APPENDIX 1

INCREASING THE THRESHOLD OF CHARGEABLE INCOME FOR CORPORATE TAX OF SMALL AND MEDIUM SCALE COMPANIES

Present Position

Currently, companies with paid-up capital not exceeding RM2.5 million are subject to corporate tax rate of 20% for chargeable income up to RM100,000. The remaining chargeable income is subject to corporate tax of 28%. Dividends distributed are given tax credit of 28% in the hands of the shareholders.

Proposal

To further promote domestic investment by small and medium scale companies, it is proposed that the threshold for chargeable income with corporate tax rate of 20% be increased from RM100,000 to RM500,000. The corporate tax rate on the remaining chargeable income is maintained at 28%. Dividends distributed will be given a tax credit of 28% in the hands of the shareholders.

The proposal is effective from year of assessment 2004.

APPENDIX 2

ENHANCING TAX INCENTIVES FOR PROMOTED AREAS

Present Position

Currently, manufacturing, agriculture and tourism companies in the promoted areas i.e. eastern corridor of Peninsular Malaysia (covering Kelantan, Terengganu, Pahang and the Mersing district in Johore), Sarawak, Sabah and the Federal Territory of Labuan (for hotel and tourism industry only) are given the following tax incentives:

i. Pioneer Status with tax exemption of 85% of statutory income for 5 years; or

ii. Investment Tax Allowance of 80% of the qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 85% of statutory income in each year of assessment.

Proposal

To increase investment in the promoted areas, it is proposed that tax incentives be enhanced as follows:

i. Pioneer Status with tax exemption of 100% of statutory income for a period of 5 years; or

ii. Investment Tax Allowance of 100% of the qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 100% of statutory income in each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 13 September 2003. However, companies which have been granted approval for this incentive but have not commenced commercial production or applications under consideration are also eligible for the incentive.

APPENDIX 3

ADDITIONAL INCENTIVES FOR THE HEAVY MACHINERY INDUSTRY

Present Position

Currently, a company manufacturing heavy machinery such as cranes, quarry machinery, batching plant and port material handling equipment is given the following incentives:

i. Pioneer Status with tax exemption of 70% (85% for promoted areas) of statutory income for a period of 5 years; or

ii. Investment Tax Allowance of 60% (80% for promoted areas) on qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 70% (85% for promoted areas) of statutory income in each year of assessment.

Proposal

To further encourage existing locally owned companies to reinvest in the production of heavy machinery, it is proposed that the following incentives be given:

i. Pioneer Status with tax exemption of 70% (100% for promoted areas) on **increased** statutory income arising from reinvestment for a period of 5 years; or

ii. Investment Tax Allowance of 60% (100% for promoted areas) on **additional** qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 70% (100% for promoted areas) of statutory income in each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 13 September 2003.

APPENDIX 4

ADDITIONAL INCENTIVES FOR THE MACHINERY AND EQUIPMENT INDUSTRY

Present Position

Currently, a company manufacturing machinery and equipment is given the following incentives:

A. Specialised machinery and equipment:

i. Pioneer Status with tax exemption of 100% of statutory income for a period of 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 100% of statutory income in each year of assessment.

B. Machinery and equipment, other than specialised machinery and equipment:

i. Pioneer Status with tax exemption of 70% (85% for promoted areas) of statutory income for a period of 5 years; or

ii. Investment Tax Allowance of 60% (80% for promoted areas) on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 70% (85% for promoted areas) of statutory income in each year of assessment.

Proposal

To encourage existing locally owned companies to reinvest in the production of machinery and equipment, including specialised machinery and equipment and machine tools, it is proposed that companies be given the following incentives:

i. Pioneer Status with tax exemption of 70% (100% for promoted areas) on **increased** statutory income arising from reinvestment for a period of 5 years; or

ii. Investment Tax Allowance of 60% (100% for promoted areas) on **additional** qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 70% (100% for promoted areas) of statutory income in each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 13 September 2003.

