



**MALAYSIA:
2020 BUDGET HIGHLIGHTS**
SHARED PROSPERITY VISION 2030

BUDGET 2020

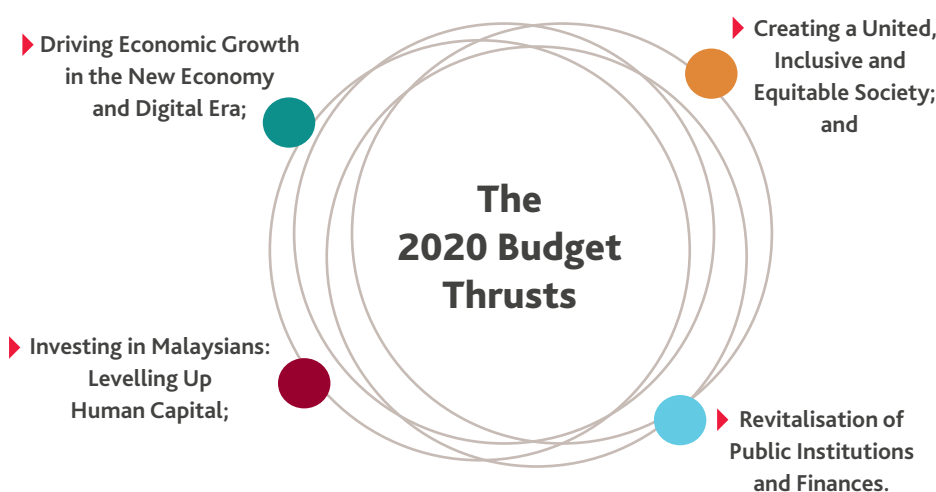
EXECUTIVE SUMMARY

Under a climate of strong economic headwinds the Pakatan Harapan Government tabled its second Budget Speech on 11 October 2019. Malaysia's Budget 2020 is themed "Driving Growth and Equitable Outcomes Towards Shared Prosperity".

The Malaysian economy is expected to remain resilient and GDP is expected to grow at a slightly faster pace of 4.8% in 2020 up from 4.7% in 2019 despite global uncertainties. The Government targets a fiscal deficit of 3.2% of GDP for 2020 versus 3% that was originally announced in the 2019 Budget. However this is expected to reduce further to reach 2.8% GDP over the medium term.

The 2020 Budget allocates a total of RM297.0 billion in expenditure down from RM314.5 billion in 2019. Of this, a total of RM241 billion is set aside for Operating Expenditure and RM56 billion for Development Expenditure. The Government revenue collection in 2020 is expected to be RM244.53 billion down 13.1% from RM263.3 billion in 2019.

Some of the key highlights of the Budget are in the following pages.



Additional Tax for High Income Earners

A new band for taxable income of resident individuals in excess of RM2 million will be introduced and taxed at 30%, which is a 2 percentage point increase from the current 28% rate. The same increase to 30% shall apply to the fixed income tax rate for non-resident individuals. This increase is expected to affect approximately 2,000 top income earners in the country.

Review of Real Property Gains Tax (RPGT)

To relieve the burden faced by individuals disposing real property held for more than 5 years, it is proposed that the acquisition cost for RPGT purposes be based on the market value as at 1 January 2013. This should help to relieve the RPGT exposure for older properties which may have appreciated over time.

Digital Push

Tax incentives will be granted to further promote high-value added activities in the Electrical and Electronics industry to transition into 5G digital economy and Industry 4.0.

To make Malaysians more digital savvy, the government will credit RM30 into the e-wallet of every Malaysian aged 18 and above with annual income less than RM100,000. This is valid for a two-month period commencing 1 January 2020.

Development of Intellectual Property (IP)

IP income derived from patents and copyright software developed in Malaysia will be eligible for 100% income tax exemption.

Visit Malaysia Year 2020

In conjunction with the Visit Malaysia Year 2020, accelerated capital allowances and 50% excise duty exemption will be given on new locally assembled excursion buses. Companies that organise arts and cultural activities and international sports and recreational competitions (as approved) will also be entitled to income tax exemption of 50%. Similarly, the tax deduction for companies that sponsor art, cultural and heritage activities will be increased to RM1 million a year.

