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Deloitte TaxMax- the 42nd series

Brave decisions, Brave actions.

Sim Kwang Gek & Thin Siew Chi
8 November 2016

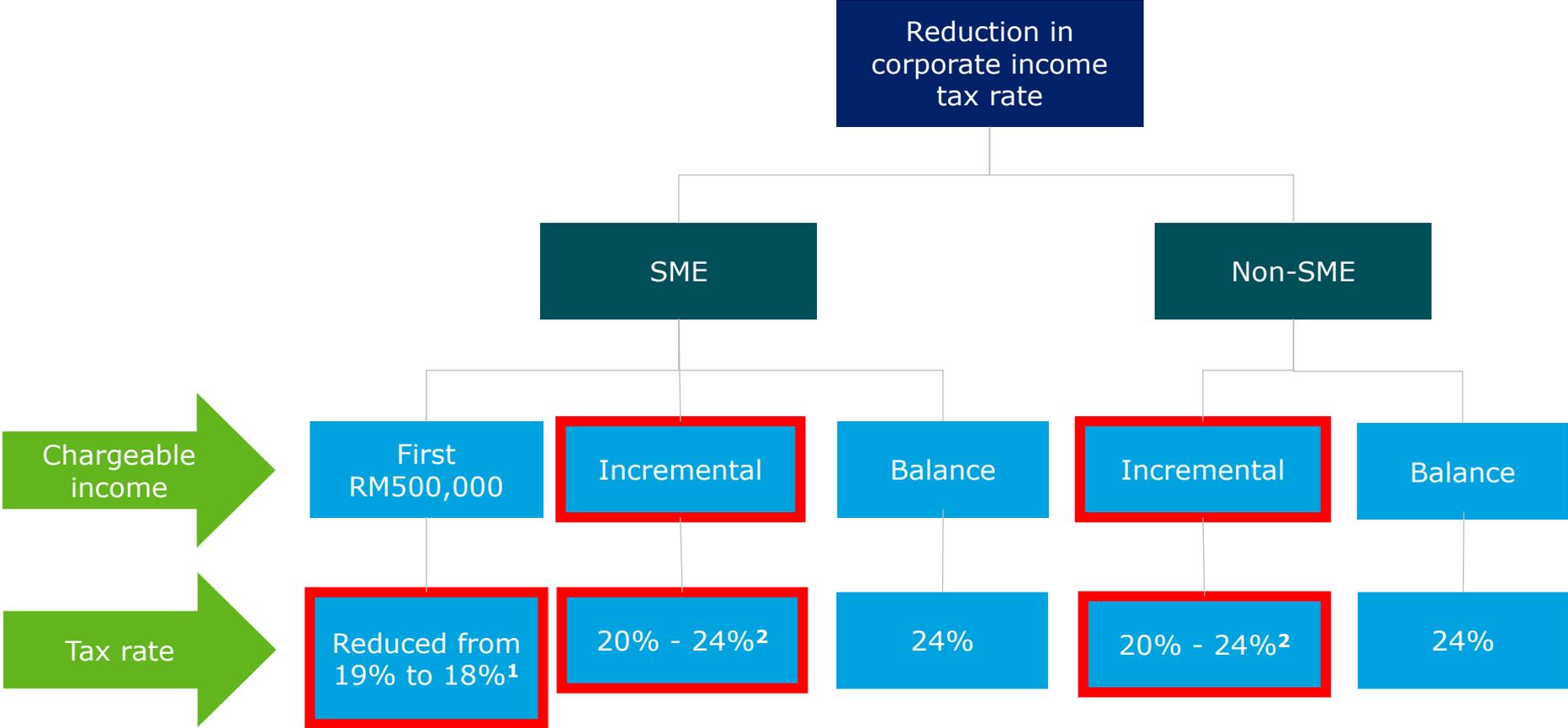
Polling question 1

The Indonesian government is mulling over reducing its current corporate income tax rate from 25% to 17% to be at par with Singapore. The corporate income tax rate in Thailand, Vietnam and Cambodia is currently at 20%. To remain competitive with our neighbouring countries, what do you think our corporate income tax rate should be?

- A) 20%
- B) 17%
- C) 25%
- D) 0%

Reduction in corporate income tax rate

Reduction in corporate income tax rate



Effective Date

- 1. Year of assessment 2017 onwards
- 2. Years of assessment 2017 & 2018

Reduction in corporate income tax rate (cont'd)

% of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction in tax rate	Tax rate after reduction (%)
Less than 5.00	Nil	24
5.00 – 9.99	1	23
10.00 – 14.99	2	22
15.00 – 19.99	3	21
20.00 and above	4	20

Example 1

	YA 2016 (RM)	YA 2017 (RM)
Statutory business income	400,000	600,000
Rental (Sec 4(d))	120,000	200,000
Interest (Sec 4(c))	20,000	40,000
Aggregate income	540,000	840,000
Less: Approved Donation	-	(10,000)
Chargeable income	540,000	830,000

- Increment in chargeable business income = RM200,000 (RM600,000 – RM400,000)
- Percentage increment in chargeable business income = 50% (RM200,000 / RM400,000 x 100%)
- The increment in chargeable business income is to be taxed at 20%.

Example 1 (Cont'd)

Scenario 1 SME

Scenario 2 Non - SME

Chargeable income	Tax payable (RM)	Tax payable (RM)
First RM500,000	90,000 (RM500,000 x 18%)	N/A
Incremental	40,000 [(RM600,000 – RM400,000) x 20%]	40,000 [(RM600,000 – RM400,000) x 20%]
Balance	31,200 [(RM830,000 – RM500,000 – RM200,000) x 24%]	151,200 [(RM830,000 – RM200,000) x 24%]
Total tax payable	161,200	191,200

Review of derivation of special classes of income

21 October 1983

- Sections 4A and 15A were introduced.
- Payment to non-resident under Section 4A(i) and 4A(ii) is subject to withholding tax
 - services rendered by the person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any plant, machinery or other apparatus purchased from, such person
 - technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme

21 September 2002

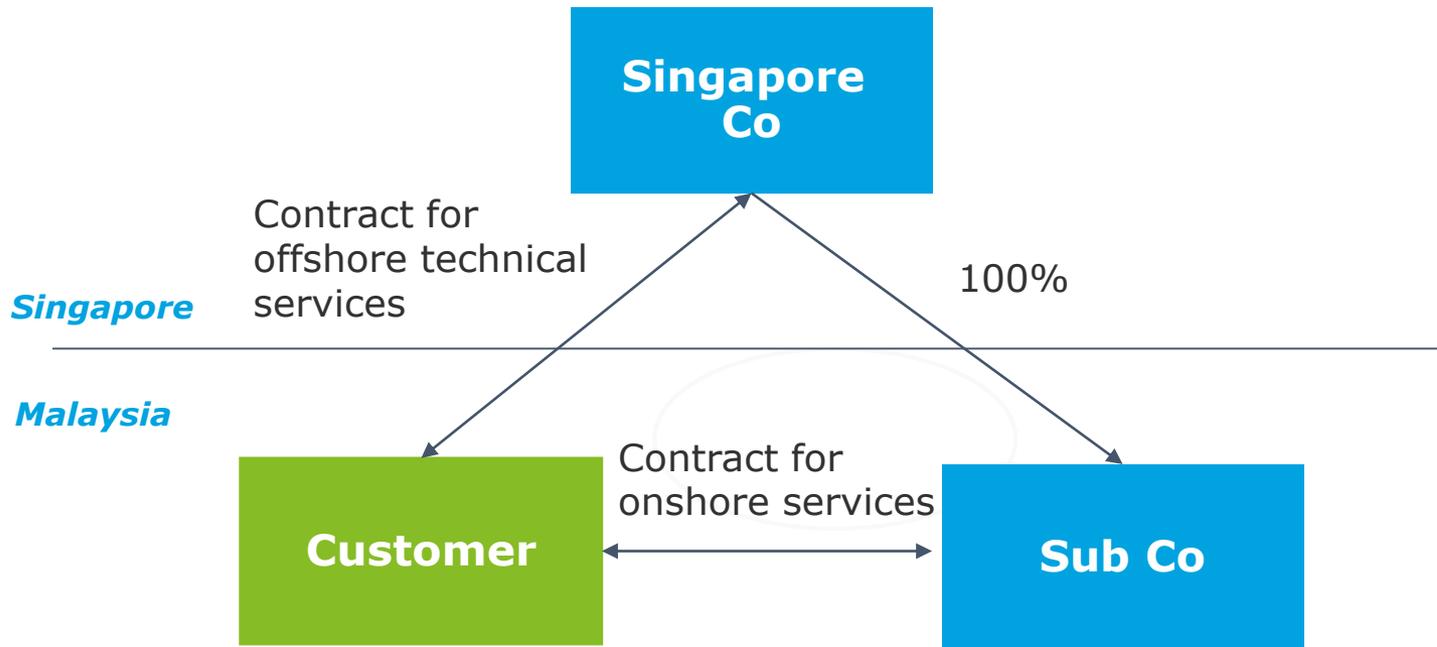
- Section 15A was amended
- Payment to non-resident for service performed outside Malaysia is not subject to withholding tax

Budget 2017

- Payment to non-resident is subject to withholding tax irrespective of where the services are performed.

