



# The 2014 Budget



Ministry of Finance Malaysia



# THE 2014 BUDGET



Ministry of Finance Malaysia

ISBN 978 - 983 - 99978 - 8 - 0



**Text:**

*Ministry of Finance Malaysia  
Federal Government Administrative Centre  
62592 PUTRAJAYA*

**Layout and Printed by:**

*Percetakan Nasional Malaysia Berhad*



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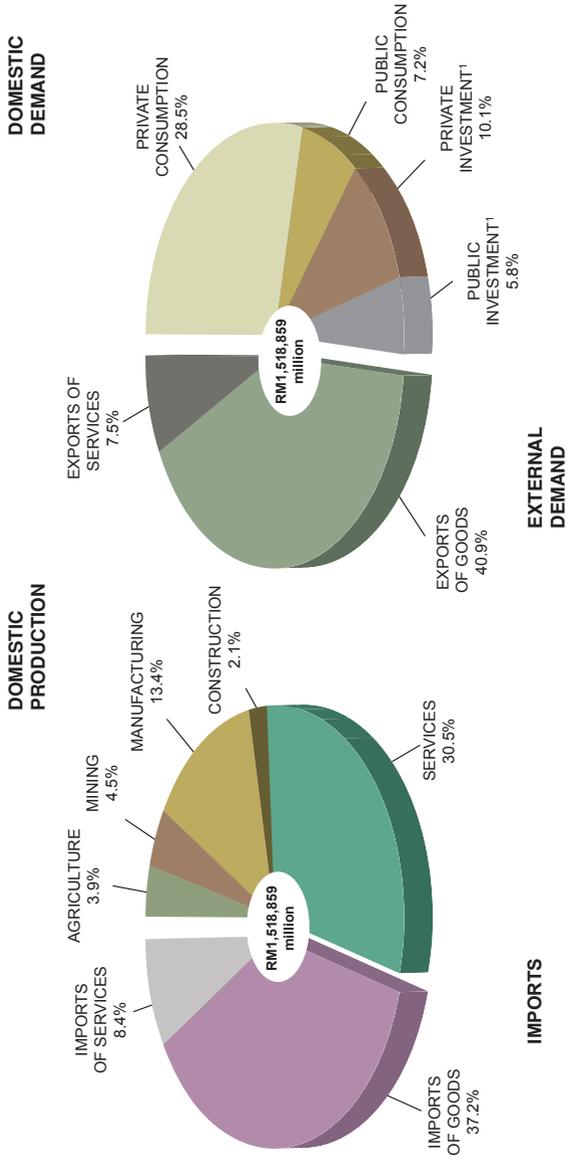
***“The 2014 Budget is formulated to ensure that the economy continues to expand at a strong pace, and to reduce the fiscal deficit, with the overall objective of prospering the nation and promoting the well-being of the rakyat.... The 2014 Budget will take Malaysia to greater heights and competitiveness in the international arena.”***

**YAB Dato’ Sri Mohd Najib Tun Haji Abdul Razak**  
*Prime Minister and  
Minister of Finance Malaysia*



**YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak**  
*Prime Minister and Minister of Finance Malaysia*

# THE ECONOMY 2014 AT CONSTANT 2005 PRICES

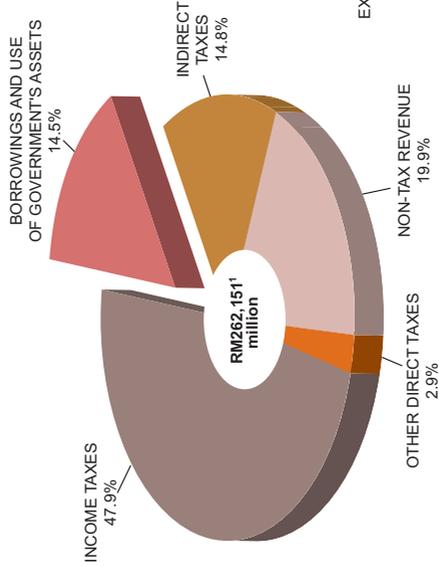


<sup>1</sup> Includes change in stocks.  
Source: Ministry of Finance, Malaysia.

# THE FEDERAL GOVERNMENT BUDGET 2014

## WHERE IT COMES FROM

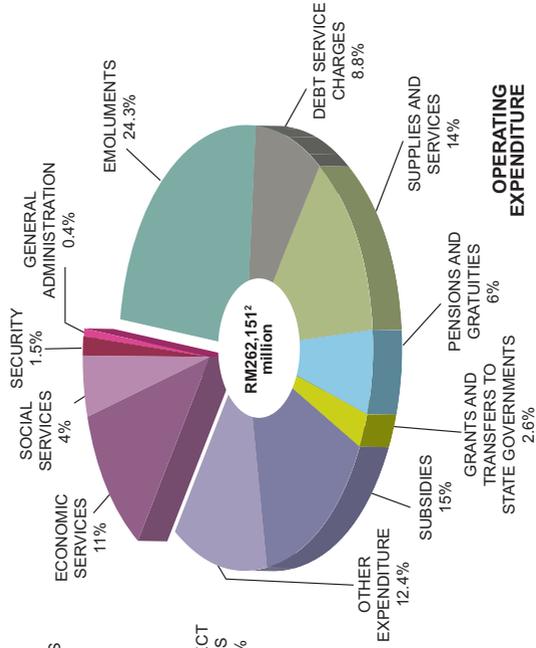
### BORROWINGS



## REVENUE

## WHERE IT GOES

### DEVELOPMENT EXPENDITURE



## OPERATING EXPENDITURE

<sup>1</sup> Includes revenue, borrowings and use of Government's assets.

<sup>2</sup> Excludes contingency reserves.

Source: Ministry of Finance, Malaysia.



# THE 2014 BUDGET SPEECH

By

**YAB DATO' SRI MOHD NAJIB TUN HAJI ABDUL RAZAK  
PRIME MINISTER AND MINISTER OF FINANCE**

**INTRODUCING THE SUPPLY BILL (2014)  
IN THE DEWAN RAKYAT**

**FRIDAY, 25 OCTOBER 2013**

***“STRENGTHENING ECONOMIC RESILIENCE,  
ACCELERATING TRANSFORMATION AND  
FULFILLING PROMISES”***

**بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ**

**Mr. Speaker Sir,**

I beg to move the Bill intituled ***“An Act to apply a sum from the Consolidated Fund for the service of the year 2014 and to appropriate that sum for the service of that year”*** be read a second time.

## INTRODUCTION

Mr. Speaker Sir,

I begin the 2014 Budget Speech by reciting the holy *kalimah Bismillahirrahmanirrahim*. Surah al-Qasas from the holy Quran, verse 77 says,

*“But seek, through that which Allah has given you, the home of the Hereafter; and [yet], do not forget your share of the world. And do good as Allah has done good to you...”*

Philosophers often say:

*“Unity is the beginning, staying united reflects progress while working together is the recipe for success.”*

1. Let us begin by expressing our gratitude to Allah Subhanahu Wa Taala for with His Blessings, my colleagues and I are able to gather in this august House, a symbol of our vibrant democracy in our sovereign and independent nation.

2. On behalf of the Government, I would like to record our highest appreciation and thank the rakyat for supporting and giving the mandate to Barisan Nasional in the 13<sup>th</sup> General Election to continue to lead the country.

3. This proves that though faced with various obstacles and challenges as well as allegations hurled at us, with God’s grace and the transformative leadership of Barisan Nasional, we prevailed and continue to be resilient and strong as the party chosen by the rakyat for the next five years.

4. Indeed, we went through a challenging General Election. We take pride that we observed all the rules and

regulations in the true spirit of democracy as provided for under the Federal Constitution. This election has been acknowledged by friend and foe alike as the mother of all elections.

5. The Government is certainly aware that in an environment of global political and economic uncertainties, and if we are not vigilant, we will be adversely affected. Hence, we are most grateful that our nation has not been dragged into civil unrest which can destroy the country.

6. We are also grateful that our nation remains blessed, as we are free from natural calamities unlike in other countries. We pray that we are always protected by Him.

7. We have implemented 10 Malaysia Plans and 3 Outline Perspective Plans, since 1965 to 2010.

8. The National Development Policy was implemented from 1991 to 2000. Next came the National Vision Policy which spanned the period from 2001 to 2010. When tabling the 2010 Budget, I launched the National Transformation Policy, the bedrock and catalyst towards achieving Vision 2020.

9. I must stress explicitly that all these plans would not have been realised without careful planning and clear strategies by the Government. In fact, for decades the Barisan Nasional Government has taken relentless efforts to develop the nation from an agriculture-base to a modern industrial economy and further grow to upper middle-income status. We are now poised to become a high-income and developed nation.

10. On 14 September 2013, I presented the Agenda on Bumiputera Economic Empowerment at the Dewan Agong Tuanku Canceled in the main campus of UiTM. In my speech,

I explained the demographics of the nation, particularly in relation to the Malays and Bumiputeras.

11. Currently, the demographics beginning from Arau, Perlis to Kudat and Tawau in Sabah, through Bintulu and Batang Ai, Sarawak, indicate that Malays comprise 41 subgroups within nine major groups, Chinese 10 subgroups, Indians 8 subgroups, Orang Asli 18 categories, Bumiputera Sabah more than 60 ethnic groups and in Sarawak, more than 40 subgroups.

12. The truth is, irrespective of whether we are Malays, Chinese, Indians, Kadazans, Murut, Dusun, Iban, Bidayuh, Orang Ulu, Orang Asli, Sikhs, Eurasians, Siamese, Baba Nyonya or Chitty, we are all Malaysians. Every ethnic or subgroup irrespective of numbers is important in our journey towards success.