APPENDIX 5

ENHANCING INCENTIVES FOR UTILISATION OF OIL PALM BIOMASS

Present Position

Currently, companies utilising oil palm biomass to produce value added products are given the following incentives:

i. Pioneer Status with tax exemption of 70% (85% for promoted areas) of statutory income for a period of 5 years; or

ii. Investment Tax Allowance of 60% (80% for promoted areas) on qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 70% (85% for promoted areas) of statutory income in each year of assessment.

Proposal

To further encourage the utilisation of oil palm biomass to produce value added products such as particleboard, medium density fibreboard, plywood, pulp and paper, it is proposed that companies be given the following incentives:

A. New companies

i. Pioneer Status with tax exemption of 100% of statutory income for a period of 10 years; or

ii. Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 100% of statutory income in each year of assessment.

B. Existing companies that reinvest

i. Pioneer Status with tax exemption of 100% on **increased** statutory income arising from reinvestment for a period of 10 years; or

ii. Investment Tax Allowance of 100% on **additional** qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 100% of statutory income in each year of assessment.

Proposal (A) is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 13 September 2003. However, companies which have been granted approval for this incentive but have not commenced commercial production or applications under consideration are also eligible for the incentive.

Proposal (B) is effective for applications received by MIDA from 13 September 2003.

APPENDIX 6

TAX EXEMPTION ON INCOME REMITTED BY A PERSON OTHER THAN A COMPANY

Present Position

Currently, income remitted from abroad by a non-resident individual is not subject to tax, while income remitted by a resident company and a unit trust is exempted from tax. However, income remitted to Malaysia by a resident individual, a trust body, a cooperative and a Hindu joint family is subject to tax.

Proposal

To enhance domestic investment, it is proposed that tax exemption on income remitted to Malaysia be extended to include income remitted by any other person such as a resident individual, a trust body, a cooperative and a Hindu joint family.

The proposal is effective from year of assessment 2004.

APPENDIX 7

REVIEW OF INCENTIVES FOR VENTURE CAPITAL INDUSTRY

Present Position

Currently, tax incentives for the venture capital industry are as follows:

i. income tax exemption for 10 years to a venture capital company (VCC) which invests at least 70% of its funds in venture companies (VCs) in the form of seed capital, start-up or early stage financing; or

ii. income tax deduction for companies including VCC or individuals equivalent to the value of investment made in the VCs provided that the investment in the VCs is disposed only through the exit mechanism of an initial public offering (IPO) in a stock exchange.

A venture capital management company (VCMC) is a company that professionally manages venture capital funds. Its income is derived from:

i. management fees; and

ii. income arising from a profit-sharing agreement between a VCMC and a VCC.

Proposal

To attract more private investment in the venture capital industry, it is proposed that tax incentives for the industry be enhanced as follows:

i. the method to determine the 70% investment requirement in VCs to qualify for tax exemption, be relaxed by taking into account only the value of fund invested and not the total gross fund which includes cash, fixed deposits and interest earned;

ii. the condition that investment in VCs is disposed through the exit mechanism of an IPO to qualify for tax exemption be extended to include any exit mechanisms approved by the Securities Commission; and

iii. VCMC be given tax exemption on income arising from profit-sharing agreement between a VCMC and a VCC.

The proposal is effective from year of assessment 2003.

APPENDIX 8

ENHANCING INCENTIVES FOR OPERATIONAL HEADQUARTERS

Present Position

Currently, an approved operational headquarters (OHQ) is granted full tax exemption for 10 years on statutory income arising from qualifying services provided to its related companies overseas. However, income arising from such services provided to its related companies in Malaysia is subject to income tax.

On the other hand, contrast, the 10-year income tax exemption given to Regional Distribution Centre (RDC) and International Procurement Centre (IPC) is also inclusive of income arising from local sales which should not exceed 20% of their total income.