Effective date: Upon coming into operation of Finance Act 2016

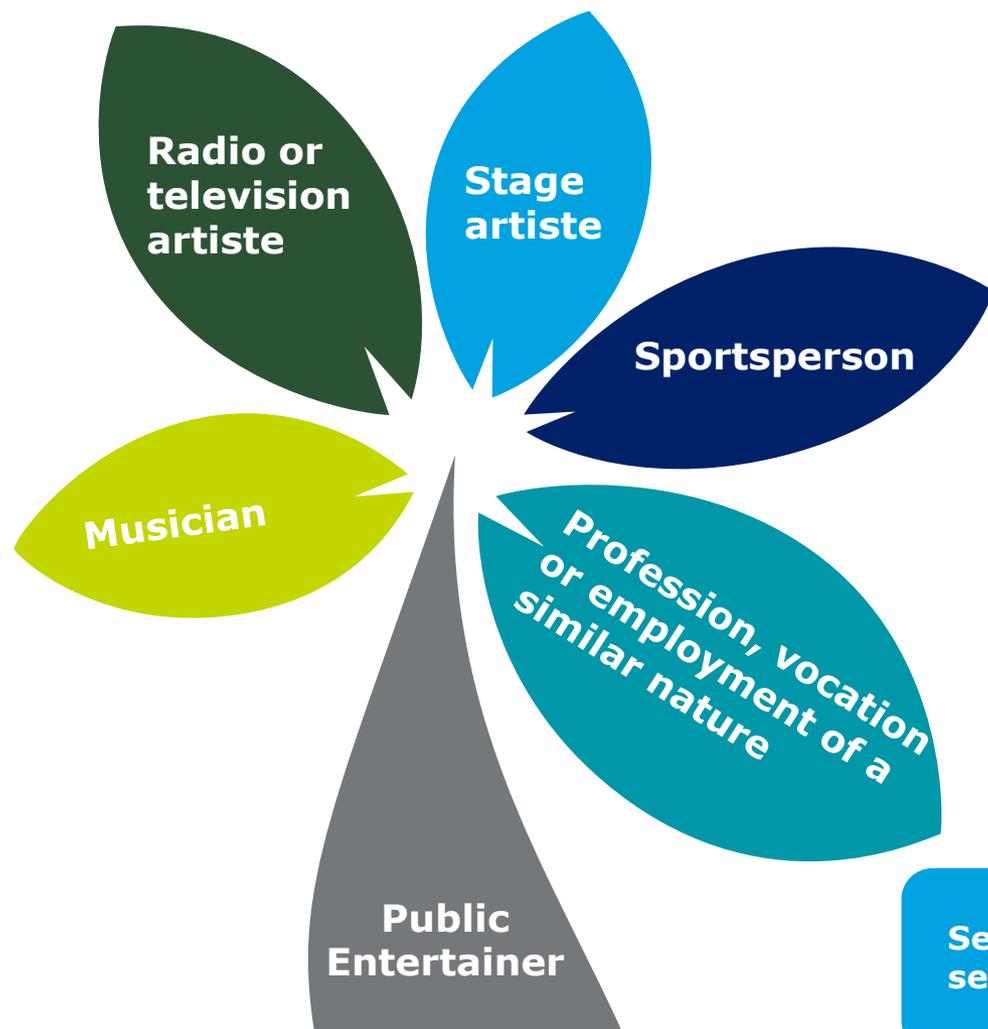
Review of derivation of special classes of income (cont'd)



1. **Moving forward, would all service payments to non-resident be subject to withholding tax?**
2. **Does treaty protection apply?**
 - **Malaysia-Singapore treaty – Singapore would have the taxing right if services are rendered outside Malaysia**
 - **Malaysia-Australia treaty – Provision of service for a period or periods aggregating more than 3 months within any twelve-month period**
3. **Transitional provisions?**

Redefinition of “public entertainer”

Existing Section 2, Income Tax Act 1967



Oxford dictionary definition

- Radio or television artiste**
“A professional entertainer especially a singer or dancer” who performs for radio or television broadcast.
- Stage artiste**
“A professional entertainer especially a singer or dancer” who performs on stage.
- Musician**
“A person who plays a musical instrument, especially as a profession, or is musically talented”.
- Sportsperson**
“A person who takes part in a sport, especially as a professional”.

Section 109A – 15% withholding tax applies if services performed or rendered in Malaysia

Redefinition of “public entertainer” (cont’d)

Questions:

- Must the activity carried out be for film or tape, or for television or radio broadcast only?
- Are these “Public entertainer” if there was no filming or taping and no television or radio broadcast?
 - Motivational speaker who speaks in a seminar
 - Korean singer who comes to Malaysia to perform in a concert
 - A model who comes to Malaysia for a photoshoot for magazine

Polling question 2

- University of Malaysia holds a guest lecture featuring Professor Steven Hakin, a famous scientist and lecturer from the USA.
- However, as Professor Steven is physically immobile, he is unable to travel to Malaysia for the guest lecture. Instead, his lecture is broadcasted via satellite to the lecture hall of University of Malaysia.
- As compensation, University of Malaysia makes a payment to Professor Steven. Is such payment subject to withholding tax (WHT) in Malaysia? If yes, what is the WHT rate?

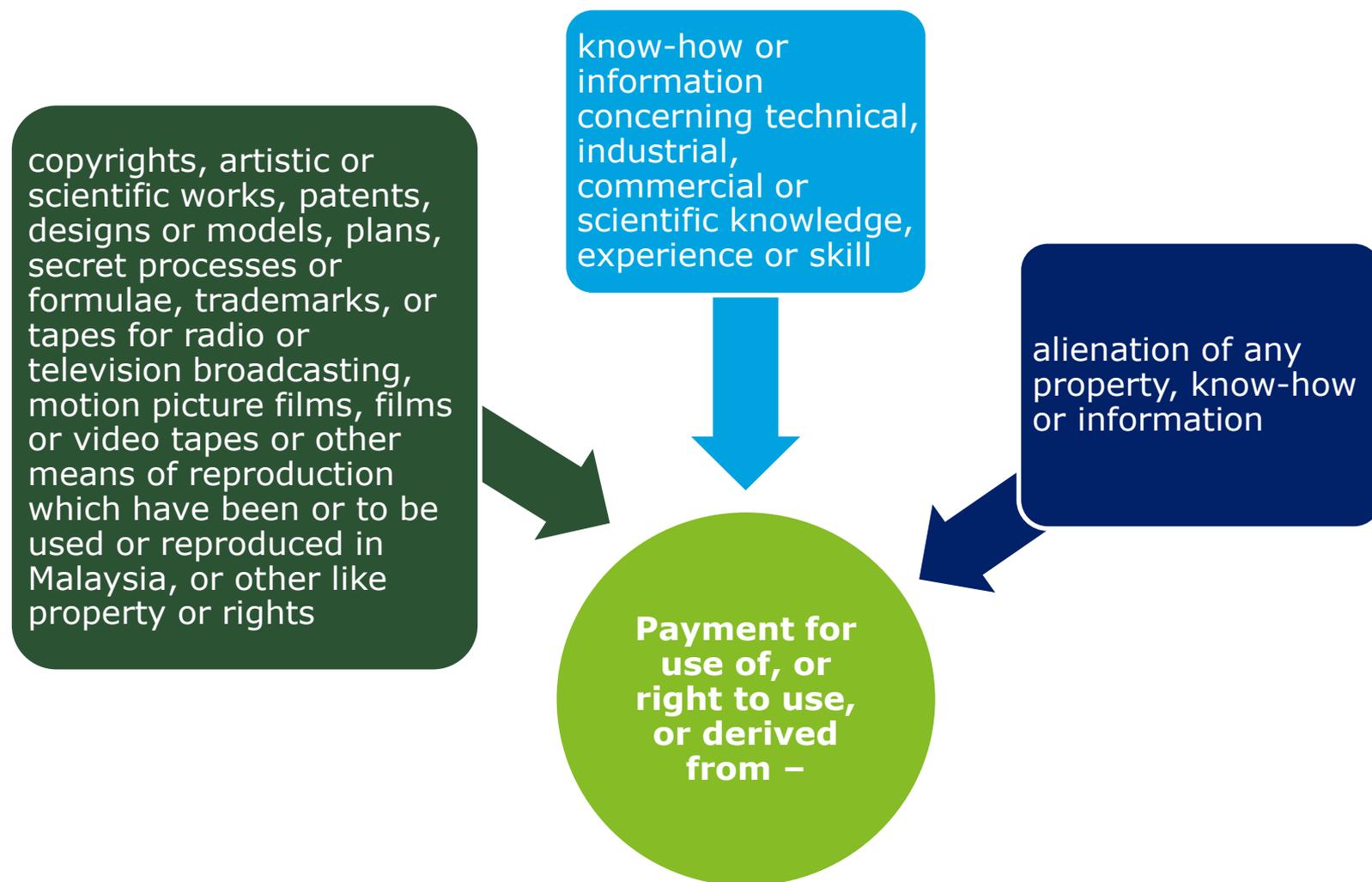
A) 15% (public entertainer)

B) 10% (technical fee)

C) No WHT

Redefinition of “royalty”