13. According to the 2010 Population and Housing Census, estimates for 2013 indicate that there are 18.6 million Malays and Bumiputera (67.9% of total population) including Muslims and non-Muslims, Chinese, 6.6 million (24%) Indians, 2 million (7.2%), while there are 259,000 (0.9%) people of other ethnic groups (0.9%). This means there are about 27.4 million Malaysian citizens.

14. However, this does not include the 40,000 Bangladeshis who were brought in as phantom voters in the recent 13<sup>th</sup> General Election as alleged by the Opposition. Till today no one has even seen them or their shadow. Enough of lies. Ask for forgiveness from Him.

15. Indeed, for more than five decades, there has been an agreement forged by our former leaders in full wisdom and knowledge, supported by statistical evidence and our multiracial society. Therefore based on the solid premise, we present you this important document.

16. As in previous years, the tabling of this document of national importance falls on a Friday afternoon, a blessed day. This is the first Budget to be presented by the Barisan Nasional Government, after gaining the trust and confidence of the rakyat, once again. This is also my fifth budget as the Minister of Finance since 2009.

## **2014 BUDGET THRUSTS**

17. The 2014 Budget is formulated to ensure that the economy continues to expand at a strong pace, and to reduce the fiscal deficit, with the overall objective of prospering the nation and promoting the well-being of the rakyat. Towards this, the 2014 Budget is formulated based on the theme **“Strengthening Economic Resilience, Accelerating Transformation And Fulfilling Promises”**, outlining five main thrusts:

- First Thrust : Invigorating Economic Activity
- Second Thrust : Strengthening Fiscal Management
- Third Thrust : Inculcating Excellence in Human Capital
- Fourth Thrust : Intensifying Urban and Rural Development
- Fifth Thrust : Ensuring Well-Being of the Rakyat

## **2013 ECONOMIC PERFORMANCE AND 2014 PROSPECTS**

18. Allow me to highlight the current global and domestic economic prospects. The global economy is expected to grow at a slower pace of 2.9% in 2013. As a highly open economy, Malaysia is not spared from the modest growth. Nevertheless, the country's strong economic fundamentals and accommodative monetary policy will enable us to grow at a sustainable pace. In fact, the economy grew 4.2% in the first half of 2013.

19. Economic indicators reflect trends that support growth. For example, the FBMKLCI reached 1,818 points on 24 October 2013, with market capitalisation of RM1.66 trillion, a new record high in terms of level and value. This underscores the increasing local and foreign investors' confidence in the economy.

20. Net foreign direct investment was higher at RM18.2 billion in the first half of 2013 compared with RM15.9 billion during the same period in 2012. International reserves remained strong at RM444.9 billion at 14 October 2013, sufficient to finance 9.7 months of retained imports and is 3.9 times the short-term external debt.

21. For the whole of 2013, the domestic economy is expected to expand between 4.5% and 5%. Growth is supported by private investment, increasing 16.2% to an estimated RM165 billion. In addition, private and public consumption are expected to grow 7.4% and 7.3%, respectively mainly supported by strong domestic economic activity.

22. In 2014, in tandem with an improved global economic outlook, the domestic economy is projected to grow at a stronger pace of 5% to 5.5%. Growth will be driven by private investment expanding 12.7%, and private consumption at 6.2%.

23. Exports of goods are expected to grow 2.5% due to improving external demand. On the supply side, the construction sector is expected to grow 9.6%, followed by the services sector at 5.7%. The unemployment rate is estimated at 3.1% while the inflation rate will remain low between 2% and 3%.

24. The per capita income for 2014 is expected to reach RM34,126 compared with RM24,879 in 2009, an increase of 37% over 6 years. In this regard, we are confident of

achieving the target per capita income of RM46,500 or USD15,000 in 2020. It is even possible that we will achieve developed nation status much earlier than 2020.

## **2014 BUDGET ALLOCATION**

25. The 2014 Budget will allocate a total of RM264.2 billion to implement programmes and projects for the well-being of the rakyat and national development. Of this amount, RM217.7 billion is for Operating Expenditure while RM46.5 billion for Development Expenditure.

26. Under Operating Expenditure, RM63.6 billion is allocated for Emoluments and RM36.6 billion for Supplies and Services. Meanwhile, RM114.5 billion is allocated for Fixed Charges and Grants, while RM1.4 billion is for the Purchase of Assets. The remaining RM1.5 billion is for Other Expenditures.

27. From the Development Expenditure of RM46.5 billion, a sum of RM29 billion is allocated to the economic sector. A sum of RM10.5 billion is allocated to the social sector for education and training, health, welfare, housing and community development. In addition, RM3.9 billion is allocated to the security sector. The balance of RM1.1 billion is for general administration and RM2 billion for contingencies.

28. In 2014, the Federal Government revenue collection is estimated at RM224.1 billion, an increase of RM4 billion from 2013. Taking into account the estimated revenue and expenditure, the Federal Government fiscal deficit will further decline from 4% of GDP in 2013 to 3.5% in 2014. This clearly indicates the Government's commitment towards fiscal consolidation to further strengthen the financial position of the nation.

29. Taking into account the current international and domestic economic environment, I will now present the five thrusts which will be the basis of the 2014 Budget.

### **FIRST THRUST: INVIGORATING ECONOMIC ACTIVITY**

30. The Government will continue to provide a conducive environment to attract more domestic and foreign investment. The Government's efforts have led to an increase in private investment. For example, the share of private investment to GDP has grown from 12.4% in 2010 to 16.7% currently.

31. In 2014, private investment is expected to increase further to RM189 billion or 17.9% of GDP, particularly in oil and gas, textile industry, transport equipment and real estate development.

32. Public investment is estimated to reach RM106 billion. Projects to be implemented include construction of the 316-kilometre West Coast Expressway from Banting to Taiping as well as double-tracking projects from Ipoh to Padang Besar, and later from Gemas to Johor Bahru.

33. In the oil and gas sector, among projects to be undertaken by Petronas include the Sabah Ammonia Urea Project (SAMUR) in Sipitang; the integrated oil and gas production development project in Keabangan; the regasification plant project in Lahad Datu, Sabah; and RAPID in Pengerang, Johor, which is the largest investment in Malaysia.

34. The Government will continue to encourage investments in the five regional economic corridors by providing basic infrastructure and implementing high-impact projects. As at

end-2012, investments worth RM124 billion or 41% of the total committed investments were realised in the regional corridors.

35. In the first nine months of 2013, the regional corridors attracted committed investments of RM53.4 billion with almost 50% realised. Among the important projects in Iskandar Region are Pinewood Studio, Gleneagles Medini Hospital and Pegasus International School. In addition, sewerage and flood mitigation projects will be carried out.

36. In 2014, the Government will allocate RM1.6 billion for development in the five regional corridors. Among the main projects to be implemented include the agropolitan project and oil palm-based industries in the Sabah Development Corridor as well as Samalaju Industrial Park and a halal hub in the Sarawak Regional Corridor.

37. Meanwhile, in the East Coast Corridor, Kuantan Port will be expanded. An integrated petrochemical complex will be built in Gebeng and Kertih. In the Northern Corridor, the main projects include planting of commercial crops and fertigation system.

## **Invigorating Services Sector**

38. The services sector is the key contributor to economic growth and has huge potential for further development. The sector's contribution to GDP has increased from 49.3% in 2000 to 55% in 2013. To further promote growth in the sector, the Government will launch the Services Sector Blueprint in 2014 which outlines strategies and measures as well as identifies the following potential subsectors to be developed.

## **Logistics Sector**

39. Malaysia is currently ranked 29th in the World Bank Logistics Performance Index Report 2012. The Index benchmarks the performance of logistics activities, including shipping, infrastructure, timeliness, customs clearance and competencies. Though lagging behind developed nations, our performance can be improved.

40. To ensure a more efficient logistics sector, the Government will formulate a Logistics Sector Master Plan. The Plan will provide the strategic direction for the development of logistics infrastructure and supply chain as well as review regulations and laws. In addition, the Government will allocate RM3 billion in soft loans under the Maritime Development Fund through Bank Pembangunan Malaysia. The Fund will provide financing to encourage the development of the shipping industry, shipyard construction, oil and gas as well as maritime-related support activities.

## **Promoting Aviation Industry**

41. Malaysia has potential to be an aviation hub in the region. The industry will have a multiplier effect on the economy in line with growing demand for passengers and air cargo. For the period January to July 2013, passenger traffic at airports nationwide increased to 43.9 million from 38.6 million passengers during the same period in 2012.

42. Total air cargo handled increased to 529,000 tonnes during the first seven months of 2013. When KLIA2 is operational, passenger traffic is expected to increase to more than 70 million. To further develop the industry, the Government will formulate a National Aviation Policy, which

will outline measures to strengthen the ecosystem and services network in the aviation industry.

43. To improve operations management and air traffic control, the Government will replace the existing air traffic control management system in Subang that is almost 20 years old. A new air traffic management centre costing RM700 million will be built at KLIA. The new system will facilitate an increase in air traffic from 68 to 108 movements per hour on 3 runways. This will be among the highest capacity in handling air traffic worldwide.

44. To increase passenger comfort, the Government will upgrade several airports, such as Kota Kinabalu and Sandakan in Sabah as well as Miri, Sibul and Mukah in Sarawak. For this, the Government will allocate RM312 million. In addition, the passenger terminals in Langkawi International Airport and Kuantan Airport will be upgraded.

### **Promoting Tourism Sector**

45. In 2013, the tourism sector is expected to generate revenue of RM65 billion and has the potential to contribute further. In 2012, Malaysia attracted 25 million tourists. In view of the encouraging performance, 2014 has been declared Visit Malaysia Year (VMY), targeting 28 million tourists.

46. To implement the VMY programmes, the Government will allocate RM1.2 billion for operating and development expenditure in 2013 and 2014, including for promotion and advertising.

47. In continuous efforts to attract more tourists, I am pleased to announce 2015 as the Year of Festivals. In this

regard, we will organise and showcase a variety of cultural programmes and festivals in the country.