Proposal

Since an OHQ is deemed to be in a similar category as RDC and IPC in respect of the provision of services, it is proposed that income from qualifying services provided by an OHQ to its related companies in Malaysia be given tax exemption provided that such income does not exceed 20% of the OHQ income from qualifying services.

The proposal is effective from the year of assessment 2003.

APPENDIX 9

INCENTIVE FOR LECTURERS PROVIDING SERVICES IN THE ACCREDITATION OF FRANCHISED EDUCATION PROGRAMMES

Present Position

Currently, fees or honorarium received by lecturers/experts for services provided for validation, moderation or accreditation of approved franchised education programmes is subject to income tax.

Proposal

To encourage lecturers/experts to provide services in the validation, moderation or accreditation process to ensure franchised education programmes are of the same quality as those of their franchisor institutions, it is proposed that fees or honorarium received by such lecturers/experts from the National Accreditation Board (LAN) be given income tax exemption.

The proposal is effective from year of assessment 2004.

APPENDIX 10

INCENTIVE FOR RESEARCHERS TO COMMERCIALISE RESEARCH FINDINGS

Present Position

Currently, income such as honorarium or royalty earned by researchers from commercialisation of their research findings is subject to tax.

Proposal

To encourage researchers to undertake research which focus on value creation, it is proposed that researchers be given 50% tax exemption on income such as honorarium or royalty received from the commercialisation of their research findings for 5 years from the date of such payment. Such undertaking has to be verified by the Ministry of Science, Technology and Environment.

The proposal is effective from year of assessment 2004.

APPENDIX 11

ADDITIONAL INCENTIVES FOR HOTELS AND TOURISM PROJECTS

Present Position

Currently, expansion, modernisation and renovation undertaken by hotel and tourism project operators are given the following incentives:

i. Pioneer Status with tax exemption of 70% (85% for promoted areas) of statutory income for a period of 5 years; or

ii. Investment Tax Allowance of 60% (80% for promoted areas) on qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 70% (85% for promoted areas) of statutory income in each year of assessment.

These incentives are given only once.

Proposal

To encourage hotel and tourism project operators to upgrade their facilities to remain competitive, it is proposed that investment in expansion, modernisation and renovation be given another round of the Pioneer Status or Investment Tax Allowance. However, for hotels and tourism projects in promoted areas, the incentives are enhanced as follows:

i. income tax exemption under the Pioneer Status be increased from 85% to 100%; or

ii. Investment Tax Allowance be increased from 80% to 100%. The allowance to be set-off is increased from 85% to 100% of statutory income in each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 13 September 2003.

APPENDIX 12

REVIEW OF ROAD TAX ON MOTORCYCLES

Present Position

Currently, road tax on motorcycles is based on engine capacity as follows:

Engine Capacity	RM/Year	
	Peninsular Malaysia	Sarawak
Below 75 c.c.	50.00	12.00
75 – 100 c.c.	55.00	12.00
101 – 150 c.c.	65.00	24.00
151 – 200 c.c.	100.00	24.00
201 – 250 c.c.	150.00	36.00
251 – 500 c.c.	200.00	36.00 – 60.00
501 – 800 c.c.	300.00	60.00 – 90.00
801c.c. and above	400.00	> 96.00

However, in Sabah the road tax is only RM50.00 per year.

Proposal

To reduce the financial burden of low-income groups, youths and students in institutions of higher learning, it is proposed that motorcycles of engine capacity not exceeding 150 c.c. be exempted from road tax.

The proposal is effective from 1 January 2004.

APPENDIX 13

REVIEW OF ROAD TAX ON BUS FOR WORKERS

Present Position

Currently, road tax on bus for workers is as follows:

A. Peninsular Malaysia

Petrol	**Per Month**	
a) not exceeding 2,000 c.c.	RM 1.50	Plus RM2.00 per passenger authorised to be carried in the vehicle.
b) exceeding 2,000 c.c.	RM 2.25	
Diesel		
a) not exceeding 1,500 c.c.	RM12.00	
b) exceeding 1,500 c.c. but not exceeding 2,500 c.c.	RM15.00	
c) exceeding 2,500 c.c. but not exceeding 3,500 c.c.	RM18.00	
d) exceeding 3,500 c.c.	RM33.00	

B. Sabah and Sarawak

RM25.00 per annum for each passenger seat.

