIAL CENTRE

Present Position

Various incentives have been provided to realise the Government's aspiration to make Malaysia as an International Islamic Financial Centre (MIFC). Amongst the incentives are:

i. income tax exemption for international Islamic banks and Islamic banking units as well as international takaful companies and takaful units until year of assessment 2016;

ii. tax deduction on expenses incurred in establishing an Islamic stock broking firm until 31 December 2009;

iii. stamp duty exemption on instruments executed pertaining to Islamic banking and takaful activities in foreign currencies until 31 December 2016 ; and

iv. stamp duty exemption on instruments executed pertaining to issuance of Islamic bonds in all type of currencies as approved by the Securities Commission until 31 December 2016.

Proposal

To attract leading global experts in Islamic finance to participate in MIFC, it is proposed that the income tax exemption be given to income received by non resident experts in Islamic finance. The experts have to be verified by the MIFC Secretariat.

The proposal is effective from 8 September 2007 until 31 December 2016.

APPENDIX 12

REVIEW OF TAX TREATMENT FOR TAKAFUL BUSINESS

Present Position

The tax treatment for takaful business is the same as that of the conventional insurance business. No specific tax treatment is provided for the takaful business especially in relation to:

i. management expenses borne by the shareholders;

ii. share of profits distributed to the takaful participants;

iii. agency fee (Wakalah fee) received from the family takaful fund and general takaful fund; and

iv. interest-free loan (Q*ard)* from the shareholders' fund.

Proposal

To further improve tax treatment for takaful business, it is proposed that a special provision be introduced in the Income Tax Act 1967 including specific tax treatment as follows:

i. management expenses borne from the shareholders' fund be allowed a deduction from the gross income of the shareholders' fund;

ii. share of profits distributed from the family takaful fund and general takaful fund be allowed as tax deduction;

iii. share of profits distributed to the participants in relation to the investment income be taxed on the participants through a final withholding tax mechanism;

iv. tax be imposed on the Wakalah fee received by the shareholder from the family takaful fund and general takaful fund; and

v. deduction be allowed for *Qard* from the shareholders' fund and to impose tax on the repayment of *Qard.*

The proposal is effective from year of assessment 2008.

APPENDIX 13

REVIEW OF TAX TREATMENT FOR LIFE INSURANCE BUSINESS

Present Position

For life insurance business, the investment income and profit from realisation of investments of the life fund are taxed at the rate of 8%, whereas income of the shareholders' fund is taxed at the rate of 27%.

A portion of the investment income and profit from realisation of investments which has been taxed at 8% is transferred to the shareholders' fund as an actuarial surplus. This actuarial surplus is also taxed at the rate of 27%. The distribution of the actuarial surplus is made based on the proportion of income of the participating fund and the non-participating fund of the life fund.

Proposal

As a measure to further improve tax treatment for life insurance business, it is proposed that a tax set-off from the total tax charged on the shareholders' fund be given to overcome the incidence of double taxation. The amount of the tax set-off is calculated as follows:

$$\left[A \times \frac{B}{C} \right] \times D$$

where A is the actuarial surplus transferred;

B is the net investment income and net proceeds from realisation of investments of the life fund;

C is the net investment income and net proceeds from realisation of investments and surplus arising from premiums (if any) of the life fund; and

D is the rate of tax applicable to the life fund for that year of assessment.

The above computation is applicable wholly in ascertaining the tax set-off relating to the non-participating fund. For the participating fund, the computation for B and C will only take into account income and premium attributable to shareholders' fund. The tax set-off is applicable only where there is chargeable income for the shareholders' fund.

The proposal is effective from year of assessment 2008.

APPENDIX 14

REVIEW OF INCOME TAX TREATMENT FOR LABUAN OFFSHORE COMPANIES

Present Position

Income of Labuan offshore company from offshore activities is taxed under the Labuan Offshore Business Activity Tax Act 1990, whereas income from non-offshore activities is taxed under the Income Tax Act 1967.

Income from offshore activities is taxed as follows:

i. income from offshore trading such as offshore banking and insurance is taxed at 3% of net profit or at a flat rate of RM20,000, on election; and

ii. income from offshore non-trading such as dividend, interest and royalty is exempted from tax.

Income from non-offshore activities is taxed at the current companies' tax rate.

Proposal

To provide a responsive tax treatment for Labuan offshore companies as an effort to sustain their competitiveness, it is proposed that Labuan offshore companies be given an option to be taxed under the Income Tax Act 1967 in addition to the existing option under Labuan Offshore Business Activity Tax Act 1990. This new option is final and irrevocable.

