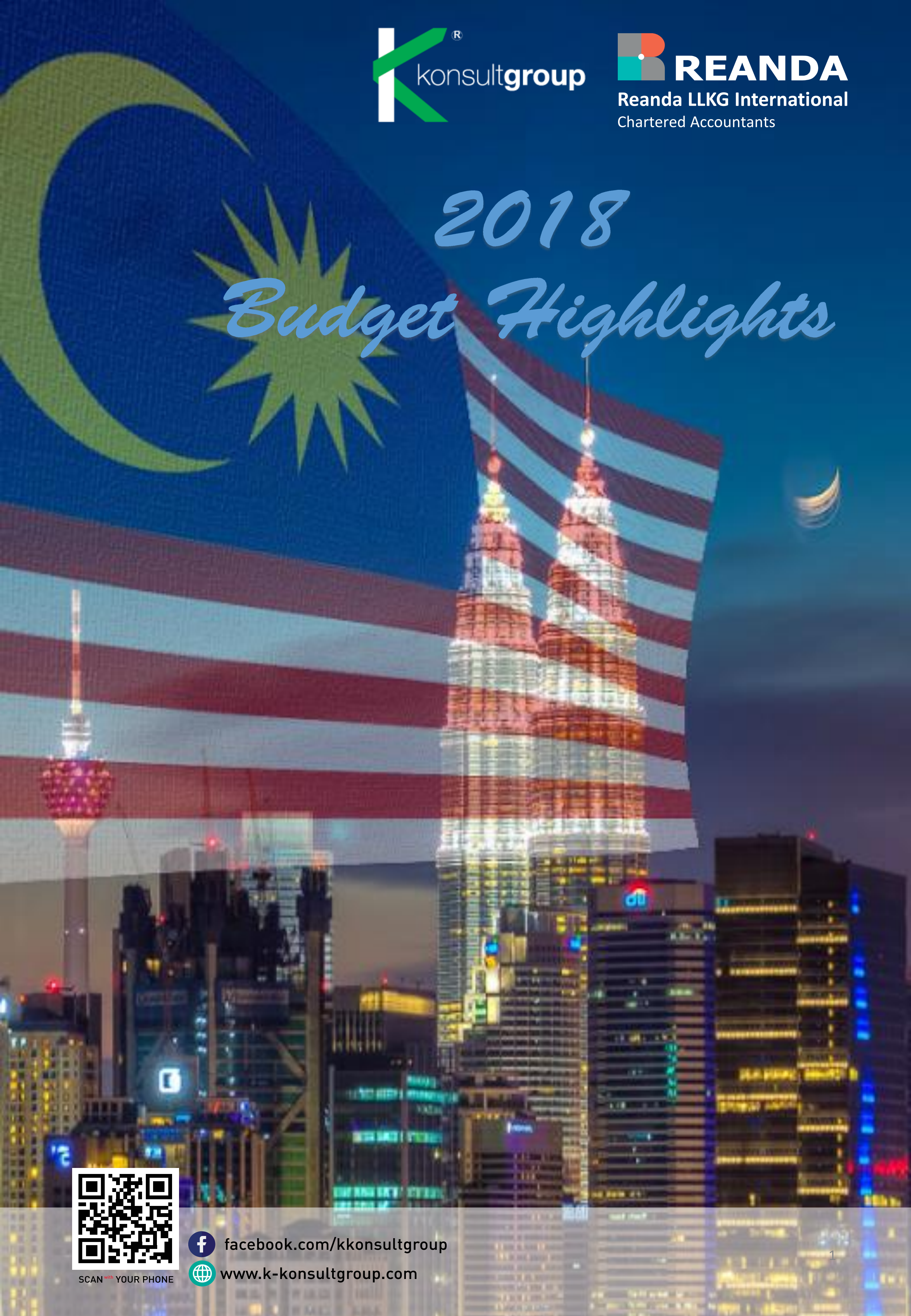
konsultgroup

REANDA
Reanda LLKG International
Chartered Accountants

2018 Budget Highlights



SCAN with YOUR PHONE

facebook.com/kkonsultgroup

www.k-konsultgroup.com

INDIVIDUAL TAX

Individual Income Tax Rate	Income tax rate for resident individuals whose chargeable income from RM20,001 to RM70,000 is reduced by 2 percentage points w.e.f. year of assessment 2018.
Rental Income from Residential Homes	50% income tax exemption for a maximum period of 3 consecutive years of assessment is given on rental income received by Malaysian resident individuals w.e.f. year of assessment 2018 to year of assessment 2020. Conditions to be fulfilled: • rental income received does not exceed RM2,000 per month for each residential home; and • residential home must be rented under a legal tenancy agreement between the owner and the tenant.
Relief on Net Savings in the National Education Savings Scheme (SSPN)	Resident individual income tax relief of up to RM6,000 for net savings in the SSPN is extended for another 3 years w.e.f. year of assessment 2018 to year of assessment 2020.
Women Returning To Work After Career Break	Individual income tax exemption on employment income up to maximum of 12 consecutive months is given to women who return to the workforce after being on a career break for at least 2 years on 27 October 2017 w.e.f. year of assessment 2018 to 2020. For applications submitted to Talent Corporation Malaysia Berhad w.e.f. 1 January 2018 to 31 December 2019.

CORPORATE TAX

Capital Allowance for Information and Communication Technology (ICT) Equipment and Software	Companies are allowed to claim capital allowance at initial allowance of 20% and annual allowance of 20% on qualifying expenditure as follows: • purchase of ICT equipment and computer software packages w.e.f. year of assessment 2017 • expenditure incurred on the development of customized software comprising of consultation fee, licensing fee and incidental fee related to software development w.e.f. year of assessment 2018
Earning Stripping Rules (ESR) to Replace Thin Capitalisation Rules (TCR)	Earning Stripping Rules is implemented to replace Thin Capitalisation Rules w.e.f. 1 January 2019. 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. Its enforcement has been deferred until 31 December 2017. 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 (EBITA).

TAX INCENTIVES

Hiring The Disabled	Further deduction is given to employers hiring workers affected by accidents/critical illnesses certified by the Medical Board of the Social Security Organisation (SOCSO) that they are able to work within their capabilities *w.e.f. year of assessment 2018*.