48. Malaysia is among the preferred tourist destinations for shopping. According to the Globe Shopper Index 2012 and CNN Travel 2013 Report, Kuala Lumpur is ranked the 4<sup>th</sup> most popular city in the world for shopping after New York, Tokyo and London.

49. To further promote Malaysia as a preferred tourist destination, the Government will continue to encourage investments particularly in new 4 and 5-star hotels. The measure will ensure adequate supply of international standard accommodation and increase tourist arrivals, especially from the luxury and high-spending category. To support this, the Government proposes the application period for Pioneer Status and Investment Tax Allowance incentives be extended for another 3 years until 31 December 2016.

50. To further promote the tourism industry, a sum of RM2 billion will be provided to the Special Tourism Infrastructure Fund under Bank Pembangunan Malaysia. The Fund will provide soft loans at low interest rates between 4% and 6%, with the Government providing a subsidy of 2%. The Fund will be used to finance the cost of building infrastructure such as hotels, resorts and theme parks as well as purchase and replacement of equipment related to the tourism sector.

### **Expanding Internet Access**

51. In a borderless world, information can be obtained instantaneously. Therefore the requisite infrastructure will be upgraded to meet consumer demand. Hence, the Government has implemented the High-Speed Broadband (HSBB) project under the National Broadband Initiative.

52. The collaboration with the private sector has involved investment of RM11.3 billion since the 9<sup>th</sup> Malaysia Plan. The HSBB project has been implemented with Internet access speed of 4 megabits per second (Mbps) and benefiting 2.3 million premises, particularly in urban areas.

53. To expand coverage in major towns, the Government will implement the second phase of HSBB project in collaboration with the private sector involving an investment of RM1.8 billion. The initiative is expected to provide additional coverage and facilities mainly in urban areas, benefiting 2.8 million households nationwide. The Internet speed will be increased to 10 Mbps.

54. The HSBB network will be expanded to suburban areas with an Internet access speed increasing to between 4 and 10 Mbps, which will benefit 2 million consumers at a cost of RM1.6 billion.

55. To increase Internet coverage in rural areas, 1,000 telecommunication transmission towers will be built over the next 3 years, with an investment of RM1.5 billion. To increase Internet access in Sabah and Sarawak, new underwater cables will be laid within 3 years, at a cost of RM850 million. These investments will utilise the Universal Services Provision Fund, which is under the purview of the Malaysia Communications and Multimedia Commission.

### **Strengthening Financial Market**

56. Currently, the domestic bond market is the largest in Southeast Asia with a value exceeding RM1 trillion, while daily transactions in the foreign exchange and money markets are more than RM30 billion. To ensure efficient operations of financial markets, a clear regulatory framework is required.

57. In this regard, amendments will be made to existing laws and Bank Negara Malaysia will lead the initiative in formulating the Netting Act to protect enforcement rights of “close-out netting” under the financial contract. This is to reduce credit risk and promote the derivatives market, thereby reducing systemic risks in the domestic financial market as well as reduce the cost of doing business.

58. Malaysia’s position as a leader in the Islamic capital market is an advantage in attracting funds and issuance of securities. To enhance global competitiveness, efforts will be intensified to promote Malaysia as a market for Social Responsible Investment (SRI).

59. Among the measures which will be implemented include introducing the Environmental, Social and Governance Index (ESG) to raise the profile of listed companies which have high socially responsible practices.

60. The Securities Commission will introduce the Framework of Socially Responsible Sukuk Instrument or SRI Sukuk to finance various sustainable and responsible investment initiatives. In addition, the Government will establish a SRI Fund to be invested in listed companies which demonstrate high accountability, transparency and sustainability, including inclusiveness in diversity encompassing gender, age and ethnicity.

61. For a start, Valuecap will allocate RM1 billion to invest in companies that score high on the ESG Index. I trust this will encourage more companies to show high commitment towards social responsibility.

## **Pension Scheme**

62. In 2010, the Government established the 1Malaysia Pension Scheme (SP1M), for the self-employed without

fixed income to contribute voluntarily to the Employees Provident Fund (EPF). To date, about 66,000 contributors have participated in the scheme with total savings exceeding RM240 million.

63. To encourage more people to participate in the scheme, I propose that the Government increases its contribution from 5% to 10%, or from a maximum of RM60 to RM120 per year. This will be effective from 1 January 2014 to end-2017 and is expected to attract 30,000 new contributors.

64. The Government recognises the importance of savings from an early age to ensure sufficient savings after retirement. To further increase savings, the Government encourages youth to undertake long-term investment through the Private Retirement Scheme (PRS).

65. Towards this, the Government proposes a one-off incentive of RM500 to contributors who participate in the PRS scheme with a minimum cumulative investment of RM1,000 within a year. The incentive, which is available for individuals aged between 20 and 30 years, is expected to attract 420,000 youth contributors nationwide. The incentive will be implemented from 1 January 2014, for a period of 5 years, involving an allocation of RM210 million.

### **Moving Up the Value Chain in Agriculture Sector**

66. According to an old proverb, if you work on the land diligently, you will reap the harvest. As such, agriculture is always included in the annual budget.

67. An allocation of RM6 billion will be provided for the implementation of high value-added and commercially viable agriculture programmes. Among the main initiatives are as follows:

First: Establish the Food and Agro Council for Export (FACE) which will be chaired by the Minister of Agriculture and Agro-based Industry. The Council will act as a facilitator to increase exports of local agriculture produce;

Second: Strengthen FAMA to play a more strategic role, in line with the concept of “from farm to export market”. For instance, FAMA will organise an Agro Bazaar in Singapore; and

In line with the high price and demand for durians, we will increase exports to China. To ensure that agriculture produce remains fresh, the Government will provide cold room facilities in KLIA. In addition to increasing exports, this will give higher return to farmers;

Third: Ensure fair prices of food products by opening an additional 60 farmers’ markets, 50 fish markets, 50 agriculture caravans as well as 100 fresh fruit stalls nationwide. The initiative to be undertaken by FAMA and LKIM will provide facilities to traders to sell food products directly to consumers.

68. The Government will allocate a sum of RM2.4 billion for subsidies and incentives, including subsidies for fertilisers, seeds, price of paddy and rice as well as incentives for higher production of paddy and fish landing. In addition, the Government will allocate RM243 million for the replanting programme of rubber, palm oil and cocoa as well as forest plantation programme.

69. To increase productivity as well as to promote agriculture produce with high demand, the Government will allocate

RM634 million under the National Key Economic Area. Among the projects include paddy and fish cage farming, seaweed and birds' nest, high-value herbs, vegetables and fruits for the export market.

70. The Government will also implement a lobster rearing project at Semporna, Sabah in collaboration with a multinational company to produce 18,000 metric tonnes yearly which will create 20,000 jobs. The project is expected to benefit more than 6,000 local entrepreneurs and increase their monthly income up to RM4,000 over the long term.

71. To increase competitiveness and the contribution of Bioeconomy to economic growth, the Government will implement the Bioeconomy Community Development programme. Under the programme, idle lands will be developed through the application of biotechnology as well as for contract farming to increase the value-added of the agro-based industry and income of farmers.

72. Recognising the importance of research and development (R&D) for the development of Bioeconomy, the Government will provide the following R&D incentives for viable projects which will be assessed by BiotechCorp:

First: Tax deduction for companies that invest to acquire technology platform in bio-based industry;

Second: Exemption on import duty on R&D equipment for companies that invest in pilot plants for the purpose of pre-commercialisation in Malaysia; and

Third: Special incentive to companies to partially cover the operational cost for human capital development for Centre of Excellence for R&D.

The incentives are for applications received by Biotech Corp from 1 January 2014 to 31 December 2018.

## **Entrepreneur Development**

73. According to *Hadith*, out of ten parts, nine parts of one's sustenance is in business. In this respect, we will train and nurture more young entrepreneurs so that they will become successful businessmen. Thus, the Government is committed to ensuring that entrepreneur development remains a key element in generating economic growth.

74. An entrepreneur development plan will be formulated to provide a conducive ecosystem which emphasises the generation of ideas which can be commercialised, infrastructure for training and incubators, entrepreneurship modules, financing facilities as well as marketing. To formulate the entrepreneur development plan, an entity called the National Entrepreneur Development Office will be established under the National Strategy Unit, Ministry of Finance which will plan and coordinate all activities related to entrepreneurship.

75. During the recent 4<sup>th</sup> Global Entrepreneurship Summit, I had announced the establishment of the Malaysian Global Innovation and Creativity Centre (MaGIC), a one-stop centre to empower entrepreneurs. MaGIC will monitor the performance of entrepreneurs; house an integrated database; provide incubators; registration and patenting of intellectual property; funding facilities; business matching process; and guidance, counselling and training. For this purpose, the Government will provide an allocation of RM50 million.

76. To make Malaysia an Entrepreneurial Nation, the 1Malaysia Entrepreneurs (1MeT) programme was implemented

to expose entrepreneurship to youth who are interested to venture into business. Through the 1MeT Programme, a database of participants has been created.

77. The Government targets 5,000 young entrepreneurs to be trained yearly. In this regard, committed 1MeT entrepreneurs will be given further guidance at MaGIC. In addition, Malaysia will host the 5<sup>th</sup> Global Social Business Summit from 7 to 9 November 2013, which will provide a platform for social entrepreneur development, especially among youth in the country.

78. To reduce graduate unemployment, the Government encourages graduates to venture into entrepreneurship upon graduation. For this, I am pleased to announce that the Government will allocate RM50 million under the Graduate Entrepreneurship Fund which will be managed by SME Bank. The Fund will provide soft loans of up to RM500,000 at an interest rate of 4%.

### **Strengthening Small and Medium Enterprises**

79. Currently, while SMEs account for 97.3% of the total registered businesses, their contribution to GDP is 32.4%. Following the new SME definition, the percentage of registered SMEs will increase to 98.5%. The Government is committed to ensuring that SMEs contribute 40% to GDP by 2020.