The proposal is effective from year of assessment 2008.

APPENDIX 15

EXTENDING THE INCENTIVE TO RECIPIENTS OF EXPORT EXCELLENCE (SERVICES) AND BRAND EXCELLENCE AWARDS

Present Position

A manufacturing company that receives the Export Excellence Award (Merchandise) is given full tax exemption on the value of increased export. This incentive is not given to a company that receives the Export Excellence Award (Services) and to a company that receives the Brand Excellence Award.

Proposal

In recognising the commitment and effort of companies which excel in exporting services and companies which are successful in exporting Malaysian brands internationally, it is proposed that the full tax exemption on the value of increased export given to recipients of Export Excellence Award (Merchandise) be extended to recipients of Export Excellence Award (Services) and the Brand Excellence Award.

The proposal is effective from year of assessment 2008.

APPENDIX 16

INCOME TAX TREATMENT FOR EXPATRIATES WORKING FOR INTERNATIONAL PROCUREMENT CENTRE AND REGIONAL DISTRIBUTION CENTRE

Present Position

Expatriates working for International Procurement Centre (IPC) and Regional Distribution Centre (RDC) are taxed on the entire employment income received in Malaysia even though they are frequently out of Malaysia in the course of their duties. In contrast, from year of assessment 2003, expatriates working for Operational Headquarters (OHQ) and Regional Offices (RO) who also frequently travel out of Malaysia in the course of their duties are taxed only on that portion of employment income attributable to the number of days they are in the country.

Proposal

To streamline income tax treatment on expatriates working for IPC and RDC with those working for OHQ and RO, it is proposed that expatriates working for IPC and RDC be taxed only on that portion of employment income attributable to the number of days they are in the country.

The proposal is effective from year of assessment 2008.

APPENDIX 17

EXPEDITING INVESTMENT FOR SELECTED ACTIVITIES

Present Position

Investments in the following selected activities are not encouraging:

i. **Chicken and duck rearers who reinvest for the purpose of shifting from opened house system to closed house system**

   Incentive given:

   Reinvestment Allowance (RA) of 60% on qualifying capital expenditure incurred with the allowance deducted in each year of assessment to be set off against 70% of the statutory income for a period of 15 consecutive years. This incentive is effective from year of assessment 2003.

ii. **Non-rubber plantation company that plants at least 10% of the plantation with rubber wood trees**

   Incentive given:

   Accelerated Agriculture Allowance on capital expenditure incurred for land preparation, planting and maintenance of rubber wood cultivation fully written off within a period of 1 year. This incentive is effective for applications received from 21 September 2002.

iii. **Industrial Linkage Programme (ILP)**

   a. **Small and Medium Industries (SMEs) that supply components, technology or R&D**

      Incentives given:

Pioneer Status with income tax exemption of 100% of statutory income for a period of 5 years; or

Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

b. SMEs capable of achieving world class standard in terms of pricing, quality and capacity

Incentives given:

Pioneer Status with income tax exemption of 100% of statutory income for a period of 10 years; or

Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

The above incentives are effective for applications received from 25 October 1997.

Proposal

To ensure investments in the selected activities are expedited, it is proposed:

a. incentives (i) and (ii) be effective until year of assessment 2010; and

b. incentives (iii)(a) and (iii)(b) be effective for applications received not later than 31 December 2010.

APPENDIX 18

RASIONALISATION OF INCENTIVE FOR INFORMATION AND COMMUNICATION TECHNOLOGY

Present Position

A company undertaking information and communication technology (ICT) activities is given Pioneer Status or Investment Tax Allowance. Applications for the incentives are submitted to Multimedia Development Corporation Sdn. Bhd. (MDeC) or Malaysian Industrial Development Authority (MIDA). These tax incentives vary by locations as follows:

i. Companies granted MSC Malaysia status undertaking ICT activities in Cybercities and Cybercentres

a. Pioneer Status with tax exemption of 100% of statutory income for a period of 10 years; or

b. Investment Tax Allowance of 100% on qualifying capital expenditure incurred for a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

These incentives are also applicable to multimedia faculties in institutions of higher learning located outside the Cybercities and Cybercentres.

ii. Companies undertaking ICT activities located outside Cybercities and Cybercentres

a. Pioneer Status with tax exemption of 50% of statutory income for a period of 5 years; or

b. Investment Tax Allowance of 50% on qualifying capital expenditure incurred for a period of 5 years. The allowance can be set-off against 50% of statutory income for each year of assessment.

iii. **Companies undertaking computer software development activities outside Cybercities and Cybercentres**

Pioneer Status with tax exemption of 70% of statutory income for a period of 5 years.