Proposal

To reduce the cost of doing business, it is proposed that the road tax on bus for workers be reduced by 50%. As an example, with this reduction, road tax for a 45-seater bus with engine capacity 5,000 c.c. (diesel and petrol) is as follows:

Location	**Engine Capacity 5,000 c.c. (Diesel)**		**Engine Capacity 5,000 c.c. (Petrol)**	
	Current (RM)	**Proposed (RM)**	**Current (RM)**	**Proposed (RM)**
Peninsular Malaysia	1,476/yr	738/yr	1,107/yr	553/yr
Sabah & Sarawak	1,125/yr	562/yr	1,125/yr	562/yr

The proposal is effective from 1 January 2004.

APPENDIX 14

ADDITIONAL INCENTIVES FOR COMPANIES PROVIDING COLD CHAIN FACILITIES AND SERVICES FOR PERISHABLE AGRICULTURAL PRODUCE

Present Position

Currently, locally owned companies providing cold chain facilities and services for perishable agricultural produce are given the following incentives:

i. Pioneer Status with tax exemption of 70% (85% for promoted areas) of statutory income for a period of 5 years; or

ii. Investment Tax Allowance of 60% (80% for promoted areas) on qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to set-off against 70% (85% for promoted areas) of statutory income in each year of assessment.

The perishable agricultural produce that qualify for these incentives are fruits, vegetables, flowers, ferns, meat and aquatic products.

Proposal

To encourage reinvestment in cold chain facilities and services for perishable agricultural produce, it is proposed that existing locally owned companies be given the following incentives:

i. Pioneer Status with tax exemption of 70% (100% for promoted areas) on **increased** statutory income arising from reinvestment for a period of 5 years; or

ii. Investment Tax Allowance of 60% (100% for promoted areas) on **additional** qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 70% (100% for promoted areas) of statutory income in each year of assessment.

The proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 13 September 2003.

APPENDIX 15

INCENTIVE FOR INVESTMENT IN *MERDEKA* BONDS

Present Position

Currently, interest income derived from investment in bonds is subject to income tax, except:

i. securities or bonds issued or guaranteed by the Government; or

ii. debentures other than convertible loan stocks approved by the Securities Commission; or

iii. *Bon Simpanan Malaysia* issued by the Central Bank of Malaysia.

Proposal

The prevailing low interest rate has reduced the disposable income of senior citizens who depend on interest income from savings. The issuance of *Merdeka* Bonds will offer higher returns to sustain increasing cost of living.

To encourage investment in *Merdeka* Bonds, it is proposed that interest income derived from *Merdeka* Bonds be exempted from income tax.

The proposal is effective from the year of assessment 2004.

APPENDIX 16

TAX TREATMENT FOR ASSET-BACKED SECURITIES

Present Position

Currently, there is no comprehensive tax treatment for securitisation transactions that involve issuance of asset-backed securities. However, such securitisation transactions are given exemption from stamp duty and real property gains tax.

Asset-backed securities are issued arising from a securitisation transaction that enables the conversion of an illiquid asset into a tradable instrument. The asset has to be transferred from an originator to a special purpose vehicle (SPV) which is established to issue asset-backed securities. The 3 main categories of assets which could be used to issue asset-backed securities are as follows:

i. sales of receivables that do not include the transfer of physical asset such as industrial building, plant and machinery and stock-in-trade;

ii. sales of receivables that include the transfer of physical asset (underlying asset) such as industrial building, plant and machinery and stock-in-trade; and

iii. sales of receivables which have been recognised as company's asset such as debts, loans, hire purchase and credit cards receivables.

There is income tax implication on securitisation transactions. Service tax is also imposed on the originator who provides asset management services to the SPV after the transfer of the asset.