80. The Government proposes an allocation of RM120 million for an integrated package to increase innovation and productivity of SMEs. The package will provide financing for mechanisation and automation as well as upgrading capacity of SMEs. In addition, the Government provides various assistance and incentives under the Green Lane Policy

programme for financing, tax incentives and procurement including:

- First: Subsidy on interest rate of 2% or a maximum of RM200,000 per year;
- Second: Stamp duty exemption for loan agreements under the soft loan incentive scheme;
- Third: Tax deduction on expenses incurred for obtaining 1-InnoCERT certification;
- Fourth: Government procurement incentives encompassing approved manufacturers status company registration without site visit as well as bonus marks given in technical evaluation; and
- Fifth: Priority incentives to participate in procurement exercise by Minister of Finance Incorporated Companies.

The Government plans to extend these incentives until 31 December 2017.

81. The Government has implemented the Minimum Wage Policy on 1 January 2013. The monthly minimum wage is RM900 in Peninsular Malaysia, and RM800 in Sabah, Sarawak and Labuan. To encourage compliance with this new policy, and to reduce the financial impact to SME employers, co-operatives, societies and associations, the Government proposes that the difference in the wages paid by employers for the period of 1 January 2014 to 31 December 2014 be given further tax deduction.

82. To help the night market traders, the Government will create a Night Market Traders Entrepreneur Scheme

with an allocation of RM100 million under Bank Simpanan Nasional. The soft loans will carry a 4% interest rate, with maximum loans of up to RM30,000. The facility is to cover business costs such as revolving capital, site rental, raw materials and business equipment.

## **SECOND THRUST: STRENGTHENING FISCAL MANAGEMENT**

### **Transformation of Civil Service**

83. To achieve this objective, we first need to transform the civil service. To improve the service delivery system, the Government will implement the transformation plan in every ministry. This is important to strengthen and restructure the organisation to remain relevant in line with current developments.

84. The Government views seriously the issues highlighted in the 2012 Auditor General's Report. To enhance confidence of the rakyat as well as uphold the image and credibility of the civil service, a special committee has been established, chaired by the Chief Secretary to the Government, to investigate and take stern action against errant civil servants.

85. The Public Service Department (JPA) is investigating and taking action on more than 100 cases for non-compliance with financial procedures including procurement procedures. Meanwhile, 15 cases are under the investigation of the Malaysia Anti-Corruption Commission (MACC) for prosecution.

86. To enhance integrity, the Government will establish an Integrity Management Unit in each ministry to increase

compliance and adherence with established procedures. MACC officers will be represented in the Unit.

## **Improving Budget Management**

87. To improve budget management, the Outcome-Based Budgeting (OBB) was introduced to ensure that allocation is based on outcomes; improve the efficiency of implementation; reduce redundancy as well as systematically evaluate performance of all Government programmes and projects. In 2014, three ministries, namely Ministry of Health, Ministry of International Trade and Industry as well as Ministry of Finance will undergo performance evaluation based on the OBB.

88. Last June, the Government established the Fiscal Policy Committee (FPC). The role of the FPC is to strengthen the Government's financial position, ensure fiscal sustainability and long-term macroeconomic stability. The Government is committed to reducing the fiscal deficit gradually, with the aim of achieving a balanced budget by 2020. The Government will also ensure that Federal debt level will remain low and not exceed 55% of GDP.

89. In addition, the Government will continue to ensure a strong operating surplus where revenue will always exceed operating expenditure. Emphasis will be given to improving efficiency in spending, prioritising implementation of high-impact projects as well as improving auditing methods.

90. Currently, audit is only undertaken after a project or programme is completed. As a proactive measure, the Government will conduct audit on projects valued at more than RM100 million during its implementation.

## **Monthly Tax Deduction as Final Tax**

91. Currently, tax payers with employment income and subject to monthly tax deduction (MTD) are required to submit tax returns before or on 30 April of each year. The requirement to submit tax returns has confused tax payers from whom MTD has already been made and yet they are still required to submit the tax returns to the Inland Revenue Board.

92. To facilitate tax payers with employment income whose MTD have been made, it is proposed that these tax payers are not required to submit tax returns if they are with satisfied their MTD as final tax. This proposal is effective from year assessment 2014.

## **Subsidy Rationalisation.**

93. In general, subsidies impede growth if not well targeted. The Government has allocated almost RM47 billion in 2013 for various types of subsidies, incentives and assistance, including subsidies for petroleum products, food, health, agriculture and fisheries, utilities, toll as well as welfare and education.

94. Of this amount, the largest allocation of RM24.8 billion or 53% is to subsidise petroleum products that are enjoyed by all segments of society, including the high-income group, businessmen and foreigners. In addition, subsidised products are also smuggled by irresponsible people. Subsidy is rakyat's money and should be used to improve the well-being of the rakyat. However, if subsidies lead to wastage and losses, the Government will not hesitate to take appropriate action.

95. To ensure a targeted subsidy system, the Government will gradually restructure the subsidy programme. This is to ensure that only those who truly deserve will enjoy it. A portion of the savings from the restructuring of the subsidy system will be distributed in the form of direct cash assistance, while the other half will be used to finance development projects. For a start, the Government has reduced the subsidy on petroleum products by 20 sen a litre on 3 September 2013.

96. In addition, to ensure that there is no duplication in providing assistance and no deserving welfare assistance recipient is left out, the Government will establish a comprehensive database system, including integrating the databases of e-Kasih, recipients of welfare assistance; and BR1M recipients. For this, the Implementation and Coordination Unit, JPM will lead the initiative.

### **Goods and Services Tax (GST)**

97. The Government takes cognisance that the current sales tax and service tax have certain weaknesses such as the impact of double taxation on consumers, the absence of full tax relief on exported goods and transfer pricing issue. These weaknesses ultimately will result in losses to the consumers and the Government.

98. In Budget 2013, the Government intended to take bold measures to strengthen the fiscal position of the nation. In fact a Bill in relation to the GST had been previously read in this august House. Since then we have received various views, both positive and negative.

99. The Government has taken a few years to conduct detailed and comprehensive studies, and has considered the views of all segments of society, including the chambers of

commerce, investors, economists, academicians, consumer associations and NGOs.

100. Thus, based on the principal of People First, the Government has decided to expeditiously implement a fair and comprehensive tax system that benefits all Malaysians.

101. In this regard, the Government proposes that the sales tax and service tax be abolished. These two taxes will be replaced by a single tax known as the Goods and Services Tax (GST). I must stress that GST is not a new tax.

102. Currently, the inflation rate is low at 2%. The Government believes that this is the best time to implement GST as the inflation rate is low and contained.

103. With the implementation of GST, the Government will be able to address the weaknesses in the current taxation system. As an example, if we were to buy a carbonated drink in a restaurant today, we would not notice that we are paying double taxes which are sales tax and service tax.

104. Put differently or explained in simple terms, with the GST system, consumers will only need to pay tax once and the price of goods should be cheaper.

105. We feel disheartened that certain irresponsible groups tried to take advantage by confusing the general public on the understanding of GST. They claimed that when GST is implemented, the price of goods will rise, and that the poor and low-income group will bear the burden.

106. More than 160 countries have already implemented GST. This clearly demonstrates that GST is proven to be a transparent, effective and fair tax system. The vast majority

of nations in the world would not have implemented GST, if it is disadvantageous to the people and the country. Most of the developed nations have long implemented GST or Value Added Tax (VAT). Even ASEAN countries such as Indonesia, the Philippines, Laos and Cambodia, as well as countries such as Burkina Faso, Burundi, Zimbabwe, Rwanda and Kenya have implemented GST.

107. On the part of the Government, GST legislation, computerised systems, training of officers, GST infrastructure and a comprehensive communication plan have been completed.

108. The proposed GST model to be implemented in Malaysia is as follows:

First: The GST rate is fixed at 6% and to be effective from 1 April 2015, approximately 17 months from today.

This rate is the lowest among ASEAN countries compared with 10% in Indonesia, Vietnam, Cambodia, the Philippines, and Laos and 7% in Singapore and Thailand;

Second: GST will not be imposed on basic food items such as rice, sugar, salt, flour, cooking oil, lentils, herbs and spices, salted fish, *cencalok*, *budu* and *belacan*;

Third: GST will not be imposed on piped water supply, and the first 200 units of electricity per month for domestic consumers;

Fourth: GST will not be imposed on services provided by the Government such as the issuance of

passports, licences, health services and school education;

Fifth: Transportation services such as bus, train, LRT, taxi, ferry, boat, highway toll as well as education and health services are exempted from GST; and

Sixth: Sale, purchase and rental of residential properties as well as selected financial services are exempted from GST.

109. Upon the implementation of GST, the Government is committed to providing various forms of assistance to the rakyat during the GST transition period. The assistance and support are as follows:

First: One-off cash assistance of RM300 to households who are BR1M recipients;

Second: Individual income tax rates be reduced by 1 to 3 percentage points for all tax payers to increase their disposable income. With this measure, 300,000 persons who currently pay income tax will no longer pay tax. Generally, families with monthly income of RM4,000 will no longer have tax liability. Other existing tax payers will also enjoy tax savings; and

Third: Individual income tax structure will be reviewed to enhance the competitiveness of the nation as well as to retain and attract talent and skilled workers into the country. To ensure a more progressive tax structure, the chargeable income subject to the maximum rate will be increased from exceeding RM100,000 to

exceeding RM400,000. The current maximum tax rate at 26% will be reduced to 24%, 24.5% and 25%.

These measures will be effective from 2015.

