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APPENDIX 1

REDUCTION OF INDIVIDUAL INCOME TAX RATES

Current Position

Income tax structure for resident individuals is based on progressive tax rates ranging from 0% to 28% on chargeable income. Non-resident individuals are taxed at a flat rate of 28%.

Proposal

As a measure to increase the disposable income of the middle income group and to address the rising cost of living, it is proposed that individual income tax rates for resident individuals be reduced by 2 percentage points for the 3 chargeable income bands as follows:

Chargeable Income Bands (RM)	Current Tax Rates (%)	Proposed Tax Rates (%)
0 - 5,000	0	0
5,001 - 20,000	1	1
20,001 - 35,000	**5**	**3**
35,001 - 50,000	**10**	**8**
50,001 -70,000	**16**	**14**
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	26	26
1,000,000 and above	28	28

Income tax savings for individuals resulting from the reduction of tax rates are as follows:

Chargeable Income (RM)	Current Tax Rates (%)	Tax Payable (RM)	Proposed Tax Rates (%)	Tax Payable (RM)	Tax Savings (RM)	Tax Savings (%)
0 - 5,000	0	0	0	0	-	**-**
5,001 - 20,000	1	*0	1	*0	-	**-**
20,001 - 35,000	5	*500	**3**	*200	300	**60**
35,001 - 50,000	10	2,400	**8**	1,800	600	**25**
50,001 - 70,000	16	5,600	**14**	4,600	1,000	**17.86**
70,001 - 100,000	21	11,900	21	10,900	1,000	**8.40**
100,001 - 250,000	24	47,900	24	46,900	1,000	**2.09**
250,001 - 400,000	24.5	84,650	24.5	83,650	1,000	**1.18**
400,001 - 600,000	25	134,650	25	133,650	1,000	**0.74**
600,001 - 1,000,000	26	238,650	26	237,650	1,000	**0.42**
1,000,000 and above	28		28			

* After tax rebate of RM400 for chargeable income up to RM35,000

Effective Date

From year of assessment 2018.

APPENDIX 2

TAX EXEMPTION ON RENTAL INCOME FROM RESIDENTIAL HOMES RECEIVED BY MALAYSIAN RESIDENT INDIVIDUALS

Current Position

Rental income from residential home received by a resident individual is subject to income tax under the Section 4(d) of the Income Tax Act 1967 based on progressive rate ranging from 0% to 28%.

Proposal

To encourage Malaysian resident individuals to rent out residential homes at reasonable charges, it is proposed that 50% income tax exemption be given on rental income received by Malaysian resident individuals subject to the following conditions:

i. rental income received not exceeding RM2,000 per month for each residential home;

ii. the residential home must be rented under a legal tenancy agreement between the owner and the tenant; and

iii. tax exemption is given for a maximum period of 3 consecutive years of assessment.

Effective Date

From year of assessment 2018 until year of assessment 2020.

APPENDIX 3

EXTENSION OF PERIOD FOR RESIDENT INDIVIDUAL INCOME TAX RELIEF ON NET SAVINGS IN THE NATIONAL EDUCATION SAVINGS SCHEME

Current Position

Tax relief on resident individual income up to RM6,000 for net savings in the National Education Savings Scheme (SSPN) is eligible to be claimed annually effective from year of assessment 2012 until year of assessment 2017.

Proposal

To further encourage savings for the purpose of financing tertiary education of children, it is proposed that the resident individual income tax relief of up to RM6,000 for net savings in the SSPN be extended for another 3 years.

Effective date

From year of assessment 2018 until year of assessment 2020.

APPENDIX 4

INCOME TAX EXEMPTION ON THE GREEN SUSTAINABLE AND RESPONSIBLE INVESTMENTS (GREEN SRI) SUKUK GRANT

Current Position

The Securities Commission of Malaysia through a statutory fund, the Capital Market Development Fund (CMDF), will provide a Green SRI sukuk grant amounting up to RM6 million. The purpose of this grant is to finance external review expenditure incurred by a Green SRI sukuk issuer up to a maximum amount of RM300,000. Each issuer of Green SRI sukuk needs to apply to the Securities Commission of Malaysia for this grant. This grant is subject to income tax as it is not provided by the Federal Government or the State Government.

