

GENERAL TABLE OF CONTENTS

	Page
Table of Contents	
Expanded Table of Contents	x
HIGHLIGHTS OF 2015/2016 TAX CHANGES	1
Features	9
Chapter 1: Individuals	29
Chapter 2: Companies	49
Chapter 3: Mutual Concerns	71
Chapter 4: Partnerships and Limited Liability Partnerships (LLPs)	83
Chapter 5: Estates, Trusts, Beneficiaries, Settlements	101
Chapter 6: Basis of Assessment and Tax Accounting	121
Chapter 7: What is Included in Assessable Income?	145
Chapter 8: Exemptions and Exclusions from Income	247
Chapter 9: Business Deductions	305
Chapter 10: Non-Business Deductions	443
Chapter 11: Capital Allowances	469
Chapter 12: Non-Residents and Special Cases	545
Chapter 13: Investment Incentives	607
Chapter 14: The Administrative Provisions	789
Chapter 15: Tax Treaties — Double Taxation Relief	873
Chapter 16: Tax Avoidance and Tax Evasion	929
Chapter 17: Real Property Gains Tax	951
Chapter 18: Stamp Duty	975
Chapter 19: Goods and Services Tax (GST)	993
Abbreviations	1,009
Case Table	1,013
Section Finding List	1,023
Index	1,051

EXPANDED TABLE OF CONTENTS

HIGHLIGHTS OF 2015/2016 TAX CHANGES ¶100

FEATURES

Due dates	¶200
Tax rates for YA 2009–YA 2016	¶210
Tax rebates for individuals	¶220
Company rates	¶230
Trustee and executor rates	¶240
Association and club rates	¶250
Withholding rate	¶260
Tax deduction rate from dividends	¶270
Real property gains tax	¶300
Checklists	¶400

CHAPTER 1: INDIVIDUALS

Individuals as taxpayers	¶1-100
Who must file a return?	¶1-200
Which form to use?	¶1-300
Individual return Form B/BE simplified	¶1-400
When and where returns are to be filed	¶1-500
Deceased taxpayer's return	¶1-600
Tax rates	¶1-700
Personal relief and deductions	¶1-800
Compulsory payment schemes	¶1-900

CHAPTER 2: COMPANIES

Companies as taxpayers	¶2-100
Taxation of companies	¶2-300
Company losses	¶2-400
Payments to shareholders	¶2-500
Position prior to YA 2008 under the imputation system	¶2-515
Undistributed profits	¶2-600
Financial institutions, non-resident shipping and air transport companies	¶2-700
Payment of tax by instalments	¶2-800

Paragraph

CHAPTER 3: MUTUAL CONCERNS

Mutuality	¶3-100
Clubs	¶3-200
Trade associations	¶3-300
Other societies	¶3-400
Co-operatives	¶3-500
Returns	¶3-600

CHAPTER 4: PARTNERSHIPS AND LIMITED LIABILITY PARTNERSHIPS (LLPs)

Partnerships	¶4-100
Returns, accounts and assessment of partners	¶4-200
Partnership return Form P simplified	¶4-300
Partnership net income or loss and partner's share	¶4-400
Hindu joint families	¶4-500
Limited liability partnerships	¶4-600

CHAPTER 5: ESTATES, TRUSTS, BENEFICIARIES, SETTLEMENTS

Trust and estate returns	¶5-100
Estates	¶5-200
Trusts	¶5-300
Beneficiaries	¶5-400
Settlements	¶5-500

CHAPTER 6: BASIS OF ASSESSMENT AND TAX ACCOUNTING

Accounting periods	¶6-100
Accounting	¶6-300
Production of audited accounts	¶6-400
Change of accounting date	¶6-500
Reserves and provisions	¶6-600
Allocation of profits to accounting periods	¶6-700
Trading stock	¶6-800

CHAPTER 7: WHAT IS INCLUDED IN ASSESSABLE INCOME?

