

# FINANCE BILL 2019

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## ARRANGEMENT OF CLAUSES

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*Clause*

1. Short title
2. Amendment of Acts

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A BILL

*i n t i t u l e d*

An Act to amend the Income Tax Act 1967, the Real Property Gains Tax Act 1976, the Stamp Act 1949, the Petroleum (Income Tax) Act 1967, the Sales Tax Act 2018, the Finance Act 2010 and the Finance Act 2018.

[ ]

**ENACTED** by the Parliament of Malaysia as follows:

CHAPTER I  
PRELIMINARY

**Short title**

1. This Act may be cited as the Finance Act 2019.

**Amendment of Acts**

2. The Income Tax Act 1967 [*Act 53*], the Real Property Gains Tax Act 1976 [*Act 169*], the Stamp Act 1949 [*Act 378*], the Petroleum (Income Tax) Act 1967 [*Act 543*], the Sales Tax Act 2018 [*Act 806*], the Finance Act 2010 [*Act 702*] and the Finance Act 2018 [*Act 812*] are amended in the manner specified in Chapters II, III, IV, V, VI, VII and VIII respectively.

## CHAPTER II

## AMENDMENTS TO THE INCOME TAX ACT 1967

**Commencement of amendments to the Income Tax Act 1967**

3. (1) Paragraph 5(a) has effect from the year of assessment 2020 until the year of assessment 2025.

(2) Section 6 has effect for the year of assessment 2019 and subsequent years of assessment.

(3) Sections 4, 7, 8, 9, 14, 21 and 22, and paragraph 20(a) have effect for the year of assessment 2020 and subsequent years of assessment.

(4) Paragraphs 5(b), 16(a) and 20(b), and sections 10, 11, 13, 15, 17 and 18 come into operation on 1 January 2020.

(5) Section 12 and paragraph 16(b) come into operation on the coming into operation of this Act.

(6) Section 19 comes into operation on 1 January 2021.

**Amendment of section 2**

4. The Income Tax Act 1967, which is referred to as the “principal Act” in this Chapter, is amended in section 2 by substituting for subsection (9) the following subsection:

“(9) Any reference—

(a) in subsection 107C(4A), to a company which has a paid-up capital in respect of ordinary shares of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment; and

(b) in paragraph 2A of Schedule 1 and paragraph 19A of Schedule 3, to a company which has a paid-up capital in respect of ordinary shares of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment and gross income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment,

shall exclude a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.”.

### **Amendment of section 6**

**5.** Subsection 6(1) of the principal Act is amended—

- (a) in paragraph (i), by substituting for the words “for a period of four years from the year of assessment 2016” the words “for a period of six years from the year of assessment 2020”; and
- (b) in paragraph (l), by substituting for the words “death or permanently leaving Malaysia” the words “death, permanently leaving Malaysia, healthcare or housing, for which such withdrawal shall be in compliance with the criteria as set out in the relevant guidelines of the Securities Commission”.

### **Amendment of section 6A**

**6.** Section 6A of the principal Act is amended—

- (a) in subsection (1), by substituting for the words “subsections (2) and (3)” the words “subsections (2), (2A) and (3)”; and
- (b) by inserting after subsection (2) the following subsections:

“(2A) A rebate shall be granted for a year of assessment in respect of departure levy which is charged and levied under the Departure Levy Act 2019 [Act 813] on any person who leaves Malaysia by air for the purpose of performing *umrah* or other religious pilgrimage and shall be evidenced by the boarding pass and—

- (a) in the case of *umrah*, a copy of the visa issued by the embassy of the Kingdom of Saudi Arabia; or

(b) in the case of any other religious pilgrimage, a written verification by a religious body recognised by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Prime Minister’s Department.

(2B) For the purpose of subsection (2A), the rebate—

(a) shall be granted for not more than two times in respect of the departure levy paid for the purpose of performing *umrah* or other religious pilgrimage; and

(b) shall not be granted in respect of the departure levy paid for the purpose of performing hajj.”; and

(c) in subsection (4), by substituting for the words “subsections (2) and (3)” the words “subsections (2), (2A) and (3)”.

### **Amendment of section 34**

7. Subsection 34(6) of the principal Act is amended—

(a) in paragraph (h), by substituting for the words “infrastructure and information and communication technology” the words “infrastructure, information and communication technology or maintenance of a building designated as a heritage site by the Commissioner of Heritage under the National Heritage Act 2005 [Act 645]”; and

(b) in the proviso to paragraph (k), by substituting for the words “seven hundred thousand ringgit” the words “one million ringgit”.