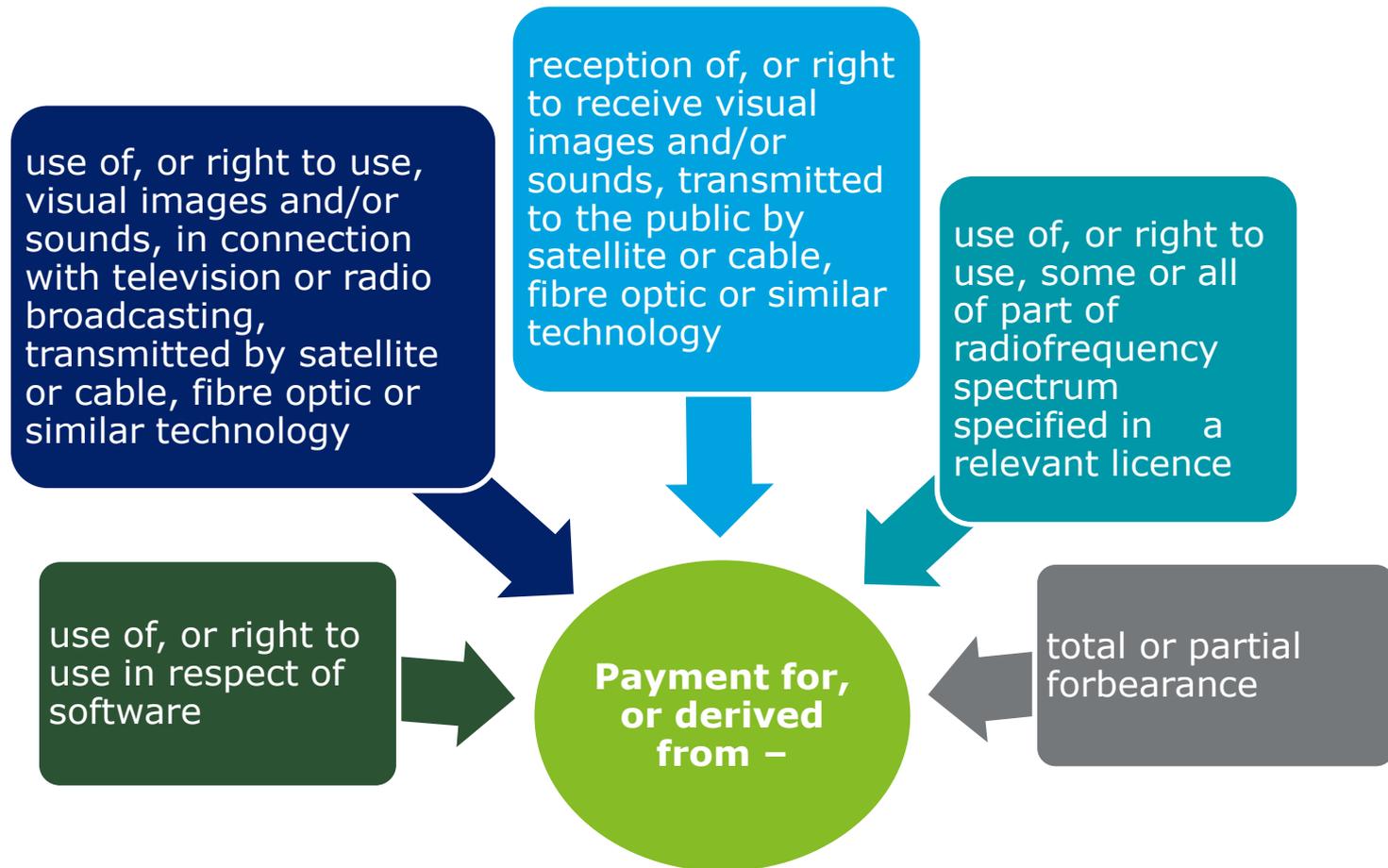
Existing Section 2, Income Tax Act 1967



Redefinition of "royalty" (cont'd)

New definition - coming into operation of Finance Act 2016

- Additional items



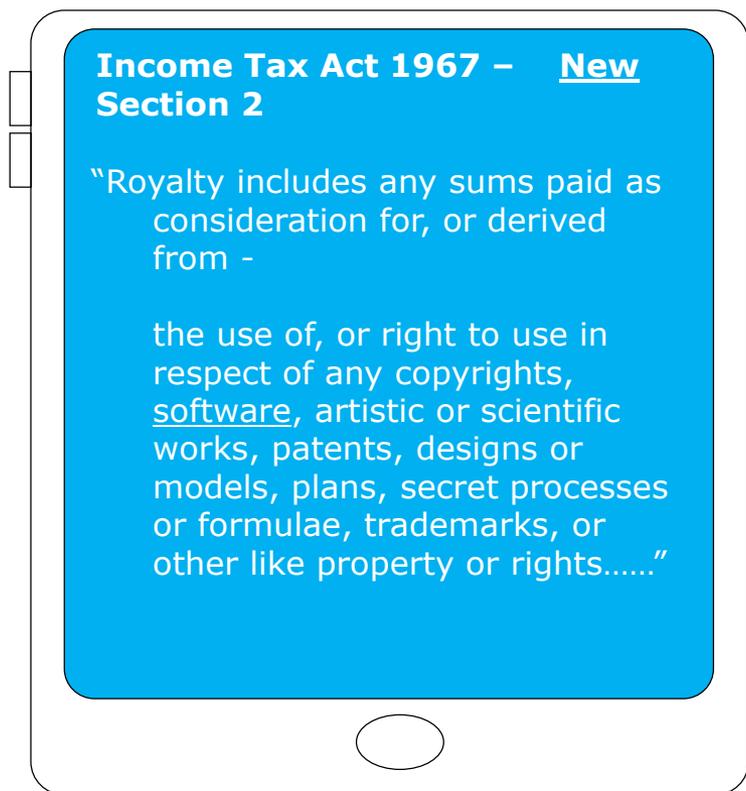
Case: Alcatel-Lucent Malaysia Sdn Bhd & Anor v KPHDN (2011) MSTC 30-028

Redefinition of “royalty” (cont’d)

Example 1

Malaysia Sdn Bhd made a payment to Japan Co Ltd for the use of software in a trading business. Malaysia Sdn Bhd does not reproduce the software for distribution, does not allow other parties to use the software and does not grant to other parties any right to use the software.

Is the above payment regarded as “royalty” for withholding tax purposes?

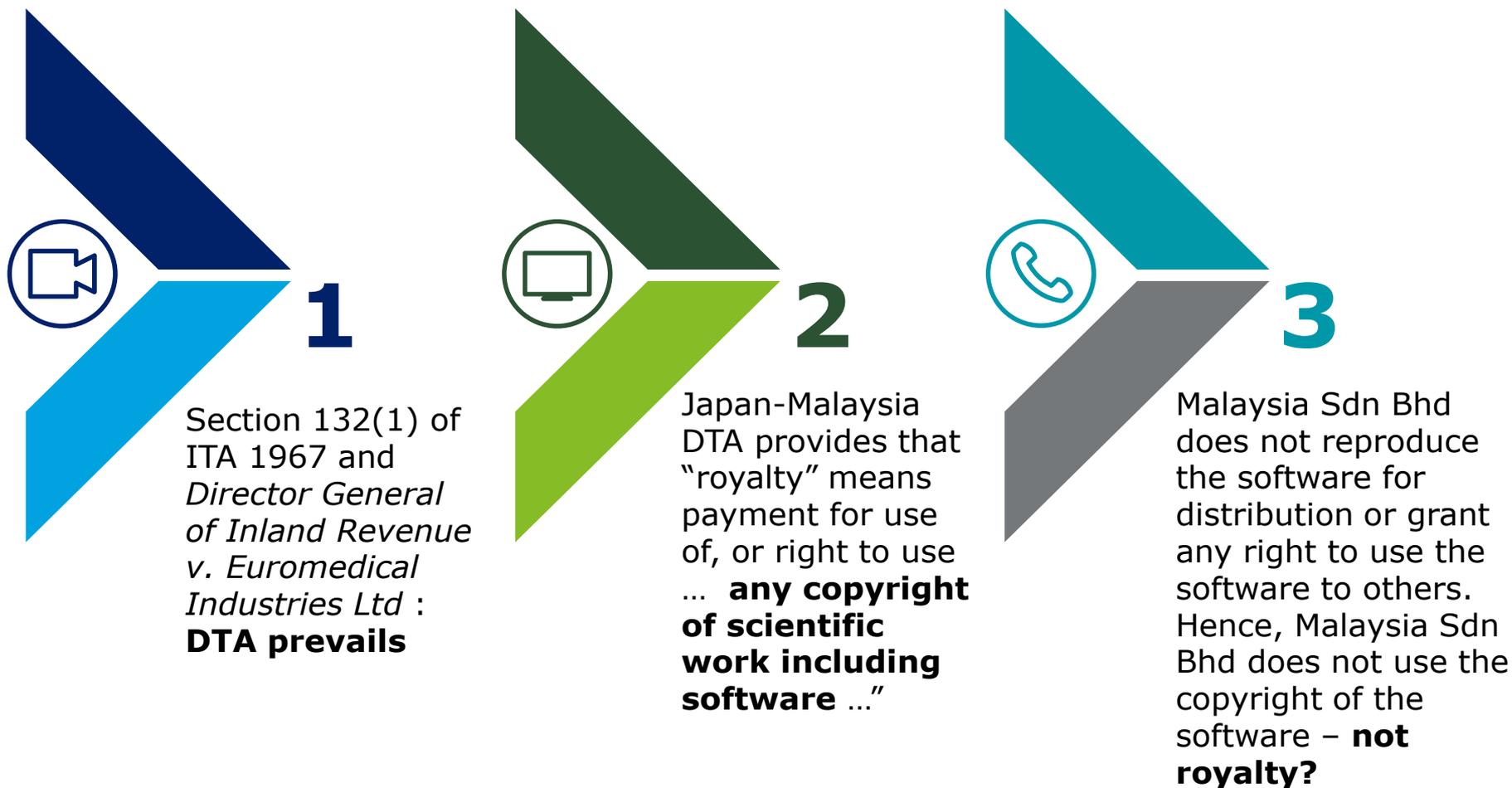


Vs



Redefinition of "royalty" (cont'd)

Example 1 (answer)