Proposal

To ensure that the development of ICT is more focused, it is proposed that incentives for ICT activities including computer software development be rationalised as follows:

i. companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralised in the Cybercities and Cybercentres and be given MSC Malaysia status company incentives:

   a. Pioneer Status with tax exemption of 100% of statutory income for a period of 10 years; or

   b. Investment Tax Allowance of 100% on qualifying capital expenditure incurred for a period of 5 years. This allowance can be offset against 100% of statutory income for each year of assessment;

ii. Incentives for companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres to be discontinued; and

iii. MDeC to be the sole agency to process and recommend incentives for companies undertaking ICT activities including computer software development.

The proposal is effective from 8 September 2007.

APPENDIX 19

TAX TREATMENT FOR SMALL AND MEDIUM ENTERPRISES

Present Position

Under the current year assessment system, all companies already in operation including small and medium enterprises (SMEs) are required to submit their estimates of tax payable not later than 30 days before the beginning of the basis period. Estimates of the tax payable should not be less than 85% of the tax payable in the preceding year. Estimates of tax payable should be paid on a monthly instalment by the due date beginning from the second month of the basis period.

For new companies which have just started operations, they are required to submit their estimates of tax payable within 3 months from the date of commencement of operations using their own justifications. Estimates of tax payable should be paid on a monthly instalment by the due date beginning from the sixth month of the basis period.

Proposal

To reduce the cash flow constraints of SMEs at the initial stage of their operations, it is proposed that SMEs be exempted from submitting their estimates of tax payable as well as instalment payments. Full income tax payment be made only at the point of submission of income tax returns not later than 7 months from the date of closing of accounts. This exemption is given for 2 assessment years beginning from the date of commencement of operation.

The proposal is effective from year of assessment 2008.

APPENDIX 20

INCOME TAX EXEMPTION FOR NON-PROFIT ORIENTED SCHOOLS

Present Position

The main sources of income of non-profit oriented Government assisted and private schools are from school fees, public donations, rental and interest. Such incomes are subject to tax if these schools are not approved as charitable organisations or institutions under the Income Tax Act 1967.

Proposal

Recognising the efforts of trust bodies and charitable organisations in supporting the development of national education, it is proposed that all income receive by non-profit oriented Government assisted and private schools be given tax exemption. Non-profit oriented Government assisted and private schools include schools formed by a body of person, a trust body or a company limited by guarantee.

The proposal is effective from year of assessment 2008.

APPENDIX 21

EXTENDING THE SCOPE OF INDIVIDUAL TAX RELIEF FOR POST GRADUATE STUDIES

Present Position

Individual tax payers pursuing studies at the tertiary level in selected fields of studies at any institution or professional body in Malaysia as approved by the Minister of Finance are eligible for tax relief not exceeding RM5,000 per annum. The selected fields of studies are technical, vocational, industrial, scientific, technological, law, accounting and Islamic finance skills.

Proposal

To promote life long learning, it is proposed that courses eligible for relief not exceeding RM5,000 per annum be extended to all fields of studies at post graduate level i.e. masters and doctorate level.

The proposal is effective from year of assessment 2008.

APPENDIX 22

INCENTIVES FOR LAST MILE NETWORK FACILITIES PROVIDER FOR BROADBAND

Present Position

The Government has targeted broadband penetration rate of 50% of households by 2010. Among the major factors contributing to the low broadband penetration is the high infrastructure investment cost in providing the last mile broadband infrastructure.

Proposal

To encourage companies to invest in last mile infrastructure, it is proposed that last mile network facilities provider be given:

i. income tax exemption equivalent to 100% of the qualifying capital expenditure incurred for broadband infrastructure with the allowance to be set off against 70% of statutory income for each year of assessment. The implementation of this exemption is similar to the Investment Allowance under Schedule 7B Income Tax Act 1967; and

ii. import duty and sales tax exemption on broadband equipment and consumer access devices which are basic in providing the broadband services and not produced locally.

This incentive is effective for investment made and equipment purchased until 31 December 2010.

For proposal (i), application to be submitted to Ministry of Finance.

For proposal (ii), application to be submitted to Malaysian Industrial Development Authority (MIDA).

APPENDIX 23

GIFT OF NEW COMPUTER AND BROADBAND SUBSCRIPTION FEE FROM EMPLOYERS TO EMPLOYEES

Present Position

Gift of computer or payment of broadband subscription fee from employers to employees are treated as benefit-in-kind to the employees and subject to income tax. Expenditures incurred by employers for providing such benefits are also not allowed as deduction.