Proposal

To encourage the issuance of Green SRI sukuk in Malaysia, it is proposed that income tax exemption be given to each recipient of the Green SRI sukuk grant to finance the external review expenditure in line with the guidelines as set out by the Securities Commission of Malaysia.

Effective date

For applications received by the Securities Commission of Malaysia from 1 January 2018 to 31 December 2020.

APPENDIX 5

TAX EXEMPTION ON MANAGEMENT FEE INCOME FOR SUSTAINABLE AND RESPONSIBLE INVESTMENT (SRI) FUNDS

Current Position

A company that provides management services of *Shariah*-compliant funds approved by the Securities Commission of Malaysia is exempted from tax on the following:

i. the statutory income derived from the business of providing fund management services to foreign investors in Malaysia;

ii. the statutory income derived from the business of providing fund management services to local investors in Malaysia; and

iii. the statutory income derived from the business of providing fund management services to business trusts or real estate investment trusts in Malaysia.

The tax incentives are given to promote management activities of local and foreign Islamic fund. These tax exemptions are effective until the year of assessment 2020.

Proposal

To further promote fund management activities globally, it is proposed that fund manager managing SRI fund approved by the Securities Commission of Malaysia be given tax exemptions on management fee income from managing conventional and *Shariah*-compliant SRI fund.

Effective date

From year of assessment 2018 to year of assessment 2020

APPENDIX 6

CAPITAL ALLOWANCE FOR INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EQUIPMENT AND SOFTWARE

Current Position

Expenditure incurred on the purchase of ICT equipment and software package is eligible for Accelerated Capital Allowance (ACA) until year of assessment 2016.

Expenditure incurred on consultation fee, licensing fee and incidental fee for the development of customised software is not eligible for capital allowance or deduction for income tax purpose.

Proposal

To assist companies to remain competitive in the digital era and adopt latest technology, it is proposed that companies be allowed to claim capital allowances on qualifying expenditure as follows:

<table>
<tr><th>Proposals</th><th>Qualifying Expenditure</th><th>Capital Allowance Rates</th></tr>
<tr><td>1</td><td>Expenditure incurred on the purchase of ICT equipment and computer software packages.</td><td rowspan="2">Initial allowance: 20%
Annual allowance: 20%</td></tr>
<tr><td>2</td><td>Expenditure incurred on the development of customised software comprising of consultation fee, licensing fee and incidental fee related to software development.</td></tr>
</table>

Effective dates

Proposal 1: From year of assessment 2017.

Proposal 2: From year of assessment 2018.

APPENDIX 7

EXTENSION OF PERIOD FOR STAMP DUTY EXEMPTION TO REVIVE ABANDONED HOUSING PROJECTS

Current Position

In supporting efforts to revive abandoned housing projects, stamp duty exemption is given on the following instruments:

i. **Rescuing Contractors:**

   a. loan agreements to finance the revival of the abandoned housing projects; and

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

   These exemptions are given on the above instruments executed from 1 January 2013 until 31 December 2017.

ii. **Original House Purchasers in the Abandoned Projects:**

   a. loan agreements for additional financing; and

   b. instruments of transfer of the houses.

   These exemptions are given on the above instruments executed from 1 January 2013 until 31 December 2017.

The eligible abandoned housing projects must be certified by the Ministry of Urban Wellbeing, Housing and Local Government.

Proposal

To further ease financial burden of the original house purchasers and to encourage the involvement of rescuing contractors to revive abandoned housing projects, it is proposed that the existing stamp duty exemptions be extended for another 3 years.

Effective Date

Loan agreements and memorandums of transfer executed from 1 January 2018 to 31 December 2020 for abandoned housing projects certified by the Ministry of Urban Wellbeing, Housing and Local Government .

APPENDIX 8

STAMP DUTY EXEMPTION FOR TRADING OF EXCHANGE TRADED FUNDS (ETF) AND STRUCTURED WARRANTS (SW)

Current Position

Stamp duty is charged on contract notes at the rate of RM1.00 for every RM1,000 and part thereof for trading of shares of listed companies on Bursa Malaysia subject to a cap of RM200 for each contract note. The capping of RM200 is introduced in 1999 to ensure that the capital market in Malaysia remains competitive.

