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BUDGET 2012 SUMMARY

SUBJECT		BUDGET PROPOSAL	EFFECTIVE FROM
INCOME TAX	1	<p>There is no change in corporate tax rate.</p> <p>Corporate Tax Rate applicable are 20% for the first RM500,000 of chargeable income and 25% for remaining chargeable income for SME.</p> <p>However this preferential tax rate will not applicable if more than :</p> <ul style="list-style-type: none"> (a) 50% of the paid up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company; (b) 50% of the paid up capital in respect of ordinary shares of the related company is directly or indirectly owned by the first mentioned company; or (c) 50% of the paid up capital in respect of ordinary shares of the first mentioned company and the related company is directly or indirectly owned by another company. <p>“Related company” is defined as a company which has a paid up capital exceeding RM2.5 million in respect of ordinary shares.</p>	YA 2009
	2	The employment income of an approved individual under the Returning Expert Programme will be taxed at the flat rate of 15% for a specified period of 5 years.	YA 2012

SUBJECT		EFFECTIVE FROM
INCOME TAX	<p>3 Separate tax relief of RM3,000 be given for contributions made to Private Retirement Schemes (PRS) approved by the Securities Commission and for deferred annuity premium. Withdrawals of contributions from PRS by individuals prior to the maturity period or prior to attaining mandatory retirement age is subject to tax in the hand of the individuals.</p>	YA 2012 to 2021
	<p>4 The existing tax relief on EPF contributions and life insurance of up to RM6,000 will not include premium of premiums for deferred annuity. The existing tax relief on of RM6,000 will only be applicable for life insurance premiums and EPF contributions made to approved schemes other than PRS.</p>	YA 2012 to 2021
	<p>5 Late tax refunds by the Inland Revenue Board are subject to compensation of 2%. Which will apply if the refunded amount is made after :</p> <p>(a) 90 days from due date (e-filing) (b) 120 days from due date (manual filing)</p>	YA 2013
	<p>6 It is proposed that every company shall have a duty to prepare and send a prescribed form to each of its agents, dealers and distributors who received payment from the company arising from sales, transactions or schemes carried out as an agent, dealer and distributor.</p> <p>The form contain :</p> <p>(a) Particulars of payment made (b) Name and address of that agent, dealer and distributor (c) Other information, as may be required by the Director General</p> <p>The form must be sent not later than 31 March in the year immediately following the year of assessment during which the payment is made.</p> <p>Companies that fail in this duty shall be guilty of an offence and shall be liable to a fine of not less than RM 200 and not more than RM 2,000 or to imprisonment for a term not exceeding 6 months or both.</p>	1 January 2012

SUBJECT		BUDGET PROPOSAL	EFFECTIVE FROM
INCOME TAX	7	The time bar for tax audits is reduced from 6 years to 5 years. This means that a tax audit will not be performed for the years of assessment which are time barred. However this proposal will not alter the requirement to keep records for 7 years.	YA 2013
PRIVATE SECTOR	1	Expenses incurred by companies for participating in career fair abroad that are endorsed by Talent Corporation Malaysia Berhad, will be given a double tax deduction in arriving at the adjusted income of the company for the relevant year of assessment.	YA 2012 – 2016
	2	To develop further local product brand for domestic and international markets, tax deduction will be given on franchise fees paid for local franchise brand.	YA 2012
	3	Employers are given a tax deduction for contributions to an approved scheme comprising the Employees Provident Fund or any pension or provident fund approved by The Director General. Employers can elect to contribute to Private Retirement Schemes (PRS) approved by the Securities Commission and such contributions are tax deductible.	YA 2012
	4	Employers' contributions (EPF) increased from 12% to 13% for salary below RM5,000.	1 January 2012
	5	Expenses incurred by a company that provides practical training including and internship programme are eligible for a double tax deduction. The qualifying criteria are: (a) the internship programme is for full-time undergraduate students from public/private higher educational institutions (b) the internship programme is for a minimum 10 weeks with a monthly allowance not less than RM500	YA 2012 – 2016

SUBJECT		BUDGET PROPOSAL	EFFECTIVE FROM
HUMAN CAPITAL	1	To encourage charitable activities, contributions to registered primary and secondary schools, including national schools, mission schools and government-assisted religious school (educational institutions) including all places of worship are eligible for tax deduction.	YA 2012
	2	Scholarships paid by companies directly to students pursuing studies for diploma and bachelors' degree in local institutions of higher learning that are registered with the Ministry of Higher Education qualify for double deductions. Criteria: (a) Full time students, who have no sources of income (b) Total monthly income of parents or guardian does not exceed RM5,000 per month	YA 2012 – 2016
REAL PROPERTY GAINS TAX	1	Revision on Real Property Gains Tax (RPGT): (a) Holding period of 1 to 2 years, 10% RPGT (b) Holding period of 3 to 5 years, 5% RPGT (c) Holding period exceeding 5 years, no RPGT	YA 2012
STAMP DUTY	1	Full (100%) stamp duty exemption is given on loan agreements for the purchase of residential properties priced up to RM300,000 under the Skim Perumahan Rakyat 1Malaysia (PR1MA).	YA 2012 to 2016
	2	Full (100%) stamp duty exemption be given on loan agreements up to RM50,000 under the Micro Financing Scheme. Such exemption is given on loans executed by micro enterprises and SMEs with banking and financial institutions.	YA 2012
	3	In addition, loan agreements up to RM50,000 undertaken from the Professional Services Fund will also be given full stamp duty exemption. Such exemption is given on loans executed by professionals with Bank Simpanan Nasional.	YA 2012

SUBJECT		BUDGET PROPOSAL	EFFECTIVE FROM
PIONEER STATUS OR INVESTMENT ALLOWANCE	1	<p>Given to investors with income tax exemption of 70% on statutory income for 5 years, who undertake new investments in :</p> <p>(a) 4 and 5 star hotels in Peninsular Malaysia (application received by MIDA from 8 October 2011 until 31 December 2013)</p> <p>(b) providers of industrial design services (application received by MIDA from 8 October 2011 until 31 December 2016)</p>	<p>8 October 2011 to 31 December 2013</p> <p>8 October 2011 to 31 December 2016</p>

NOTIFICATION - TAX PENALTY

SUBJECT		RULING	EFFECTIVE FROM										
TAX PENALTY	1	<p>The IRB has issued a new directive to improve compliance for submitting income tax return on time. IRB has reminded taxpayers to submit and not to be late in submitting their annual income tax return (Form C and R, Form B or BE) within the stipulated deadlines.</p> <p>The IRB will impose penalties ranging from 20% to 35% of tax payable, depending on the duration of delay in submission.</p> <p>The penalty charges will be as follows:</p> <table border="1" data-bbox="443 1444 1235 1633"> <thead> <tr> <th>Duration</th> <th>Penalty rate</th> </tr> </thead> <tbody> <tr> <td>Submit within 12 months after the deadline</td> <td>20%</td> </tr> <tr> <td>Submit within 24 months after the deadline</td> <td>25%</td> </tr> <tr> <td>Submit within 36 months after the deadline</td> <td>30%</td> </tr> <tr> <td>Submit after 36 months after the deadline</td> <td>35%</td> </tr> </tbody> </table> <p>The penalty charge is under Sub-section 112(3) of the Income Tax Act 1967 and is effective from 1 June 2011.</p>	Duration	Penalty rate	Submit within 12 months after the deadline	20%	Submit within 24 months after the deadline	25%	Submit within 36 months after the deadline	30%	Submit after 36 months after the deadline	35%	1 June 2011
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