



The Malaysian Budget 2017 will be announced and tabled in Parliament on the 21 October 2016 by the Prime Minister/Minister of Finance, YAB Dato' Sri Najib bin Tun Abdul Razak. The theme for Budget 2017 is "Accelerating Growth, Ensuring Fiscal Prudence, Enhancing Well-being of the People". This theme is in line with the Government's focus on invigorating the economy and improving the well-being of the people.

Against this backdrop, we expect Budget 2017 to announce some incentives or reliefs to spur the economic growth such as reduction of corporate tax rate relief or rebate for lower income earners and support for small and medium enterprises.



#### Reduction of Corporate Tax Rates and Increase in Tax Audit Cases

The Government could lower the corporate tax rate, which would help to promote compliance with the income tax filing. There are many examples around the world that show that low tax rates do not translate to low tax collection.

Compared to 17% in Singapore and 20% in Thailand, the standard corporate tax rate in Malaysia is high at 24% in 2016.

The Inland Revenue Board (IRB), for one, is said to have intensified its tax audits and investigations into individuals and companies to optimise revenue collection. To increase revenue, the Ministry of Finance through the IRB could expand and tighten the tax investigation approach. IRB could step up tax audit on tax evasion cases not only in the Klang Valley area but also targets outside the Klang valley. This would not increase the burden on the majority of the people. It is hoped that this approach would create a fair and competitive environment for taxpayers.



#### Simplification of Goods and Services Tax (GST) Exemption List and Zero-rated List

The list of goods and services that are tax exempt or zero-rated for GST needs to be simplified.

The Government had earlier listened to the views of the people in the implementation of GST and this had created the most complex and lengthy exemption and zero-rated list in the region. With the smooth implementation of the GST the Government could now re-examine and simplify the list of goods and services that are exempted or zero-rated. This would, in the medium term, increase tax revenue for the Government.



#### Tax Relief

The public anticipates the Budget 2017 will be targeted to the bottom 40 per cent of households (B40), middle 40 per cent of households (M40), and civil servants. The Government should not only maintain the existing relief but should also consider increasing the relief for EPF & life insurance premiums.

The existing combined relief for EPF & life insurance premiums of RM6,000 maximum should be increased to say RM6,000 relief for EPF & RM6,000 relief for life insurance premiums.



### Affordable Housing

There are 1.5 million Malaysians who are first-time home buyers who need affordable housing but which are currently unavailable. The Budget 2017 should address this issue to provide more affordable housing in areas where they are needed especially in urban areas.

A scheme is also expected to be announced in the 2017 Budget to facilitate first-time home buyers in securing loan financing. This scheme is to tackle the problem faced by young Malaysians who could not get full bank loans due to their low starting salary. The scheme is for the purchase of a first house valued at RM300,000 and below. Over the years with the increase in salary the young home buyer can afford to pay off higher monthly instalments for his housing loan.

The Government could assist by lowering the entry barrier for house owning aspirants. For instance, first time homebuyers may be given housing loan interest relief of RM10,000 per annum for 3 years, a measure introduced in 2010 and the 50% stamp duty exemption on loan agreements for residential properties valued up to RM500,000 that will expire in 2016 can be extended.



### Support for SME Sector

More fund allocation and tax incentives may be introduced to support the small and medium-sized enterprise (SME) sector. SMEs are the backbone of the Malaysian economy as it provides jobs to many employees. SME companies need much assistance in their business and more exposure for their products which can eventually enter the export market.

The current group relief rules allow the profits of a company with paid up capital of more than RM2.5 million to be reduced by losses of another company within the same group thereby reducing the overall tax costs. The Government may consider making available group relief to all companies regardless of the amount of paid up capital. This allows SMEs to channel its cash resources to more profitable activities and enable them to venture into new businesses.



### New Standard of Automatic Exchange of Information

We may expect an announcement by the Government on its commitment to implement the new standard of automatic exchange of information (AEOI) by 2018. The new global standard on AEOI reduces the possibility for tax evasion. It provides for the exchange of non-resident financial account information with the tax authorities in the account holders' country of residence. Participating countries that implement AEOI will send and receive pre-agreed information each year, without having to send a specific request.

Further major steps towards increasing tax transparency: The adoption of Common Reporting Standard (CRS) which calls on countries to obtain information from their financial institutions and automatically exchange that information with other countries on an annual basis and the implementation of Country-by-Country Reporting (CbCR).

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