Medical Tourism	Application period for tax incentive for new and existing companies carrying out a new investment or which will be undertaking an expansion, modernization or refurbishment of private healthcare services is extended for another 3 years *w.e.f. 1 January 2018 to 31 December 2020*. The tax incentive is subject to the following conditions: • at least 10% (currently 5%) of the total number of patients receiving private healthcare services are comprised of qualified healthcare travellers per year of assessment; and • at least 10% (currently 5%) of the company's gross income is derived from qualified healthcare travellers for each year of assessment.
Export of Private Healthcare Services	Income tax exemption is increased from 50% to 100% of the value of increased exports of services and can be set off against 70% of statutory income *w.e.f. year of assessment 2018 to year of assessment 2020*. The tax incentive is subject to the following conditions: • at least 10% of the total number of patients receiving private healthcare services comprises of qualified healthcare travellers per year of assessment; and • at least 10% of the company's gross income is derived from qualified healthcare travellers for each year of assessment.
Tour Operating Companies	100% income tax exemption on statutory income derived from the business of operating tour packages within Malaysia (not less than 1,500 local tourists annually); and to Malaysia (not less than 750 foreign tourists annually) is extended for another 2 years *w.e.f. year of assessment 2019 to year of assessment 2020*.

TAX INCENTIVES

New 4 and 5 Star Hotels	Hotel operators undertaking new investments in 4 and 5 star hotels are entitled to the following incentives: • Pioneer Status - Exemption of 70% (Peninsular Malaysia) / 100% (Sabah & Sarawak) of Statutory Income for a period of 5 years; or • Investment Tax Allowance – Allowance of 60% (Peninsular Malaysia) / 100% (Sabah & Sarawak) of qualifying capital expenditure incurred within a period of 5 years to be set off against 70% (Peninsular Malaysia) / 100% (Sabah & Sarawak) of statutory income. The incentive is extended for another 2 years until 2020. *For applications submitted to MIDA w.e.f. 1 January 2019 to 31 December 2020.*
Expenses Incurred in Obtaining Certification for Quality System and Standard	Companies registered with the Malaysia Healthcare Travel council (MHTC) that provide dental and ambulatory healthcare services is given double deduction for expenses incurred in obtaining certification for quality systems and standards *w.e.f. year of assessment 2018*. The approved certification bodies are as follows: • Malaysian Society for Quality in Health (Malaysia) • Joint Commission International (United States of America) • CHKS Accreditation Unit (United Kingdom) • The Australian Council on Health Care Standard (Australia) • Accreditation Canada (Canada)
Automation	Incentives for high labour-intensive manufacturing companies (rubber, plastics, wood, furniture and textile products) in the form of Accelerated Capital Allowance (ACA) of 100% and Automation Equipment Allowance (AE) of 100% for the first RM4 million of qualifying capital expenditure incurred for automation equipment is extended for another 3 years. *For applications submitted to MIDA w.e.f. 1 January 2018 to 31 December 2020.*