ETF was introduced since 2005. It is an open-ended investment fund listed and traded on a stock exchange. The ETF is based on an index that offers diversified portfolio of investments to mitigate investor’s risk. Currently, there are 8 ETFs listed on the stock exchange.

SW is a security instrument listed on a stock exchange and issued by an eligible broker or financial institution. It gives investors the right to buy or sell the underlying instrument in the future for a fixed price. SW can be issued over an underlying asset such as share, ETF or index. The SW was first listed in stock exchange in 2002.

Proposal

To further promote development of the capital market and to make Malaysia’s capital market more competitive at the international level, it is proposed that the stamp duty exemptions be given on contract notes for trading of ETF and SW by investors.

Effective Date

For the trading of ETF and SW executed from 1 January 2018 to 31 December 2020.

APPENDIX 9

MALAYSIA'S PARTICIPATION IN THE ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) TAXATION INITIATIVES

Current Position

Malaysia is committed to adhere to internationally agreed on exchange of information for tax purposes standards to ensure the tax system is competitive, while maintaining taxing rights. Among the initiatives undertaken by Malaysia include:

i. participation in the OECD initiatives:

   a. Base Erosion and Profit Shifting (BEPS) Associate under the Inclusive Framework to implement BEPS Action Plan;

   b. Member of the Forum on Harmful Tax Practices (FHTP);

   c. Member of the Global Forum on Transparency and Exchange of Information for Tax Purposes;

   d. Party to the Convention on Mutual Administrative Assistance on Tax Matters;

   e. Party to the Multilateral Competent Authorities Agreement on Country-by-Country Reporting;

   f. Party to the Multilateral Competent Authority Agreement on Common Reporting Standards; and

   g. Ad hoc Member of the Multilateral Instrument Framework.;

ii. implementation of the Automatic Exchange of Information (AEOI) on tax matters effective September 2018; and

iii. streamline tax incentives to be in line with FHTP criteria. Amendment to the relevant legislations will be gazetted before 1 January 2019.

Malaysia participated in the OECD initiative since 2009 to enhance compliance with international standards relating to exchange of information on tax matters to support foreign direct investment.

Proposal

It is proposed that Malaysia's commitment to fulfil the OECD BEPS Action Plan Initiative be announced in the 2018 Budget speech.

APPENDIX 10

HARMONISING GST TREATMENT ON READING MATERIALS

Current Position

All types of books which are reading materials and newspaper are treated as zero-rated supply under the Goods and Services Tax (Zero-rated Supply) Order 2014. Magazines, journals, periodicals and comics have been subjected to GST standard rate of 6%.

Proposal

In order to enhance GST compliance through harmonisation and certainty of treatment to consumers, it is proposed that the GST treatment on magazines, journals, periodicals and comics be harmonised with treatment on all types of books which are reading materials and be subjected to zero-rated supply.

Effective Date

From 1 January 2018.

APPENDIX 11

GST TREATMENT ON MANAGEMENT AND MAINTENANCE SERVICES OF STRATIFIED RESIDENTIAL BUILDINGS

Current Position

The management and maintenance services supplied by joint management body and management corporation to owners of stratified residential buildings is categorised as GST exempt supply. This treatment also applies to cost recovery of group insurance, quit rent and assessments supplied by joint management body and management corporation. The provisions of the above services by parties other than joint management body and management corporation, such as housing developers are subjected to GST at 6%.

Proposal

In order to harmonise GST treatment on management and maintenance services including cost recovery of group insurance, quit rent and land assessments of stratified residential buildings supplied by a joint management body and management corporation to owners of houses held under strata titles, it is proposed that such services supplied by housing developers be treated as an exempt supply.

Effective Date

From 1 January 2018.

APPENDIX 12

REVIEW OF THE GST TREATMENT FOR LOCAL AUTHORITIES

Current Position

Section 64, Goods and Services Tax Act 2014 stipulates that any supply made by the Federal and the State Government is not subject to GST (out of scope supply). Such treatment also applies to the supply made by Local Authorities in respect of regulatory and enforcement function. Other taxable supplies made by the local authorities are subjected to GST.

Local authorities which make taxable supplies have to be registered under the Goods and Services Tax Act 2014 and eligible to claim input tax credit in respect of their supplies relating to regulatory and enforcement function and other taxable supplies.