Enhanced Incentives for Individuals

To assist couples seeking fertility treatment such as IVF, the EPF will introduce a new category of withdrawals and such expenses will qualify for income tax relief for medical expenses.

Individual tax relief for fees paid to registered childcare centres and kindergartens will be increased to RM2,000.

Under the Women@Work Initiative, women between the ages of 30 and 50 who return to work will be given a salary incentive of RM500 a month for two years, while the employer will be given a monthly incentive of RM300.

Under the Graduates@Work Initiative, graduates who have been unemployed for more than 12 months who secure work will receive a monthly wage incentive of RM500 for two years, while the employers will receive a hiring incentive of RM300 per month.

Under the Locals@Work Initiative, Malaysians replacing foreign workers will be given a monthly wage incentive of RM350 or RM500 (depending on sector) for two years, while the employers will receive a monthly hiring incentive of RM250.

Enhancing Corporate Social Responsibility

To encourage private sector donations, the donation reporting threshold to the Malaysian Inland Revenue Board will be increased to RM20,000 starting 2020.

On the other hand, tax deduction on contributions to charitable and sports activities as well as projects of national interest will be increased from 7% to 10% of aggregate income.

Reduced Toll Charges and Fuel Subsidies

From 2020 onwards, toll charges for all PLUS highways will be reduced by at least 18%. Individuals who own not more than two cars and two motorcycles are eligible to receive fuel subsidy for one vehicle under the Petrol Subsidy Programme (PSP).

Stamp Duty

Stamp duty remission of 50% on the transfer of real property between parents and children by way of love and affection is restricted to Malaysian citizens from 1 January 2020.

Tax Exemption for Religious Institutions or Organisations

The Government will extend the income tax exemption to religious institutions and organisations that are registered as a company limited by guarantee.

IN A NUTSHELL

The 2020 Budget reflects the government's Shared Prosperity Vision 2030 that aims to restructure the economy and bridge disparities between the wealthy and the impoverished in keeping with the Government's promise to restore Malaysia back to its fiscal health by 2022.

The following includes a summary of key tax changes affecting taxpayers in Malaysia arising from the 2020 Budget.

KEY TAKEAWAYS

- ▶ CORPORATE TAX
- ▶ PERSONAL TAX
- ▶ REAL PROPERTY GAINS TAX
- ▶ LABUAN
- ▶ TAX INCENTIVES
- ▶ STAMP DUTY
- ▶ INDIRECT TAX
 - ▶ A SALES TAX
 - ▶ B SERVICE TAX
 - ▶ C CUSTOMS DUTY
 - ▶ D ENTERTAINMENTS DUTY

CORPORATE TAX



Streamlining of Tax Deduction for Secretarial and Tax Filing Fees

- It is proposed that the tax deduction limit on expenses incurred on secretarial and tax filing fees be combined and allowed up to RM15,000 for each year of assessment (YA) effective from YA 2020.
- This proposal aims to encourage good governance and compliance by taxpayers.

Tax Incentives for the Purchase of Tourism Vehicles

- It is proposed that licensed tour operators be given accelerated capital allowance on the purchase of new locally assembled excursion buses with initial allowance and annual allowance of 20% and 40% respectively, for YA 2020 and YA 2021.
- Excise duty exemption of 50% is proposed to be given on the purchase of new locally assembled vehicles used as tourism vehicles for applications received by the Ministry of Finance from 1 January 2020 until 31 December 2021.
- The above proposals are part of the initiatives for Visit Malaysia Year 2020.

Increase in Tax Deduction for Sponsorship of Arts, Cultural and Heritage Activities in Malaysia

- It is proposed that effective from YA 2020, the tax deduction limit for companies sponsoring arts, cultural and heritage activities be increased to RM1,000,000 for a YA of which the amount deducted for sponsoring foreign arts, cultural and heritage activities remains up to RM300,000.
- This proposal aims to encourage local arts, cultural and heritage activities.

Extension of Period of Tax Incentives for Venture Capital (VC)

- It is proposed that the existing tax incentives for VC Management Corporation, VC Company, Investment in VC Company and VC be extended for a period of 4 years. This is applicable for applications received by Securities Commission until 31 December 2023.
- This proposal aims to encourage alternative financing through VC.