### **Amendment of section 44**

8. Section 44 of the principal Act is amended—

(a) in paragraph (1)(d), by substituting for the words “or (11c)” the words “, (11c) or (11d)”;



- (b) in subsection (6), by substituting for the proviso to that subsection the following proviso:

“Provided that the amount to be deducted from the aggregate income for the relevant year in respect of any gift of money made to any institution, organization or fund approved for the purposes of this section by the Director General shall not exceed ten per cent of the aggregate income of that person in the relevant year.”;

- (c) by substituting for subsection (6B) the following subsection:

“(6B) Where any institution, organization, appropriate religious authority, body or public university is aggrieved by the decision of the Director General in respect of an application made under subsection (6) or (11D), the institution, organization, appropriate religious authority, body or public university may, within thirty days after being informed of the decision, appeal to the Minister and the Minister may make any decision as he considers fit.”;

- (d) in subsection (11B), by substituting for the proviso to that subsection the following proviso:

“Provided that the amount to be deducted pursuant to this subsection shall not exceed the difference between the amount of ten per cent of the aggregate income of that person in the relevant year and the total amount that has been deducted pursuant to the proviso to subsections (6), (11C) and (11D) for that relevant year.”;

- (e) in subsection (11C), by substituting for the proviso to that subsection the following proviso:

“Provided that the amount to be deducted pursuant to this subsection shall not exceed the difference between the amount of ten per cent of the aggregate income of that person in the relevant year and the total amount that has been deducted pursuant to the proviso to subsections (6), (11B) and (11D) for that relevant year.”; and

(f) by inserting after subsection (11c) the following subsections:

“(11D) There shall be deducted pursuant to this subsection from the aggregate income of a relevant person for the relevant year reduced by any deduction falling to be made for that year in accordance with subsection (1) an amount equal to any gift of money in the form of—

- (a) *wakaf* made by him in the basis period for that year 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 *wakaf*; or
- (b) endowment made by him in the basis period for that year to a public university:

Provided that—

- (a) the *wakaf* or endowment is made for the purpose of achieving the objective of establishment of the appropriate religious authority, body or public university;
- (b) the appropriate religious authority, body or public university is approved by the Director General for the purposes of this section on the application of the appropriate religious authority, body or public university concerned; and
- (c) the amount to be deducted pursuant to this subsection shall not exceed the difference between the amount of ten per cent of the aggregate income of that person in the relevant year and the total amount that has been deducted pursuant to the proviso to subsections (6), (11B) and (11c).

(11E) For the purpose of subsection (11D), “public university” means a higher educational institution having the status of a University established under the Universities and University Colleges Act 1971 [Act 30] and the Universiti Teknologi MARA established under the Universiti Teknologi MARA Act 1976 [Act 173].”.

**Amendment of section 46**

9. Subsection 46(1) of the principal Act is amended—

(a) by substituting for paragraph (g) the following paragraph:

“(g) medical expenses expended or deemed expended under subsection (3) in that basis year by that individual—

(i) on himself if he is undergoing treatment for a serious disease or on his wife or child who is undergoing treatment for a serious disease, or in the case of a wife, on herself if she is undergoing treatment for a serious disease or on her husband or child who is undergoing treatment for a serious disease; or

(ii) on himself if he is undergoing fertility treatment or on his wife who is undergoing fertility treatment, or in the case of a wife, on herself if she is undergoing fertility treatment or on her husband who is undergoing fertility treatment:

Provided that—

(a) the claim is evidenced by a receipt and certification issued by a medical practitioner registered with the Malaysian Medical Council that the serious disease treatment was provided to that individual, spouse or child, or that fertility treatment was provided to that individual or the spouse;

(b) the total amount of deduction under this paragraph is subject to a maximum amount of six thousand ringgit; and

(c) for the purpose of subparagraph (ii)—

(A) the individual is married; and

(B) “fertility treatment” means intrauterine insemination or in vitro fertilization treatment or any other fertility treatment;”;  
and

(b) in paragraph (r), by substituting for the words “one thousand ringgit” the words “two thousand ringgit”.

#### **Amendment of section 74**

**10.** Subsection 74(4) of the principal Act is amended by substituting for the words “subsection 103(3), (4), (5), (6), (7) or (8)” the words “subsection 103(3), (5) or (7)”.

#### **Amendment of section 77B**

**11.** Section 77B of the principal Act is amended by substituting for subsection (4) the following subsection:

“(4) The tax or additional tax payable under subsection (1) shall be increased by a sum equal to ten per cent of the amount of such tax or additional tax.”.

#### **Amendment of section 91**

**12.** Section 91 of the principal Act is amended by inserting after subsection (6) the following subsection:

“(7) Notwithstanding subsections (1) and (5), the Director General may at any time make an assessment or additional assessment, as the case may be, for a year of assessment in respect of a person, in the amount or additional amount of chargeable income and tax, in consequence of a mutual agreement procedure in the double taxation arrangement effected under section 132.”.

**Amendment of section 96**

**13.** Subparagraph 96(4)(c)(ii) of the principal Act is amended by substituting for the words “subsection 103(5), (6), (7) or (8)” the words “subsection 103(5) or (7)”.

**Amendment of section 100**

**14.** Section 100 of the principal Act is amended by substituting for subsection (1) the following subsection:

“(1) A person seeking to appeal against an assessment after the expiration of the period to make an appeal under subsection 99(1), may within seven years after the end of that period, make to the Director General a written application in the prescribed form for an extension of that period within which a notice of appeal against that assessment may be given under that subsection.”.