Proposal

To harmonise GST treatment between the Federal and the State Government and Local Authorities, it is proposed that all supplies made by Local Authorities is not subjected to GST (out of scope supply).

As the Local Authorities are no longer required to be registered under the Goods and Services Tax Act 2014 and not eligible to claim input tax credit, GST relief will be given to Local Authorities on the acquisition of all goods excluding petroleum, commercial buildings or land and on the importation of motor cars.

Effective Date

1 April 2018 or 1 October 2018 as opted by the Local Authorities.

APPENDIX 13

GST RELIEF ON CONSTRUCTION SERVICES FOR SCHOOL BUILDINGS AND PLACES OF WORSHIP

Current Position

Government schools, Government-aided schools and Chinese independent high schools have been given 50% GST relief on construction services for the construction of school building including hall and sport facilities. The GST relief is granted only for construction projects approved by the respective authorities. The GST relief is subject to construction contracts signed before 1 April 2015. This date was extended to 31 March 2017.

There is no specific GST relief given for construction services in respect of places of worship.

Proposal

To assist construction committees of schools and places of worship in optimising funds received from donation, it is proposed that 100% GST relief be given on construction services for the construction of school buildings and places of worship financed through public donations.

The GST relief is restricted to construction services for which the invoice has not been issued and subject to the following conditions:

i. the approval under the Subsection 44(6) of Income Tax Act 1967 for their construction fund has been obtained;

ii. the approvals for development and constructions by Local Authorities, the Ministry of Education Malaysia or State Religious Councils (for *surau* or mosques) have been obtained;

iii. construction of school building including hall and sport facilities are directly used for teaching and learning purposes;

iv. the relief does not apply to the purchase of commercial buildings; and

v. construction services contract signed on or after 1 April 2017.

Effective Date

For applications submitted to the Ministry of Finance from 27 October 2017.

APPENDIX 14

GST RELIEF ON THE IMPORTATION OF BIG TICKET ITEMS

Current Position

Importations of big ticket items such as aircrafts, ships and oil rigs by companies in aviation, shipping and oil and gas industries are subjected to GST of 6%.

Proposal

To promote investment in new and modern assets and enhancing Malaysia's competitiveness in the aviation, shipping and oil and gas industries as well as to improve cash flow position of companies, it is proposed that companies carrying out activities in such industries be given relief from paying GST on the importation of big ticket items. The list of big ticket items and the terms and conditions of approvals are to be stipulated by the Minister of Finance.

Effective Date

From 1 January 2018.

APPENDIX 15

RELIEF FROM PAYMENT OF GST ON IMPORTATION OF GOODS UNDER LEASE AGREEMENTS FROM DESIGNATED AREAS

Current Position

Goods under lease agreements supplied by companies located in Designated Area i.e. Labuan, Langkawi and Tioman and imported into Malaysia from the Designated Areas are subjected to GST of 6%.

Proposal

To ease cash flow and facilitate GST administration in relation to the importation of goods from Designated Areas to Malaysia, especially by companies involve in the oil and gas industry, it is proposed that relief from payment of GST be given to companies involves in the oil and gas industry on the importations of goods under lease agreements into Malaysia from Designated Areas.

The list of goods and the terms and conditions of approvals are to be stipulated by the Minister of Finance.

Effective Date

From 1 January 2018.

APPENDIX 16

GST RELIEF ON HANDLING SERVICES RENDERED TO OPERATORS OF CRUISE SHIPS

Current Position

Handling services provided by sea port operators to ships such as stevedoring, loading, unloading and reloading and inspection of cargo are categorised as zero-rated supply. Ships that are eligible for this treatment must fulfill the definition of "ship" as stated under the Item 2, Goods and Services Tax (Zero-Rated Supply) Order 2014, where the ship must be used in sea navigation, not propelled by oars as provided under the Merchant Shipping Ordinance 1952. This includes any vessel owned or operated by the Government of a foreign state but does not include any vessel which is designed or adapted for the purpose of recreation, pleasure or other than freight transportation or passenger transportation.

Cruise ships are categorised as "ship" used for recreation and pleasure are not eligible for zero-rated treatment for handling services provided by sea port operators.