What is income?	¶7-050
Ascertainment of taxable income	¶7-100
Employment income or income from personal services	¶7-200
Income from a trade, business, profession or vocation	¶7-300
Income compared with capital	¶7-400
Foreign exchange transactions	¶7-500
Company liquidation	¶7-580
Dividends, interest and discounts	¶7-600

Paragraph

	Paragraph
Pensions, annuities and other periodical payments	¶7-700
Income from property	¶7-800
Other assessable receipts	¶7-970
Miscellaneous business or employment receipts	¶7-990
CHAPTER 8: EXEMPTIONS AND EXCLUSIONS FROM INCOME	
Concept of exemptions	¶8-100
Rulers	¶8-200
Individuals	¶8-300
Companies and other institutions	¶8-600
CHAPTER 9: BUSINESS DEDUCTIONS	
What are business deductions?	¶9-050
Employee's deductions	¶9-200
Deductions from property income	¶9-300
Investment income expenses	¶9-350
Trading expenditure	¶9-360
Entertainment	¶9-390
Bad debts	¶9-400
Losses through theft, embezzlement or misappropriation	¶9-450
Legal and professional expenses	¶9-470
Interest, taxes and contributions	¶9-500
Repairs, replacements, improvements and alterations	¶9-600
Costs of refresher courses and conference expenses	¶9-650
Head office and management expenses	¶9-670
Miscellaneous expense deductions	¶9-702
Trading losses	¶9-800
Error and mistake relief	¶9-830
Double deductions	¶9-860
Expenditure related to taxation	¶9-900
CHAPTER 10: NON-BUSINESS DEDUCTIONS	
Personal relief, deductions and rebates	¶10-050
Who is entitled to these deductions?	¶10-100
Non-residents	¶10-150
Personal relief	¶10-200
Husband relief	¶10-250
Wife relief	¶10-300
Relief for children	¶10-400
Interest expense on a residential property	¶10-500

	Paragraph
Life insurance premiums and contributions to approved schemes and funds	¶10-550
Life assurance	¶10-600
Contributions to approved funds and schemes	¶10-700
Donations and other contributions	¶10-800
Tax rebates	¶10-950
CHAPTER 11: CAPITAL ALLOWANCES	
Concept of capital allowances	¶11-050
Mining allowances	¶11-100
Prospecting expenditure	¶11-150
Agriculture allowances	¶11-200
Forest allowances	¶11-400
Industrial buildings	¶11-500
Plant and machinery	¶11-600
Renovation and refurbishment allowance of business premises	¶11-697
Renewal or replacement basis	¶11-700
Carry forward of unused capital allowances	¶11-800
CHAPTER 12: NON-RESIDENTS AND SPECIAL CASES	
Non-resident companies	¶12-100
Commercial representatives	¶12-150
Other representations	¶12-170
Agents of non-residents	¶12-200
Foreign branch or subsidiary or joint venture	¶12-300
Royalties, technical advice and services	¶12-320
Other activities	¶12-350
Trading by non-resident persons — control	¶12-370
Operation of ships and aircraft	¶12-400
Hire-purchase and instalment plan trading	¶12-460
Leasing	¶12-500
Crew of ships and aircraft	¶12-600
Interest payments to non-residents	¶12-630
Dividends paid to non-residents	¶12-680
Income distributed by REITs to non-resident unitholders	¶12-685
Taxation of takaful participants	¶12-690
Construction contractors and property developers	¶12-700
Non-resident partners	¶12-790

	Paragraph
Non-resident contractors and professionals	¶12-800
Other non-resident individuals	¶12-830
Farms	¶12-850
CHAPTER 13: INVESTMENT INCENTIVES	
Investment incentives — Promotion of Investments Act	¶13-030
Pioneer status	¶13-050
Investment tax allowance	¶13-150
Pioneer status or investment tax allowance incentives granted to specific industries	¶13-201
Hotel incentives	¶13-230
Allowance for increased exports	¶13-300
Double deductions for promotion of exports	¶13-370
Tax incentives — Income Tax Act	¶13-400
Reinvestment allowance	¶13-420
Operational headquarters (OHQs)	¶13-440
Venture capital companies	¶13-500
Venture capital management companies	¶13-565
Investment holding companies (IHCs)	¶13-571
Unit trusts	¶13-600
Closed-end funds	¶13-670
Business trusts	¶13-671
Overseas investment	¶13-700
Foreign fund management companies	¶13-720
Services sector	¶13-730
International procurement centre (IPC) companies	¶13-740
Regional distribution centre (RDC) companies	¶13-750
International trading companies	¶13-760
Treasury management centre (TMC)	¶13-761
Group relief for food production	¶13-770
Group relief for resident companies	¶13-790
Tourism, sports, culture, etc	¶13-800
Incentives for health care	¶13-805
Biotechnology industry	¶13-842
Iskandar Development Region (IDR)	¶13-848
Other incentives	¶13-850
Labuan International Business And Financial Centre (Labuan IBFC)	¶13-900