**Amendment of section 103**

**15.** Section 103 of the principal Act is amended—

(a) in subsection (1A)—

(i) by substituting for the colon a full stop; and

(ii) by deleting the proviso;

(b) by deleting subsection (4);

(c) by deleting subsection (6);

(d) by deleting subsection (8); and

(e) in subsection (9), by substituting for the words “ subsection (1A), (3), (4), (5), (6), (7) or (8)” the words “subsection (1A), (3), (5) or (7)”.

**Amendment of section 104**

**16.** Paragraph 104(1)(b) of the principal Act is amended—

(a) by substituting for the words “subsection 103(1A), (3), (4), (5), (6), (7) or (8)” the words “subsection 103(1A), (3), (5) or (7)”; and

(b) by substituting for the words “subsection 107C(9) or (10)” the words “subsection 107C(9), (10) or (10A)”.

**Amendment of section 106**

**17.** Subsection 106(3) of the principal Act is amended by substituting for the words “subsection 103(1A), (3), (4), (5), (6), (7) or (8)” the words “subsection 103(1A), (3), (5) or (7)”.

**Amendment of section 109G**

**18.** Subsection 109G(1) of the principal Act is amended by substituting for the words “death or permanently leaving Malaysia” the words “death, permanently leaving Malaysia, healthcare or housing, for which such withdrawal shall be in compliance with the criteria as set out in the relevant guidelines of the Securities Commission”.

**Amendment of section 153**

**19.** Section 153 of the principal Act is amended—

(a) in subsections (3), (4), (5) and (6), by substituting for the word “Minister” the words “Director General”; and

(b) by inserting after subsection (6) the following subsection:

“(6A) Any person aggrieved by the decision of the Director General in respect of—

(a) refusal to grant a renewal of an approval; or

(b) revocation of an approval,

may, within one month from the date on which such decision is notified to him, make an appeal in writing to the Minister, whose decision shall be final.”.

**Amendment of Schedule 1**

**20.** Schedule 1 to the principal Act is amended—

(a) in Part I—

(i) by substituting for paragraph 1 the following paragraph:

**“1.** Except where paragraphs 1A, 2, 2A, 2D, 3 and 4 provide otherwise, income tax shall be charged for a year of assessment upon the chargeable income of every person at the following rates:

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of income tax</i>
For every ringgit of the first	5,000	0 per cent
For every ringgit of the next	15,000	1 per cent
For every ringgit of the next	15,000	3 per cent
For every ringgit of the next	15,000	8 per cent
For every ringgit of the next	20,000	14 per cent
For every ringgit of the next	30,000	21 per cent
For every ringgit of the next	150,000	24 per cent
For every ringgit of the next	150,000	24.5 per cent
For every ringgit of the next	200,000	25 per cent
For every ringgit of the next	400,000	26 per cent
For every ringgit of the next	1,000,000	28 per cent
For every ringgit exceeding	2,000,000	30 per cent”;

(ii) in paragraph 1A, by substituting for the words “28 per cent” the words “30 per cent”;

- (iii) by substituting for paragraph 2A the following paragraph:

“**2A.** Subject to paragraphs 2B, 2C and 3, income tax shall be charged for a year of assessment on the chargeable income of a company resident and incorporated in Malaysia which has a paid-up capital in respect of ordinary shares of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment and gross income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment at the following rates:

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of income tax</i>
For every ringgit of the first	600,000	17 per cent
For every ringgit exceeding	600,000	24 per cent”;

- (iv) by substituting for paragraph 2D the following paragraph:

“**2D.** Subject to paragraphs 2E, 2F and 3, income tax shall be charged for a year of assessment on the chargeable income of a limited liability partnership resident in Malaysia which has a total contribution of capital (whether in cash or in kind) of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment and gross income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment at the following rates:

<i>Chargeable income</i>	<i>RM</i>	<i>Rate of income tax</i>
For every ringgit of the first	600,000	17 per cent
For every ringgit exceeding	600,000	24 per cent”;



- (b) in Part XVI, by substituting for the words “death or permanently leaving Malaysia” the words “death, permanently leaving Malaysia, healthcare or housing, for which such withdrawal shall be in compliance with the criteria as set out in the relevant guidelines of the Securities Commission”.

### **Amendment of Schedule 3**

**21.** Paragraph 19A of Schedule 3 to the principal Act is amended—

(a) in subparagraph (1)—

(i) by substituting for the words “one thousand three hundred” the words “two thousand”; and

(ii) in the proviso, by substituting for the words “thirteen thousand” the words “twenty thousand”; and

(b) in subparagraph (3), by inserting after the words “at the beginning of the basis period for a year of assessment” the words “and gross income from source or sources consisting of a business not exceeding fifty million ringgit for the basis period for that year of assessment”.

