

Budget 2019 Questions & Answers with Deloitte

This special question and answer column was written for The Borneo Post by executive director Tham Lih Jiun, director Lim Su Sing and associate director Chai Suk Phin in answering the public's many queries following the Budget 2019 announcement.

Q: I heard that personal relief for EPF and life insurance has increased from RM6,000 to RM7,000. I am currently earning RM4,000 per month, and I have a life insurance which I pay premium of RM1000 per year, how much will I benefit from this increase in tax relief?

A: Assuming that you contribute to EPF at 11 per cent per month, your annual EPF contribution will be RM5,280. Your total EPF contribution and insurance premium paid will be RM6,280. Under current scheme, you can claim tax relief of RM6,000. With the new scheme, your tax relief claim will only be RM5,000, which is RM4,000 for EPF and RM1,000 for life insurance premium. In order to maximise your claim, you may want to increase your life insurance coverage.

Q: I am planning to buy a house valued at approximately RM800,000 within next few years. Are there any home ownership measures announced in the Budget 2019 for first house buyer?

A: It is advisable to time the purchase for first house buyer. If you buy a house this year and the value is more than RM800,000, the instrument of transfer and loan agreement are subject to stamp duty. However, if you can defer and execute the Sale and Purchase Agreement from January 1, 2019 to June 30, 2019, you will instead be eligible for 100 per cent stamp duty exemption on the instrument of transfer.

Q: Noel is planning to migrate to New Zealand beginning of next year. He intends to sell his house which he has owned for more than 10 years. He heard in the recent.

A: Budget announcement that there are some changes in real property gains tax (RPGT). He would like to know how these changes might affect him? If Noel sells his house while he is still a Malaysian citizen this year, he need not pay any RPGT as the rate of RPGT for disposal by a Malaysian citizen or permanent resident after five years of holding



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period is zero per cent. The rate will increase to five per cent with effect from January 1, 2019. If he sells his property after he changes his citizenship to New Zealand, the applicable RPGT rate is 10 per cent. Hence, Noel should sell his property first before he change his citizenship in order for him to enjoy a "nil" or lower RPGT rate.

Q: My firm is currently operating a 25-year concession. We are currently in the 6th year of the concession and is still running at a loss due to high capital investment. The Government had announced in the Budget 2019 that unutilised business losses cannot be carried forward for more than seven years of assessment (YA) from with effect from YA 2019. Does it mean that my last 6 years' losses cannot be carried forward beyond next year?

A: Currently the announcement did not specify the mechanism to implement this proposal. We hope they will allow any losses accumulated before YA 2019 be deemed to be incurred in YA 2019, and the losses be allowed to carry forward until YA 2026. However, this remain uncertain until the finance bill is release.

Q: I plan to acquire a company and during the due diligence exercise performed by Deloitte, we discovered errors in the company's past years' tax computations. I fear that there will be significant exposure to penalties from the underpayment of taxes in the past but I am quite interested in the company and the owners are not willing to reduce the selling price of the company. I am concerned with the exposure should the company be tax audited. Is there other avenue for me to minimise the

tax exposure if I acquire the company?

A: In the 2019 Budget, it was announced that taxpayers who voluntarily disclose their tax arrears on or before March 31, 2019 will only be imposed with a penalty of 10 per cent. Where the disclosure is made from April 1, 2019 to June 30, 2019, the penalty would be 15 per cent. The penalty will range from 80 per cent to 300 per cent after 30 June 2019. As such, upon acquisition of the company, we would suggest that you immediately perform a thorough review of their past years' tax computations and returns so that you can take advantage of the lower penalty rates during this limited period.

Q: As a manufacturer, I am aware that it is imperative for me to upgrade my manufacturing facilities to Industry 4.0 standard. Is there any incentive that could help me to embark on this project under the Budget 2019 announcement?

A: In the budget, in order to encourage manufacturer to conduct their readiness assessments (I4.0-RA), it is proposed that readiness assessment expenses for I4.0-RA paid to the Malaysian Productivity Corporation be given tax deduction up to RM27,000. In addition, the government has introduced a number of double tax deduction, including: scholarships for Malaysian students pursuing engineering and technology diplomas and degrees, expenses incurred in upgrading and development of technical training programs for employees in Industry 4.0 technology, expenses in providing internship programs for engineering and technology graduates, etc. In addition, there is existing incentive for claiming Accelerated Capital Allowance

Allowance or Pioneer Status losses will no longer be eligible for group relief even though the incentive period has ended.

Q: What is the impact on consumers and businesses on imported services?

A: It is announced in 2019 Budget that Service Tax will be imposed on importation of prescribed services (such as architects, graphic design, IT services and engineering services, and so on) and importation of digital products and services from January 1, 2019 and January 1, 2020 respectively. For consumers, if you purchase online software, music and other digital products and services from January 1, 2020, you will need to pay service tax. For businesses that provide taxable services, competition from overseas counterparts will be reduced as import services will also be taxed from January 1, 2019. On the other hand, if the merchants need to purchase a large number of overseas taxable services or online services, they will increase the tax cost.

Q: My manufacturing business uses coal as fuel in the production process which unfortunately, generates some air pollutant emissions. I heard there may be penalties on such production process and would like to invest in more environmental friendly technology. But this could be a burden for a SME like my business. Is there any incentive to assist me towards implementing the new technology in this 2019 Budget?

A: Instead of introducing carbon tax which was predicted by some experts prior to the budget announcement, the new government takes a more friendly approach to encourage the community to involve in environmental friendly investments. Amongst the incentives proposed by the new government under the 2019 Budget are:

- two per cent interest cost subsidy for investment in green technology via Green Technology Financing Scheme (GTFS) for the first five years

- Subsidized interest rate of two per cent will be granted to the loan amounting to RM1 billion provided by Bank Pembangunan Malaysia Berhad to support the Agenda 2030 for Sustainable Development and the 17 Sustainable Development Goal under the United Nation Development Programme

- List of green assets qualified for Green Technology Investment Allowance (GTIA) will be extended in MyHijaz directory

Furthermore, there will be 5-year Pioneer Status incentive of 70 per cent income tax exemption or Investment Tax Allowance of 60 per cent on Qualifying Capital Expenditure incurred for production of environmentally-friendly plastics.

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