Proposal

To attract more cruise ships to make Malaysia as a port of call or home port and further increase the number of inbound tourists especially foreigners, it is proposed that cruise ship operators are given relief from payment of GST on handling services provided by sea port operators in Malaysia.

Effective Date

From 1 January 2018 to 31 December 2020.

APPENDIX 17

THE MERGER OF CUSTOMS APPEAL TRIBUNAL AND GOODS AND SERVICES TAX APPEAL TRIBUNAL

Current Position

Any taxpayer or company aggrieved by the decision of the Director General of Customs on matters relating to customs and Goods and Services Tax (GST) may appeal to the Customs Appeal Tribunal (CAT) and the GST Appeal Tribunal (GSTAT) separately.

Both tribunals are independent judicial bodies to hear and decide appeals filed against the decision of the Director General of Customs. The CAT began operating on 1 June 2007 and its authority covers appeals against all the decision of the Director General of Customs under the Customs Act 1967, the Excise Act 1976, Sales Tax Act 1972 and the Service Tax Act 1975 except matters relating to compound and seizure of goods.

GSTAT began operating on 1 April 2015 and its authority covers appeals against the decision of the Director General of Customs relating to GST, except those stipulated under the Fourth Schedule, Goods and Services Tax Act 2014.

Proposal

To ensure smooth and efficient management of appeals and operations of the Tribunals, as well as optimum use of resources, it is proposed that both Tribunals be merged and all appeals relating to the decision of the Director General of Customs to be heard by a single Tribunal which is CAT. Through this merger, taxpayers or companies aggrieved by the decision of the Director General of Customs on customs and GST matters may submit their appeal to CAT.

Effective Date

From 1 January 2019.

APPENDIX 18

REVIEW OF TAX INCENTIVES FOR AUTOMATION

Current Position

A manufacturing company is eligible for Accelerated Capital Allowance (ACA) and Automation Equipment Allowance (AE) on expenses incurred in the purchase of automation equipment as follows:

i. **Category 1 : Labour-Intensive Industry (rubber, plastic, wood and textile products)**

   ACA of 100% and AE of 100% on the first RM4 million for qualifying capital expenditure incurred during the basis period of year assessment 2015 to 2017.

ii. **Category 2 : Industries Other Than Category 1**

   ACA of 100% and AE of 100% on the first RM2 million for qualifying capital expenditure incurred during the basis period of year assessment 2015 to 2020.

The tax incentive is effective for applications submitted to Malaysian Investment Development Authority (MIDA) as follows:

i. Category 1:
   1 January 2015 to 31 December 2017

ii. Category 2:
   1 January 2015 to 31 December 2020

Proposal

To further promote automation in the manufacturing sector, particularly in enhancing productivity and efficiency in the labour intensive industries, it is proposed that the incentive period for Category 1 be streamlined with Category 2. Therefore, the period for the incentive be extended for another 3 years. This allowance is fully claimable within 1 year.

Effective Date

For applications received by MIDA from 1 January 2018 to 31 December 2020.

APPENDIX 19

TAX INCENTIVE FOR TRANSFORMATION TO INDUSTRY 4.0

Current Position

The Government has provided various tax incentives for the manufacturing sector and its related services. In order to move up the value chain and increase productivity, companies are encouraged to adopt advanced technology, commonly known as Industry 4.0, which among others includes the following technology drivers:

i. big data analytics;
ii. autonomous robots;
iii. simulation;
iv. industrial internet of things;
v. cyber security;
vi. horizontal and vertical system integration;
vii. cloud computing;
viii. additive manufacturing;
ix. augmented reality; and
x. artificial Intelligence.

There are no specific tax incentives for the transformation to Industry 4.0.

Proposal

To encourage the transformation to Industry 4.0 which involves the adoption of those technology drivers by the manufacturing sector and its related services, it is proposed that the Accelerated Capital Allowance and Automation Equipment Allowance be provided on the first RM10 million qualifying capital expenditure incurred in the year of assessments 2018 to 2020 and is fully claimable within 2 years of assessment.

Effective Date

For applications received by Malaysian Investment Development Authority from 1 January 2018 to 31 December 2020.