### **Amendment of Schedule 6**

**22.** Schedule 6 to the principal Act is amended in subparagraph 13(1)—

(a) by deleting the word “or” at the end of subparagraph (a);

(b) by substituting for the full stop at the end of subparagraph (b) the words “; or”; and

(c) by inserting after subparagraph (b) the following subparagraph:

“(c) an appropriate religious authority or a body or a public university approved for the purposes of subsection 44(11D) in respect of any *wakaf*

or endowment received including the income derived therefrom in the basis period for a year of assessment, so long as the approval remains in force.”.

### CHAPTER III

#### AMENDMENTS TO THE REAL PROPERTY GAINS TAX ACT 1976

#### **Commencement of amendments to the Real Property Gains Tax Act 1976**

**23.** (1) Sections 24 and 27 come into operation on the coming into operation of this Act.

(2) Sections 25 and 26 are deemed to have come into operation on 12 October 2019.

#### **Amendment of section 21B**

**24.** The Real Property Gains Tax Act 1976, which is referred to as the “principal Act” in this Chapter, is amended in subsection 21B(1A) by substituting for the words “not a citizen and not a permanent resident” the words “not a citizen, not a permanent resident or not a company incorporated in Malaysia”.

#### **Amendment of Schedule 2**

**25.** Schedule 2 to the principal Act is amended in paragraph 2A by substituting for the words “1 January 2000” the words “1 January 2013”.

#### **Amendment of Schedule 3**

**26.** Schedule 3 to the principal Act is amended in subparagraph 13(2) by substituting for the words “1 January 2000” wherever appearing the words “1 January 2013”.

### **Amendment of Schedule 5**

**27.** Schedule 5 to the principal Act is amended—

- (a) in Part II, by inserting after the word “company” the words “incorporated in Malaysia or a trustee of a trust”; and
- (b) in Part III, by inserting after the words “or an executor of the estate of a deceased person who is not a citizen and not a permanent resident” the words “, or a company not incorporated in Malaysia”.

## CHAPTER IV

### AMENDMENT TO THE STAMP ACT 1949

#### **Commencement of amendment to the Stamp Act 1949**

**28.** This Chapter comes into operation on 1 January 2020.

#### **Amendment of First Schedule**

**29.** The Stamp Act 1949 is amended in the First Schedule in subitem 27(a)(ii), in the column “Proper Stamp Duty” by substituting for the word “RM500” the word “RM2,000”.

## CHAPTER V

### AMENDMENTS TO THE PETROLEUM (INCOME TAX) ACT 1967

#### **Commencement of amendments to the Petroleum (Income Tax) Act 1967**

**30.** (1) Section 31 comes into operation on the coming into operation of this Act.

(2) Section 32 has effect for the year of assessment 2020 and subsequent years of assessment.

(3) Sections 33, 34 and 35 are deemed to have come into operation on 28 December 2018.

### **Amendment of section 39**

**31.** The Petroleum (Income Tax) Act 1967, which is referred to as the “principal Act” in this Chapter, is amended in section 39 by inserting after subsection (6) the following subsection:

“(7) Notwithstanding subsections (1) and (5), the Director General may at any time make an assessment or additional assessment, as the case may be, for a year of assessment in respect of a person, in the amount or additional amount of chargeable income and tax, in consequence of a mutual agreement procedure in the double taxation arrangement effected under section 65A.”.

### **Amendment of section 44**

**32.** Section 44 of the principal Act is amended by substituting for subsection (1) the following subsection:

“(1) A person seeking to appeal against an assessment after the expiration of the period to make an appeal under subsection 43(1), may within seven years after the end of that period, make to the Director General a written application in the prescribed form for an extension of that period within which a notice of appeal against that assessment may be given under that subsection.”.

### **Amendment of section 65A**

**33.** Section 65A of the principal Act is amended by inserting after subsection (1) the following subsection:

“(1A) For the purposes of this section, arrangements made with a view to affording relief from double taxation include any arrangements which modify the effect of arrangements so made.”.

**New section 65AA**

**34.** The principal Act is amended by inserting after section 65A the following section:

**“International obligations**

**65AA.** (1) Notwithstanding section 65A, if the Minister by statutory order declares that—

- (a) arrangements specified in the order have been made by the Government to give effect to Malaysia’s international obligations in relation to tax under this Act or other taxes of every kind under any written law; and
- (b) it is expedient that those arrangements should have effect,

then, so long as the order remains in force, notwithstanding anything in any written law, those arrangements shall have effect in relation to tax under this Act or other taxes of every kind under any written law.

(2) Where any arrangements have effect by virtue of this section, section 71 shall not prevent the disclosure to a duly authorized servant or agent of the government with which the arrangements have been made of such information as is required to be disclosed under the arrangements.

(3) Any order made under this section shall be laid before the Dewan Rakyat.”.

**Amendment of section 83**

**35.** Subsection 83(1) of the principal Act is amended by inserting after paragraph (bb) the following paragraph:

“(bc) implementing or facilitating the operation of an arrangement having effect under section 65AA;”.