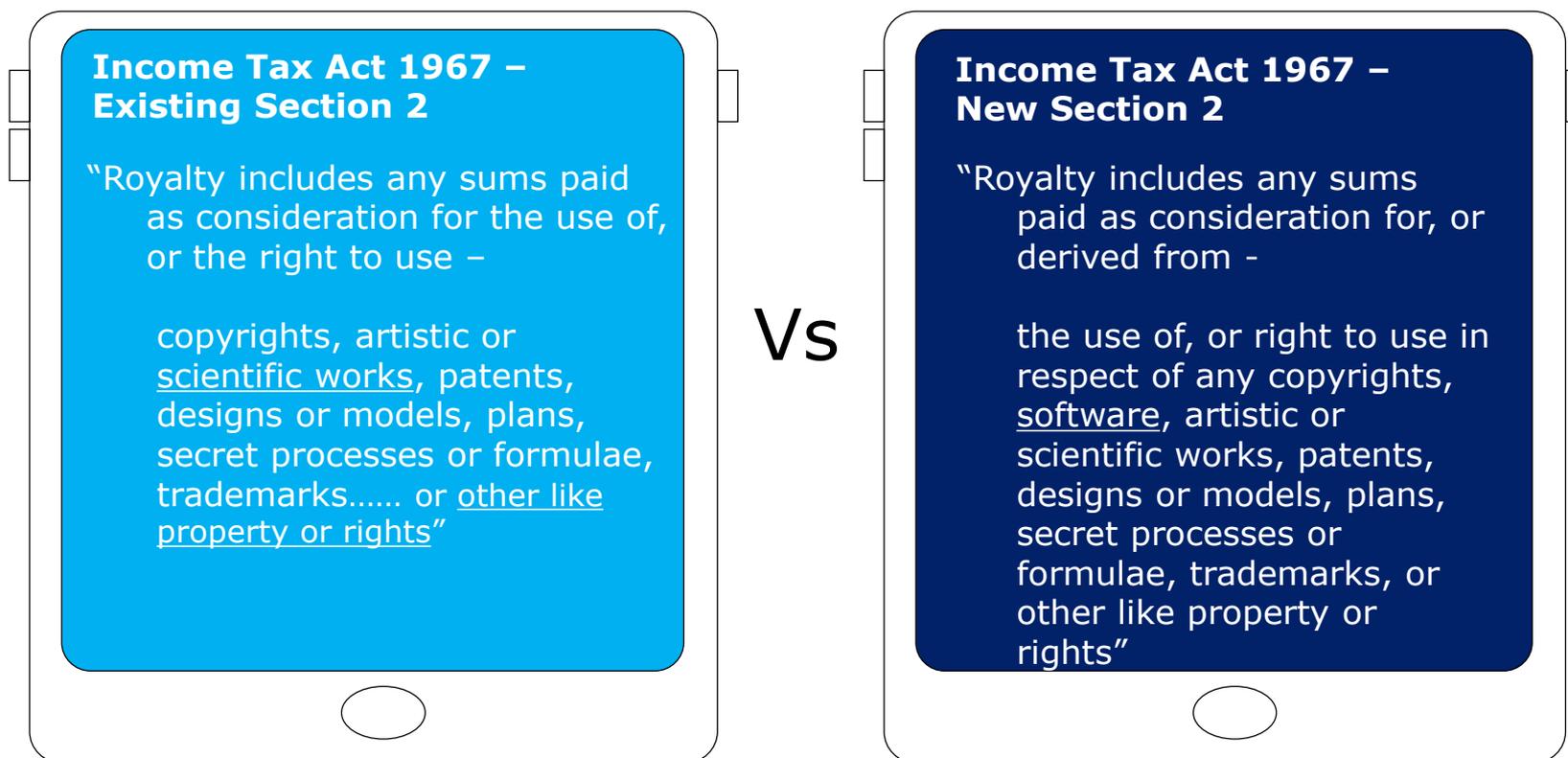


Redefinition of “royalty” (cont’d)

Example 2

Malaysia Sdn Bhd made a payment to **USA Ltd** for the use of software in a trading business. Malaysia Sdn Bhd does not reproduce the software for distribution, does not allow other parties to use the software and does not grant to other parties any right to use the software.

Is the above payment regarded as “royalty” for withholding tax purposes?



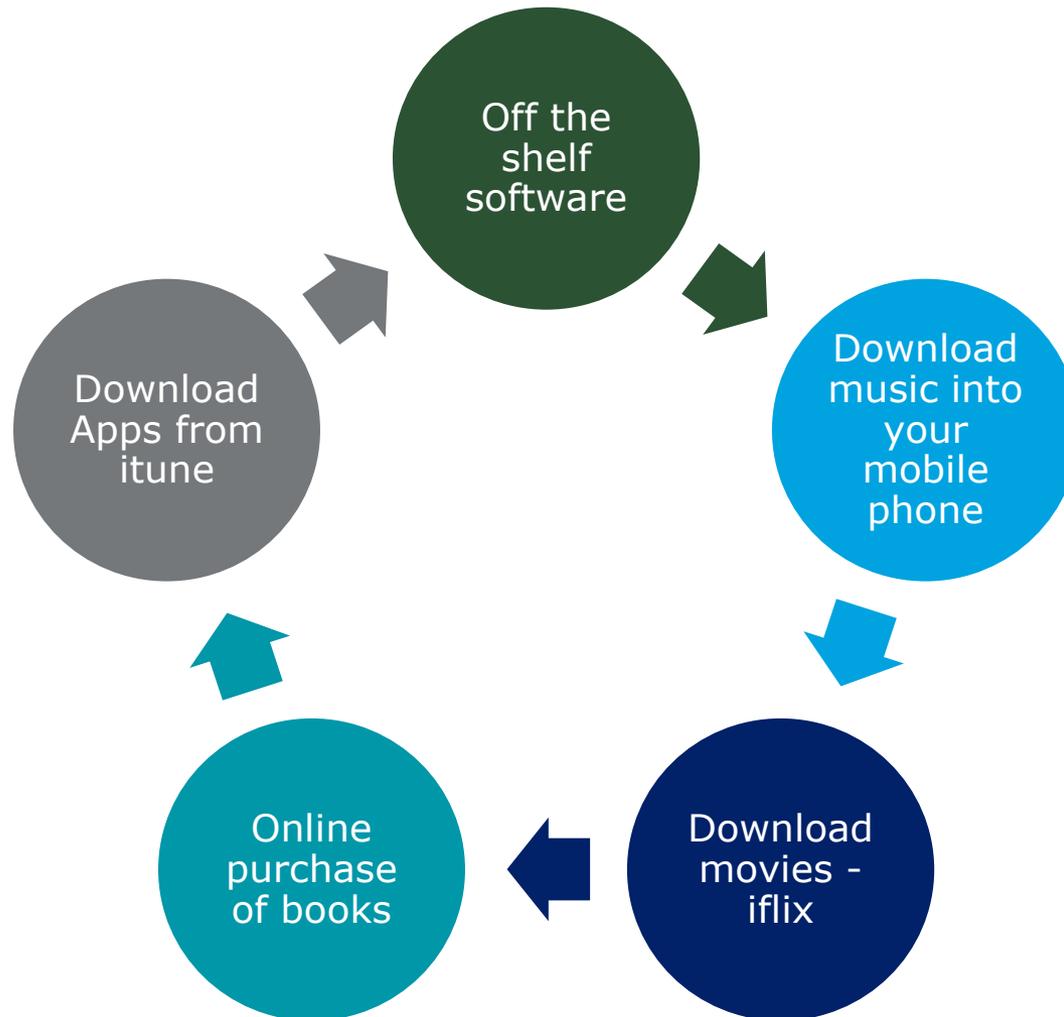
Redefinition of "royalty" (cont'd)

Example 2 (answer)

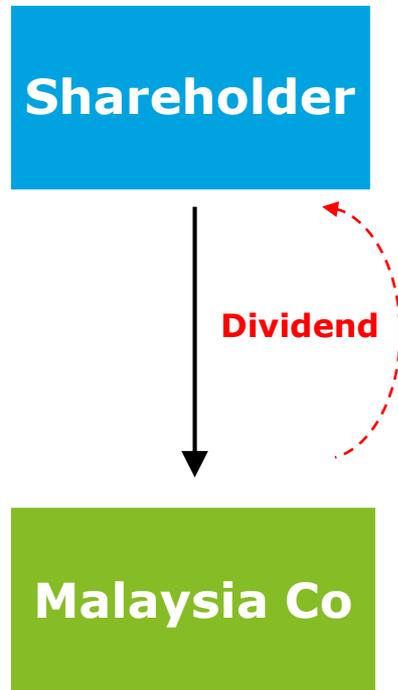


Example 3

Are these payments to non-residents considered as "royalty"?



Deduction in relation to single-tier dividends



Current

Expenses incurred in relation to single-tier dividend are disregarded in computing adjusted income.

Proposed

Any **deductions** in relation to a dividend income exempted under Paragraph 12B of Schedule 6 will be **disregarded** in arriving the **chargeable income**

Ketua Pengarah Hasil Dalam Negeri v Perbadanan Kemajuan Ekonomi Negeri Johor

Effective date: Year of assessment 2017 onwards

Deduction in relation to single-tier dividends (cont'd)

Example

Gangnam Sdn Bhd has gross income of RM100,000 from its logistic business and it receives RM100,000 single-tier dividend from its subsidiary. The adjusted income of the logistic business is RM150,000.

Capital allowance claim is RM50,000 and approved donations is RM1,000.

	YA 2016	YA 2017
	RM	RM
Adjusted income	150,000	150,000
Less: Capital allowance	(50,000)	(25,000) ¹
Statutory income	100,000	125,000
Approved donation	(1,000)	(500) ²
Chargeable income	99,000	124,500

¹Apportionment of capital allowance

$$\begin{aligned} &= \text{RM}50,000 \times 100,000 / (100,000 + 100,000) \\ &= \text{RM}25,000 \end{aligned}$$

²Apportionment of approved donation

$$\begin{aligned} &= \text{RM}1,000 \times 100,000 / (100,000 + 100,000) \\ &= \text{RM}500 \end{aligned}$$

Increase in tax deduction for sponsoring arts, cultural and heritage activities approved by the Ministry of Tourism and Culture



Effective Date

Year of assessment 2017 onwards

Special deduction for gift of money to federal or state government, local authority or approved institution, organization or fund

Current

Deduction from aggregate income (net of current year loss) in arriving at total income:-

An amount equal to any gift of money to the Government, a State Government, a local authority or an institution or organization approved by the Director General on the application of the institution or organization concerned, not exceeding

- a) 7% of aggregate income for any person other than a company;
- b) 10% of aggregate income for a company.

Sub-section 44(6)

Proposed - with effect from YA2017

Deduct from aggregate income (net of current year loss) in arriving at total income:-

An amount equal to any gift of money to the Government, a State Government, a local authority or an institution or organization **or a fund** approved by the Director General on the application of the institution or organization concerned, not exceeding

- a) 7% of aggregate income for any person other than a company;
- b) 10% of aggregate income for a company.

Special deduction for gift for approved sport activity

Current

Deduction from aggregate income (net of current year loss) in arriving at total income:-

An amount equal to any **gift of money or cost of contribution in kind** made for any sports activity approved by the Minister or to **any sports body approved by the Commissioner of Sports appointed under the Sports Development Act 1997**, not exceeding

- a) 7% of aggregate income less total deductions made under sub-sections (6) & (11C) for any person other than a company;
- b) 10% of aggregate income less total deductions made under sub-sections (6) & (11C) for a company.

