



A Snapshot of Budget 2019

Tax Espresso (Special Edition)

2 November 2018

Foreword



The Budget 2019 was unveiled by the Finance Minister, YAB Tuan Lim Guan Eng on 2 November 2018 with the theme *"A Resurgent Malaysia, A Dynamic Economy, A Prosperous Society"*. Given the need to manage fiscal consolidation amidst tumultuous global trends, the new government intends to initiate institutional reforms to improve the efficiency and transparency of the government's revenue and expenditure. It also intends to achieve an overall balanced growth rate of 4.9% with the fiscal deficit of 3.4% during Fiscal Year 2019.

In line with our expectations, the government seeks to raise additional revenue by divesting non-strategic investments, increasing tax on property sales, introducing a tax on sugar-based beverages and taxing digital transactions. The government is also emphasising on Public Private Partnership with a special focus on the SME sector, innovation and digitalisation. In relation to this, the tax reliefs proposed include rationalisation of corporate income tax rate for SMEs, incentives for raising corporate funds and Industry 4.0. The budget also allocates substantial focus and resources on the up-skilling and re-skilling of the Rakyat. In terms of social expenditure, the education sector has been given priority with the development of the Rakyat in mind.

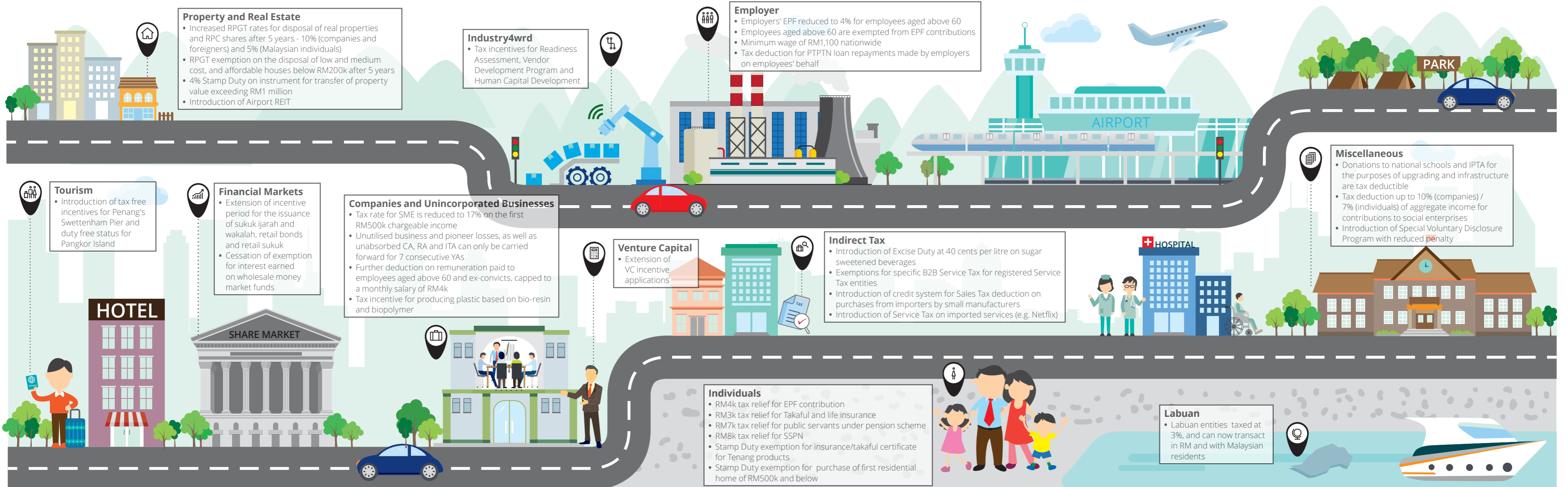
Budget 2019 is indeed a comprehensive one that is intended to enhance revenue, maintain fiscal discipline, support the well-being of the B40 group, encourage entrepreneurship and strengthen governance. This budget should go a long way in supporting the government's priority to bring its house to order and re-energise Malaysia's journey towards long term growth and prosperity.

The budget snapshot is provided in the ensuing pages – Happy reading!

A handwritten signature in black ink, appearing to read 'Sim Kwang Gek', written in a cursive style.

Sim Kwang Gek
Country Tax Leader

“A Budget that seeks sound fiscal management, sustainable economic growth, stabilisation of cost of living and housing, and stimulation to the small & medium enterprises – Represents a committed initiative to achieve Malaysia's objective of becoming a developed nation.”



Property and Real Estate

- Increased RPGT rates for disposal of real properties and RPC shares after 5 years - 10% (companies and foreigners) and 5% (Malaysian individuals)
- RPGT exemption on the disposal of low and medium cost, and affordable houses below RM200k after 5 years
- 4% Stamp Duty on instrument for transfer of property value exceeding RM1 million
- Introduction of Airport REIT

Industry4wrd

- Tax incentives for Readiness Assessment, Vendor Development Program and Human Capital Development

Employer

- Employers' EPF reduced to 4% for employees aged above 60
- Employees aged above 60 are exempted from EPF contributions
- Minimum wage of RM1,100 nationwide
- Tax deduction for PTPN loan repayments made by employers on employees' behalf

Miscellaneous

- Donations to national schools and IPTA for the purposes of upgrading and infrastructure are tax deductible
- Tax deduction up to 10% (companies) / 7% (individuals) of aggregate income for contributions to social enterprises
- Introduction of Special Voluntary Disclosure Program with reduced penalty

Tourism

- Introduction of tax free incentives for Penang's Swettenham Pier and duty free status for Pangkor Island

Financial Markets

- Extension of incentive period for the issuance of sukuk ijarah and wakalah, retail bonds and retail sukuk
- Cessation of exemption for interest earned on wholesale money market funds

Companies and Unincorporated Businesses

- Tax rate for SME is reduced to 17% on the first RM500k chargeable income
- Unutilised business and pioneer losses, as well as unabsorbed CA, RA and ITA can only be carried forward for 7 consecutive YAs
- Further deduction on remuneration paid to employees aged above 60 and ex-convicts, capped to a monthly salary of RM4k
- Tax incentive for producing plastic based on bio-resin and biopolymer

Venture Capital

- Extension of VC incentive applications

Indirect Tax

- Introduction of Excise Duty at 40 cents per litre on sugar sweetened beverages
- Exemptions for specific B2B Service Tax for registered Service Tax entities
- Introduction of credit system for Sales Tax deduction on purchases from importers by small manufacturers
- Introduction of Service Tax on imported services (e.g. Netflix)

Individuals

- RM4k tax relief for EPF contribution
- RM3k tax relief for Takaful and life insurance
- RM7k tax relief for public servants under pension scheme
- RM8k tax relief for SSPN
- Stamp Duty exemption for insurance/takaful certificate for Tenang products
- Stamp Duty exemption for purchase of first residential home of RM500k and below

Labuan

- Labuan entities taxed at 3%, and can now transact in RM and with Malaysian residents

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