Proposals

The issuance of asset-backed securities would stimulate the capital market and diversify sources of financing for economic development. In order to promote the development of the capital market, it is proposed:

a. Tax treatment based on the principle of tax neutrality between asset-backed securities and other securities approved by the Securities Commission be provided as follows:

   i. the originator is taxed on the proceeds from the sales of receivables that do not include the transfer of physical asset over the tenure of the securitisation transaction. The SPV is given deduction on expenses incurred to purchase the receivables over the tenure of the securitisation transaction;

   ii. the originator is not taxed on the proceeds from the sales of receivables that include the transfer of fixed asset. The SPV is not allowed deduction on payments made to purchase these receivables;

   iii. the originator is taxed on the proceeds from the sales of receivables accompanied by the transfer of trading stocks over the tenure of the securitisation transaction. If the originator has a call option on trading stocks, income tax will be imposed when the call option expires;

   iv. balancing charge or balancing allowance on the asset which has been transferred by the originator is taxed or given an allowance over the tenure of the securitisation transaction;

   v. capital allowance on the asset that has been transferred and lease-back is given to the originator of the asset based on the residual value for purposes of income tax (residual expenditure); and

vi. payment for the asset management services rendered by the originator to the SPV be exempted from service tax from 1 January 2004.

b. Deduction for purpose of income tax is given on expenses incurred to issue asset-backed securities for a period of 5 years.

This proposal is effective from the year of assessment 2003.

APPENDIX 17

TAX TREATMENT ON ISSUANCE OF ISLAMIC SECURITIES

Present Position

Currently, tax treatment on the issuance of Islamic securities is not comprehensive and it is considered on a case-by-case basis. The issuance of Islamic securities involves the pooling of designated assets that are Syariah compliant whereby the cash flows generated from these assets will be used to back the issuance of such securities for financing in the capital market.

The process of issuance of Islamic securities involves the execution of Islamic contracts such as leasing (*Ijarah*), sale and purchase (*Bai'*), profit sharing (*Mudharabah*) or partnership (*Musyarakah*). For instance, the issuance of Islamic securities based on leasing commence with the sale of assets by the party that needs financing to a special purpose vehicle (SPV). The SPV in turn leases the asset back to the said party for a specific period. The SPV will then use the asset or its income stream as the underlying asset to back the issuance of Islamic securities. Upon maturity of the Islamic securities, the leased asset will be purchased by the said party.

Each of the transactions under the Islamic contracts has tax implications and therefore, Islamic securities are unable to compete with conventional securities.

Proposal

As a measure to diversify sources of financing in the capital market, it is proposed that transactions relating to financing through the issuance of Islamic securities be given tax treatment as follows:

**A. Income Tax Act 1967, and
Promotion of Investments Act 1986**

i. the sale of asset by the party that needs financing to the SPV and the resale of the asset to the said party will not be deemed as sales for the purpose of income tax;

ii. in cases involving the lease-back of the same asset by the SPV to the said party, the lease will not be deemed as sales under the Income Tax Leasing Regulations 1986;

iii. the issuance of Islamic securities by the SPV will follow the same treatment as for the asset-backed securities;

iv. financing transactions carried out by the SPV is given the same tax treatment as financing transactions carried out by any person under the Income Tax Act 1967; and

v. the party that needs the financing continues to enjoy the tax incentives and allowances under the Income Tax Act 1967 or the Promotion of Investments Act 1986, provided that the said party is still in the business of the approved activity.

B. Real Property Gains Tax Act 1976

Gains from the disposal of Islamic securities, which are chargeable assets, by investors be exempted from real property gains tax.

C. Stamp Act 1949

Stamp duty is exempted on instrument of transfer of asset by the party that needs financing to the SPV for the purpose of lease back relating to financing through the issuance of Islamic securities.

D. Other Acts

The party that needs financing continues to enjoy tax exemptions under the Customs Act 1967, the Sales Tax Act 1972 and the Excise Act 1976, provided that the said party is still in the business of the approved activity.