Extension of Period of Income Tax Deduction on Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) Loan paid by Employers

- It is proposed that the existing tax deduction given to employers for the PTPTN loan repayment made on behalf of their employees be extended for a period of 2 years from 1 January 2020 until 31 December 2021.
- This proposal aims to encourage more employers to make PTPTN loan repayments on behalf of their employees.

Extension of Period of Tax Incentive on Issuance of Sustainable and Responsible Investments (SRI) Sukuk

- It is proposed that the existing tax deduction given on the issuance cost of SRI Sukuk be extended for a period of 3 years from YA 2021 to YA 2023.
- This proposal is to further encourage the issuance of SRI Sukuk.

Extension of Period of Tax Exemption on Management Fee Income for Investment Funds

- It is proposed that the existing income tax exemption be extended for another 3 years, from YA 2021 until YA 2023.
- This proposal is to further promote sustainable and responsible investment fund management services.

Review of Capital Allowance for Small Value Assets

- It is proposed that the value of each asset be increased from RM1,300 to RM2,000.
- The limit of qualifying capital allowance claim by non-Small and Medium Enterprises shall be increased from RM13,000 to RM20,000 for each year of assessment.
- The above proposals are effective from YA 2020.

Income Tax Exemption to a Religious Institution or Organisation registered as a Company Limited by Guarantee

- It is proposed that the current income tax exemption on all income given to an approved religious institution or organisation registered under the Registrar of Societies Malaysia be extended to a religious institution or organisation registered as a Company Limited by Guarantee with the Companies Commission of Malaysia.
- The above proposal is effective for approvals given by the Inland Revenue Board (IRB) from YA 2020 onwards.

CORPORATE TAX (Con't)



Tax Incentive for Organising Arts, Cultural, Sports and Recreational Activities in Malaysia

- It is proposed that from YA 2020 until YA 2022, a tax exemption of 50% be given on the statutory income derived by a company from the organisation of:
 - Arts and cultural activities approved by the Ministry of Tourism, Arts and Culture; and
 - International sports and recreational competitions approved by the Ministry of Youth and Sports.
- The above proposals are part of the initiatives for the Visit Malaysia Year 2020.

Extension of Period of Tax Incentive for Angel Investor

- In a bid to attract more angel investors to contribute towards the economy through capital financing, it is proposed that the current tax incentive application period ending on 31 December 2020 be extended until 31 December 2023.

Extension of Period of Tax Incentive for Company Participating in National Dual Training Scheme

- It is proposed that the double deduction given on expenses incurred by companies participating in National Dual Training Scheme for Industry4WRD programmes approved by the Ministry of Human Resources (MOHR) be extended for a period of 2 years, for programmes approved by MOHR from 1 January 2020 until 31 December 2021.
- This proposal is aimed at increasing the Industry4WRD-ready workforce.

Extension of Period of Tax Incentive for Issuance of Sukuk Wakalah

- It is proposed that the tax deduction for the issuance cost of Sukuk under the principle of Wakalah is to be extended for a period of 5 years from YA 2021 until YA 2025.
- This proposal aims at promoting the issuance of Sukuk under the principle of Wakalah.

Extension of Period of Tax Exemption on Management Fee Income for Shariah-Compliant Fund

- It is proposed that the current tax exemption on the statutory income derived from the business of providing Shariah-compliant fund management services to foreign/ local investors and business trusts/ real estate investment trust in Malaysia be extended for a period of 3 years from YA 2021 until YA 2023.
- The proposal is aimed at promoting Shariah-compliant fund management services.

Review of Income Tax Treatment for Small and Medium Enterprises (SME)

- It is proposed that effective from YA 2020, the limit for chargeable income to be taxed at 17% be increased from RM500,000 to RM600,000. To qualify as an SME, the annual sales must not be more than RM50 million apart from having a paid-up capital (for a company) or capital contribution (for a limited liability partnership) of not more than RM2.5 million.
- This proposal is to ensure the lower income tax rate benefits only the eligible SME.

Tax Deduction on Cost of Listing in Bursa Malaysia

- It is proposed that tax deduction of up to RM1.5 million be given on the following costs to companies seeking listing in the Access, Certainty and Efficiency (ACE) Market and Leading Entrepreneur Accelerator Platform (LEAP) Market with effect from YA 2020 to YA 2022:
 - fees to authorities;
 - professional fees; and
 - underwriting, placement and brokerage fees
- This proposal is to encourage more companies to raise capital through listing in ACE and LEAP Markets.