Sub-section
44(11B)

Proposed - with effect from YA2017

Deduction from aggregate income (net of current year loss) in arriving at total income:-

An amount equal to any **gift of money** made for any sports activity approved by the Minister, not exceeding

- a) 7% of aggregate income less total deductions made under sub-sections (6) & (11C) for any person other than a company;
- b) 10% of aggregate income less total deductions made under sub-sections (6) & (11C) for a company.

Tax exemption on income of approved institution, organization or fund

Existing Provisions

The following income is tax exempt:-

- (a) The income of an institution or organization approved for the purposes of sub-section 44(6) so long as the approval remains in force; or
- (b) The income of a religious institution or organization which is not operated or conducted primarily for profit and which is established in Malaysia exclusively for the purposes of religious worship or the advancement of religion.

Paragraph
13(1),
Schedule 6

Proposed – with effect from YA2017

The following income is tax exempt:-

- (a) The income of an institution, organization or **fund** approved for the purposes of sub-section 44(6) so long as the approval remains in force; or
- (b) The income of a religious institution or organization **in respect of any contribution received for charitable purposes** in the basis year for a year of assessment provided such institution or organization is not operated or conducted primarily for profit and is established in Malaysia exclusively for the purpose of religious worship or the advancement of religion.

Reducing the scope of REIT and PTF that qualifies for tax exemption under Section 61A

Current

- Where in the basis period for a year of assessment ninety per cent or more of the total income of the unit trust is distributed to the unit holder, the total income of the unit trust for that year of assessment shall be exempt from tax.
- For the purpose of Section 61A, "unit trust" above means a unit trust which is approved by the Securities Commission as Real Estate Investment Trust or Property Trust Fund.
- The special tax treatments on REIT and PTF are governed under Sections 63A, 63B and 63C and all of these sections make reference to the definition of unit trust above under Section 61A(2).

Proposed

- The definition of unit trust for the purpose of Section 61A(2) shall be amended to a unit trust which is **approved by the Securities Commission** as Real Estate Investment Trust or Property Trust Fund **listed on Bursa Malaysia**.
- The definition of unit trust under Section 63C(5) is amended as a unit trust which is approved by the SC as REIT or PTF. Referencing to the meaning of "unit trust" under Sections 63A(6) and 63B(3) has been changed from Section 61A(2) to Section 63C(5).

Effective date

Year of assessment 2017 onwards.

Rights to appeal and apply for relief

Where the taxpayer has no chargeable income...

Reasons for appeal / amendment of tax return	Current	Proposed (effective 1 Jan 2017)
Aggrieved by public ruling or DGIR's prevailing practices	<p>Submit tax return and apply to DGIR for notice of non-chargeability</p> <p>Appeal to SCIT within 30 days from receiving notice of non-chargeability</p>	<p>Tax return deemed as notice of non-chargeability.</p> <p>Appeal to SCIT within 30 days from filing of tax return</p>
Error or mistake	No avenue to apply to DGIR for amendment unless there is chargeable income and the taxpayer paid tax excessively	6 months from filing of tax return
Exemption, relief, remission, allowance or deduction granted, published or approved after submission of tax returns	As above	5 years after the end of the year of publication in the Gazette or approval granted, whichever is later
Deduction not allowed in respect of payments subject to withholding tax which is not due to be paid on the day the tax return is submitted	As above	1 year after the end of the year the payment is made

Rights to appeal and apply for relief (cont'd)

Where the taxpayer has chargeable income...

Reasons for appeal / amendment of tax return	Current	Proposed (effective 1 Jan 2017)
Aggrieved by public ruling or DGIR's prevailing practices	Appeal to SCIT within 30 days from filing of tax return	Appeal to SCIT within 30 days from filing of tax return
Error or mistake	Appeal within 5 years after the end of the YA within which the tax return was filed	Appeal within 5 years after the end of the YA within which the tax return was filed
Exemption, relief, remission, allowance or deduction granted, published or approved after submission of tax returns	No avenue	5 years after the end of the year of publication in the Gazette or approval granted, whichever is later
Deduction not allowed in respect of payments subject to withholding tax which is not due to be paid on the day the tax return is submitted	No avenue	1 year after the end of the year the payment is made

Rights to appeal and apply for relief (cont'd)

Example 1

Date	Chronology of events
	Last Minute Berhad (LMB), a company with financial year end of 31 December, has to file its tax return for YA 2017 by 31 July 2018.
30 July 2018	LMB began preparing its tax return for YA 2017.
31 July 2018	LMB submits the tax return for YA 2017 to the IRB. In the above tax return, a) Royalty payable to a non-resident has been added back because withholding tax was not deducted. Royalty would only be due to be paid on 30 October 2018. b) Entertainment to potential customers has been fully disallowed. But LMB disagrees with the PR 4/2015.
30 Oct 2018	LMB paid the above royalty to the non-resident and remitted withholding tax to the IRB accordingly.
15 Mar 2019	The Investment Tax Allowance incentive applied by LMB was approved by the Malaysian Investment Development Authority with effect from 1 January 2017 to 31 December 2021.
30 May 2019	LMB has erroneously claimed a deduction on depreciation expense.
30 June 2019	LMB realized that it has not claimed royalty as deduction.

Rights to appeal and apply for relief (cont'd)

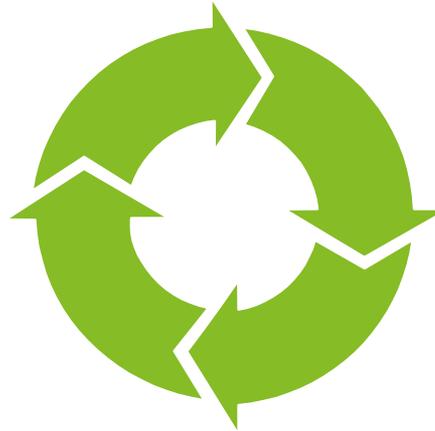
Example 1

Issue	Due Date for Appeal to SCIT / Application to DGIR for relief	
	LMB has no chargeable income	LMB has chargeable income
Aggrieved by IRB's public ruling	30 August 2018 (30 days from tax filing on 31 July 2018)	30 August 2018 (30 days from tax filing on 31 July 2018)
Royalty added back because WHT not paid	31 December 2019 (1 year from the end of the year the royalty is paid - 31 December 2018)	31 December 2019 (1 year from the end of the year the royalty is paid - 31 December 2018)
Investment Tax Allowance is approved	31 December 2024 (5 years from the end of the year of approval - 31 December 2019)	31 December 2024 (5 years from the end of the year of approval - 31 December 2019)
Claimed tax deduction on depreciation expense	31 January 2019 (6 months from tax filing on 31 July 2018)	31 December 2022 (5 years after 31 December 2017)

New Section 112A, 113A and 119B

Not complying with Country by Country Reporting (CbCR) and rules on mutual administrative assistance

-
- CbCR
 - Mutual administrative assistance arrangement (MAAA)



Section 112A – offences for failure to furnish CbCR report to IRB every year

Section 113A – offences for providing incorrect returns, incorrect information returns or reports in relation to MAAA

Section 119B – offences for failure to follow any rules made in relation to MAAA

Penalty – Fine of RM20,000 to RM100,000 or imprisonment not exceeding 6 months, or both

Effective date: Upon coming into operation of Finance Act 2016

Industrial building allowance (“IBA”) for specific buildings let out

Current

No IBA claim if the following buildings are let out:

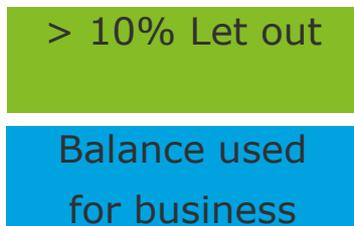
- a) Licensed private hospital, maternity home and nursing home;
- b) Building used for research;
- c) Building used for warehouse;
- d) Building used for approved service project;
- e) Building used for hotel;
- f) Airport;
- g) Motor racing circuit;
- h) Building used for the provision of living accommodation for individuals employed for the business of manufacturing, hotel or tourism or approved service project;
- i) Building used for the provision of child care facilities for individuals employed;
- j) Building for a school or an educational institution approved by the Minister of Education, Minister of Higher Education or any relevant authority.

Industrial building allowance (“IBA”) for specific buildings let out (cont’d)

Proposed



IBA claim on the entire building



IBA claim on the portion not let out and used for business operations

Applies to building for the purposes of **industrial, technical or vocational training** approved by the Minister.

Effective Date

Year of assessment 2016 onwards

Industrial building allowance (“IBA”) for specific buildings let out (cont’d)

Example 1

- Glory Sdn Bhd has financial year ending 31 December.
- On 10 January 2017, Glory Sdn Bhd purchased a building with **10 floors** for RM5,000,000 which is used as a 5 star hotel.
- On 1 June 2017, Glory Sdn Bhd lets out **1 floor** to Celebrity Gym Sdn Bhd to provide fitness services to the hotel guests.
- On 1 January 2018, Glory Sdn Bhd lets out **2 more floors** to Cuisine Sdn Bhd to operate a high class restaurant.
- On 31 December 2018, due to complaints from hotel guests, Glory Sdn Bhd terminated the tenancy of Celebrity Gym Sdn Bhd. For the entire financial year 2019, the only tenant in the hotel building is Cuisine Sdn Bhd.

How much IBA can Glory Sdn Bhd claim in YA 2017, YA 2018 and YA 2019?