CHAPTER 14: THE ADMINISTRATIVE PROVISIONS

	Paragraph
Administration of Income Tax	¶14-050
Administration	¶14-100
Self-assessment for companies	¶14-123
Self-assessment for other taxpayers	¶14-138
Returns	¶14-200
The machinery of assessment, collection and repayment	¶14-300
Offences and penalties	¶14-500
Appeals	¶14-600
Finality of an assessment	¶14-700
Tax agents of a taxpayer	¶14-750
Review panel	¶14-800
Fund for tax refund	¶14-850
Rulings	¶14-860
Tax audit	¶14-880
Tax investigation	¶14-920

CHAPTER 15: TAX TREATIES — DOUBLE TAXATION RELIEF

Double taxation	¶15-050
Tax treaties and domestic law	¶15-100
Malaysian double taxation agreements	¶15-150
Residence and source	¶15-200
Permanent establishment	¶15-250
Specific items of income	¶15-300
Miscellaneous articles in Malaysia agreements	¶15-500
Relief provisions	¶15-600
Special tax inducements	¶15-630
The competent authority	¶15-650
Bilateral credit and unilateral credit	¶15-700
International tax avoidance and evasion	¶15-800
Tax treaty shopping	¶15-900

CHAPTER 16: TAX AVOIDANCE AND TAX EVASION

Evasion	¶16-100
Avoidance	¶16-200
Legislation	¶16-300
Investigation	¶16-400

CHAPTER 17: REAL PROPERTY GAINS TAX

Real property gains tax (RPGT)	¶17-050
Who is chargeable?	¶17-100
Chargeable asset	¶17-150
Chargeable gains and allowable losses	¶17-200
Acquisition price	¶17-250
Disposal price	¶17-300
Date of disposal and date of acquisition	¶17-400
Transfers between companies	¶17-450
Transfer of assets	¶17-500
Acquisition and disposal of shares in real property companies	¶17-620
Private residences	¶17-700
Rates of tax	¶17-750
Exemptions	¶17-800

CHAPTER 18: STAMP DUTY

Types of duty, what is chargeable and how it is chargeable	¶18-100
Small and medium enterprises	¶18-200
Islamic banking/financing	¶18-300
Exemptions	¶18-400
Penalties	¶18-500
Penalty for late stamping	¶18-550
Appeals	¶18-600
Retention of documents	¶18-700

Chapter 19: GOODS AND SERVICES TAX (GST)

Goods and Services Tax (GST)	¶19-050
Input tax and Output tax	¶19-600

ABBREVIATIONS**CASE TABLE****SECTION FINDING LIST****INDEX****HIGHLIGHTS OF 2015/2016
TAX CHANGES****¶100 2016 Budget Proposals and Finance Act 2015**

Budget 2016 was presented by the Minister of Finance on 23 October 2015 and the proposed changes range from simple variations in number or value to more complex formulae and tax treatment. In addition, there were also some radical amendments to certain tax principles which had been relied upon almost from the time Income Tax was introduced to Malaysia. One particular welcome item is in respect of Reinvestment Allowance where for the first time in several years, the proposal is beneficial rather than restrictive.

The proposed amendments take effect from varying dates — some from YA 2016, some from the passing of the Finance Act, and others from the date the relevant Statutory Order is issued.

Highlights of Budget 2016 include the following:

PERSONAL INCOME TAX**1. Changes in income tax rates; introduction of new income bands**

In the main, the respective tax rates (Sch 1) for individuals up to chargeable income of RM400,000 are unchanged. However, beyond this level, three new income bands have been introduced. For the first time in perhaps more than 40 years, an individual with chargeable income exceeding RM600,000 will see an increase in the tax rate.

Chargeable Income Band	Present Tax Rate	Proposed Tax Rate	% Reduction
1 – 5,000	0	0	-
5,001 – 20,000	1	1	-
20,001 – 35,000	5	5	-
35,001 – 50,000	10	10	-
50,001 – 70,000	16	16	-
70,001 – 100,000	21	21	-
100,001 – 250,000	24	24	-
250,001 – 400,000	24.5	24.5	-
400,001 – 600,000	25	25	-
600,001 – 1,000,000	25	26	1
Above 1,000,001	25	28	3

Non-Residents

The tax rate on Non-Residents will increase from 25% to 28%

Table 1 (Monthly Tax Deduction table) of the Schedule of the Income Tax (Deduction from Remuneration) Rules 1994 has been amended in line with the above changes.