## CHAPTER VI

## AMENDMENT TO THE SALES TAX ACT 2018

**Commencement of amendment to the Sales Tax Act 2018**

**36.** This Chapter comes into operation on a date to be appointed by the Minister by notification in the *Gazette*.

**New Part IXA**

**37.** The Sales Tax Act 2018 is amended by inserting after Part IX the following part:

## “PART IXA

## SPECIAL SCHEMES

**Approved Major Exporter Scheme**

**61A.** (1) Subject to the prescribed conditions, there shall be a scheme to be known as the “Approved Major Exporter Scheme” which allows any person who qualifies to be exempted from payment of the whole of sales tax which may be charged and levied on the taxable goods imported, transported from designated areas or special areas or purchased from a registered manufacturer provided that—

- (a) the taxable goods shall be exported, or transported to designated areas or special areas; or
- (b) the taxable goods are used as raw materials, packing and packaging materials or components to be manufactured, which subsequently shall be exported, or transported to designated areas or special areas as goods exempted from sales tax pursuant to an order made under this Act.

(2) Any person granted an approval under the Approved Major Exporter Scheme shall record the tax exempted on the importation, transportation or purchase of the taxable goods in the form and manner as may be determined by the Director General.

(3) Where any person who has been granted an approval under the Approved Major Exporter Scheme fails to comply with any prescribed conditions, any sales tax that has been exempted shall become due and payable by the person from the date of the non-compliance of the conditions and such sales tax shall be paid in the form and manner as may be determined by the Director General.”.

## CHAPTER VII

### AMENDMENTS TO THE FINANCE ACT 2010

#### **Commencement of amendment to the Finance Act 2010**

**38.** This Chapter comes into operation on the coming into operation of this Act.

#### **Amendments to the Finance Act 2010**

**39.** The Finance Act 2010 is amended—

(a) in the national language text, by substituting for section 6 the following section:

##### **“Pindaan seksyen 49**

**6.** Akta ibu dipinda dalam seksyen 49 dengan menggantikan subseksyen (1A) dengan subseksyen yang berikut:

“(1A) For the purposes of subsection (1)—

(a) where the aggregate amount of deduction allowed under that subsection in respect of payments, other than payment of premium for any deferred annuity contracted by an individual on or after 1 January 2010, or contributions or both, is six thousand ringgit or less, there shall be allowed a further deduction on any payment of premium for such deferred annuity:

Provided that the total of that aggregate amount of deduction and that further deduction shall not exceed seven thousand ringgit; and

(b) where subsection 50(2) or 50(3) applies, the total deduction under that subsection shall not exceed six thousand ringgit or where paragraph (a) applies, shall not exceed seven thousand ringgit.”;

(b) in the English language text, by substituting for section 10 the following section:

**“Amendment of section 107c**

**10.** Section 107c of the principal Act is amended—

(a) in subsection (4), by inserting after the words “in a year of assessment” the words “and the basis period for that year is not less than six months”;

(b) in subsection (8), by inserting after the words “(3),” the words “(4),”;

(c) by inserting after subsection (10) the following subsection:

“(10A) Where for a year of assessment—

(a) no estimate is furnished by a company, trust body or co-operative society and no direction is given by the Director General to make payment by instalment under subsection (8);

(b) no prosecution under section 120 has been instituted in relation to failure to furnish such estimate; and



- (c) tax is payable by that company, trust body or co-operative society pursuant to an assessment for that year of assessment,

such tax payable shall without any further notice being served be increased by a sum equal to ten per cent of the tax payable and that sum shall be recoverable as if it were tax due and payable under this Act:

Provided that if that company, trust body or co-operative society pays that sum or, where the sum is remitted under subsection (11), that company, trust body or co-operative society shall not be liable to be charged on the same facts with an offence under section 120.”; and

- (d) in subsection (11), by substituting for the words “or (10)” the words “, (10) or (10A)”.”; and

- (c) in the national language text, by substituting for section 35 the following section:

**“Pemakaian Bahagian ini**

**35.** Jika terdapat apa-apa ketidakselarasan antara mana-mana peruntukan Bahagian ini dengan mana-mana peruntukan Akta ibu, peruntukan Akta ibu adalah terbatal setakat ketidakselarasan itu.”.

CHAPTER VIII

AMENDMENT TO THE FINANCE ACT 2018

**Commencement of amendment to the Finance Act 2018**

**40.** This Chapter is deemed to have come into operation on 1 January 2019.

**Amendment of section 71**

**41.** The Finance Act 2018 is amended by substituting for section 71 the following section:

**“Commencement of amendments to the Labuan Business Activity Tax Act 1990**

**71.** (1) Sections 72, 73, 74 and 75 come into operation on 1 January 2019.

(2) Sections 76, 77, 78, 79, 80, 81 and 82 have effect for the year of assessment 2020 and subsequent years of assessment.”.

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EXPLANATORY STATEMENT

This Bill seeks to amend the Income Tax Act 1967 (“Act 53”), the Real Property Gains Tax Act 1976 (“Act 169”), the Stamp Act 1949 (“Act 378”), the Petroleum (Income Tax) Act 1967 (“Act 543”), the Sales Tax Act 2018 (“Act 806”), the Finance Act 2010 (“Act 702”) and the Finance Act 2018 (“Act 812”).

