

TECHNICAL

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**2014 Budget – Highlights**

The 2014 Budget announced on 25 October 2013 focused on long-term growth of the economy and the improvement of tax system to avoid the middle-income trap. The proposals which are important to members are as follows:

*(Members are advised that the following highlights are based on the Prime Minister's 2014 Budget Speech and the Appendices. As at the time of issue of this e-CTIM, the 2013 Finance Bill has not been released yet.)*

**1) Introduction of Goods and Services Tax (GST) Regime**

**(a) GST Framework**

Para 108 – 113 of the 2014 Budget Speech laid down the GST model to be implemented and the strategies of implementation. Briefly, beginning from **1 April 2015**, a **6% GST** will be charged on goods and services supplied within Malaysia or imported into Malaysia, unless the law expressly indicated otherwise, such as the supply falling under the zero-rated list or exempt list. Businesses with **annual sales value of RM500,000** and above are required to register under the GST legislation. Businesses below the threshold may also register on a voluntary basis. Appendix 9 of the Budget Speech provides lists of zero-rated supply and exempt supply.

**(b) Incentive Package in line with GST Implementation**

- **Accelerated Capital Allowances (20% + 80%)** will be given for purchase of **ICT equipment and software** from the **years of assessment (YA) 2014 to 2016**.
- Expenses for **GST related training** of employees in accounting and ICT will be given **further deduction** in addition to deduction allowed under Section 33(1) with effect from **YA 2014 to 2015**

**2) Review of Income Tax Regime**

**(a) Individual Taxation**

The 2014 Budget has incorporated recommendations made by the Institute that was submitted in 2011 in a memorandum titled the [Review For The Improvement on Individual Taxation](#) that was discussed in a dialogue with the Ministry of Finance (MOF) in 2012. The 2014 Budget has seen the reduction of individual tax rates with the **maximum tax rate** reduced to **25%**. The **threshold** for maximum tax rate has also been increased to **RM400,000**. These proposals are effective from **YA 2015**.

In addition, with effect from **YA 2014**, taxpayers with employment income only for the full year and who are paying tax under Monthly Tax Deduction (MTD) scheme will not be required to file tax returns and the **MTD** paid will be considered **as final tax**. The Institute supported this proposal raised by the Inland Revenue Board (IRB) in April 2013 through our [Comments on Proposal for MTD To Be Treated As Final Tax](#) submitted on 16 May 2013.

**(b) Corporate Taxation**

Effective from **YA 2016**, the income tax rate for company, trust body, receiver, limited liability partnership and an executor of an estate of an individual who was domiciled outside Malaysia

at the time of his death will also be reduced to **24%**. Companies with paid-up capital of RM2.5 million and below will be taxed at **19%**, for the first **RM500,000** of its chargeable income.

(c) Co-operative Taxation

Similarly for co-operatives, the tax rates for chargeable income **exceeding RM150,000** are reduced effective from **YA 2015**.

**3) Review of Real Property Gains Tax (RPGT) Regime**

With effect from 1 January 2014, the tax rates of RPGT will be increased. Disposal of real property or shares in real property company within 3 years will attract RPGT at 30%, and 20% and 15% for disposals within the 4<sup>th</sup> and 5<sup>th</sup> years respectively. For a non-citizen individual, disposal within the first 5 years is 30%. For disposal after 5 years, citizens and permanent residents will be exempted from RPGT while non-citizens and companies will still be subject to RPGT at 5%.

**4) Deduction of Tax and Secretarial Fees**

We refer to our e-CTIM TECH 118/2013 on deduction for tax filing and secretarial fees. The deductions are effective from year of assessment **2015** and are subject to **RM10,000 (tax filing fee)** and RM5,000 (secretarial fee) limits respectively.

**5) Incentives Highlights**

- Extension of pioneer status and investment tax allowances incentives for new investments in 4 & 5 stars hotel, provided that the Malaysian Investment Development Authority (MIDA) received the application within the period from 1 January 2014 to 31 December 2016.
- Further deduction is given on the difference between the original salary and the minimum wages paid by SMEs, co-operatives, associations and organisations employers for the period from 1 January 2014 to 31 December 2014.
- Further deduction on expenses incurred in the training of employees for Flexible Work Arrangements (FWA) as well as consultancy fees to design an appropriate FWA, are given for **3 years**, subject to the companies obtaining FWA status from Talent Corporation Malaysia Berhad (TCMB). The eligible expenses includes costs for training in *optimizing a work-life balance, technology orientation, managing a flexible workforce and helping managers embrace flexible work alternatives*.
- Double deduction on qualifying operating expenses will be granted to Anchor Companies under Vendor Development Programme (VDP) for 3 years. The incentive is given to anchor companies that have signed MOUs with MITI within the period from 1 January 2014 to 31 December 2016.
- With effect from YA 2013, resident taxpayers earning up to RM96,000 a year are given a special relief of RM2,000.

**6) Delay in Distribution of Finance Bill 2013**

At the time of issuing this e-CTIM, the Finance Bill 2012 is still unavailable. Members are reminded to check at the Institute's website as it will be uploaded once it is received by the Institute.

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