Tax incentive for Organising Conferences in Malaysia

- It is proposed that income tax exemption of 100% of the statutory income given to conference promoters be extended to companies whose main activities are other than promoting and organising conferences in Malaysia provided the organiser brings in at least 500 foreign participants annually.
- The above proposal is effective from YA 2020 until YA 2025.

Extension of Scope of Tax Deduction on Charity or Community Projects

- It is proposed that the scope of charitable or community projects eligible for tax deduction be extended to include:
 - environmental preservation and conservation projects including forest, island, beach and national park; and
 - maintenance and conservation projects for heritage buildings designated by National Heritage Department under the National Heritage Act 2005.
- This proposal is effective from YA 2020.

CORPORATE TAX (Con't)



Expansion of Tax Incentive for Structured Internship Programme

- It is proposed that the existing double deduction incentive be expanded to include hiring interns pursuing Bachelor's Degree, Diploma, Vocational (DKM Level 4 and 5) and SKM Level 3 students in all academic fields effective from YA 2020 until YA 2021.
- This proposal aims to increase the employability of local graduates through an early exposure to the working environment.

Extension of Tax Treatment for Real Estate Investment Trusts (REITs)

- Investors of REITs listed on Bursa Malaysia are subject to the following tax treatment on profit distributions:
 - 10% withholding tax for foreign institutional investors and non-corporate investors
 - 24% withholding tax for non-resident corporate investors
 - The current corporate tax rate for resident corporate investors
- It is proposed that the above tax treatment be extended for another 6 years from YA 2020 until YA 2025.

Removal of additional penalty of 5% on amended return

- An amended return (as a deemed assessment) which results in tax payable or additional tax payable may be submitted to the IRB within 6 months from the due date of submission of the tax return. Currently, the following penalty rates apply on the tax or additional tax payable:
 - 10% penalty if the amended return is furnished within a period of 60 days; or
 - 10% + 5% (effectively 15.5%) if the amended return is furnished after 60 days but not later than the period of 6 months.
- It is proposed that the additional 5% penalty be removed with effect from 1 January 2020, meaning an amended return made within the period of 6 months will be subject to only a 10% penalty.

Removal of additional penalty of 5% on unpaid taxes

- Currently, the following penalty rates apply for taxes (including penalties) not paid:
 - 10% penalty after the due date of payment; or
 - 10% + 5% (effectively 15.5%) on the amount remains unpaid after 60 days from the due date of payment.
- It is proposed that the additional 5% penalty be removed with effect from 1 January 2020, meaning any unpaid taxes will be subject to only a 10% penalty.

No time limit in respect of assessments raised in consequence of a Mutual Agreement Procedure (MAP)

- It is proposed that an assessment or additional assessment may be made at any time as a result of an agreement reached with the competent authority of another country under the MAP.
- The above proposal is effective upon coming into operation of the Finance Act.

Extension of time for an appeal against an assessment

- Currently, a person seeking to appeal against an assessment, may at any time apply to the Director General of Inland Revenue (DGIR) for an extension of the period to make such appeal.
- It is proposed that with effect from YA 2020, the application for an extension of time to submit an appeal has to be made within 7 years after the end of the period of the appeal.

PERSONAL TAX



Increase of Income Tax Rate for Resident Individual

- Currently the tax structure for resident individuals is based on progressive tax rates ranging from 0% to 28% on chargeable income. Non-resident individuals are subject to income tax at the fixed rate of 28%.
- In order to ensure a more progressive individual tax structure, it is proposed that the income tax for resident individuals with chargeable income of more than RM2,000,000 be increased by 2% to 30%.
- Similarly, the fixed income tax rate for non-residents shall be increased by 2% from 28% to 30%.
- This proposal is effective from YA 2020.

Expansion of Scope of Income Tax Relief for Medical Expenses

- Income tax relief of up to RM6,000 is given to taxpayers on medical expenses for serious diseases for self, spouse and child. This tax relief also includes expenses up to RM500 for full medical check-up.
- To reduce the financial burden of married couples seeking fertility treatment, it is proposed that the scope of income tax relief on medical treatment expenses be expanded to cover the cost of fertility treatment.
- The claim is required to be supported by the receipt and certification issued by a practitioner registered with the Malaysian Medical Council.
- This proposal is effective from YA 2020.