To further promote the issuance of Islamic securities, it is proposed that deduction is given for 5 years on expenses incurred in the issuance of *Istisna*' securities where the real property asset under construction could be used to back the securities.

The proposal is effective from year of assessment 2003.

APPENDIX 18

TAX REBATE ON *ZAKAT* FOR LABUAN OFFSHORE COMPANIES

Present Position

Offshore companies in Labuan are subject to income tax of 3% of net profit or RM20,000 under the Labuan Offshore Business Activity Tax Act 1990 (LOBATA). In addition, these companies may also pay *zakat*. However, offshore companies in countries such as Bahrain and Brunei do not pay income tax but only pay *zakat* on their business income.

Proposal

To attract more offshore companies, especially those from Islamic countries to carry out offshore activities in Labuan, it is proposed that offshore companies in Labuan be given an income tax rebate equivalent to the amount of *zakat* paid to the Labuan religious authority, subject to a maximum of 3% of net profit or RM20,000.

The proposal is effective from year of assessment 2004.

APPENDIX 19

TAX DEDUCTION ON ENTERTAINMENT EXPENSES

Present Position

Currently, entertainment expenses incurred in relation to business are not allowed as a deduction for the purpose of computing income tax except for a few promotional expenses.

Proposal

To reduce cost of doing business, it is proposed that:

i. entertainment expenses incurred on sales promotions be given full deduction; and

ii. other entertainment expenses in relation to business be given 50% deduction.

The proposal is effective from year of assessment 2004.

APPENDIX 20

TAX EXEMPTION SCHEME ON SPARES AND CONSUMABLES

Present Position

Currently, companies in the manufacturing and approved services sectors are given import duty and sales tax exemption on spares and consumables that are not produced locally, based on application. This exemption scheme is valid until 31 December 2003.

Proposal

To assist companies to reduce the cost of doing business, it is proposed that the exemption scheme for spares and consumables be extended indefinitely.

APPENDIX 21

REVIEW OF TAX DEDUCTION ON INCORPORATION EXPENSES

Present Position

Currently, a company with an authorised share capital not exceeding RM250,000 is given deduction on incorporation expenses such as registration fees and expenses incurred in the preparation of the memorandum of incorporation.

Proposal

To reduce the cost of doing business, it is proposed that tax deduction on incorporation expenses be extended to companies with authorised share capital not exceeding RM2.5 million.

The proposal is effective from year of assessment 2004.

APPENDIX 22

REVIEW OF ROAD TAX ON VEHICLES FOR THE PHYSICALLY DISABLED

Present Position

Currently, three-wheeled motorcycle for the disabled is subject to a token road tax of RM1, while cars and vans are subject to the normal road tax.

Proposal

In line with the social agenda to develop a caring society and to ease the financial burden of the physically disabled, it is proposed that road tax be exempted on cars, vans and motorcycles owned by the disabled subject to the following conditions:

i. cars, vans and motorcycles are manufactured locally;

ii. the applicant is registered with the Social Welfare Department;

iii. the applicant possesses a valid driving license;

iv. the vehicle is registered under the name of the applicant; and

v. exemption is only given for one vehicle at any one time.

The proposal is effective from 1 January 2004.

APPENDIX 23

INCENTIVES FOR PROPERTY TRUST FUNDS AND REAL ESTATE INVESTMENT TRUSTS

Current Position

Property Trust Funds (PTF) and Real Estate Investment Trusts (REITs) mobilise funds of small investors to enable them to invest in real property. These funds are managed by professionals to generate better returns.

Currently, gains from disposal of real properties are subject to Real Property Gains Tax (RPGT). The rates are as follows:

Disposal (from date of acquisition)	Citizen or permanent resident (%)	Non-citizen or non-permanent resident (%)	Company (%)
Within 2 years	30	30	30
In the third year	20	30	20
In the fourth year	15	30	15
In the fifth year	5	30	5
In the sixth year and thereafter	0	5	5

Instruments of transfer of real properties from individuals or companies to any parties including PTFs and REITs are subject to stamp duty. The rates of stamp duty are as follows:

i. 1% on the first RM100,000;

ii. 2% on the next RM400,000; and

iii. 3% on the remaining amount.