YA	Initial allowance RM	Annual allowance RM	Total IBA RM	Residual expenditure RM	Qualifying IBA claimable RM
2017	$5,000,000 \times 10\% = 500,000$	$5,000,000 \times 3\% = 150,000$	650,000	4,350,000	650,000
2018	0	$5,000,000 \times 3\% = 150,000$	150,000	4,200,000	$150,000 \times \frac{7}{10} = 105,000$
2019	0	$5,000,000 \times 3\% = 150,000$	150,000	4,050,000	$150,000 \times \frac{8}{10} = 120,000$

Industrial building allowance (“IBA”) for specific buildings let out (cont’d)

Example 2

Financial year end : December

YA 2017



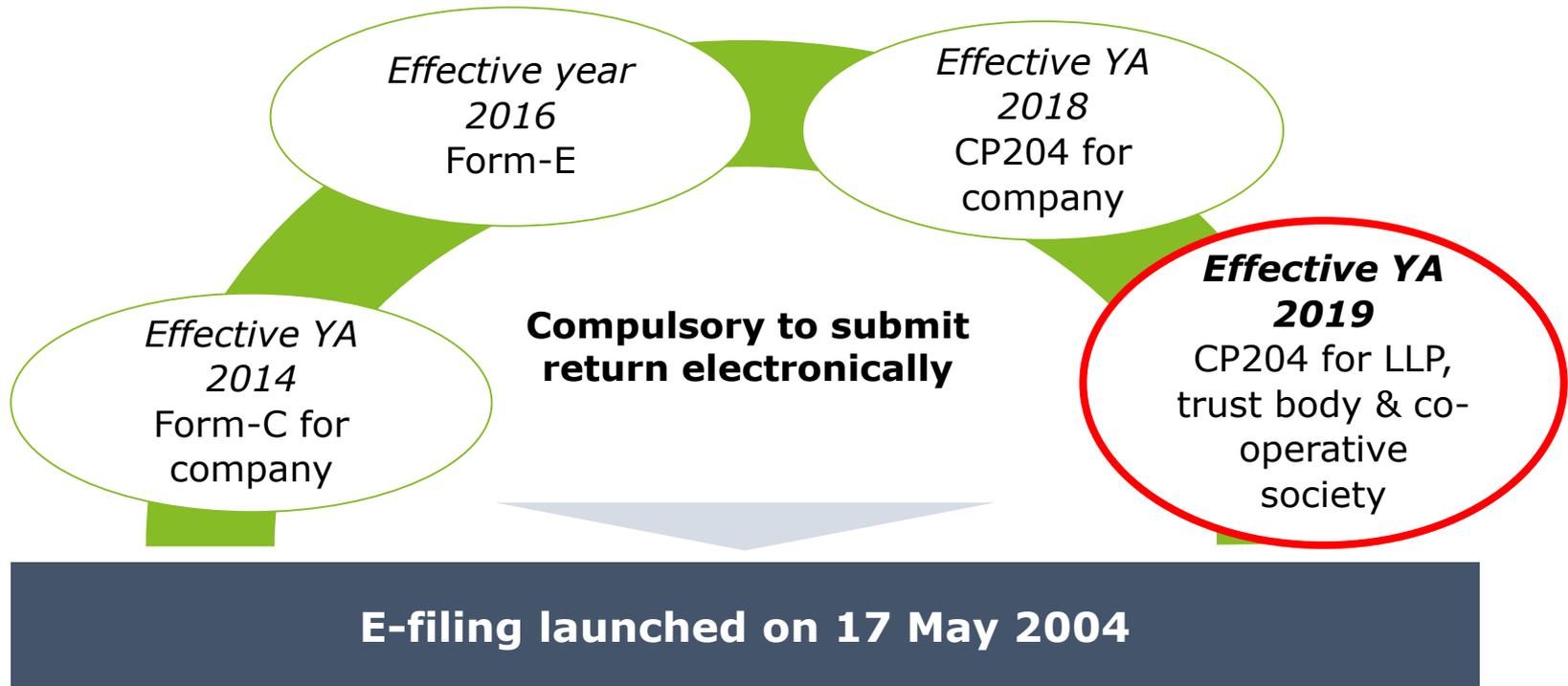
Claim IBA

YA 2019

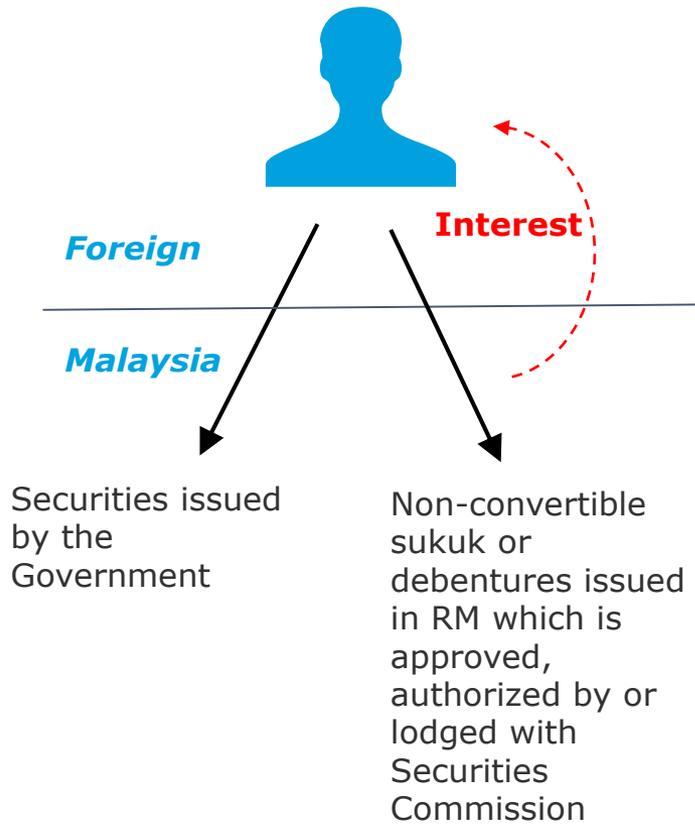


Claim IBA?

Submission of tax return electronically



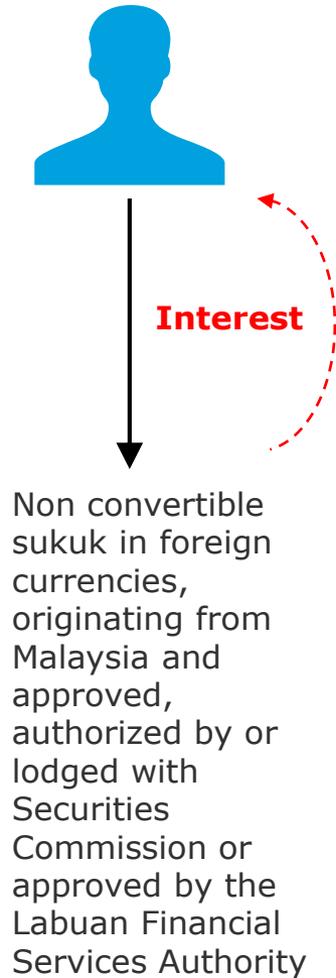
Income exempted from Malaysian income tax



	Current	Proposed
Implication	Exempt	Exempt
Condition	None	The recipient is not a company within the same group

Effective date: Year of assessment 2017 onwards

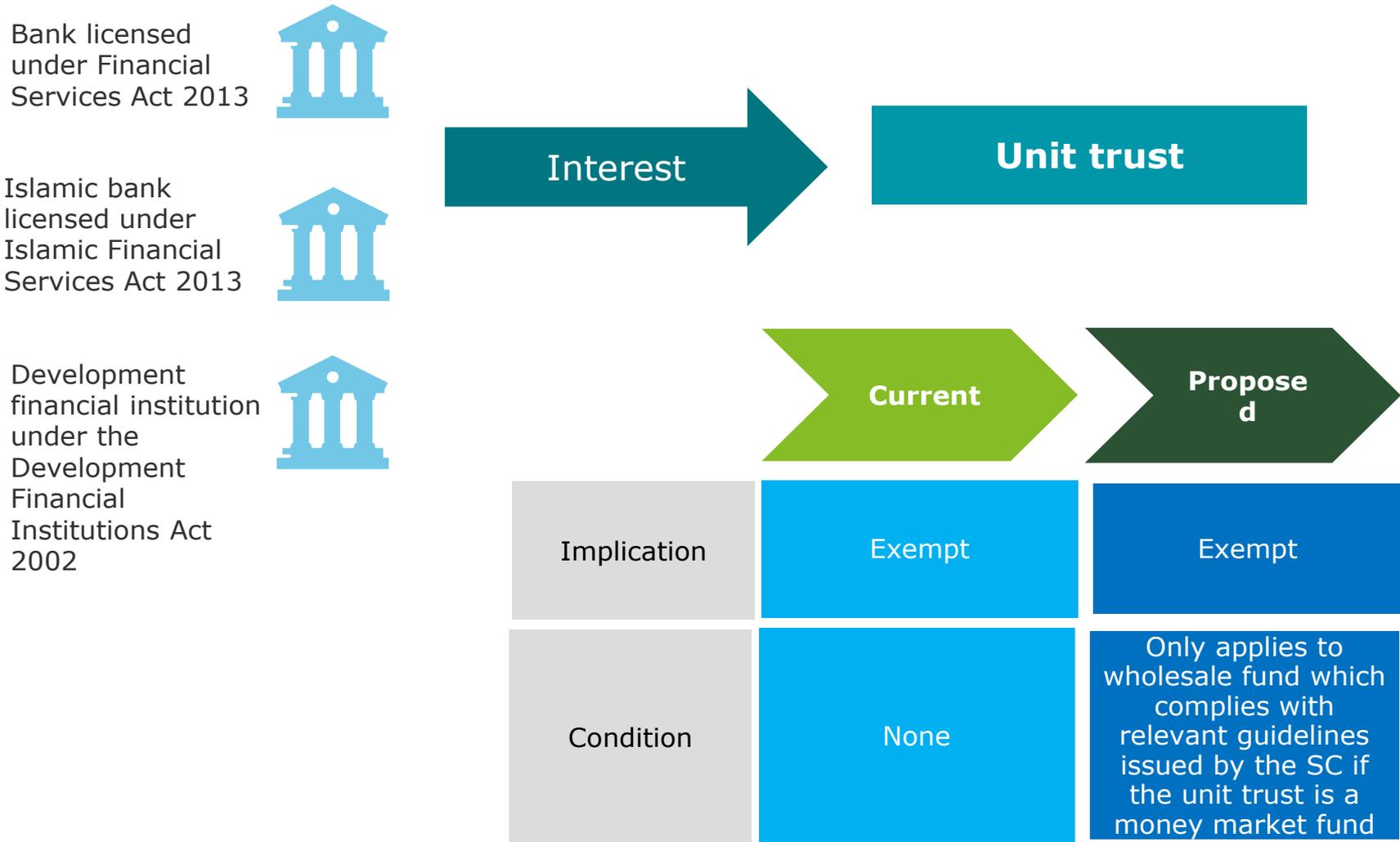
Income exempted from Malaysian income tax (cont'd)



	Current	Proposed
Implication	Exempt	Exempt
Conditions	None	The recipient is not a <ul style="list-style-type: none"> • company within the same group • bank or Islamic bank; or • development financial institution

Effective date: Year of assessment 2017 onwards

Income exempted from Malaysian income tax (cont'd)



Effective date: Year of assessment 2017 onwards

Real Property Gains Tax

Finance Bill 2016

Adjustment to incidental cost arising from input tax adjustment

Existing

- Incidental costs of acquisition or disposal of an asset shall consist of expenditure wholly and exclusively incurred by the disposer for the purposes of the acquisition or, as the case may be, the disposal, being:-

“

- (e) any amount paid or to be paid in respect of GST by the disposer if he is not liable to be registered under the GST Act or if he is a registered person and is not entitled under GST Act to credit that amount as input tax.”