Proposal

In line with the Government's aspiration to increase broadband penetration rate, it is proposed that:

i. benefit-in-kind in the form of new computers or payment of broadband subscription fees is not subject to income tax in the hands of employees; and

ii. expenses incurred by the employers on such computers or broadband subscription fees be allowed as deduction.

The proposal is effective from year of assessment 2008 until year of assessment 2010.

APPENDIX 24

STAMP DUTY EXEMPTION ON PURCHASE OF RESIDENTIAL PROPERTY

Present Position

Stamp duty rate on instruments for transfer of property including residential property is as follows:

Value of Property	Duty Rate For Every RM100 or Part Thereof
First RM100,000	RM1.00
>RM100,000 to ≤RM500,000	RM2.00
>RM500,000	RM3.00

Proposal

To encourage ownership of a residential property, it is proposed that instruments of transfer for purchase of a house not exceeding RM250,000 be given 50% stamp duty exemption. This exemption is granted to only one house per individual.

The proposal is effective for sale and purchase agreement executed from 8 September 2007 to 31 December 2010.

APPENDIX 25

TAX RELIEF ON PURCHASE OF SPORTS EQUIPMENT

Present Position

Individual tax payers have been given tax relief especially for the purpose of healthcare on the following:

a. health insurance premiums of up to RM3,000; and

b. medical expenses for serious illnesses for himself, spouse, children and parents of up to RM5,000 including the medical examination for himself, spouse and children of up to RM500.

Proposal

To create a healthy society through sports activities, it is proposed that individual tax relief up to a maximum of RM300 a year be given on purchase of sports and exercise equipment such as all types of racquets and balls, treadmill, exercise bike and *airwalker*.

The proposal is effective from year of assessment 2008.

APPENDIX 26

STAMP DUTY EXEMPTION ON TRANSFER OF REAL PROPERTY BETWEEN HUSBAND AND WIFE

Present Position

Stamp duty on instruments for transfer of real property is as follows:

Value of Property	Duty Rate For Every RM100 or Part Thereof
First RM100,000	RM1.00
>RM100,000 to ≤RM500,000	RM2.00
>RM500,000	RM3.00

Transfer of real property between husband and wife on the basis of love and affection is given a 50% stamp duty exemption.

Proposal

To strengthen family values and provide financial security especially to wife, it is proposed that the instruments for transfer of property between husband and wife on the basis of love and affection be exempted from stamp duty.

The proposal is effective from 8 September 2007.

APPENDIX 27

TAX TREATMENT ON PRIVATE RETIREMENT BENEFIT

Present Position

Retirement benefit of the private sector employees who retire at the compulsory retirement age of 55 and above or on health reason is fully exempted from income tax. While retirement benefit for those that retire at the compulsory retirement age of 50 and up to less than 55 is given tax exemption of up to RM6,000 for each completed year of service.

Proposal

To provide equal tax treatment especially for female employees in certain sectors who are required to retire earlier, it is proposed that the retirement benefit for private sector employees who retire at the compulsory retirement age of 50 and above be given full income tax exemption. This exemption is given on the condition that the compulsory retirement age is provided for in the employment contract or collective agreement between employer and employee.

The proposal is effective from year of assessment 2007.

APPENDIX 28

TAX INCENTIVE FOR RENOVATION OF WORKPLACE FOR DISABLED WORKERS

Present Position

Most buildings do not have adequate facilities for disabled workers. The renovation cost incurred by the employer to provide facilities for the disabled workers is not allowed as deduction for income tax purposes.

Proposal

To ensure a safe and conducive working environment for disabled workers and in line with the Government's aspiration to create a caring society, it is proposed that the renovation cost of the work place by the employer be allowed as deduction for income tax purposes.

The proposal is effective from year of assessment 2008.

APPENDIX 29

INCENTIVES FOR MEDICAL DEVICES TESTING LABORATORY

Present Position

Medical devices testing laboratories have been identified as an important support service in ensuring the locally manufactured medical devices are of high quality and of international standards. Due to insufficient laboratory facilities in the country, most medical devices are sent abroad for testing.

Proposal

In order to encourage private sector investment in medical devices testing laboratories of international standards, it is proposed that companies investing in setting up a new laboratory or upgrading existing laboratory be given the following incentives:

A. Company investing in a new testing laboratory for testing medical devices

i. Pioneer Status with income tax exemption of 100% of statutory income for a period of 5 years; or

ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 100% of the statutory income for each year of assessment.