Proposal

To promote the development of PTFs and REITs, it is proposed that:

i. gains from disposal of real property by individuals or companies to PTFs and REITs be exempted from RPGT; and

ii. instruments of transfer of real property from individuals or companies to PTFs and REITs be exempted from stamp duty.

The proposal is effective from 13 September 2003.

APPENDIX 24

TAX DEDUCTION ON CONTRIBUTION TO SPONSOR ARTS AND CULTURAL PERFORMANCES

Present Position

Currently, expenditure up to RM200,000 incurred by the private sector to sponsor approved local and foreign performances in the field of arts and culture is allowed as a tax deduction. For a foreign performance, the deduction is given only if such performance is staged in Malaysia.

Proposal

To further encourage sponsorship of approved performances by local artistes in the field of arts and culture, it is proposed that tax deduction on expenditure incurred be increased to RM300,000, provided that the additional RM100,000 is used to sponsor performance by local artistes.

The proposal is effective from year of assessment 2004.

APPENDIX 25

REVIEW OF CHILD RELIEF

Present Position

Currently, a tax relief of RM800 for each child under the age of 18 years is given to individual taxpayers. For a child 18 years and above and studying at a local institution of higher learning, the taxpayer is eligible for a relief of RM3,200 for each child (i.e. 4 times the normal relief of RM800).

Proposal

To assist taxpayers to meet the rising cost of educating and bringing up children, it is proposed that child relief be increased to RM1,000. With this increase, the taxpayer is eligible for a relief of RM4,000 for each child who is 18 years and above and studying at a local institution of higher learning.

The proposal is effective from year of assessment 2004.

APPENDIX 26

INCENTIVE FOR EMPLOYERS TO HIRE UNEMPLOYED GRADUATES

Present Position

Currently, salaries paid by an employer to its employees are given income tax deduction.

Proposal

To encourage employers to hire unemployed graduates who are registered with the Economic Planning Unit, it is proposed that double deduction be given for 2 years on salaries paid by an employer that hires such graduates.

The proposal is effective from year of assessment 2004.

APPENDIX 27

REVIEW OF TAX ON CIGARETTES AND LIQUOR

Present Position

Currently, tax structure on cigarettes and liquor is as follows:

	Import Duty (RM)	Excise Duty (RM)	Sales Tax (%)
Cigarettes	216.00 per kg	48.00 per kg	25
Liquor	17.00 – 587.00 per dal	0.40 - 44.04 per dal	20

Proposal

To promote a healthy life style and to curb social ills due to addiction to smoking and drinking, it is proposed that the import and excise duties on cigarettes and liquor be increased as in Appendix A.

The proposal is effective from 4.00 pm 12 September 2003.

APPENDIX 28

REVIEW OF IMPORT DUTY ON SELECTED GOODS

Present Position

Import duty on certain goods in the same category are not harmonised. Examples of such goods are food supplements, plastic products, intermediate products of plastics and wood, solid tyres and batteries for computer notebooks.

Proposal

For purpose of harmonisation, it is proposed that import duty on 104 tariff items be reduced while import duty on 7 items be abolished.

The items that are subject to import duty reduction or abolishment are listed in Appendix B.

The proposal is effective from 4.00 pm on 12 September 2003.

APPENDIX 29

REVIEW OF EXPORT DUTY

Present Position

Currently, certain unprocessed agricultural produce, food products, minerals and construction materials are subject to export duty of 2.5%, 5% or 10%.

Proposal

To ensure that local products are competitive in the export market, it is proposed that export duty on products listed in Appendix C be reduced or abolished.

The proposal is effective from 4.00 p.m. on 12 September 2003.