Paragraph
6,
Schedule
2

New provision – with effect from YA 2015

- If the input tax on the asset is subject to any adjustment under GST Act, the amount of such expenditure in relation to that asset shall include the amount of input tax as adjusted in the YA in which the disposal is made or the YA in which the period of adjustment relating to the asset as provided under the GST Act ends, **whichever is earlier**.
- In the event that the adjustment of the amount of the input tax results in:-
 - (i) an additional amount, such amount shall be deemed to be part of the amount of the expenditure incurred; or
 - (ii) a reduced amount, the expenditure incurred shall be reduced by such an amount

Gifts between individuals who are related

Existing provisions

- Where the donor and recipient are husband and wife, parent and child, or grandparent and grandchild:-
 - (a) the donor shall be deemed to have received no gain and suffered no loss on the disposal;
 - (b) in the case of a donor who is not a citizen or permanent resident, the recipient shall be deemed to acquire the asset at an acquisition price equal to the acquisition price paid by the donor plus the permitted expenses incurred by the donor; and
 - (c) in the case of a donor who is a citizen or permanent resident and the gift is made within 5 years after the date of acquisition by the donor, the recipient shall be deemed to acquire the asset at an acquisition price equal to the acquisition price paid by the donor plus the permitted expenses incurred by the donor.

Paragraph
12(2),
Schedule 2

Proposed – with effect from 1 January 2017

- Where the donor and recipient are husband and wife, parent and child, or grandparent and grandchild:-
 - (a) the donor shall be deemed to have received no gain and suffered no loss on the disposal **if the donor is a citizen, and;**
 - (b) deleted**
 - (a) **where** the gift is made within 5 years after the date of acquisition by the donor, the recipient shall be deemed to acquire the asset at an acquisition price equal to the acquisition price paid by the donor plus the permitted expenses incurred by the donor.

Example

Angeline is an Australian citizen and not a permanent resident of Malaysia. She owns a bungalow in Kelana Jaya and intends to give it to her son, Tom as a gift.

- Date of purchase: 12 May 2013
- Date of gift : 31 December 2016 or 30 June 2017 or 30 June 2018
- Purchase price (paid by Angeline) = RM1,250,000
- Stamp duty for the purchase (paid by Angeline) = RM31,500
- Lawyer fees for the purchase (paid by Angeline) = RM28,000
- Market value of the property
 - 31 December 2016 and 30 June 2017 = RM3,000,000
 - 30 June 2018 = RM3,500,000

What is the RPGT payable by Angeline and what is the acquisition cost of the property for Tom?

Example (cont'd)

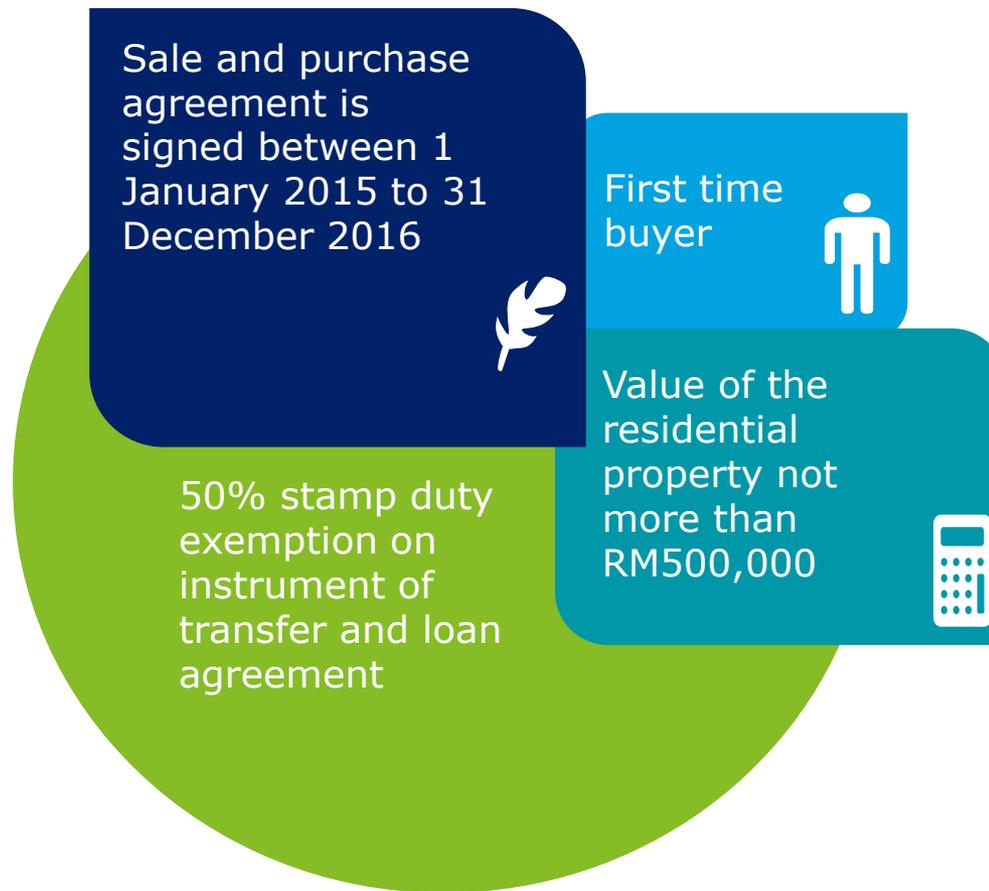
	Date of gift		
	31 December 2016	30 June 2017 Disposal within 5 years	30 June 2018 Disposal in the 6 th year
Donor	No gain and no loss	Gain from disposal = RM3,000,000 – (RM1,250,000 + RM31,500 + RM28,000) = RM1,690,500 <u>RPGT payable</u> = RM1,690,500 x 30% = RM507,000	Gain from disposal = RM3,500,000 – (RM1,250,000 + RM31,500 + RM28,000) = RM2,309,500 <u>RPGT payable</u> = RM2,309,500 x 5% = RM115,475
Recipient	Acquisition price = RM1,250,000 + RM31,500 + RM28,000 = RM1,309,500	Acquisition price = RM3,000,000 (market value)	Acquisition price = RM3,500,000 (market value)

Stamp Duty

Finance Bill 2016

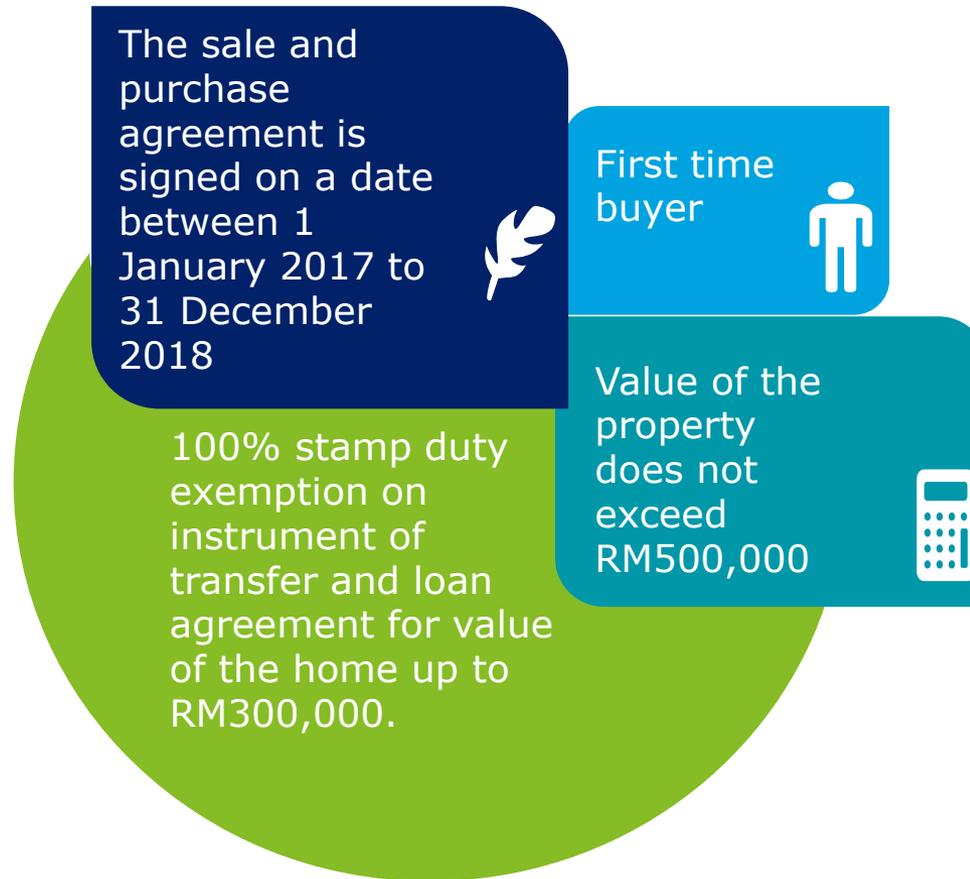
Extension of stamp duty exemption for the purchase of first residential home

Current



Extension of stamp duty exemption for the purchase of first residential home (cont'd)

Proposed



Review of stamp duty on transfer of real estate

Item 32(a) First Schedule of Stamp Act 1949: Conveyance, assignment, transfer of **any property**

Value	Current	Value	Proposed
On the first RM100,000	1%	On the first RM100,000	1%
On the next RM400,000	2%	On the next RM400,000	2%
Remaining amount	3%	On the next RM500,000	3%
		Remaining amount	4%

Question : Would the revised rates apply to transfer of non-real estate such as book debts and goodwill?

