

## **1. STAMP DUTY EXEMPTION ON LOAN AGREEMENT UNDER SKIM PERUMAHAN RAKYAT 1MALAYSIA (PR1MA)**

### **Present Position**

Stamp duty on loan agreements for the purchase of residential properties is 0.5% on the loan value.

Full stamp duty exemption is given on all instruments for the purchase of low cost residential properties up to RM42,000 in Peninsular Malaysia and up to RM47,000 in Sabah, Sarawak and Labuan.

Stamp duty exemption of 50% is given on loan agreements for the purchase of the first residential property up to RM350,000 on condition that the sale and purchase agreement is executed from 1 January 2011 until 31 December 2012.

### **Proposal**

In line with Government's aspiration to increase access of the middle income group to own quality and comfortable residential properties which are value for money in the cities, it is proposed that full stamp duty exemption be given on loan agreements for the purchase of residential properties under the PR1MA Scheme priced up to RM300,000.

### **Effective Date**

For sale and purchase agreements executed from 1 January 2012 until 31 December 2016.

## 2. REVIEW OF REAL PROPERTY GAINS TAX (RPGT)

### Present Position

Gains from the disposal of residential and commercial properties are taxed under the Real Property Gains Tax Act 1976 to curb speculative activities in the property market. RPGT rates are progressive between 0% and 30% depending on the holding period of real properties as follows:

Disposal	RPGT Rates		
	Companies	Individual (Citizen & Permanent Resident (PR))	Individual (Non-Citizen)
Within 2 years	30%	30%	30%
In the 3 <sup>rd</sup> year	20%	20%	30%
In the 4 <sup>th</sup> year	15%	15%	30%
In the 5 <sup>th</sup> year	5%	5%	30%
In the 6 <sup>th</sup> year onwards	5%	0%	5%

To spur the sluggish property market, RPGT was exempted from 1 April 2007 until 31 December 2009. With the steady recovery in the property market and to generate revenue for the purpose of development, RPGT at 5% is imposed on gains from the disposal of residential and commercial properties within 5 years. The rate was imposed from 1 January 2010.

### Proposal

The low RPGT rate of 5% is rather ineffective in curbing speculative activities in the property market and if left unchecked would exert pressure on property prices. To ensure the low and middle income groups are able to own houses at affordable prices, it is proposed that RPGT rates on the gains from the disposal of residential and commercial properties be reviewed as follows:

Holding Period	Proposed RPGT Rates		
	Companies	Individual (Citizen & PR)	Individual (Non-Citizen)
Up to 2 years	10%	10%	10%
Exceeding 2 until 5 years	5%	5%	5%
Exceeding 5 years	0%	0%	0%

The proposed RPGT rates will not burden genuine property owners as they are given exemption and the payment of RPGT is based on net gains as follows:

- i. RPGT exemption on gains from the disposal of one unit of residential property once in a lifetime by an individual who is a citizen or permanent resident of Malaysia;
- ii. RPGT exemption on gains from disposal of property between parents and children, husband and wife, grandparents and grandchildren;
- iii. RPGT is charged only on net gains after deducting all related costs such as purchase price, renovation costs and incidental costs e.g. legal fees and stamp duty; and
- iv. Exemption up to RM10,000 or 10% of the net gains, whichever is higher, is given to an individual.

**Effective Date**

For disposal of properties commencing from 1 January 2012.

### **3. EXTENSION OF TAX INCENTIVE PERIOD FOR REAL ESTATE INVESTMENT TRUSTS**

#### **Present Position**

Real Estate Investment Trusts (REITs) are given the following tax incentives:

- i. Foreign institutional investors, particularly pension funds and collective Investment funds receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011;
- ii. Non-corporate investors including resident and non-resident individuals and other local entities receiving dividends from REITs listed on Bursa Malaysia, are subject to final withholding tax at 10% from 1 January 2009 until 31 December 2011;
- iii. Real property gains tax exemption on gains from the disposal of properties by individuals or companies to REITs from 13 September 2003;
- iv. Stamp duty exemption on the deeds of assignment relating to the sales of properties from individuals or companies to REITs executed from 26 October 2005;
- v. Full income tax exemption on income of REITs if 90% of such total income is distributed to unit holders from year of assessment 2007; and
- vi. Income tax deduction on expenses for consultancy, legal and valuation services fees for the establishment of REITs from year of assessment 2006.

#### **Proposal**

To further promote the development of REITs as well as invigorate the capital and property market, it is proposed that the tax incentives in paragraphs (i) and (ii) above be extended for another 5 years.