APPENDIX 20

EXTENSION OF TAX INCENTIVE FOR PRINCIPAL HUB

Current Position

To increase the number of global operation centres for multinational companies in Malaysia, tax incentives for the Principal Hub was introduced in 2015 by offering income tax exemption according to 3-tier preferential tax rates of 0%, 5% or 10% based on the certain criteria, among others:

i. minimum paid-up capital of RM2.5 million;

ii. minimum annual sales of RM300 million;

iii. monitoring and providing services to at least 3 related companies locating and operating outside Malaysia;

iv. carrying out qualifying services activities including strategic services such as financial and talent management services; and

v. acquire local professionals and local financial services.

The incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 1 May 2015 until 30 April 2018.

Proposal

To further strengthen Malaysia's competitive position as a global operations centre for multinational companies, particularly in strategic services activities, it is proposed that the Principal Hub incentive be extended for another 3 years and adhering to the criteria of *Forum on Harmful Tax Practices*.

Effective Date

For applications received by MIDA until 31 December 2020.

APPENDIX 21

EXPANSION OF TAX INCENTIVES FOR HIRING THE DISABLED

Current Position

Employers who employ disabled persons, certified by the Department of Social Welfare (JKM), are eligible to claim a further deduction on salary paid to the disabled persons. This incentive is made available from the year of assessment 1982. However, employers who employ workers affected by accidents/critical illnesses, and those employees are not being certified by the JKM are not entitled for further deduction on the salary paid.

Proposal

To support those who have been affected by accidents/critical illnesses and are able to secure suitable employment, it is proposed that a further deduction be given to their employers. The Medical Board of the Social Security Organisation (SOCSO) needs to certify that these employees are able to work within their capabilities.

Effective Date

From year of assessment 2018.

APPENDIX 22

EXTENSION OF PERIOD FOR APPLICATION OF INCENTIVES FOR NEW 4 AND 5 STAR HOTELS

Current Position

The period of applications of incentives for new 4 and 5 star hotels is until 31 December 2018. The application has to be submitted to the Malaysian Investment Development Authority (MIDA) by hotel operators undertaking new investments. The incentives are as follows:

Location	Pioneer Status	Investment Tax Allowance
Peninsular Malaysia	Exemption of 70% of statutory income for a period of 5 years	Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period 5 years. This allowance can be set-off against up to 70% of statutory income.
Sabah & Sarawak	Exemption of 100% of statutory income for a period of 5 years	Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period 5 years. This allowance can be set-off against up to 100% of statutory income.

Proposal

In order to further promote tourism sector and in line with the Visit Malaysia Year 2020 campaign, it is proposed that the application period for the existing tax incentives for investments in new 4 and 5 star hotels in Peninsular Malaysia, Sabah and Sarawak be extended for another 2 years until 2020.

Effective Date

For applications submitted to MIDA until 31 December 2020.

APPENDIX 23

EXTENSION OF PERIOD OF TAX INCENTIVES FOR TOUR OPERATING COMPANIES

Current Position

Tour operating companies are given 100% income tax exemption on their statutory income derived from the business of operating tour packages as follows:

i. tour packages within Malaysia participated by not less than 1,500 local tourists annually; and

ii. tour packages to Malaysia participated by not less than 750 foreign tourists annually.

This incentive is available from year of assessment 2007 until year of assessment 2018.

Proposal

To further encourage tour operating companies to boost tourism activities in conjunction with the Visit Malaysia Year 2020 campaign, it is proposed that the above tax incentives be extended for another 2 years.

Effective Date

From year of assessment 2019 until year of assessment 2020.

APPENDIX 24

EXTENSION OF PERIOD FOR TAX INCENTIVE FOR MEDICAL TOURISM

Current Position

The period of applications for tax incentive for medical tourism is from 1 January 2015 to 31 December 2017. The application has to be submitted to the Malaysian Investment Development Authority (MIDA) by the companies providing private health care services which will be carrying out a new investment or which will be undertaking an expansion, modernisation or refurbishment.

The incentive for medical tourism is in the form of tax exemption on statutory income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years and can be set-off with up to 100% of statutory income.

Eligible companies must be:

i. incorporated under the Companies Act 2016 and residing in Malaysia;

ii. licensed with the Ministry of Health Malaysia; and

iii. registered with Malaysian Health Tourism Council.