TAX INCENTIVES

Transformation to Industry 4.0	Accelerated Capital Allowance (ACA) and Automation Equipment Allowance (AE) is provided on the first RM10 million qualifying capital expenditure incurred in the year of assessment 2018 to 2020 and is fully claimable within 2 years of assessment. *For applications submitted to MIDA w.e.f. 1 January 2018 to 31 December 2020.*
Principal Hub	The Principal Hub incentives where income tax exemption according to 3-tier preferential tax rates (0%, 5% or 10%) based on certain criteria is extended for another 3 years. *For applications submitted to MIDA w.e.f. 1 May 2018 to 31 December 2020.*
Angel Investors	Income tax exemption equivalent to the amount of investment made by an angel investor who invests in investee companies in the form of ordinary shares is extended for another 3 years. *For applications submitted to the Minister of Finance w.e.f. 1 January 2018 to 31 December 2020.*
Venture Capital	i) Venture Capital Management Corporation (VCMC) The income tax exemption be expanded to include management fees and performance fees received in managing Venture Capital Company (VCC) funds. ii) Venture Capital Company (VCC) The minimum investment funds in a Venture Capital (VC) be reduced from 70% to 50% and the balance 50% is allowed for other investments. iii) Investment in VCC funds A company or an individual with business income investing in the VCC funds created by a VCMC be given tax deduction equivalent to the value of investment made subject to a maximum amount of RM20 million per year. Tax exemption be given for a period of 5 years w.e.f. year of assessment 2018 to year of assessment 2022. *Applications to the Securities Commission of Malaysia (SC) are to be made for the above proposed incentives and the applications must be received by the SC from 1 January 2018 to 31 December 2018.*

GOODS AND SERVICES TAX

Reading Materials	Magazines, journals, periodicals and comics are subject to zero-rated w.e.f. 1 January 2018.
Construction Services for School Buildings and Places of Worship	100% GST relief on construction services for the construction of school buildings and places of worship financed through donations subject to the following conditions: • invoice has not been issued; • approval under Section 44(6) of the Income Tax Act 1967 for construction fund obtained; • approval for development and constructions from relevant authorities obtained; • school building constructed is directly used for teaching and learning purposes; • construction services contract is signed on/after 1 April 2017; and • not applicable to purchase of commercial buildings. For applications submitted to the Ministry of Finance w.e.f. 27 October 2017.
Management and Maintenance Services of Stratified Residential Buildings	Management and maintenance services including cost recovery of group insurance, quit rent and land assessments of stratified residential buildings supplied by housing developers is an exempt supply w.e.f. 1 January 2018.
Handling Services Rendered to Operators of Cruise Ships	Cruise ship operators are given relief from payment of GST on handling services provided by sea port operators in Malaysia w.e.f. 1 January 2018 to 31 December 2020.
Importation of "Big Ticket" Items	Companies carrying out activities in the aviation, shipping and oil and gas industries are given relief from paying GST on the importation of big ticket items such as aircrafts, ships and oil rigs w.e.f. 1 January 2018.

GOODS AND SERVICES TAX

Importation of Goods Under Lease Agreements from Designated Areas	Relief from payment of GST on the importations of goods under lease agreements into Malaysia from Designated Areas by companies especially oil and gas industry w.e.f. 1 January 2018. The list of goods and the terms and conditions of approval will be stipulated by the Minister of Finance.
Local Authorities	All supplies made by Local Authorities is not subject to GST w.e.f. 1 April 2018 or 1 October 2018 as opted by the Local Authorities. 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.

Disclaimer

This publication is written with care and contains general information for the broad guidance of its intended readers only. It is NOT intended to offer specific and universal advices in tax or other professional fields. No one should use th information in this publication as a basis to act or make decision that may affect their finances or business. Advice from qualified professional adviser on a particular situation should be obtained before making any decision or taking or not taking any actions. Please contact us for professional advices addressing to your particular situation. Neither K-Konsult Group or Reanda LLKG International and their affiliates shall accept any obligation or liability for any loss brought about directly or indirectly by actions taken or decisions made based on the information.