Effective Date

From 1 January 2012 until 31 December 2016.

#### **4 . TAX INCENTIVE FOR THE ISSUANCE OF ISLAMIC SECURITIES BASED ON WAKALAH PRINCIPLE**

##### **Present Position**

Deduction is given on expenses on the issuance of Islamic securities under the principles of Mudharabah, Musyarakah, Ijarah, Istisna', Murabahah and Bai Bithamin Ajil based on Tawarruq and approved by the Securities Commission or the Labuan Financial Services Authority.

The incentive is given from the years of assessment 2003 until 2015.

##### **Proposal**

To promote the growth of the Islamic capital market in tandem with the objective of strengthening Malaysia's position as the leading global sukuk market, it is proposed that expenses on the issuance of Islamic securities based on Wakalah principle approved by the Securities Commission or the Labuan Financial Services Authority be given deduction for the purpose of income tax computation.

##### **Effective Date**

For years of assessment 2012 until 2015.

## **5. EXTENSION OF EXEMPTION PERIOD ON INCOME FROM THE TRADING OF NON-RINGGIT SUKUK**

### **Present Position**

Tax exemption on activities related to the issuance and trading of non-ringgit *sukuk* is given on the following incomes:

- i. Fees received by qualified institutions in undertaking activities related to the arranging, underwriting and distribution of non-ringgit *sukuk* originating from Malaysia; and
- ii. Profits of qualified institutions received from the trading of non-ringgit *sukuk* originating from Malaysia.

These incentives are subject to the condition that such *sukuk* are approved by the Securities Commission or the Labuan Financial Services Authority.

These incentives are effective from years of assessment 2009 until 2011.

### **Proposal**

To promote Malaysia as an international issuance and trading base for non-ringgit *sukuk*, it is proposed that the existing tax incentives be extended for another 3 years.

### **Effective Date**

For years of assessment 2012 until 2014.

## **6. TAX INCENTIVE FOR NEW 4 AND 5 STAR HOTELS IN PENINSULAR MALAYSIA**

### **Present Position**

Reinvestments for expansion, modernization and refurbishment of existing 4 and 5 star hotels are given the following tax incentives:

- i. Pioneer Status with income tax exemption of 70% of statutory income for 5 years; or
- ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment.

The above incentives are given for three rounds. However, for the third round, only Investment Tax Allowance is given.

For new investments in 4 and 5 star hotels, tax incentives are given only in Sabah and Sarawak, whereas no tax incentives are given in Peninsular Malaysia.

### **Proposal**

To encourage development of new 4 and 5 star hotels and to provide better accommodation facilities to attract high-spending tourists, it is proposed that investors undertaking new investments in 4 and 5 star hotels in Peninsular Malaysia be given the following:

- i. Pioneer Status with income tax exemption of 70% of statutory income for 5 years; or
- ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years and to be set-off against 70% of the statutory income for each year of assessment.

### **Effective Date**

For applications received by Malaysia Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2013.

## **7. EXTENSION OF TAX INCENTIVE FOR HYBRID AND ELECTRIC CARS**

### **Present Position**

Franchise holders of hybrid and electric cars are given full exemption from import duty and excise duty on new completely built-up (CBU) hybrid and electric cars.

The above exemption is given for one year commencing from 1 January 2011 until 31 December 2011 and subject to the following criteria and conditions:

#### Hybrid Car

- i. Comply with the United Nations' definition as follow:  
  
"A vehicles with at least 2 different energy converters and 2 different energy storage system (gasoline and electric) on board the vehicle for the purpose of vehicles propulsion";
- ii. Limited to new CBU hybrid passenger cars with engine capacity below 2000 cc;
- iii. Engine specification of at least Euro 3 technology;
- iv. Certified by Road Transport Department as hybrid car by obtaining Vehicle Type Approval and certified to have achieved not less than a 50% increase in the city-fuel economy or not less than a 25% increase in a combined city-highway fuel economy relative to a comparable vehicle that is an internal combustion gasoline fuel; and
- v. Emission of carbon monoxide of less than 2.3 gram per kilometre.

#### Electric car

- i. Comply with the United Nations' definition as follows:  
  
"A vehicle with bodywork intended for road use, powered exclusively by an electric motor whose traction energy supplied exclusively by a traction battery installed in the vehicle";
- ii. Limited to new CBU electric car with electric motor power below 100kW; and
- iii. Certified by the Road Transport Department as electric car by obtaining of Vehicle Type Approval.