Increase in the Limit of Tax Relief for Fees paid to Childcare Centres and Kindergartens

- Currently, a tax relief of up to RM1,000 is to be given to individual taxpayers enrolling their children aged up to 6 years in childcare centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education. This relief can only be claimed by either parent of the child.
- It is proposed that this relief be increased from RM1,000 to RM2,000.
- This proposal is effective from YA 2020.

Income Tax Rebate for Departure Levy Imposed on Outbound Air Passenger Performing Umrah and Pilgrimage to Holy Places

- Currently departure levy is imposed on all outbound air passengers beginning from 1 September 2019. While departure levy for outbound passengers performing Hajj is borne by Lembaga Tabung Haji, departure levy for outbound air passengers performing umrah and pilgrimage is borne by themselves.
- It is proposed that an income tax rebate equivalent to the amount of levy be given and can be claimed twice in a lifetime for umrah and other religious pilgrimages to holy places.
- The rebate is to be claimed with proof of boarding pass and is subject to either the umrah visa or confirmation letter on pilgrimage to holy place from religious body recognised by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Department of National Unity and Integration, Prime Minister's Department.
- This proposal is effective from YA 2019.

Enhancement of Tax Treatment for Donation For Charitable and Sports Activities and Projects of National Interest

- In order to enhance and streamline the tax treatment between individuals and companies, it is proposed that a tax deduction at an increased rate of 10% (previously 7%) be given also to individuals on contribution for charitable and sports activities as well as projects of national interest.
- To further inculcate philanthropic culture among Malaysians, this scope has been widened to include any gift of money in the form of wakaf contribution to any appropriate religious authority established under any written law, body established by that appropriate religious authority or Public University allowed by that appropriate religious authority to receive endowment.
- "Public University" means a higher education institution having the status of a University established under the Universities and Colleges Act 1971 and the Universiti Teknologi MARA established under the Universiti Teknologi MARA Act 1976.
- This proposal is effective from YA 2020.

Extension of Period of Tax Incentive for Women Returning to Work After Career Break

- Currently, women returning to work after a career break are entitled to income tax exemption for a period of 12 months subject to the application being received by Talent Corporation Malaysia Berhad (TalentCorp) from 1 January 2018 to 31 December 2019.
- It is proposed that this tax incentive be extended for a period of 4 years.
- This proposal is applicable for applications received by TalentCorp from 1 January 2020 until 31 December 2023.

REAL PROPERTY GAINS TAX



LABUAN



Determination of Acquisition Price

- For Malaysian citizens and permanent residents who acquired real properties before 1 January 2013, the acquisition price of such real properties for real property gains tax purposes shall be its market value as at 1 January 2013, effective for the disposal of such real properties from 12 October 2019.
- This proposal will potentially reduce the chargeable gain and real property gains tax exposure on the disposals of such real properties by uplifting their acquisition price in most cases.

Disposals By a Trustee of a Trust

- Effective upon the coming into operation of the Finance Act 2019, the rate of real property gains tax applicable to a trustee of a trust shall be as follows:

Category of disposal	Rate of tax
Disposal within 3 years	30%
Disposal in the 4th year	20%
Disposal in the 5th year	15%
Disposal after the 5th year	10%

- This proposal removes the ambiguity over the real property gains tax rate that is applicable to disposals of chargeable assets held on behalf of a trust, including a REIT.

Disposals By a Company Not Incorporated in Malaysia

- The rate of real property gains tax applicable to a company not incorporated in Malaysia shall be as follows:

Category of disposal	Rate of tax
Disposal within 5 years	30%
Disposal after the 5th year	10%

- The acquirer in the disposal of a chargeable asset by a company not incorporated in Malaysia is required to retain 7% of the total value of the consideration or the whole of the consideration that consists of money, whichever is lower, and to remit the amount retained to the DGIR within 60 days for the date of the disposal.
- These proposals, which are effective upon the coming into operation of the Finance Act 2019, are to align the real property gains tax treatment of a company not incorporated in Malaysia with that of an individual who is not a citizen and not a permanent resident of Malaysia.

