

## **2008 BUDGET UPDATE**

### 1. **REVIEW OF CORPORATE TAX SYSTEM**

- Change from imputation system to single tier system.
- Tax on profits of companies is a final tax.
- Dividend distributed will be exempted from tax in the hand of shareholders.
- Companies which have no credit balance of Section 108 account on 01 January 2008 will automatically move to the single tier system.
- Companies with credit balance in the Section 108 account are given option to elect for a single tier tax system.
- Companies with credit balance in the Section 108 account which do not elect to switch over to the single tier system are allowed to use the credit balance for purpose of dividend distribution during the transitional period of 6 years until 31 December 2013.
- Company tax rate be reduced by 1% point to 25% with effect from Year of Assessment 2009.

**The proposal is effective from Year of Assessment 2008**

### 2. **INCENTIVE TO RECIPIENTS OF EXPORT EXCELLENCE (SERVICES) AND BRAND EXCELLENCE AWARDS**

- Currently, a manufacturing company that receives the Export Excellence Award (Merchandise) is given full tax exemption on the value of increased export.
- To grant full tax exemption on the value of increased export to recipients of Export Excellence Award (Services) and the Brand Excellence Award.

**The proposal is effective from Year of Assessment 2008**

### 3. **SMALL AND MEDIUM ENTERPRISES**

- To exempt SMEs from submitting their estimates of tax payable as well as installment payments.
- Full income tax payment be made only at the point of submission of income tax returns.
- Exemption is given for two (2) assessment years beginning from the date of commencement of operation.

**The proposal is effective from Year of Assessment 2008**

### 4. **TAX DEDUCTION FOR COMMUNITY PROJECTS**

- To allow as deduction for income tax purposes expenses incurred by companies for the provision of infrastructure that significantly benefit the public.
- Facilities provided must be free of charge and must be approved by the Minister of Finance.

**The proposal is effective from Year of Assessment 2008**

5. TAX INCENTIVE FOR REVOVATION OF WORK PLACE FOR DISABLED WORKERS

- To allow as deduction for income tax purposes the renovation cost of the work place by the employer.

**The proposal is effective from Year of Assessment 2008**

6. GIFT OF NEW COMPUTER AND BROADBAND SUBSCRIPTION FEE FROM EMPLOYERS TO EMPLOYEES

- To allow as deduction for income tax purposes the expenses incurred by the employers on gift of computers or broadband subscription fees to employees.
- Benefit-in-kind in the form of new computers or payment of broadband subscription fees is not subject to income tax in the hands of employees.

**The proposal is effective from Year of Assessment 2008 until 2010**

7. DEDUCTION FOR PROFESSIONAL INDEMNITY INSURANCE (PII)

- To allow as a deduction for income tax purposes professional indemnity insurance premiums

**The proposal is effective from Year of Assessment 2008**

8. TRANSFER OF BUILDINGS TO REAL ESTATE INVESTMENT TRUST (REIT)

- Disposal of buildings (industrial buildings) from companies to REITs is not subject to balancing charge.
- REITs are eligible to claim the balance of unclaimed IBA of the disposer.

**The proposal is effective from Year of Assessment 2008**

9. EXPATRIATES WORKING FOR INTERNATIONAL PROCUREMENT CENTRE (IPC) AND REGIONAL DISTRIBUTION CENTRE (RDC)

- Expatriates working for IPC and RDC be taxed only on that portion of their employment income attributable to the number of days they are in Malaysia.

**The proposal is effective from Year of Assessment 2008**

10. INDIVIDUAL TAX RELIEF FOR POST GRADUATE STUDIES

- Tax relief not exceeding RM 5,000 per annum be given to individuals pursuing all fields of studies at post graduate level, ie; Masters and Doctorate level.

**The proposal is effective from Year of Assessment 2008**

11. TAX RELIEF ON PURCHASE OF SPORTS EQUIPMENT

- Tax relief up to a maximum of RM 300 a year be given on purchase of sports equipment.
- Defination of sports under Sports Development Act 1997.

**The proposal is effective from Year of Assessment 2008**

12. TAX RELIEF FOR SAVINGS IN SKIM SIMPANAN PENDIDIKAN NASIONAL (SSPN)

- Tax relief be given to parents for savings in Skim Simpanan Pendidikan Nasional (SSPN).
- Maximum amount RM 3,000 for each parent who contributes for the child/children.

**The proposal is effective from Year of Assessment 2007**

13. RETIREMENT BENEFIT OF PRIVATE SECTOR EMPLOYEES

- Retirement benefit for private sector employees who retire at the compulsory retirement age of 50 and above be given full income tax exemption.
- Exemption given on condition that the compulsory retirement age is provided for in the employment contract or collective agreement between employer and employee.

**The proposal is effective from Year of Assessment 2007**

14. STAMP DUTY EXEMPTION ON PURCHASE OF RESIDENTIAL PROPERTY

- To exempt 50% stamp duty on instruments of transfer for purchase of a house not exceeding RM 250,000.
- Exemption is given to only one house per individual.

**The proposal is effective for S & P Agreement executed from 08 September 2007 to 31 December 2010**

15. STAMP DUTY EXEMPTION ON TRANSFER OF REAL PROPERTY BETWEEN HUSBAND AND WIFE

- To exempt fully stamp duty on instruments for transfer of property between husband and wife.

**The proposal is effective from 08 September 2007**