**Proposal**

To promote assembling of hybrid and electric cars in the country and to ensure sustainable growth of the nation, it is proposed that the full exemption of import duty and excise duty for new CBU hybrid and electric cars be extended for another two years.

**Effective Date**

For applications received by Ministry of Finance from 1 January 2012 until 31 December 2013.

## **8. TAX INCENTIVES FOR TREASURY MANAGEMENT CENTRE (TMC)**

### **Present Position**

Treasury Management Centre (TMC) is a centre that provides financial and fund management services to a group of related companies within or outside the country.

The establishment of TMC in Malaysia by multinational companies will inject new funds into the local banking sector and improve liquidity through the increase of business in foreign currencies as a result of centralized group fund management in Malaysia. This activity will also provide quality employment opportunities with high salaries for Malaysians and accelerate the transformation of Malaysia into a knowledge- based economy and high income nation.

### **Proposal**

In line with Government's effort to develop Malaysia as a competitive financial centre in this region and to attract multinational corporations to choose Malaysia as the preferred location for their TMC, it is proposed that TMC be given the following incentive package:

- i.** 70% tax exemption on the statutory income arising from the following qualifying treasury services rendered by the TMC to its related companies for a period of 5 years:
  - a. All fees income and management income from providing qualifying services to related companies in Malaysia and overseas;
  - b. Interest income received from lending to related companies in Malaysia and overseas.
  - c. Interest income and gains received from placement of funds with licensed onshore banks or short term investments (onshore and offshore) as part of managing surplus funds within the group;
  - d. Foreign exchange gains from managing risks for the group e.g exchange rate risk, interest rate risk and commodity risk; and
  - e. Guarantee fees

- ii. Exemption from withholding tax on interest payments on borrowings by the TMC to overseas banks and related companies, provided the funds raised are used for the conduct of qualifying TMC activities;
- iii. Full exemption from stamp duty on all loan agreements and services agreement executed by TMC in Malaysia for qualifying TMC activities; and
- iv. Expatriates working in a TMC are taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia.

### **Qualifying Services**

- i. Cash management, which include maintaining cash pooling arrangement through a centralized accounts with licensed onshore bank.
- ii. Current account management, which include:
  - a. Managing account payables and receivables; and
  - b. Maintaining inter-company offsetting arrangement.
- iii. Financing and debt management, which include :
  - a. Arranging for competitive financing from surplus funds within the group or from financial institutions in Malaysia and overseas and through the issuance of bonds in ringgit or foreign currency; and
  - b. Providing or arranging for financial and non financial guarantee for its group of companies.
- iv. Investment services which include:
  - a. Investing funds within the group in domestic money market and in foreign currency assets onshore and offshore.
- v. Financial risk management, which include hedging of:
  - a. Exchange risk;
  - b. Interest rate risk;
  - c. Market risk;
  - d. Credit/counterparty risk;

- e. Liquidity risk; and
  - f. Commodity price risk.
- vi. Corporate and financial advisory services, which include:
- a. Economics or investment research and analysis;
  - b. Treasury forecasting and financial trend analysis; and
  - c. Credit administration and control.

**Effective Date**

For applications received by Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2016.

## **9. TAX INCENTIVES FOR PROVIDERS OF INDUSTRIAL DESIGN SERVICES IN MALAYSIA**

### **Present position**

Industrial design services based on creativity and innovation is able to contribute towards improvement of functionality and safety of products, reduction in cost as well as fulfil the consumer's preferences. Besides that, this industry also plays an important role in continuously improving productivity, quality and product competitiveness.

There is no tax incentive provided to the providers of industrial design services.

### **Proposal**

To promote creativity and innovation that results in higher value add, it is proposed that providers of industrial design services be given Pioneer Status with income tax exemption of 70% on statutory income for 5 years. The incentive is given to industrial service providers that fulfil the following criteria:

- i. New service providers who employ at least 50% Malaysian designers; and
- ii. Existing industrial design service providers undertaking expansion and non-industrial design service providers which would be carrying out industrial design activities:
  - a. Upgrading the design facilities by increasing the capital investment of at least 50%; and
  - b. Employ and additional 50% qualified Malaysian designers.

The incentive is subject to the following conditions:

- i. The industrial design service providers and Malaysian designers must be registered with the Malaysia Design Council;
- ii. The industrial design service providers must be incorporated under the Companies Act 1965 or registered under the Business Registration Act 1965 and shall provide industrial design services to non-related companies; and
- iii. The industrial design services provided are meant for the purpose of mass production.