Effective date: 1 January 2018

Labuan Business Activity Finance Bill 2016

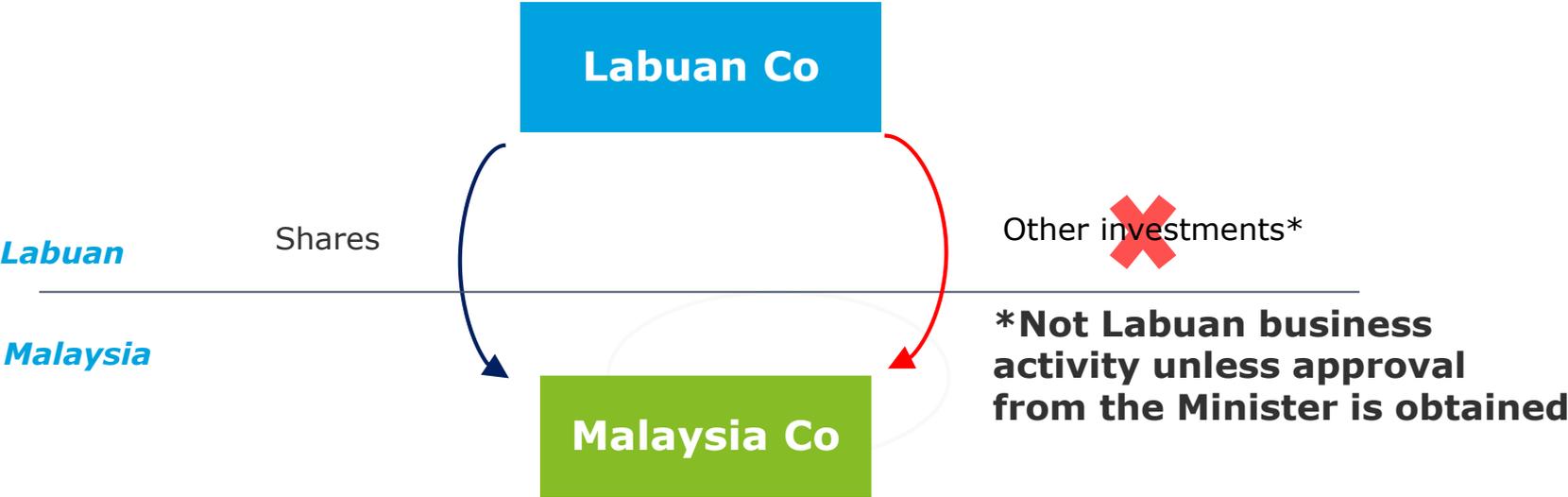
Redefinition of Labuan business activity

Current

“Labuan business activity” includes an activity relating to the holding of **investments** in a domestic company

Proposed

The holding of investments in a domestic company is restricted to holding of **shares** in a domestic company.



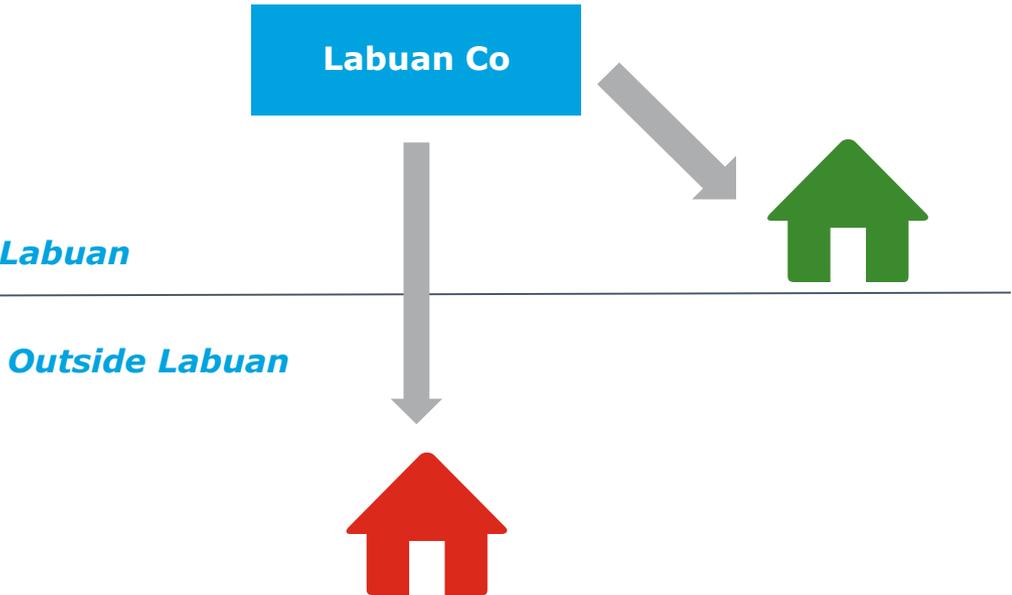
Effective date: Upon coming into operation of Finance Act 2016

Redefinition of Labuan non-trading activity

Current

	Tax
Labuan trading activity	3% of audited net profits or RM20,000
Labuan non-trading activity - means an activity relating to the holding of investments in securities, stock, shares, loans, deposits or any other properties by a Labuan entity on its own behalf	Nil

Redefinition of Labuan non-trading activity (cont'd)



Labuan non-trading activity means an activity relating to the holding of investments in securities, stock, shares, loans, deposits or any other properties **situated in Labuan** by a Labuan entity on its own behalf

	Properties in Labuan	Properties outside Labuan	Properties in Labuan + Properties outside Labuan
Labuan company	Labuan non-trading	Labuan trading	Labuan trading

Effective date: Upon coming into operation of Finance Act 2016

Tax Incentives Extensions

Extension of current tax incentives

Current tax incentives	Proposal
<p>Anchor companies under the Vendor Development Programme (VDP)</p> <ul style="list-style-type: none"> • Double deduction for the following operating expenses: <ol style="list-style-type: none"> a) cost of product development, R&D, innovation and quality improvement; b) cost of obtaining ISO/Kaizen/5S certifications, evaluation programme and business process reengineering for the purpose of increasing vendor capabilities; and c) cost of vendor skills training, capacity building, lean management system and financial management system. 	<ul style="list-style-type: none"> • The current tax incentive is to be extended for another 4 years. • Applicable to MoUs signed with MITI from 1 January 2017 to 31 December 2020.
<p>New 4 and 5 star hotel</p> <p><u>Peninsular Malaysia</u></p> <ul style="list-style-type: none"> • Pioneer status: 70% exemption on statutory income for a period of 5 years; or • Investment tax allowance: Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years to be set-off against statutory income of up to 70%. <p><u>Sabah & Sarawak</u></p> <ul style="list-style-type: none"> • Pioneer status: 100% exemption on statutory income for a period of 5 years; or • Investment tax allowance: Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years to be set-off against statutory income of up to 100%. 	<ul style="list-style-type: none"> • The current tax incentive is to be extended for another 2 years. • For applications received by the Malaysian Investment Development Authority from 1 January 2017 to 31 December 2018

Extension of current tax incentives

Current tax incentives	Proposal
<p>Double deduction incentive for the Structured Internship Programme (SIP)</p> <ul style="list-style-type: none"> • Double deduction on expenses incurred in implementing the SIP which is made available for Malaysian students pursuing full-time degree and diploma courses in institutions of higher learning (IHL) that are registered with the Ministry of Higher Education or for equivalent vocational level (Malaysian Skills Certificate Level 4 and 5 as recognized by Malaysian Qualifications Agency or Department of Skills Development as follows: <ol style="list-style-type: none"> a) Degree level – from years of assessment 2012 to 2016; and b) Diploma and vocational level – from years of assessments 2015 to 2016. 	<ul style="list-style-type: none"> • The current tax incentive is to be extended to YA 2019 and expanded to include Malaysian students pursuing full-time vocational level (Malaysian Skills Certificate Level 3).
<p>Halal Industry Players operating in Halal Parks</p> <ul style="list-style-type: none"> • Full income tax exemption on qualifying capital expenditure for a period of 10 years or income tax exemption on increase of export sales for a period of 5 years; • Import duty exemption on raw materials used for the development and production of promoted halal products; and • Double deduction on expenses incurred in obtaining international quality standards certification such as HACCP, GMP Codex Alimentarius (food standards guidelines of FAO and WHO), Sanitation Standard Operating Procedures and regulations for compliance for export markets such as Food and Traceability from farm to fork. • Qualifying halal products are specialty processed food, pharmaceuticals, cosmetics and personal care, livestock and meat products and halal ingredients. 	<ul style="list-style-type: none"> • The current tax incentive is extended to Halal Industry Players which are involved in the production of nutraceutical and probiotic products. • For applications received by Halal Industry Development Corporation from 22 October 2016.

Extension of current tax incentives

Current tax incentives	Proposal
<p>Tax incentives for (International Currency Business Unit)</p> <ul style="list-style-type: none">• Income tax exemption on statutory income received by Islamic banks operating Islamic banking business transacted in foreign currencies.• Income tax exemption on statutory income received by takaful companies and takaful units operating takaful business transacted in foreign currencies.• Full stamp duty exemption on instruments executed pertaining to Islamic banking and takaful activities transacted in foreign currencies.	<ul style="list-style-type: none">• The current tax incentive is to be extended for another 4 years.• Effective YA 2017 to YA 2020 and for instruments executed from 1 January 2017 to 31 December 2020.



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