



GES NewsFlash

Malaysia – Budget News

November 20, 2009

Summary

This newsflash on the 2010 National Budget announced on 23 October 2009 presents the relevant issues from the individual tax perspective in Malaysia.

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Tax rates

To ensure that the individual income tax rate remains competitive and to increase the disposable income of taxpayers, the Government proposes that the maximum income tax rate be further reduced from 27% to 26% effective from the year of assessment 2010 (income to be earned in the calendar year 2010).

The maximum tax rate for chargeable income exceeding RM100,000 and above for residents individuals will be reduced to 26%.

To be in line with the proposed reduction in the maximum income tax rate for resident individuals, the income tax rate for non-resident individuals will also be reduced from 27% to 26%.

Preferential tax rate for knowledge workers in Iskandar Malaysia

To attract local and foreign talent so as to intensify the development of Iskandar Malaysia, it is also proposed that the employment income of a resident individual who is a knowledge worker in respect of the following qualifying activities be taxed at the rate of 15% of his/her chargeable income:

- a) Green technology;
- b) Biotechnology;
- c) Educational services;
- d) Healthcare services;
- e) Creative industries;
- f) Financial advisory and consulting services;
- g) Logistics services; and
- h) Tourism

This incentive is for knowledge workers who apply and commence employment in Iskandar Malaysia between 24 October 2009 and 31 December 2015 and is applicable to income derived from year of assessment 2010 onwards.

Guidelines to the definition of a knowledge worker and the application to qualify as a knowledge worker are expected to be released in due course.

Increase in personal relief

A deduction on personal relief will be increased from RM8,000 to RM9,000.

Increase in relief on contribution to Employees Provident Fund (EPF) and life insurance or deferred annuity

To encourage Malaysians to participate in retirement scheme, it is proposed that the tax relief of RM6,000 for EPF contribution and life insurance premiums be increased to RM7,000. This increase of RM1,000 relief is for relief on annuity premium paid from 1 January 2010 for retirement schemes offered by insurance companies. This increase is also applicable to additional premium paid on existing annuity scheme commencing from 1 January 2010.

Tax relief on broadband subscription fees

A tax relief on broadband subscription fee of up to RM500 will be given to individual tax payers from 2010 to 2012.

Other tax measures

Employees EPF contribution rate

Previously, employees could opt to reduce the EPF contribution from 11% to 8% for 2 years effective from 1 January 2009 to 31 December 2010. There is now the option to revert to the 11% contribution on a voluntary basis with immediate effective. The contribution rate of 11% will be reinstated effective from 1 January 2011.

New deadline for Form E and Form EA

Due to the proposed amendment of Section 83 of the Income Tax Act, the due date for the submission of the Form E (Return Form of an Employer) and issuance of the Form EA (Statement of Remuneration from Employment) will be introduced in the Income Tax Act (instead of a statutory order). The following dates have been proposed:

Return Form of an Employer (Form E)

Every employer shall, for each year, furnish to the Director General annually a return in the prescribed form not later than 31 March under the Income Tax Act. This is effective for the year ended 31 December 2009.

Statement of Remuneration from Employment (Form EA)

Every employer shall for each year, furnish to their employees a statement of remuneration not later than on or before the last day of February. This is effective for the year ended 31 December 2009.

Deloitte's View

The reduction in income tax rate and expansion of personal tax deductions have caused minor ripples among the taxpayers and not significantly so for the middle income group. It will be interesting to see the effectiveness of the preferential tax rate for the knowledge workers in Iskandar Malaysia where the said rate has narrowed the gap compared to its neighboring countries and hopefully to attract its desired talent.

People to Contact

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