Eligible health care travellers are as follows:

i. a non-Malaysian citizen who participates in the Malaysia My Second Home programme and his dependents;

ii. an expatriate who is a non-Malaysian citizen holding a Malaysian work permit and his dependents; or

iii. a non-Malaysian citizen who visits Malaysia and receives private healthcare services in Malaysia.

The tax incentive is subject to the following conditions:

i. at least 5% of the total number of patients receiving private healthcare services are comprised of qualified healthcare travellers per year of assessment; and

ii. at least 5% of the company's gross income is derived from qualified healthcare travellers for each year of assessment.

Proposal

It is proposed that the application period for tax incentive for new and existing companies carrying out a new investment or which will be undertaking an expansion, modernisation or refurbishment of private healthcare services be extended for another 3 years.

The tax incentive is subject to the following conditions:

i. at least 10% of the total number of patients receiving private healthcare services are comprised of qualified healthcare travellers per year of assessment; and

ii. at least 10% of the company's gross income is derived from qualified healthcare travellers for each year of assessment.

Effective Date

For applications submitted to MIDA until 31 December 2020.

APPENDIX 25

EXPANSION OF THE SCOPE OF DOUBLE DEDUCTION INCENTIVE FOR EXPENSES INCURRED IN OBTAINING CERTIFICATION FOR QUALITY SYSTEM AND STANDARD

Current Position

In 2016, the Minister of Finance under subsection 34(6)(ma) Income Tax Act 1967 has approved 5 certification bodies for the accreditation of companies providing private healthcare services. Any private healthcare company registered with the Malaysia Healthcare Travel Council (MHTC) is eligible for double deduction on expenses incurred in obtaining certification for quality systems and standards. The approved certification bodies are as follows:

i. Malaysian Society for Quality in Health - Malaysia;
ii. Joint Commission International – United States of America;
iii. CHKS Accreditation Unit - United Kingdom;
iv. The Australian Council on Health Care Standard - Australia; and
v. Accreditation Canada – Canada.

Proposal

To build the confidence of healthcare travelers on the level of safety and quality of services offered, it is proposed that companies registered with MHTC that provide dental and ambulatory healthcare services be given double deduction for expenses incurred in obtaining certification for quality systems and standards from the 5 certification bodies above.

Effective Date

From year of assessment 2018.

APPENDIX 26

REVIEW OF TAX INCENTIVES FOR EXPORT OF PRIVATE HEALTHCARE SERVICES

Current Position

From the year of assessment 2002, private healthcare companies are eligible to claim for tax exemption on income derived from the export of healthcare services to foreign patients either in Malaysia or from Malaysia. The income tax exemption is equivalent to 50% of the value of increased exports of services and the exemption can be set-off against 70% of statutory income.

Proposal

To promote growth in healthcare services and establish Malaysia as a healthcare hub for foreign patients, it is proposed that the level of tax exemption on income derived from the export of healthcare services to foreign clients either in Malaysia or from Malaysia be increased from 50% to 100% of the value of increased exports of services and to be set-off against 70% of statutory income.

The tax incentive is subject to the following conditions:

i. at least 10% of the total number of patients receiving private healthcare services are comprised of qualified healthcare travellers per year of assessment; and

ii. at least 10% of the company's gross income is derived from qualified healthcare travellers for each year of assessment.

Effective Date

From the year of assessment 2018 to year of assessment 2020.

APPENDIX 27

REVIEW OF TAX INCENTIVES FOR VENTURE CAPITAL

Current Position

Tax incentives for venture capital are as follows:

i. **Venture Capital Management Corporation (VCMC)**

Exemption of income tax on statutory income derived from share of profits received on investment made by VCC.

ii. **Venture Capital Company (VCC)**

a. exemption of income tax on statutory income derived from all sources of income except interest income from savings or fixed deposits and profits from *Shariah*-compliant deposits; and

b. the exemption is given for a period of 10 years or according to the life of the fund established for investment in the Venture Company (VC), whichever is shorter. The VCC must be registered with SC, invests at least 70% of seed, start-up and early stage fund in VC OR at least 50% in the form of seed capital. The VCC and VC are not related companies.

iii. **Investment in a VC**

Companies or individual with business income that make an investment in a VC are given a tax deduction equivalent to the amount of investment made in the VC at the adjusted income level.