### **Effective Date**

For applications received by Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2016.

## **10. RATIONALISATION OF TAX INCENTIVE FOR SHIPPING COMPANIES**

### **Present Position**

Income of shipping companies is fully exempted from tax under section 54A of the Income Tax Act 1967. The objective of this incentive is to develop the national shipping industry and reduce the deficit in the balance of payment. This incentive has been given for 27 years since year of assessment 1984.

The current policy is to grant tax incentives for a specified time period in order to assist a particular industry in its initial stage to be competitive.

### **Proposal**

In line with the rationalisation of tax incentive, it is proposed that the Income tax exemption for shipping companies be reduced from 100% to 70% of statutory income.

### **Effective Date**

From year of assessment 2012.

## **11. ASSISTANCE FOR INDIVIDUAL OWNERS OF BUDGET TAXIS AND HIRE CARS**

### **Present Position**

The following assistance is given to owners of budget taxis and hire cars:

- i. 100% excise duty exemption on purchase of new locally manufactured cars used as budget taxis;
- ii. 100% excise duty exemption on purchase of new locally assembled cars used as hire cars; and
- iii. Road tax at RM20 per year.

Excise duty based on the current value of the car shall be paid when the car is sold or the ownership is transferred.

### **Proposal**

To assist individual owners of budget taxis and hire cars in reducing cost of operations and improve the taxi services, it is proposed that:

- i. 100% sales tax exemption on purchase of new locally manufactured cars used as budget taxis or hire cars;
- ii. Exemption of excise duty and sales tax on sale or change of ownership of budget taxis and hire cars after seven years of registration;
- iii. Road tax on budget taxis and hire cars to be abolished;
- iv. Interest rate subsidy of 2% per annum for 2 years on full loans for financing the purchase of new locally manufactured cars used as budget taxis and hire cars; and
- v. Assistance of RM3,000 for replacement of budget taxis and hire cars aged more than seven years but less than 10 years. For budget taxis and hire cars aged 10 years and above, an assistance of RM1,000 will be given.

### **Effective Date**

- i. Proposals (i) and (ii) from 8 October 2011;
- ii. Proposal (iii) from 1 January 2012; and
- iii. Proposals (iv) and (v) from 1 January 2012 until 31 December 2013.

## **12. TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME**

### **Present Position**

Expenses incurred by a company in providing practical training including an internship programme is eligible for deduction for purpose of income tax computation under Section 34(6)(n) Income Tax Act 1967.

### **Proposal**

Structured internship programme is beneficial and effective for students to apply theories and academic concepts learned in the universities. This programme would also enable companies to identify potential employees who are capable and able to fulfil the companies' requirements. On the other hand, the students have the opportunity to be exposed to the real working environment in the companies.

Ministry of Higher Education in collaboration with Talent Corporation Malaysia Berhad (TalentCorp) will be implementing a structured internship programme which includes technical, communication and business skills.

To increase companies' participation in this programme, it is proposed double deduction be given on expenses incurred by companies that implement the structured internship programme. The qualifying criteria for this programme among others are as follows:

- i. The internship programme is for full time undergraduate students from the Public/Private Higher Educational Institutions; and
- ii. Internship programme is for a minimum period of 10 weeks with a monthly allowance of not less than RM500.

### **Effective Date**

For years of assessment 2012 until 2016.



### **13. INCENTIVE FOR AWARDING SCHOLARSHIPS**

#### **Present Position**

Scholarships awarded by companies to students are given deduction for purpose of income tax computation under section 34(6)(l) Income Tax Act 1967. This deduction is meant for scholarships awarded to Malaysian students to study for diploma and bachelor's degree at local institutions of higher learning that are registered with the Ministry of Higher Education. Scholarships awarded are for students that fulfil the following criteria :

- i. Full time student ;
- ii. Have no sources of income ; and
- iii. Total monthly income of parents or guardian does not exceed RM5,000

#### **Proposal**

To encourage private companies to carry out social responsibility and encourage students to further their study to higher level, it is proposed that scholarships awarded by private companies to Malaysian students pursuing study at diploma and bachelor's degree in local institutions of higher learning registered with the Ministry of Higher Education be given double deduction. Scholarships awarded are for students that fulfil the following criteria :

- i. Full time student ;
- ii. Have no sources of income ; and
- iii. Total monthly income of parents or guardian of the student does not exceed RM5,000

#### **Effective date**

For years of assessment 2012 until 2016.