110. In this regard, to ensure smooth implementation of GST by businesses, the Government proposes the following additional packages:

- First: Corporate income tax rate be reduced by 1 percentage point from 25% to 24%. Whereas income tax rate for small and medium companies will be reduced by 1 percentage point from 20% to 19% from the year of assessment 2016;
- Second: Cooperative income tax rate be reduced by 1 to 2 percentage points from the year of assessment 2015;
- Third: Secretarial fee and tax filing fee are allowed as tax deductions from the year of assessment 2015;
- Fourth: Cost of purchasing ICT equipment and software is given Accelerated Capital Allowance until year of assessment 2016;
- Fifth: Expenses incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015; and
- Sixth: Training grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. In addition,

financial assistance amounting to RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

111. With the various special packages provided by the Government, certainly no parties should take opportunity to increase prices of goods and services unscrupulously. Prices of goods will be constantly monitored. The Government will publish prices of goods and services as a guide for consumers to compare prices.

112. Consumers are urged to make rational choices, spend prudently and report unethical traders to the authorities. In this regard, the Ministry of Domestic Trade, Cooperatives and Consumerism will intensify enforcement efforts through the Price Control and Anti-Profiteering Act 2011.

113. In addition, to ensure the smooth implementation of GST, a GST Monitoring Committee will be established and chaired by the Honourable Second Minister of Finance with members from Government agencies as well as representatives from industries and NGOs.

### **THIRD THRUST: INCULCATING EXCELLENCE IN HUMAN CAPITAL**

114. The biggest challenge for Malaysia is holistic human capital. Holistic human capital development includes intellectual capital, artistic skills, communication skills, interpersonal skills, thinking, innovation and creativity. In essence, physical and technological developments must be balanced with noble values. Otherwise, there will be a vacuum and material success will not be rooted in universal human values.

115. The Government will continue to provide quality and advanced skills training to meet the demands of the job market. In addition, the physical, spiritual and intellectual aspects will be honed from young to tertiary level. The workforce will also be infused with noble values so that society lives in peace and harmony.

### **Enhancing Educational Excellence**

116. In achieving the third thrust, the first initiative is enhancing educational excellence. Indeed, every Budget has provided the largest allocation to the education sector. Education is important. Since ancient times, a civilisation will not last if not imbued with knowledge and wisdom.

117. The Government is committed to accelerating academic achievement, competencies and skills. Towards this, the Government will allocate a sum of RM54.6 billion or 21% of the total allocation in 2014. In addition, the Government will ensure that the implementation of the Malaysia Education Blueprint achieves the objective of ranking Malaysia in the top one third category of the world's best education, within a span of 15 years.

118. To continue upholding excellence in education beginning from preschool to the secondary level, programmes to be implemented include:

First: The Government recognises that early education is critical for physical and mental development. In this regard, we allocate RM530 million for preschool programmes as well as set up 93 preschools in national-type primary school;

Second: Implementing programmes to enhance the teaching profession with emphasis on teaching,

improving teaching methods and proficiency in Bahasa Malaysia and English. For this, a sum of RM209 million is provided;

Third: Expanding internet access in schools especially in rural areas with an allocation of RM168 million; and

Fourth: Build 33 new schools and upgrading existing ones, including dilapidated schools with an allocation of RM831 million.

119. In the 2012 and 2013 Budget, respectively the Government provided RM1 billion under the Special Fund for Building, Upgrading and Maintenance of Schools specifically for urgent repairs and maintenance of school buildings; purchase of equipment and construction of additional blocks.

120. To follow up on the Government's commitment, I am pleased to announce an additional RM450 million for this Special Fund. Of this, RM100 million will be channelled to national schools and RM50 million each to national-type Chinese schools, RM50 million to national-type Tamil schools; mission schools; Government-assisted religious schools; boarding schools; and Maktab Rendah Sains MARA as well as People's Religious Schools (SAR).

### **Tertiary Education**

121. The Government will focus on strengthening public and private higher learning institutions towards producing quality graduates who meet the demands of the job market.

Among programmes to be implemented include:

First: Improving the status of research universities by increasing research and the number of articles for publications in international journals. For this, the Government will provide an allocation of RM600 million in research grants for public institutions of higher learning; and

Second: The Government will continue the MyBrain15 programme which finances tuition fees at post-graduate level, especially for executives in the private sector. For this, a sum of RM110 million is allocated.

122. Publishing articles in international academic journals is an important aspect in promoting the works of local academicians. Recognising the importance of establishing a world-class scholarly centre, the Government will establish a Malaysian Citation Centre to increase publication of local scholarly works and assist researchers publish articles in renowned international journals.

### **Strengthening Skills Training**

123. Continuous efforts will be made to improve the quality of training in order to produce a highly skilled workforce. The Government will therefore implement the following measures:

First: Implement a single tier for the Malaysian Skills Certificate course Levels 1 to Level 3 for 6 months in all Industrial Training Institutes under the purview of Manpower Department (JTM);

Second: Upgrade and replace equipment at JTM training institutes with the latest technology involving an allocation of RM178 million; and

Third: Allocate a sum of RM330 million to Skills Development Fund under the Ministry of Human Resource. The fund will provide loans for SPM leavers to enrol in skills training courses.

124. Youth are the nation's hope, asset and heir for the future. According to religious scholars, good behaviour of youth today will reflect the future of the nation.

125. A sum of RM200 million is allocated to upgrade and implement a two-shift approach at the National Youth Skills (IKBN). Among the areas that have been identified include automotive, marine maintenance, welding and electrical wiring which will benefit more than 15,000 IKBN trainees nationwide.

126. At present, there are 13,000 registered employers who contribute a levy of 1% of the monthly wages of workers to the Human Resource Development Fund (HRDF). The levy is used to train and upgrade the skills of workers.

127. HRDF will provide RM400 million for registered companies to give opportunities to employees to enrol in upskilling and reskilling programmes. The allocation can also be used by these companies to train apprentices and future workers.

128. To ensure employees are able to balance between career and family commitments, a flexible work environment is important. Therefore, it is proposed that employers implement the Flexible Work Arrangement (FWA) to give flexibility in terms of duration, place and working hours at the workplace.

129. The FWA may be implemented through compressed work week, flexi hours and weekend work. To encourage more Malaysian companies to adopt FWA as the norm, the

Government proposes that training expenses and consultancy fees incurred by employers in implementing FWA be given further tax deduction.

## **Schooling Assistance**

130. The Government will continue giving RM100 to all primary and secondary school students to ease the burden of schooling expenses. For this, the Government will allocate RM540 million which will benefit about 5.4 million students. I understand some parents have donated the sum to the Parent-Teachers Association (PIBG). The Government appreciates the kind gesture.

## **1Malaysia Book Voucher**

131. A reading culture among the rakyat should be enhanced. Make the book your friend, your torch in the dark and a lifelong mind stimulant.

132. To ease the burden of students in pre-university and institutions of higher learning in purchasing books and reference materials, the Government will continue to provide the 1Malaysia Book Voucher Programme valued at RM250 to each student. The initiative is expected to benefit 1.3 million students involving an allocation of RM325 million.

## **FOURTH THRUST: INTENSIFYING URBAN AND RURAL DEVELOPMENT**

### **National Blue Ocean Strategy (NBOS)**

133. The National Blue Ocean Strategy (NBOS) is an integrated approach by the Government in formulating

policies and initiatives through smart partnership between the ministries and agencies.

134. The strategy complements the National Transformation Policy. To date, 56 initiatives have been implemented using the NBOS approach of low cost, speedy implementation and high impact programmes. In 2014, the Government will allocate RM278 million to implement various programmes including:

- First: Launching of the Urban Transformation Centre (UTC) in Sabah at the end of the year and 4 more UTCs with one each in Sarawak, Johor, Terengganu and Perlis, in addition to the existing 5 UTCs;
- Second: Launching an additional three Rural Transformation Centres (RTCs) with one each in Sabah, Sarawak and Negeri Sembilan, bringing the total to 8 RTCs; and
- Third: Implementing Mobile Community Transformation Centre or Mobile CTC by increasing the number of modified buses and vans. The main services to be provided include MyKad registration, driving licence renewal, health screening and business advisory services.

### **Strengthening the Public Transport Network**

135. An efficient public transport system facilitates mobility, saves time and travel costs. The Government is therefore committed to improving public transport, including providing quality and comfortable facilities. Among the initiatives taken are:

- First: Constructing the Ipoh-Padang Besar double-tracking project and later extending to Johor Bahru as well as upgrading rail tracks nationwide with an allocation of RM2.9 billion;
- Second: Providing 'park and ride' facilities at LRT stations, KTM commuter stations and ERL stations with an allocation of RM62 million;
- Third: Introducing a Centralised Taxi Service System with an allocation of RM15.3 million to ensure efficient mobilisation of taxi services;
- Fourth: Building 'last city terminals' and upgrading bus stops as well as providing 'drop-and-ride' facilities involving an allocation of RM28 million; and
- Fifth: Refurbishing Electric Multiple Units (EMUs) trains at a cost of RM28 million to ensure frequency and efficiency of services.

136. To ensure a seamless network between urban and rural areas, the Government will allocate RM130 million to subsidise rural air transport, especially for rural population in Sabah and Sarawak. Holding firm to the principle of People First, the Government will also continue to subsidise uneconomical train routes in East Coast, namely Pahang and Kelantan. The move will benefit about 600,000 commuters involving an allocation of RM52.9 million.

### **Enhancing Urban Well-being**

137. Currently, there are various local community groups such as Residents' Associations, *Jawatankuasa Kemajuan dan Keselamatan Kampung*, as well Neighbourhood Watch,

which focus on administration as well as promote unity and harmony among local residents.

138. To enhance coordination and community well-being, particularly in urban areas the Government proposes the establishment of *Jawatankuasa Perwakilan Penduduk* (JPP) in local authorities (PBT). JPP will be represented by members of the local community to support community development programmes, apart from addressing issues in their areas. For this, the Government will establish 24 JPP zones in each local authority with an allocation of RM63 million.