Removal of Election for Fixed Rate Tax of RM20,000

- The effective date for the removal of the election for fixed rate tax of RM20,000 under the Labuan Business Activity Tax Act 1990 is revised from 1 January 2019 to YA 2020.

TAX INCENTIVES

Special Investment Incentive for Electrical And Electronic (E&E) Sector

- It is proposed that E&E companies that have exhausted the eligibility period of 15 consecutive years to claim reinvestment allowance (RA) be given an income tax exemption equivalent to Investment Tax Allowance of 50% on qualifying capital expenditure (QCE) incurred within a period of 5 years.
- This allowance can be set-off against 50% of statutory income for each YA. The application must be received by Malaysian Investment Development Authority (MIDA) from 1 January 2020 to 31 December 2021.
- This proposal is to encourage investment in the E&E industry to facilitate Malaysia's transition into 5G digital economy and Industry 4.0.

Enhancement of Tax Incentive for Automation

- It is proposed that the incentive period for Accelerated Capital Allowance (ACA) and Automation Equipment Allowance (AEA) for the following shall be extended:
 - First Category: For high labour-intensive industries (rubber, plastics, wood, furniture and textile products), ACA of 100% and AEA of 100% for the first RM4 million of qualifying capital expenditure (QCE) incurred up to YA 2023; and
 - Second Category: For other industries, ACA of 100% and AEA of 100% for the first RM 2 million of QCE incurred up to YA 2023.
- The scope of incentive for Second Category shall be expanded to the service sector for applications received by MIDA from 1 January 2020 until 31 December 2023.
- This proposal aims to promote automation in the manufacturing and services sector, particularly in enhancing productivity and efficiency in the labour intensive industries.

Tax Incentives for Development of Intellectual Property

- It is proposed that an income tax exemption of 100% up to 10 years be given on the qualifying intellectual property income derived from the development of patent and copyright software of qualifying activities.
- The Modified Nexus Approach will be adopted to ensure that only income derived from intellectual property developed in Malaysia is eligible for this tax incentive.
- The application must be submitted to MIDA from 1 January 2020 to 31 December 2022.
- This proposal is to promote the intellectual property development in Malaysia.

Expansion for Tax Incentives for Tourism Projects

- It is proposed that the scope of the following tax incentive be expanded to integrated tourism and sports tourism projects:
 - Pioneer status with tax exemption of 70% of statutory income for a period of 5 years; or
 - Investment Tax Allowance (ITA) of 60% on the QCE incurred within 5 years. The allowance can be set-off against up to 70% of statutory income for each YA.
- In addition, new investments in international theme parks shall be eligible for pioneer status with tax exemption of 100% of statutory income for 5 years; or ITA of 100% on QCE incurred within 5 years which can be set-off against up to 70% of statutory income. The application is to be submitted to MIDA from 1 January 2020 onwards.
- This proposal is to promote investment in tourism projects in conjunction with the Visit Malaysia Year 2020.

Review of Green Technology Incentive

- It is proposed that the following tax incentives for green technology be extended for a period of 3 years:
 - Green Investment Tax Allowance (GITA): ITA of 100% on QCE which can be set-off against up to 70% of the statutory income be extended to YA 2023; and
 - Green Income Tax Exemption (GITE): Income tax exemption of 70% of statutory income be extended to YA 2023.
 - The application must be received by MIDA by 31 December 2023.
- In addition, the following tax incentive shall be extended to solar leasing activities:
 - Income tax exemption of 70% of statutory income for a period of up to 10 years of assessment for solar leasing companies certified by Sustainable Energy Development Authority (SEDA).
 - The application must be received by MIDA from 1 January 2020 to 31 December 2023.
- This proposal is in line with the Government's goal to generate 20% of our energy from renewable sources by 2025.

STAMP DUTY



Stamp Duty Exemption for Rent-To-Own (RTO) Schemes

- Full stamp duty exemption is given on the following instruments of transfer under the RTO scheme for first residential home priced up to RM500,000:
 - sale and purchase agreement for the transfer of residential home from housing developer to financial institution executed from 1 January 2020 to 31 December 2022; and
 - rental agreement for the transfer of residential home from financial institution to buyer executed from 1 January 2020 to 31 December 2022.
- The above exemption is subject to:
 - the licensed financial institutions providing financing under this RTO scheme and obtaining approval from Bank Negara Malaysia (BNM); and
 - Housing developers collaborating with the said financial institutions and registering with the National Housing Department, Ministry of Housing and Local Government.
- This exemption is to facilitate the RTO scheme, which is a collaboration between the Government and financial institutions to assist house buyers who are unable to afford the initial deposit and access financing in purchasing their first home.