Proposal

The following tax treatment is proposed to:

i. **Venture Capital Management Corporation (VCMC)**

Income which is exempted from tax be expanded to include income received from management fees and performance fees in managing VCC funds.

ii. **Venture Capital Company (VCC)**

a. the investment limit in VC at the seed, start-up and early stage be reduced from 70% to 50% and the 50% balance is allowed for other investments; and

b. companies or individuals with business income investing into the VCC funds created by VCMC be given tax deduction equivalent to the amount of investment made and restricted to a maximum of RM20 million per year for each company or individual.

Tax exemption be given for the period of 5 years from the year of assessment 2018 until year of assessment 2022.

Effective Date

For applications received by the Securities Commission Malaysia from 1 January 2018 until 31 December 2018.

APPENDIX 28

EXTENSION OF PERIOD FOR TAX INCENTIVES FOR ANGEL INVESTORS

Current Position

The period of applications for angel investors incentive is from 1 January 2013 until 31 December 2017. The application has to be submitted to the Ministry of Finance. Angel investors who invest in investee companies in the form of ordinary shares are entitled for tax exemption equivalent to the amount of investment made in the investee companies.

The qualifying criteria for the incentive are as follows:

i. **Angel Investor:**

a. an individual who is a resident in Malaysia and whose sources of income is not derived solely from business;

b. investors who do not have family relations with the investee company;

c. investors whose investment is for the sole purpose of financing the activities of the investee company as approved by the Minister; and

d. whose investment shall not be more than 30% of the total paid-up share capital of the investee company.

ii. **Investee Company:**

a. incorporated under the Companies Act 1965 and a resident in Malaysia;

b. at least 51% of the company's ordinary share capital is owned by a Malaysian citizen; and

c. carries out activities approved by the Minister.

Proposal

To attract prospective angel investors to contribute to economic activities through capital injection in investee companies, it is proposed that the application period for tax incentive for the angel investor be extended for another 3 years.

Effective Date

For applications submitted to the Ministry of Finance from 1 January 2018 until 31 December 2020.

APPENDIX 29

TAX INCENTIVE FOR WOMEN RETURNING TO WORK AFTER CAREER BREAK

Current Position

Chargeable income for resident individuals is subject to a progressive personal income tax rates between 0% and 28%.

Proposal

To encourage women who have been on a career break to return to the workforce, it is proposed that their employment income up to maximum of 12 consecutive months be given individual income tax exemption. The incentive is available for women who return to the workforce after being on a career break for at least 2 years on 27 October 2017. The treatment of income tax exemption is eligible to be claimed in year of assessment 2018 to year of assessment 2020.

Effective Date

For applications submitted to Talent Corporation Malaysia Berhad from 1 January 2018 to 31 December 2019.

APPENDIX 30

IMPLEMENTATION OF EARNING STRIPPING RULES TO REPLACE THIN CAPITALISATION RULES

Current Position

Malaysia has been participating in various initiatives of the Organisation for Economic Cooperation and Development (OECD) to curb aggressive tax plannings between related companies, including the implementation of the Thin Capitalisation Rules (TCR). TCR was introduced during the 2009 Budget in ensuring the deduction on interest payment for loans between related companies does not exceed the threshold as specified under the TCR. The enforcement of TCR has been deferred until 31 December 2017 to provide taxpayers with adequate timeline for its implementation.

With continuous improvements on measures to prevent tax evasion and avoidance as well as profit shifting at international levels, the OECD has introduced a new method, namely the Earning Stripping Rules (ESR), in order to control excessive deductibility of interest expense on loans between related parties. Under the ESR, the interest deduction on loans between related companies within the same group will be limited to a ratio as determined by a country's tax authority, ranging from 10% to 30% of the company's profit before tax either using the Earning Before Interest and Taxes (EBIT) or the Earning Before Interest, Tax, Depreciation, and Amortisation (EBITDA).

Proposal

To address tax leakages due to excessive interest claims on loans made between related companies and to comply with the transfer pricing guidelines, it is proposed that ESR to be implemented in replacement for TCR.

Effective Date

From 1 January 2019.