AMENDMENTS TO THE INCOME TAX ACT 1967

Chapter II of this Bill seeks to amend the Income Tax Act 1967.

2. *Clause 5* seeks to amend section 6 of Act 53.

*Paragraph 5(a)* seeks to amend paragraph 6(1)(i) of Act 53 to extend the period of application of the tax rate of ten per cent on any income distributed by a unit trust to a unit holder which is an institutional investor or an individual unit holder to a period of six years from the year of assessment 2020.

This amendment has effect from the year of assessment 2020 until the year of assessment 2025.

*Paragraph 5(b)* seeks to amend paragraph 6(1)(l) of Act 53 to provide that income tax is charged on the total amount of withdrawal from a private retirement scheme by an individual before the age of fifty-five other than withdrawal by reason of healthcare or housing, for which such withdrawal shall be in compliance with such criteria as set out in the relevant guidelines of the Securities Commission.

This amendment comes into operation on 1 January 2020.

3. *Paragraph 6(b)* seeks to introduce a new subsection 6A(2A) into Act 53 to provide for a tax rebate on the departure levy paid under the Departure Levy Act 2019 [Act 813] by an individual who leaves Malaysia by air to perform *umrah* or other religious pilgrimage.

This amendment has effect for the year of assessment 2019 and subsequent years of assessment.

4. *Clause 7* seeks to amend subsection 34(6) of Act 53.

*Paragraph 7(a)* seeks to amend paragraph 34(6)(h) of Act 53 to extend the scope of deduction in relation to community project to include a project for the maintenance of a building designated as a heritage site under the National Heritage Act 2005 [Act 645].

*Paragraph 7(b)* seeks to amend the proviso to paragraph 34(6)(k) of Act 53 to increase the amount of maximum deduction for sponsoring any arts, cultural or heritage activity from seven hundred thousand ringgit to one million ringgit.

These amendments have effect for the year of assessment 2020 and subsequent years of assessment.

5. *Clause 8* seeks to amend section 44 of Act 53.

*Paragraphs 8(b), (d) and (e)* seek to amend subsections 44(6), (11B) and (11C) of Act 53 respectively to provide that the maximum amount allowed as deduction to a person other than a company for any gift of money to any approved institution, organization or fund, for any sports activity or project of national interest is increased from seven per cent to ten per cent of the aggregate income.

*Paragraph 8(c)* seeks to amend subsection 44(6B) of Act 53 to allow any appropriate religious authority, body or public university aggrieved by the decision of the Director General in respect of an application made under subsection 44(11D) of Act 53 to appeal to the Minister.

*Paragraph 8(f)* seeks to introduce new subsections 44(11D) and (11E) into Act 53 to allow a deduction equal to any gift of money in the form of *wakaf* or endowment made to any appropriate religious authority, body or public university approved by the Director General. However, the amount of deduction allowed under the new subsection (11D) and the amount that has been deducted under the proviso to subsections 44(6), (11B) and (11C) of Act 53 must not exceed ten per cent of the aggregate income of the person.

These amendments have effect for the year of assessment 2020 and subsequent years of assessment.

6. *Clause 9* seeks to amend section 46 of Act 53.

*Paragraph 9(a)* seeks to substitute paragraph 46(1)(g) of Act 53 to extend personal deduction to medical expenses expended by an individual for himself or his spouse who is undergoing fertility treatment. The personal deduction granted is for an amount limited to a maximum amount of six thousand ringgit expended for both serious disease and fertility treatment. The claim must be evidenced by a receipt and certification issued by a medical practitioner that the fertility treatment was provided and the deduction is only granted to a married individual undergoing the fertility treatment.

*Paragraph 9(b)* seeks to amend paragraph 46(1)(r) of Act 53 to increase the amount of deduction granted to an individual for an amount expended or deemed expended in respect of the payment of child care fees to a child care centre registered with the Director General of Social Welfare under the Child Care Centre Act 1984 [Act 308] or a kindergarten registered under the Education Act 1996 [Act 550] for that individual's child aged six years and below from one thousand ringgit to two thousand ringgit.

These amendments have effect for the year of assessment 2020 and subsequent years of assessment.

7. *Clause 11* seeks to amend subsection 77B(4) of Act 53 to provide that the tax or additional tax payable pursuant to an amended return will only be increased by a sum equal to ten per cent of the amount of such tax or additional tax. The additional tax increase for an amended return furnished after sixty days will no longer be imposed.

This amendment comes into operation on 1 January 2020.

8. *Clause 12* seeks to amend section 91 of Act 53 to empower the Director General to raise assessment at any time in consequence of a mutual agreement procedure in the double taxation arrangement effected under section 132 of Act 53.

This amendment comes into operation on the coming into operation of this Act.

9. *Clause 14* seeks to amend subsection 100(1) of Act 53 to provide that an application for extension of time to appeal against an assessment may be made within a period of seven years after the expiration of the period to make an appeal under subsection 99(1) of Act 53.

This amendment has effect for the year of assessment 2020 and subsequent years of assessment.