139. Currently, treated water supply reserves nationwide have not met the 20% target with water supply disruptions, particularly during peak periods. Therefore, to increase the coverage of water supply to 100%, especially in urban areas, the Government will build and upgrade dams and water treatment plants involving an allocation of RM1.2 billion.

## **Rural Development**

140. To further strengthen and improve basic infrastructure as well as improve the living standards of people in rural areas, a sum of RM4.1 billion is provided for rural development programmes for basic infrastructure projects such as:

First: A sum of RM980 million is allocated for the refurbishment and upgrading of 437 kilometers of rural road networks nationwide. In addition, a total of RM500 million is provided for the Pan-Borneo Highway project;

- Second: A sum of RM457 million is allocated for the provision of potable water to 8,000 houses in rural areas. In addition, RM75 million is allocated for the supply of water tanks in Sarawak;
- Third: A sum of RM865 million is allocated for the provision of uninterrupted 24-hour electricity supply to more than 16,000 homes nationwide. In addition, to address the frequent electricity supply disruption in Sabah, a sum of RM265 million is allocated to strengthen the generation and transmission system such as upgrading of the Tenom Pangi Hydro Power Station, construction of Kimanis electricity transmission lines and construction of main switch station in Sandakan;
- Fourth: A sum of RM179 million is allocated to build and refurbish 20,000 houses for poor people in rural areas;
- Fifth: To encourage entrepreneurship among the rural populace and increase their incomes, a sum of RM20 million is allocated for Rural Business Challenge programme which includes food production, fish farming, auto repair and agro-tourism; and
- Sixth: A sum of RM109 million is provided for the economic development as well as to upgrade the infrastructure, facilities and living standard for the Orang Asli community.

141. The Government will continue with the flood mitigation programme (RTB) in Sungai Muda in Kedah, RTB Lembangan Sungai Muar in Johor, RTB Sungai Bunus in Kuala Lumpur and RTB Pekan in Pahang. For this, the Government will

allocate RM659 million. In addition, the Government will provide an allocation of RM79 million for dredging and deepening river estuaries.

142. The Government is aware that the Bumiputera minority particularly in Sabah and Sarawak face challenges in owning customary land. For this, the Government will allocate RM50 million for land surveying and customary land ownership verification.

## **FIFTH THRUST: ENSURING THE WELL-BEING OF THE RAKYAT**

### **Malaysia Happiness Index**

143. The nation's prosperity does not only depend on economic progress, but also the quality of life and the well-being of the rakyat. In this regard, the Malaysian Well-being Index (MWI 2012) was developed. The Government will continue to formulate policies and strategies to improve the quality of life and well-being of the rakyat.

### **Enhance Security and Public Order**

144. The Government appreciates the contribution of the security forces. Priority is also given to security and public order. The Government is committed to combatting crime and averting foreign threat which may disrupt national security and harmony.

145. For this, the Government will allocate a sum of RM8.8 billion to the Royal Malaysia Police (PDRM) and RM13.2 billion to the Malaysian Armed Forces (ATM) to reduce crime and enhance military preparedness.

146. To further strengthen the police force, the Government will build and upgrade the Police Headquarters, District Police Headquarters (IPD) and staff quarters involving an allocation of RM128 million. The sum includes the construction of a new IPD in Pasir Mas, Kota Setar, Johor Bahru Selatan, Sipitang and Nusajaya as well as building a new Police Station in Pengerang, Tongod and Country Homes Rawang.

147. In the fight against serious crime, the Government has allocated RM200 million to equip PDRM with the latest tools and equipment such as firearms, ammunition, bulletproof vests, narcotic detectors, biometric systems and forensic vehicles. The Government also will provide 496 closed-circuit cameras (CCTV) in 25 local authorities involving an allocation of RM20 million.

148. In addition to the 1,000 motorcycles purchased this year for the Police Motorcycle Patrol Unit, the Government has agreed to procure an additional 800 motorcycles with an allocation of RM20 million this year. The Government will also procure an additional 200 motorcycles bringing it to a total of 2,000 motorcycles for 2 years.

149. The armed intrusion in Lahad Datu is a black mark for Malaysia. The sacrifices and the patriotic deeds of the armed forces in defending the nation is highly appreciated. What is important is that we will not allow even an inch of our land to be taken away by anyone. Sabah will remain with Malaysia forever.

150. To safeguard our territorial waters from foreign threat, particularly in Sabah and Sarawak, the Government established the East Coast Special Security Area (ESSCOM) early this year. To further strengthen ESSCOM operations, the Government will allocate a sum of RM75 million for 2014.

151. In addition, the Government will continue to enhance national security of our territorial waters and borders by strengthening surveillance and upgrading defence equipment. This includes the purchase of six offshore patrol vessels; four cargo aircrafts and support equipment; as well as armoured vehicles with an allocation of RM2.4 billion.

152. The Government is concerned about the welfare of armed forces personnel and veterans. In recognition of their contribution to the nation, the Government will allocate RM48 million to cater for the welfare of 20,000 ATM veterans, including health payments, ex-gratia and education.

153. In addition, a total of RM202 million will be allocated to build and refurbish ATM quarters. The Government will also provide school bus services for the children of military personnel to replace the army trucks.

## **Environmental Conservation and Resource Management**

154. The Government is committed to providing a clean, safe and healthy environment for the present and future generations. Among the programmes to be implemented are the National Carbon Reporting Programme or MyCarbon by the corporate sector, establishment of a National Conservation Trust Fund for conservation of degraded areas and permanent forest reserves, as well as natural resource management.

155. To strengthen the development of green technology, the Government will provide investment tax allowance for the purchase of green technology equipment and income tax exemption on the use of green technology services and system.

156. To encourage a green lifestyle, Malaysian Green Foundation will be established to promote and enhance use of green technology by the corporate sector and the general public. For this, a launching grant of RM15 million will be provided to the Foundation.

157. As an immediate measure to prevent the recurrence of the recent tragedy in Cameron Highlands, the Government will approve an allocation of RM40 million to widen and deepen Sungai Bertam.

158. To improve efficiency and electricity energy conservation, the Government will undertake energy audits as well as install retrofit in ministry buildings. For 2014, the Ministry of Health; Ministry of Youth and Sports; Ministry of Human Resources; Ministry of Domestic Trade, Co-operatives and Consumerism; and the Ministry of Agriculture and Agrobased Industry have been identified for the implementation of the initiative. In addition, the Government will install solar panels on rooftops of ministry buildings as well as replace existing lights with LED lights in stages.

### **Quality Healthcare Services**

159. The Government will continue to provide quality healthcare and medical services for the rakyat. For this, a sum of RM22.1 billion will be allocated for the health sector under operating and development expenditure. The allocation will be channelled to programmes and projects, including the construction of Hospital Tanjung Karang and additional blocks for Hospital Jeli; as well as the upgrading of Hospital Kuala Lipis and 30 rural clinics.

160. In addition, the Government will allocate RM66 million for the purchase of equipment and the construction of additional

blocks in Hospital Queen Elizabeth in Kota Kinabalu. The Government has set up 234 1Malaysia clinics, and another 50 additional 1Malaysia clinics will be established in 2014. To address the shortage of parking lots at Hospital Kuala Lumpur, a total of 1,950 new parking lots will be completed in 2014. Meanwhile, hospitals in Rompin and Tampin as well as National Cancer Institute will be operational early next year.

161. To improve the quality of nursing care and reduce the nurses' workload of working continuously in two shifts, the Government will appoint 6,800 more nurses with an allocation of RM150 million. Apart from this, a total of RM3.3 billion will be allocated for the purchase of medicine and medical equipment to ensure patients receive appropriate treatment including expanding the cardiothoracic services in Hospital Ipoh, Kuala Terengganu, Kuantan and Kuching.

162. The Government recognises the difficulty of patients with kidney failure having to go to the haemodialysis centre for dialysis 3 times a week. Patients spend up to RM400 for each treatment. To facilitate patients with end state kidney failure, the Government will provide free treatment kits called Continuous Ambulatory Peritoneal Dialysis (CAPD) costing RM19,000 per unit. The initiative which is expected to benefit over 1,000 patients will allow them to be treated at home.

163. Statistics indicate that 2.6 million Malaysians under the age of 30 are diabetic. If left untreated, patients will face various complications such as heart disease, kidney failure, blindness and amputation. In relation to this, the Government proposes to abolish the sugar subsidy of 34 sen effective 26 October 2013. I urge all Malaysians to take care of their health and reduce sugar in your food and drinks.

## **Development of National Sports**

164. Sports development requires a comprehensive ecosystem, including infrastructure, management and coaching, talent building and welfare of athletes from an early age. Therefore, a sum of RM239 million is allocated to pursue excellence in sports including upgrading sports complexes and courts, establishing Pilot Talent Identification Programme in primary schools and to implement the Future Professional Coach Programme to hone the skills of potential coaches for selected sports.

165. In addition, the Government will allocate RM150 million to the Sports Trust Fund for the development of elite sports, medical treatment and research. Furthermore, the Government will make thorough preparations to ensure the success of athletes in international sports competitions, including 2014 Asian Games in Incheon; 2014 Youth Olympics in Nanjing; and the 2015 Commonwealth Games in Glasgow.

## **Enhancing the Role of Women and Well-being of Families**

166. Women not only play an important role in their families but also contribute significantly to nation building. Their contribution has been highly recognised. In this regard, programmes for the development of women and family institution will be continued with an allocation of RM2.2 billion to the Ministry of Women, Family and Community Development.

167. Various programmes will be implemented, including Akademi Inovasi Wanita under the purview of Institut Tadbiran Awam Negara (INTAN). The academy will draw up programmes relating to leadership, entrepreneurship, and innovation.

168. Some of the programmes include the Women Directors Programme which prepares women to be members of Board of Directors; Purple DNA Entrepreneurship Programme such as “Purple Licious”, a mobile food kiosk; and an additional 23 Senior Citizens Activity Centres.

