

# B) BUDGET HIGHLIGHTS 2013: TAX MATTERS



# 1) RPGT

## Review of Real Property Gains Tax (RPGT) rates.

- To further curb speculative activities in the real property market, the following revisions to the RPGT rates have been proposed, for disposals of real properties and shares in real property companies (“RPC”) from 1st January 2013.

Disposal of real property / RPC shares	Companies, Individuals (citizens, non-citizens and permanent residents)	
	Existing RPGT rate (%)	Proposed RPGT rate (%) (from 1.1.2013)
Within 2 years	10	15
In the 3 <sup>rd</sup> to the 5 <sup>th</sup> year	5	10
In the 6 <sup>th</sup> year onwards	0	0

## 2) Reduction In Personal Tax Rate

### **Reduction in personal tax rate.**

- The 2013 Budget announced the reduction in personal tax rates for limited categories of income.
- A 1 % cut in tax rates affecting the chargeable income tax bands between RM2,500 to RM50,000 was introduced.
- The net impact of this reduction is a maximum savings of RM475.

# Malaysian Tax Rate

It is proposed that for resident individuals, the tax rate be reduced by 1% for chargeable income bands from RM2,501 to RM50,000.

The comparison between the current and proposed individual income tax rates are as set out below:

Chargeable Income Brackets	YA 2010 to YA 2012		YA 2013 onwards		Savings
	Tax Rate %	Tax Payable* RM	Tax Rate %	Tax Payable * RM	
1 – 2,500	0	0	0	0	0
2,501 – 5,000	1	0	0	0	0
5,001 – 20,000	3	75	<b>2</b>	0	75
20,001 – 35,000	7	1,125	<b>6</b>	800	325
35,001 – 50,000	12	3,325	<b>11</b>	2,850	475
50,001 – 70,000	19	7,125	19	6,650	475
70,001 – 100,000	24	14,325	24	13,850	475
> 100,000	26		26		

\* after personal tax rebate of RM400 for chargeable income up to RM35,000

# 3) Time Bar for Tax Assessments

## **Time Bar for Tax Assessments.**

- It has been proposed that the time bar for raising tax assessments or additional assessments be reduced from 6 years to 5 years (except for cases related to investigation, false declaration, willful late payment and negligence).
- The requirement to keep records for 7 years in accordance with the existing law remains unchanged.

## 4) Private Retirement Scheme (PRS)

### Background:

#### Introduction of Private Retirement Scheme (PRS)

- Under the *budget proposal 2012*, the government introduced the Private Retirement Scheme (PRS).
- The benefit given was: -
  - a) Personal Tax relief up to RM3,000 for contribution by individual
  - b) Tax exemptions on income received from the funds.
- Eight initial intermediaries approved by SC.  
CIMB, Public Mutual, RHB, Hwang DBS, Am-Investment etc.



## 4) Withdrawal of Contribution made to PRS (cont)

### Withdrawal of contributions made to Private Retirement Scheme (PRS)

- The latest measure to encourage members of PRS to retain and maintain their savings for continuous investment in the scheme and discourage pre-retirement withdrawals is the proposal to levy a **flat tax penalty of 8% on contributions withdrawn** by an individual member before reaching the age of 55 (other than by reason of death or permanent departure from Malaysia).
- Where the PRS provider fails to remit the said tax to the tax authorities, a penalty of 10% will be imposed.
- This proposal is effective from 1 January 2013.

## 5) Personal Relief

### Personal Reliefs

- The current individual claim for child relief of RM4,000 in respect of an unmarried child over the age of 18 years and receiving full time education has been raised to RM6,000.
- This proposal is effective from YA 2013.



## 6) Savings in SSPN Scheme

### **Skim Simpanan Pendidikan Nasional**

- In addition to the increased child relief, the RM3,000 relief in respect of the amount deposited into Skim Simpanan Pendidikan Nasional account (established under the Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997) by an individual taxpayer for his/her child has similarly been increased to RM6,000.
- This proposal is effective from YA 2012 to YA 2017.