10. *Clause 15* seeks to amend section 103 of Act 53 to provide that where any tax due and payable has not been paid by its due date, the amount unpaid will be increased by a single rate of ten per cent. The additional tax increase of five per cent will no longer be imposed.

This amendment comes into operation on 1 January 2020.

11. *Paragraph 16(b)* seeks to amend paragraph 104(1)(b) of Act 53 to provide that a person may be prevented to leave Malaysia if he has not paid the increase of tax under subsection 107C(10A) of Act 53.

This amendment comes into operation on the coming into operation of this Act.

12. *Clause 18* seeks to amend subsection 109G(1) of Act 53 to widen the scope of withdrawal from a private retirement scheme by an individual before the age of fifty-five which is not subject to the withholding tax rate of eight per cent to a withdrawal for the reason of healthcare or housing, for which such withdrawal shall be in compliance with the criteria as set out in the relevant guidelines of the Securities Commission.

This amendment comes into operation on 1 January 2020.

13. *Clause 19* seeks to amend section 153 of Act 53 to empower the Director General to approve or renew an approval for a person to act as a tax agent. If the person is aggrieved by the decision of the Director General in refusing to renew an approval or revoking an approval, he may appeal to the Minister against that decision.

This amendment comes into operation on 1 January 2021.

14. *Clause 20* seeks to amend Schedule 1 to Act 53.

*Subparagraph 20(a)(i)* seeks to amend paragraph 1 of Part I of Schedule 1 to Act 53 to provide for a new rate of tax which is to be charged for a year of assessment on the chargeable income of a person other than those mentioned in paragraphs 1A, 2, 2A, 2D, 3 and 4 at the rate of thirty per cent for every ringgit exceeding two million ringgit of the chargeable income.

*Subparagraph 20(a)(ii)* seeks to amend paragraph 1A of Part 1 of Schedule 1 to Act 53 to provide for a new tax rate of thirty per cent which is to be charged for a year of assessment on the chargeable income of a person (other than a company) not resident.

*Subparagraph 20(a)(iii)* seeks to amend paragraph 2A of Part 1 of Schedule 1 to Act 53 to provide for an additional criteria to be subjected to the tax rate under paragraph 2A of Part 1 of Schedule 1 to Act 53. The additional criteria is that the company must also have a gross income not exceeding fifty million ringgit in a basis period for a year of assessment from all business sources. This *subparagraph* also seeks to amend paragraph 2A of Part 1 of Schedule 1 to Act 53 to increase the amount of chargeable income of a company under that provision from five hundred thousand ringgit to six hundred thousand ringgit.

*Subparagraph 20(a)(iv)* seeks to amend paragraph 2D of Part 1 of Schedule 1 to Act 53 to provide for an additional criteria for a limited liability partnership to be subjected to the tax rate under paragraph 2D of Part I of Schedule I to Act 53. The additional criteria is that the limited liability partnership must also have a gross income not exceeding fifty million ringgit in a basis period for a year of assessment from all business sources. This *subparagraph* also seeks to amend paragraph 2D of Part 1 of Schedule 1 to Act 53 to increase the amount of chargeable income of a limited liability partnership under that provision from five hundred thousand ringgit to six hundred thousand ringgit.

These amendments have effect for the year of assessment 2020 and subsequent years of assessment.

*Paragraph 20(b)* seeks to amend Part XVI of Schedule 1 to Act 53 to provide that the total amount of withdrawal from a private retirement scheme by an individual before the age of fifty-five other than by reason of healthcare or housing, shall be subjected to the tax rate under this part.

This amendment comes into operation on 1 January 2020.

15. *Clause 21* seeks to amend Schedule 3 to Act 53.

*Subparagraph 21(a)(i)* seeks to amend subparagraph 19A(1) of Schedule 3 to Act 53 to increase the value of the small value asset which qualifies for a special allowance under paragraph 19A from one thousand three hundred ringgit to two thousand ringgit.

*Subparagraph 21(a)(ii)* seeks to amend the proviso to subparagraph 19A(1) of Schedule 3 to Act 53 to provide that if the total qualifying plant expenditure in respect of small value asset exceeds the amount of twenty thousand ringgit, the total allowance shall be twenty thousand ringgit.

*Paragraph 21(b)* seeks to amend subparagraph 19A(3) of Schedule 3 to Act 53 to provide that the proviso to subparagraph 19A(1) does not apply to a company resident and incorporated in Malaysia which has a paid-up capital in respect of ordinary shares of two million and five hundred thousand ringgit and less at the beginning of the basis period and gross income not exceeding fifty million ringgit from all business sources in that basis period for a year of assessment.

These amendments have effect for the year of assessment 2020 and subsequent years of assessment.

16. *Clause 22* seeks to amend subparagraph 13(1) of Schedule 6 to Act 53 to introduce a new subparagraph 13(1)(c) into Schedule 6 to Act 53 to provide that the income of an appropriate religious authority or body or public university approved for the purposes of subsection 44(11D) in respect of any *wakaf* or endowment received including the income derived therefrom in the basis period for a year of assessment is exempted from tax.