169. The Government will also double the rate of daily allowance for children in institutions under the Department of Social Welfare (JKM) from RM1.50 per day to RM3 per day for school going children and from RM0.50 to RM1.00 per day for children who have not started schooling. The scheme will benefit 4,500 children in JKM institutions nationwide. In addition, the daily allowance for senior citizens in JKM institutions will be raised from RM10 to RM30 a month to cater for their daily needs.

170. To ease the burden of civil servants, the eligibility to qualify for the subsidy of public sector TASKA fee of RM180 per month is now extended to households with a monthly income of RM5,000 compared with RM3,000 previously.

171. In addition, the Government is proposing a monthly assistance of RM250 in nursery fees, to parents with a monthly income of not more than RM900 and who enrol their children in private nurseries registered under JKM. The move will benefit 3,334 children under the age of 4, and involve an allocation of RM15 million.

172. As an addition to the Human Papilloma Virus immunization services and mammogram screening, the Government is proposing a free breast prostheses and special bras for breast cancer patients. The initiative will assist in offsetting the cost of purchasing the support material which is estimated to cost about RM1,200 and will benefit more than 8,000 breast cancer patients. The allocation set aside for this is RM9 million.

173. I would like to announce that the Government will purchase four special buses for the implementation of the Mobile Family Centre which will provide advisory services related to family matters; dietary requirements; screening for chronic disease; as well as testing for glucose and cholesterol.

## **Empowering Bumiputera**

174. The aspiration to achieve a developed and high income nation status can only be achieved through concerted efforts by all, especially the Bumiputera. The Government is committed to further strengthening the participation of Bumiputera in the economic development of the country and make the Bumiputera agenda a national agenda.

175. For this, the Government will implement various programmes including intensifying skills training for youth and Professional Leaders Programme as well as increasing student intake into UiTM to 250,000 by 2020.

176. Student population in UiTM has reached 180,000. In addition, the Government will increase Bumiputera equity holdings and property ownership through the *Skim Jejak Jaya Bumiputera* (SJJJ), *Skim Amanah Saham Bumiputera 2* and strengthen the Bumiputera real estate institution.

177. To increase Bumiputera equity ownership, SME Bank will establish Bumiputera Equity Fund (EquiBumi) with an allocation of RM300 million to provide loans to credible Bumiputera companies to take over listed companies or companies with potential to be listed on Bursa Malaysia.

178. In addition, an allocation of RM200 million is provided by the SME Bank for loan facility for the development programmes for Malay Reserve Lands in strategic areas

such as Kampung Baru, Kampung Pandan and Kampung Datuk Keramat. This facility will help to improve the standard of living of the Malay community in line with the rapid development in the surrounding area.

179. The Government will continue to increase Bumiputera participation in business and entrepreneurship to generate income and wealth. Among programmes to be implemented are the establishment of Bumiputera Entrepreneurs Start-Up Scheme (SUPERB) with an initial fund of RM30 million.

180. In addition, to enhance the vendor development programmes, the Government proposes that expenses incurred by anchor companies, especially GLCs be given double tax deduction.

181. To increase business opportunities and access to funding for SME entrepreneurs, soft loan facilities will also be provided. Among the financing facilities are the Amanah Ikhtiar Malaysia with funds totalling RM300 million and TEKUN with RM700 million.

### **Assisting the Disabled (OKU)**

182. We recognise that everyone is special and we are all perfect in the eyes of God. In relation to this, the contribution of OKU is highly appreciated. Many facilities have been provided for their well-being and to maximise their potential. The Government will allocate RM441 million for the development and welfare of OKU.

### **Appreciating Artistes**

183. Artistes are an integral part of civilisation. In appreciation of their contribution, the Government proposes to continue

providing financial assistance amounting to RM6 million for administration and operations of registered associations.

## **Development of Malaysian Indians**

184. It is said that kindness should be reciprocated with kindness. I would like to thank all Malaysian Indians who supported the Barisan Nasional Government in the 13<sup>th</sup> General Election.

185. The Government will continue to focus on the development of Malaysian Indians so that they are part of mainstream development. For this, the Government will allocate RM100 million for enhancing education performance and skills training, including RM28 million for early education programmes, involving 176 Tamil pre-schools and i-Sinar programmes.

186. The programme will improve the performance of students through counselling, motivation and tuition in 45 Tamil schools in estates. In addition, an allocation of RM50 million will be provided through the *Skim Pembiayaan Muda India* (SPUMI) under TEKUN while loans are also available for Malaysian Indian entrepreneurs through Amanah Ikhtiar Malaysia.

## **Increasing Home Ownership**

187. I hear the grouses of the rakyat who wish to own a comfortable home, especially from those in the low and medium- income groups. Various concerns have often been raised, such as soaring house prices, inadequate supply of houses and difficulties in getting financing.

188. The recent sharp increase in the prices of houses has affected the ability of the rakyat to purchase houses. In addition, speculative activities have an impact on house prices and can adversely affect the real estate market in the long term.

189. To increase the ability of the rakyat to buy a house and ensure stable house prices, as well as to control excessive speculative activities, the Government will implement the following steps:

First: Review Real Property Gains Tax (RPGT). For gains on properties disposed within the holding period of up to 3 years, RPGT rate is increased to 30%, whereas for disposals within the holding period up to 4 and 5 years, the rates are increased to 20% and 15%, respectively. For disposals made in the sixth and subsequent years, no RPGT is imposed on citizens, whereas companies are taxed at 5%.

For non-citizens, RPGT is imposed at 30% on the gains from properties disposed within the holding period of up to 5 years and for disposals in the sixth and subsequent years, RPGT is imposed at 5%.

Second: Increase the minimum price of property that can be purchased by foreigners from RM500,000 to RM1,000,000;

Third: Increase transparency in property sales price, where property developers will have to display detailed sales price including all benefits and incentives offered to buyers such as exemption

of legal fees, stamp duty, sales agreements, cash rebates and free gifts; and

Fourth: Prohibit developers from implementing projects that have features of Developer Interest Bearing Scheme (DIBS), to prevent developers from incorporating interest rates on loans in house prices during the construction period. Therefore, financial institutions are prohibited from providing final funding for projects involved in the DIBS scheme.

190. To further increase access to home ownership at affordable prices, an estimated 223,000 units of new houses will be built by the Government and the private sector in 2014. The Government will allocate RM578 million to the National Housing Department (JPN) for the implementation of *Program Perumahan Rakyat* which involves the construction of 16,473 housing units. In addition, JPN will construct 600 units for *Program Perumahan Rakyat Disewa* and *Perumahan Rakyat Bersepadu* with an allocation of RM146 million.

191. PR1MA will provide 80,000 housing units with an allocation of RM1 billion. The sales price of PR1MA houses are 20% lower than market prices. Meanwhile, SPNB will build 26,122 units of affordable houses, comprising 15,122 units of affordable houses, 3,000 units *Rumah Idaman Rakyat* and 8,000 units of *Rumah Mesra Rakyat*. The Government will introduce a new category of *Rumah Mesra Rakyat*, with sales price between RM45,000 and RM65,000 for which the Government will provide a subsidy between RM15,000 to RM20,000 per unit.

192. The Government will also introduce the Private Affordable Ownership Housing Scheme (MyHome) as a step to encourage the private sector to build more low and medium-cost houses. The scheme provides a subsidy

of RM30,000 to the private developers for each unit built. Among the criteria for the scheme are:

- First: Build at least 20% low-cost houses and 20% medium-cost houses in a housing project;
- Second: The maximum price of low-cost houses is RM45,000 and medium-cost houses is RM170,000;
- Third: The minimum built-up area of low-cost houses is 800 square feet and the medium-cost houses, 1,000 square feet, with a minimum of 3 bedrooms and 2 bathrooms;
- Fourth: Provide parking, surau, hall and recreational park; and
- Fifth: Open to first-time buyers with a monthly household income of RM3,000 for low-cost houses and a maximum of RM6,000 for medium-cost houses.

193. Preference will be given to developers who build low and medium-cost houses in areas with high demand and limited to 10,000 units in 2014. The scheme is for housing projects approved effective from 1 January 2014 with an allocation of RM300 million under the supervision of Ministry of Urban Well-being, Housing and Local Government.

194. Currently, PR1MA housing projects, housing in newly opened areas and 1Malaysia Civil Servants' Housing Programme are eligible to apply for grants at 10% of the project cost, from the Facilitation Fund. For 2014, the Government will provide a total of RM4 billion to the Facilitation Fund as an initiative to promote private, high-strategic impact projects.

195. Of this, I propose that RM1 billion is allocated to the Housing Facilitation Fund under Public Private Partnership Unit (UKAS). Developers who receive this grant must abide by the terms and conditions as well as the sales prices which are set by the Government.

196. The Government will also carry out a refurbishment program and improve comfort and beautify government-owned low-cost housing. Among the measures to be implemented include lift maintenance, repainting the house, cleaning up drains and landfill space and repair playgrounds.

197. To this end, a sum of RM100 million will be provided to 1Malaysia Maintenance Fund under the Ministry of Urban Well-being, Housing and Local Government. The Government will also allocate RM82 million to rehabilitate 20 abandoned housing projects involving 8,197 houses.

198. To further strengthen the real estate market and increase opportunities for the rakyat to own houses, the Government will implement a more effective and comprehensive approach. In this regard, I am pleased to propose the establishment of the National Housing Council to develop strategies and action plans in a holistic manner; coordinate legal aspects and property price mechanism; and ensure provision of homes in a more efficient and expeditious manner. The Council members will comprise Federal Agencies, State Governments, the National Housing Department, PR1MA, SPNB and the private sector.

### **Price Uniformity Programme**

199. The Government is aware that prices of essential goods are more expensive in Sabah and Sarawak compared with Peninsular Malaysia, due to higher shipping and distribution costs. To help reduce prices of goods and

costs, the Government will allocate a sum of RM331 million to continue the price uniformity programme and subsidies including transport cost.