## **14. INCENTIVE FOR COMPANIES TO PARTICIPATE IN CAREER FAIRS ABROAD**

### **Present Position**

Expenses incurred by companies in participating in career fairs abroad are given single deduction for propose of income tax computation.

### **Proposal**

Career fairs abroad are important to disseminate information and raise awareness of the Malaysian diaspora on job oppurtunities and careers available in Malaysia.

To attract more talented Malaysians and students to return home and work in Malaysia, it is proposed that expenses incurred by companies in participating in career fairs abroad that are endorsed by Talent Corporation Malaysia Berhad (TalentCorp) be given double deduction.

### **Effective Date**

For years of assessment 2012 until 2016.

## **15. TAX DEDUCTION ON FRANCHISE FEE**

### **Present Position**

Franchise is a business model where the franchisee is given the right to offer, sell or distribute products or services based on system and marketing plan set by the franchisor.

Among other expenses imposed on franchisee to undertake the franchise business are franchise fee, royalty, promotion fee and advertisement fee, training fee and service fee. These expenses are allowed deduction for purpose of income tax computation except franchise fee as it is an expenditure incurred before commencing a business.

### **Proposal**

To further develop a local product brand to become strong in the domestic market and accepted in overseas market, it is proposed that deduction be given on franchise fee. This incentive is applicable for local franchise brands.

### **Effective date**

From year of assessment 2012.

## 16. STAMP DUTY EXEMPTION ON LOAN AGREEMENTS FOR MICRO FINANCE AND PROFESSIONAL SERVICES FUND

### Present Position

Instrument of loan agreements up to RM250,000 executed by small and medium enterprises (SME) are subject to stamp duty at the rate of 0.05% on the loan value (or RM0.50 for every RM1,000).

The interpretation of SME under the Stamp Act 1949 is as follows:

Sector	Annual Turnover	Number of Employees
Manufacturing	Less than RM25 million	150 persons
Services	Less than RM5 million	50 persons

Instrument of loan agreements executed by parties other than SME are subject to stamp duty at the rate of 0.5% on the loan value (or RM5.00 for every RM1,000).

### Proposal

To reduce cost of doing business for micro enterprises and SME, it is proposed that 100% stamp duty exemption to be given loan agreements up to RM50,000 under the Micro Financing Scheme. Such exemption is given on loans executed between micro enterprises and SME with any banking and financial institutions.

In addition, to assist professional groups establishing firms in rural areas, it is proposed that 100% stamp duty exemption be given on loan agreements up to RM50,000 undertaken from the Professional Services Fund. Such exemption is given on loans executed between any professionals with Bank Simpanan Nasional.

### Effective Date

For instruments executed from 1 January 2012.

## 17. INCENTIVE FOR PRIVATE SCHOOLS

### Present Position

The private sector's involvement in providing education services is essential to support the Government's effort to mould the knowledge culture and develop good values. Various tax incentives have been given to private education, among others :

**i. a. Non Profit Oriented Private Schools**

**b. Non Profit Oriented International Schools**

**c. Non Profit Oriented Expatriate Schools**

100% income tax exemption on the income received from the management of a school.

**ii. Profit Oriented International Schools**

Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment.

Tax incentive is for application received by Malaysian Investment Development Authority (MIDA) from 14 July 2010 until 31 December 2015.

### Proposal

To further encourage the involvement of private sector in educational service and to complement the Government's effort in providing the educational infrastructure, it is proposed that tax incentive be given to private schools and international schools registered and fulfilled the requirement stipulated by Ministry of Education as follows:

**i. Profit Oriented Private Schools**

Income tax exemption of 70% for a period of 5 years; or

Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 70% of the statutory income for each year of assessment.

- ii. Profit Oriented International Schools  
Income tax exemption of 70% for a period of 5 years
- iii. Profit Oriented Private Schools And International Schools
  - a. Import duty and sales tax exemption for educational equipment; and
  - b. Double deduction for overseas promotional expenses.

#### **Effective Date**

- i. Profit Oriented Private Schools  
For application received by Malaysian Investment Development Authority (MIDA) from October 2011 until 31 December 2015.
- ii. Profit Oriented International Schools  
For application received by Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2015.
- iii. Profit Oriented Private Schools And International Schools
  - a. For application received by Malaysian Investment Development Authority (MIDA) from 8 October 2011; and
  - b. From year assessment 2012.