This amendment has effect for the year of assessment 2020 and subsequent years of assessment.

## AMENDMENTS TO THE REAL PROPERTY GAINS TAX ACT 1976

Chapter III of this Bill seeks to amend the Real Property Gains Tax Act 1976.

17. *Clause 24* seeks to amend subsection 21B(1A) of Act 169 to extend the requirement of retention sum relating to the disposal of a chargeable asset amounting to seven per cent to a company not incorporated in Malaysia.

This amendment comes into operation on the coming into operation of this Act.

18. *Clauses 25 and 26* seek to amend Schedules 2 and 3 to Act 169 respectively to provide that upon the disposal of a chargeable asset which was acquired prior to 1 January 2013, the market value on 1 January 2013 will be taken as the acquisition price for that chargeable asset.

These amendments are deemed to have come into operation on 12 October 2019.

19. *Clause 27* seeks to amend Schedule 5 to Act 169.

*Paragraph 27(a)* seeks to amend Part II of Schedule 5 to Act 169 to provide for the application of tax rate under that Part to a company incorporated in Malaysia or a trustee of a trust.

*Paragraph 27(b)* seeks to amend Part III of Schedule 5 to Act 169 to provide for the application of tax rate under that Part to a company not incorporated in Malaysia.

These amendments come into operation on the coming into operation of this Act.

## AMENDMENT TO THE STAMP ACT 1949

Chapter IV of this Bill seeks to amend the Stamp Act 1949.

20. *Clause 29* seeks to amend subitem 27(a)(ii) of the First Schedule to Act 378 to increase the maximum amount of stamp duty payable on a foreign currency loan from five hundred ringgit to two thousand ringgit.

This amendment comes into operation on 1 January 2020.

## AMENDMENTS TO THE PETROLEUM (INCOME TAX) ACT 1967

Chapter V of this Bill seeks to amend the Petroleum (Income Tax) Act 1967.

21. *Clause 31* seeks to amend section 39 of Act 543 to empower the Director General to raise assessment at any time in consequence of a mutual agreement procedure in the double taxation arrangement effected under section 65A of Act 543.

This amendment comes into operation on the coming into operation of this Act.

22. *Clause 32* seeks to amend subsection 44(1) of Act 543 to provide that an application for extension of time to appeal against an assessment may be made within a period of seven years after the expiration of the period to make an appeal under subsection 43(1) of Act 543.

This amendment has effect for the year of assessment 2020 and subsequent years of assessment.

23. *Clause 33* seeks to amend section 65A of Act 543 to include the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting or any other arrangements which modify any present arrangement between the Government of Malaysia and the government of any territory outside Malaysia.

This amendment is deemed to have come into operation on 28 December 2018.

24. *Clause 34* seeks to introduce a new section 65AA into Act 543 to provide for a new avenue for any bilateral or multilateral arrangement made by the Government of Malaysia with a view to give effect to Malaysia's international obligations in relation to taxation under the Act or any other written law.

This amendment is deemed to have come into operation on 28 December 2018.

25. *Clause 35* seeks to amend section 83 of Act 543 to empower the Minister to make rules for the purpose of implementing and facilitating the operation of an arrangement under the new section 65AA.

This amendment is deemed to have come into operation on 28 December 2018.

#### AMENDMENT TO THE SALES TAX ACT 2018

Chapter VI of this Bill seeks to amend the Sales Tax Act 2018.

26. *Clause 37* seeks to introduce a new Part IXA into Act 806 to provide for the Approved Major Exporter Scheme. This Scheme allows the exemption from the whole payment of sales tax to any person who qualifies to be exempted that is a trader and manufacturer, on the taxable goods imported, transported from designated areas or special areas, or purchased from a registered manufacturer provided that the taxable goods are imported, transported, purchased or used in the manufacture of goods exempted from sales tax for the purpose of exportation.

This amendment comes into operation on a date to be appointed by the Minister by notification in the *Gazette*.



AMENDMENTS TO THE FINANCE ACT 2010

Chapter VII of this Bill seeks to amend the Finance Act 2010.

27. *Paragraphs 39(a) and (c)* seek to substitute sections 6 and 35 of the national language text of Act 702 respectively to make the provisions consistent with the English language text while paragraph 39(b) seeks to substitute section 10 of the English language text of Act 702 to make it consistent with the national language text.

These amendments come into operation on the coming into operation of this Act.

AMENDMENT TO THE FINANCE ACT 2018

Chapter VIII of this Bill seeks to amend the Finance Act 2018.

28. *Clause 41* seeks to amend section 71 of Act 812 to clarify that the commencement date for the deletion of section 7 of the Labuan Business Activity Tax Act 1990 [Act 445] in relation to the election to be taxed at twenty thousand ringgit is for the year of assessment 2020 and subsequent years of assessment.

This amendment is deemed to have come into operation on 1 January 2019.

GENERAL

29. Other amendments not specifically dealt with in this Statement are minor or consequential in nature.

*FINANCIAL IMPLICATIONS*

This Bill will not involve the Government in any extra financial expenditure.

[PN(U2)3194]