## 7) Stamp Duty Exemption

### *Review of stamp duty exemption on purchase of first residential property*

- To further reduce the cost of owning the first residential property , the following have been proposed:-
  - Extending the existing 50% stamp duty exemption for the purchase of first residential property to 31<sup>st</sup> December 2014.
  - Raising the qualifying price of the residential property from RM350,000 to RM400,000 from 1 January 2013.
  - The sales and purchase agreements must be executed from 1 January 2013 to 31 December 2014.

## 8) Others

- RM200 one-off rebate for purchase of one unit 3G smartphone from authorised dealers, for youths aged between 21 to 30 years with monthly income of RM3,000 or below.
- Book voucher of RM250 for students.
- Passport fees for senior citizens and children aged 12 and below be reduced by 50% from RM300 to RM150 (5 years) and RM100 to RM80 (2 years).
- All Malaysians with a monthly income of RM3,000 and below and who travel by KTM Komuter, will get 50% fare discount. Currently, only the disabled, retirees and students enjoy a 50% fare discount.

## 8) Others (cont)

- Bonus of 1.5x month for public servants for year 2012. Half month paid during 2012 Hari Raya, remaining one month will be paid in end Dec 2012 (50%) and in Jan 2013 (50%).
- RM500 (instead of RM250, correction after much clarification in the news) assistance money for a household earning less than RM3,000.
- In addition, RM250 BR1M assistance money is extended for single unmarried individuals aged 21 and above with monthly income not more than RM2,000. MoF clarified that students aged 21 and above is not entitled to this RM250 assistance money.

# Malaysian Tax Relief (1)

## Tax Relief for Resident Individual Year 2013

No.	Individual Relief Types	Amount (RM)
1	Self and Dependent	9,000
2	Medical expenses for parents	5,000 (Limited)
3	Basic supporting equipment for disable tax payer, spouse, spouse, parent	5,000 (Limited)
4	Disabled Individual (Tax Payer)	6,000 (Taxpayer)
5	Education Fees (Individual)	5,000 (Limited)
6	Medical expenses for serious diseases	5,000 (Limited)
7	Complete medical examination	500 (Limited)
8	Purchase of books, journals, magazines and publications	1,000 (Limited)
9	Purchase of personal computer (once per 3 years)	3,000 (Limited)
10	Net saving in SSPN's scheme	6,000 (Limited)
11	Purchase of sport equipment for sport activities	300 (Limited)
12	Subscription fees for broadband registered in the name of the individual	500 (Limited)

# Malaysian Tax Relief (2)

## Tax Relief for Resident Individual Year 2013

No.	Individual Relief Types	Amount (RM)
13	Interest expended to finance purchase of residential property. Relief of up to RM10,000 a year for three consecutive years from the first year the interest is paid. Subject to the following conditions: (i) the taxpayer is a Malaysian citizen and a resident; (ii) limited to one residential unit; (iii) the sale and purchase agreement is signed between 10th March 2009 and 31st December 2010; and (iv) the residential property is not rented out.	10,000 (Limited)
14	Husband/Wife/Alimony Payments	3,000 (Limited)
15	Disable Wife/Husband	3,500
16	Ordinary Child relief below 18 years	1,000
17	Disable Child (unmarried)	5,000
18	Child age 18 years old and above, not married and pursuing diplomas or above qualification in Malaysia @ bachelor degree or above outside Malaysia in program and in Higher Education Institute that is accredited by related Government authorities	6,000



# Malaysian Tax Relief (3)

## Tax Relief for Resident Individual Year 2013

No.	Individual Relief Types	Amount (RM)
19	Disabled child Additional exemption of RM6,000 disable child age 18 years old and above, not married and pursuing diplomas or above qualification in Malaysia @ bachelor degree or above outside Malaysia in program and in Higher Education Institute that is accredited by related Government authorities	6,000
20	Life insurance dan EPF	6,000 (Limited)
21	Premium on new annuity scheme or additional premium paid on existing annuity scheme commencing payment from 01/01/2010 (amount exceeding RM1,000 can be claimed together with life insurance premium)	1,000 (Limited)
22	Insurance premium for education or medical benefit	3,000 (Limited)
23	Private Retirement Scheme (PRS)	3,000 (for 10 years only)