Stamp Duty Remission for Transfer of Property By Way of Love and Affection

- The stamp duty remission of 50% on the instrument of transfer of real property between parents and children and vice versa by way of love and affection is now restricted to Malaysian citizens only for such instruments executed from 1 January 2020.

Stamp Duty for Foreign Currency Loan Agreement

- The maximum stamp duty on foreign currency loan agreements is increased from RM500 to RM2,000 for such agreements executed from 1 January 2020.

INDIRECT TAX



A SALES TAX

Approved Major Exporter Scheme under the Sales Tax Act 2018

- A new Approved Major Exporter Scheme shall be introduced under the Sales Tax Act 2018.
- Traders or manufacturers of exempted goods are eligible to apply for the scheme subject to exports of not less than 80% of their annual sales.
- The approved traders and manufacturers under this new scheme are eligible for full sales tax exemption on the importation and purchase of goods or raw materials, components and packaging materials from a registered manufacturer. The exemption includes taxable goods transported from designated areas or special areas.
- The condition for the exemption is that the taxable goods (which may be used as raw materials for manufacturing) must be exported or transported to designated areas or special areas.
- Sales tax shall be paid for any portion of trading goods or manufactured exempted goods that are not exported including any waste or refuse of raw materials, components and packaging that are disposed or sold in the local market.
- This scheme will simplify the existing drawback and exemption facility so as to maintain the competitiveness of export companies in Malaysia.
- This amendment comes into operation on a date to be appointed by the Minister by notification in the Gazette.

INDIRECT TAX (Con't)



B SERVICE TAX

Improvement on Group Relief Facility under Service Tax Act 2018

- It is proposed that group relief be allowed for the taxable services under Group G of First Schedule of Service Tax Regulations 2018 (excluding employment and security services) provided by a company to a third party who is not within the same group of company from 1 January 2020.
- This facility is subject to a condition that the value of services provided to the third party does not exceed 5% of the total value of services provided by that company within 12 months.
- This proposal should prevent the increase in the cost of professional services.

Service Tax Exemption on Provision of Training and Coaching Services for Disabled Person

- Effective from 1 January 2020, service tax exemption will be extended to training and coaching services to disabled persons with hearing, visual, physical, speech, mental, and learning disabilities provided by the service providers which are registered with Ministry of Health Malaysia or Department of Social Welfare or endorsed by any national association for disabled persons registered with Registrar of Societies Malaysia.
- This proposal will promote and encourage more training of disabled persons.

C CUSTOMS DUTY

Reduction of Export Duty Rate on Crude Palm Oil (CPO)

- Effective from 1 January 2020, export duty rates on CPO after taking into consideration of partial export duty exemption will be reduced by 0.5% - 1.5% as follows:

CPO Market Price (FOB RM/tonne)	Current Export Duty Rate (%)	New Export Duty Rate (%)
<2,500	Nil	Nil
2,500-2,400	4.5	3.0
2,401-2,550	5.0	4.5
2,551-2,700	5.5	5.0
2,701-2,850	6.0	5.5
2,851-3,000	6.5	6.0
3,001-3,150	7.0	6.5
3,151-3,300	7.5	7.0
3,301-3,450	8.0	7.5
> 3,450	8.5	8.0

- This proposal is to support the increase in the exportation of CPO and to ensure price competitiveness of Malaysian CPO.

D ENTERTAINMENTS DUTY

Exemption of Entertainments Duty for Stage Performance

- Full entertainments duty exemption shall be given on admission tickets for stage performances that include concerts, singing, music, dances and theatres including cultural and artistic performance by local and international artists held at any venue in the Federal Territory of Kuala Lumpur, Labuan and Putrajaya subject to approval by the relevant local authorities from 1 January 2020 until 31 December 2020.
- This is to encourage more stage performances to be held in conjunction with the Visit Malaysia Year 2020.

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