## **18. TAX TREATMENT FOR PRIVATE RETIREMENT SCHEME**

### **Present Position**

Tax treatment on benefits received from retirement are as follows :

#### **A. Tax Exemption**

- i. Exemption on pension income received by tax payers upon attaining mandatory retirement age;
- ii. Exemption on withdrawal of contribution from Employee Provident Fund (EPF) by tax payers upon attaining mandatory retirement age;
- iii. Tax exemption on gratuity received upon attaining mandatory retirement age ; and
- iv. Exemption on income received by EPF fund and approved fund under Section 150 Income Tax Act 1967.

#### **B. Tax Relief**

- i. Relief up to RM6,000 on contributions to EPF, contributions to Private Retirement Scheme (PRS) and life insurance premium; and
- ii. Relief up to RM1,000 on annuity premium as a component of tax relief on EPF contributions and life insurance premium

#### **C. Tax Deduction**

- i. Deduction on contributions to EPF made by employers for their employees and such contributions to approved fund under section 150 Income Tax Act 1967 up to 19% of employees' remuneration.

### **Proposal**

To promote sufficient savings upon attaining retirement age and to spur the development of the capital market, it is proposed that :

- i. Tax relief up to RM3,000 be given on contributions by individuals to PRS approved by the Securities Commission and annuity premium.
- ii. Tax relief of RM1,000 on annuity premium (as a component of the tax relief of RM6,000 on EPF contributions and life insurance premium) is rationalised;
- iii. Tax exemption on income received by the PRS fund;

- iv. Deduction on contributions by employers for employees to PRS. The deduction is given up to 19% of employees' remuneration and includes contributions to EPF and approved scheme under section 150 Income Tax Act 1967; and
- v. Withdrawals of contributions from PRS by employees prior to maturity period or prior to attaining mandatory retirement age is subject to tax.

**Effective Date**

From year of assessment 2012



**19. COMPENSATION FOR LATE REFUND OF INCOME TAX BY INLAND REVENUE BOARD**

**Present Position**

**Taxpayers who are late in paying the outstanding tax are subject to penalties at the following rates:**

<b>Date When Penalties Are Imposed</b>	<b>Penalty Rates</b>
One day after the due date for income tax return to be filed.	10%
60 days after the penalty of 10% is charged.	5%

However, if Inland Revenue Board (IRB) is late in refunding tax overpaid, the taxpayer is not given compensation.

**Proposal**

To ensure taxpayers are accorded equitable treatment and to enhance efficiency in tax administration, it is proposed that taxpayers be given compensation of 2% on the amount of tax refunded late by IRB.

The compensation of 2% is to be paid on a daily basis commencing 1 day:

- i. After 90 days from the due date for e-Filing; and
- ii. After 120 days from the due date for manual tax filing.

Taxpayers eligible for the compensation are those who file income tax returns before expiry of the stipulated due date are as follows:

- i. Salaried individuals: not later than 30 April;
- ii. Individual with business income : not later than 30 June; and
- iii. Companies: not later than 7 months from the expiry of the accounting period.

**Effective Date**

From year of assessment 2013.

## **20. TIME BAR FOR AUDIT**

### **Present Position**

Under the Self-Assessment System, tax audit is a major activity of Inland Revenue Board (IRB) to enhance voluntary tax compliance. Time bar for tax audit is 6 years from the date tax assessment is made.

### **Proposal**

To increase certainty of cost of doing business, enhance investor's confidence and in tandem with best practices, it is proposed that the time bar for audit be reduced from 6 years to 5 years from the date tax assessment is made. The proposal is not applicable for cases of false declaration, wilful late payment and negligence. The proposal will not alter the requirement to keep records for 7 years in accordance with section 82 and 82A Income Tax Act 1967.

### **Effective Date**

From year of assessment 2013.

## **21. ENHANCING ADMINISTRATION SYSTEM AND TAX COMPLIANCE**

### **Present Position**

e-Filing system introduced in 2004 was aimed at enhancing tax administration and increase compliance by facilitating tax payers to submit tax return via computer. However, individual tax payers using the e-Filing system are still required to key-in information such as total income, scheduler tax deductions (PCB), contributions to Employee Provident Fund (EPF), insurance and zakat.

### **Proposal**

To further enhance the e-Filing system in line with current technological advances, it is proposed that:

- i. Individual taxpayers are allowed to furnish tax returns through e-Filing via mobile devices; and
- ii. Information on total income, PCB deductions, EPF contributions, insurance and zakat are pre-filled by Inland Revenue Board (IRB) for salaried taxpayers using the e-Filing system. Such information must be submitted by their employers to IRB.

### **Effective Date**

From year of assessment 2012.