B. Company upgrading an existing testing laboratory for testing medical devices

Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 100% of the statutory income for each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 8 September 2007 to 31 December 2012.

APPENDIX 30

TAX DEDUCTION FOR COMMUNITY PROJECTS

Present Position

Expenses incurred by companies for community projects are allowed as full deduction under Section 34(6)(h) of Income Tax Act 1967. This deduction is given only if it does not give any benefit to the business of the company.

Proposal

To encourage companies to provide more infrastructure facilities for community, it is proposed that expenses incurred in the provision of infrastructure that significantly benefit the public be allowed as deduction for income tax purposes. The facilities provided must be free of charge and must be approved by the Minister of Finance.

The proposal is effective from year of assessment 2008.

APPENDIX 31

INCENTIVES FOR ENHANCING SECURITY CONTROL OF GOODS

The use of security control equipment in factory premises and vehicle surveillance equipment will reduce the risk of theft and loss of goods. Security control and surveillance equipment includes equipment for electronic security systems such as anti-theft alarm system, access control system, closed circuit television and vehicle tracking system.

Proposal

To encourage companies to install security and surveillance equipment, it is proposed that Accelerated Capital Allowance be given on the expenses incurred for:

i. security control equipment installed in the factory premises of companies approved under the Industrial Coordination Act 1975; and

ii. vehicle surveillance equipment installed in the container lorries bearing Carrier License A and general cargo lorries bearing Carrier License A and C.

The Accelerated Capital Allowance is to be fully written off within a period of 1 year and the eligible security and surveillance equipment to be approved by the Minister of Finance.

The proposal is effective from year of assessment 2008 to year of assessment 2012.

APPENDIX 32

ENHANCING TAX INCENTIVES FOR THE GENERATION OF RENEWABLE ENERGY

Present Position

Tax incentives for companies generating renewable energy (RE) are as follow:

A. Companies generating renewable energy

i. Pioneer Status with income tax exemption of 100% of statutory income for 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 100% of statutory income for each year of assessment; and

iii. Import duty and sales tax exemption on equipment used to generate energy that are not produced locally and sales tax exemption on equipment purchased from local manufacturers.

If any one of the companies from the same group has been granted the incentive in (i) or (ii) above, other companies in the same group undertaking the same activities are not eligible for those incentives.

B. Companies generating renewable energy for own consumption

Accelerated Capital Allowance to be fully written off within a period of 1 year on equipment to generate energy.

Proposal

To further encourage the generation of renewable energy, it is proposed that the existing tax incentives be enhanced as follows:

A. Companies generating renewable energy

Other companies in the same group be given the same incentives as (i) or (ii) above even though one company in the same group has been granted the incentive.

B. Companies generating renewable energy for own consumption

Accelerated Capital Allowance be replaced with Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 8 September 2007 until 31 December 2010.

APPENDIX 33

ENHANCING TAX INCENTIVE FOR ENERGY CONSERVATION

Present Position

Tax incentives for energy conservation (Energy Efficiency – EE) activities are as follow:

A. Companies providing energy conservation services

i. Pioneer Status with income tax exemption of 70% of statutory income for 5 years; or

ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set- off against 70% of the statutory income for each year of assessment; and

iii. import duty and sales tax exemption on energy conservation equipment that are not produced locally and sales tax exemption on the purchase of locally produced equipment.

B. Companies which incur capital expenditure for energy conservation for own consumption

Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of statutory income for each year of assessment.

Proposal

To further enhance the tax incentives for conservation of energy, it is proposed:

A. Companies providing energy conservation services

i. The level and period of Pioneer Status incentives be increased to 100% for 10 years; or

ii. Investment Tax Allowance be increased to 100% of qualifying capital expenditure incurred within 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

B. Companies which incur capital expenditure for energy conservation for own consumption

Investment Tax Allowance be increased to 100% of the qualifying capital expenditure incurred within 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 8 September 2007 until 31 December 2010.

APPENDIX 34

TAX INCENTIVE FOR REDUCTION OF GREENHOUSE GAS EMISSION

Present Position

Greenhouse gases (GHG) contribute towards global warming. Companies which successfully reduce the emission of GHG are given a Certified Emission Reductions (CERs) certificate that can be traded. Income derived from the trading of the CERs certificate is subject to tax.

Proposal

To encourage companies to invest in GHG emission reduction projects, in line with the effort to overcome global warming, it is proposed that income derived from trading of CERs certificates be given tax exemption.

The proposal is effective from year of assessment 2008 until year of assessment 2010.