200. Additionally, 60 Kedai Rakyat 1Malaysia (KR1M) will be set with an allocation of RM30 million to help reduce the prices of daily necessities.

### **Tax Relief for Middle-Income Group**

201. The Government has never neglected the middle-income group who form the largest number of tax payers. They are also burdened by increasing cost of living. To further assist this group, the Government proposes a special tax relief of RM2,000 be given to tax payers with a monthly income up to RM8,000 received in 2013.

202. This measure will result in tax savings up to RM480. This group is already enjoying tax savings up to RM475 on income received in 2013 with the reduction of tax rates announced by the Government in the last Budget.

### **CONCLUSION**

203. We are grateful that we remain united, live in peace and harmony and have developed the nation since independence on 31 August 1957.

204. On 16 September 1963, history was created when Sabah and Sarawak joined Malaysia. It is clearly evident that this unity and togetherness have brought blessings to Malaysia.

205. For more than five decades, the Barisan Nasional Government has earned the rakyat's trust through power sharing and consensus among component parties.

206. The Barisan Nasional Government has never been reckless in managing the nation. Instead we have been very committed and serious.

207. In all our endeavours, we have always put the interest and the well-being of the people first.

208. The Government values the contribution of civil servants who play a vital role in implementing policies and programmes for national development. Hence, in July, the Government gave an additional annual increment to all civil servants involving an allocation of RM1.6 billion.

209. In addition, the Government gave three increments to those who have reached their maximum pay in all schemes of service, benefiting 182,434 civil servants. Thus, this evening, I am glad to announce that the Government has agreed to improve 81 schemes of service from November.

### **Bantuan Rakyat 1Malaysia (BR1M)**

210. In efforts to reduce the burden of the rakyat, I am glad to announce the BR1M to households and single individuals will be improved in line with targeted subsidy programme.

211. BR1M to households with a monthly income of below RM3,000 will be increased from RM500 to RM650.

212. For single individuals aged 21 and above and with a monthly income not exceeding RM2,000, BR1M will be increased from RM250 to RM300.

213. To complement the BR1M programme, I propose a contribution of RM50 to the Group Takaful Rakyat 1Malaysia (i-BR1M), for all BR1M household recipients. The initiative

will provide protection of up to RM30,000 to BR1M recipients in the event of death or permanent disability.

214. In short, all BR1M households recipients with a monthly income of not more than RM3,000 will enjoy financial assistance of RM700.

215. For the first time, BR1M assistance of RM450 will be extended to households with a monthly income of between RM3,000 and RM4,000. The assistance is given to alleviate the rising cost of living borne by the lower middle-income group.

216. This group will also enjoy the RM50 contribution to i-BR1M bringing the total BR1M assistance to RM500. To implement all the 2014 BR1M packages, the Government will allocate RM4.6 billion which is expected to benefit 7.9 million recipients.

### **Valuing the Contribution of Civil Servants**

217. Last August, just before the Eid Celebrations, civil servants and pensioners received special financial assistance of RM500 and RM250, respectively.

218. Today, I am pleased to announce that pensioners will receive a special financial assistance of RM250 to assist them meet the rising cost of living.

219. For civil servants, I announce a half-month bonus for 2013 with a minimum payment of RM500 to be paid in early January 2014.

220. This is a post-election budget which fulfils promises made during the election. Our efforts will not end here. On the contrary, the Barisan Nasional will continue to lead the nation with vigour and courage for the next 50 years.

221. However, our noble efforts will always be criticised by our colleagues on the other side of the aisle.

222. Be that as it may. The truth will always prevail.

223. Even John Kerry, the US Secretary of State who visited us recently acknowledged Malaysia as a model for the rest of the world in various aspects of development. The President of China, Xi Jinping also praised Malaysia as a loyal friend and partner who can be trusted in good and bad times.

224. Despite all the allegations we will not give up easily but will continue to work hard for the rakyat and the nation.

225. We acknowledge that there may be some weaknesses in our administration in the past. However, we have always placed the rakyat's interest above all else. With the solid support of the rakyat, we will continue to improve.

226. If we remain united, there are no problems that cannot be solved.

227. We assure you that we will not allow irresponsible people to take over the Government. We will defend Putrajaya for the rakyat and our beloved nation.

228. The 2014 Budget will take Malaysia to greater heights and competitiveness in the international arena. God willing, we will table six more budgets before the nation becomes a high-income and developed nation by 2020.

229. In the interest of the rakyat, we hope that the 2014 Budget is blessed by The Almighty.

230. In conclusion, we have given our best and leave the rest to The Almighty. May He bless and keep Malaysia safe and prosperous.

# ***APPENDICES***



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**EXTENSION OF TAX INCENTIVES  
FOR NEW 4 & 5 STAR HOTELS**

**Current Position**

Hotel operators undertaking new investments in 4 & 5 star hotels are given the following tax incentives:

**A. Peninsular Malaysia:**

**i. Pioneer Status**

Exemption of 70% of statutory income for a period of 5 years; OR

**ii. Investment Tax Allowance**

Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. This allowance can be set-off against 70% of statutory income for each year of assessment.

The above incentives are for applications received by Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2013.

**B. Sabah and Sarawak:**

**i. Pioneer Status**

Exemption of 100% of statutory income for a period of 5 years; OR

**ii. Investment Tax Allowance**

Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. This allowance can be set-off against 100% of statutory income for each year of assessment.

The above incentives are for applications received by Malaysian Investment Development Authority (MIDA) from 30 August 2008 until 31 December 2013.

### **Proposal**

In conjunction with the Visit Malaysia Year 2014 and to provide adequate international standard accommodation especially to cater for luxury and high spending tourists as well as to increase the facilities for meeting, incentive, convention and exhibition (MICE) activities, it is proposed that Pioneer Status or Investment Tax Allowance for new investments in 4 & 5 star hotels in Peninsular Malaysia, Sabah and Sarawak be extended.

### **Effective Date**

Applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2014 to 31 December 2016.

### TAX INCENTIVE FOR IMPLEMENTATION OF MINIMUM WAGES

#### **Current Position**

The minimum wages policy requires employers to pay their employees a minimum wages of RM900 per month in Peninsular Malaysia and RM800 in Sabah, Sarawak and Labuan. Under the minimum wages policy, all enterprises including professional firms are required to pay a minimum wages to local and foreign employees, except those classified as domestic workers.

Wages paid by employers to their employees are eligible for deduction for the purpose of income tax computation.

#### **Proposal**

To ensure the smooth implementation of the minimum wages policy, it is proposed that the difference between the original salary and the minimum wages paid by SMEs, cooperatives, associations and organizations employers be given further deduction.

#### **Effective Date**

The incentive is given for a period of one year from 1 January 2014 to 31 December 2014.

**MONTHLY TAX DEDUCTION AS FINAL TAX**

**Current Position**

Monthly Tax Deduction (MTD) is a mechanism to deduct monthly tax payments on employment income received by employees in the current year. Employers are responsible to remit MTD to Inland Revenue Board (IRB) every month as provided under the Income Tax (Deduction from Remuneration) Rules 1994.

Employers are required to make MTD payments after deducting personal relief, relief for spouse with no income, child relief and *zakat* payment through employee salary deductions. In addition, employees may request their employers to deduct other reliefs such as contribution to the Employee Provident Fund so that the MTD payments are equal to the total final tax payable.

Employees for whom income tax has been deducted through the MTD are required to submit tax returns to IRB on or before 30th April in the following year. The submission of tax returns burdens the employees with the need to re-compute income tax which may be equivalent to the MTD made by the employer.

**Proposal**

To facilitate employees whose total income tax is equivalent to the amount of MTD, it is proposed that such tax payers no longer need to submit tax returns. This would render that the amount of MTD is the final tax paid.

The proposal is only applicable to:

- i. employees who receive employment income prescribed under Section 13 of the Income Tax Act 1967;

- ii. employees whose MTD are made under the Income Tax (Deduction from Remuneration) Rules 1994; and
- iii. employees serving under the same employer for a period of 12 months in a calendar year.

**Effective Date**

From year of assessment 2014.

### TAX INCENTIVE FOR FLEXIBLE WORK ARRANGEMENTS

#### Current Position

A flexible and accommodative working environment is among the key factors to retain talent in the labour market. Career development and work-life balance requires employer to implement flexible work arrangements (FWA).

FWA can be implemented by the employers as follows:

- i. flexible working hours - employees can opt and arrange the number of hours to work in a day as long as they fulfill the prescribed period of working hours in a week;
- ii. telecommuting - employees can work from home or from any location other than the office;
- iii. compressed work week - employees are allowed to shorten the number of working days in a week by working longer hours in a day;
- iv. school holidays work arrangements - employees who have school going children are allowed to work from home during school holidays; and
- v. employees choice of days off - employees are given the option to plan their work schedule and off-days.

FWA not only facilitates employers to align activities of the organisation with the increasingly complex work environment including virtual work, but also helps to boost the motivation and increase the productivity of employees.

## **Proposal**

To encourage companies to adopt and implement FWA as a best practice in human resource management, it is proposed that the expenses incurred in the training of employees, supervisors and managers as well as consultancy fees to design an appropriate FWA to be implemented by the employer be given further deduction.

The eligible expenses include costs for training in:

- i. optimising a work-life balance;
- ii. technology orientation;
- iii. managing a flexible workforce; and
- iv. helping managers embrace flexible work alternatives.

The incentive is given for a period of 3 years of assessment and subject to the companies obtaining FWA status from Talent Corporation Malaysia Berhad.

## **Effective Date**

For FWA status application received by Talent Corporation Malaysia Berhad from 1 January 2014 to 31 December 2016.

**TAX INCENTIVE FOR ANCHOR COMPANIES UNDER  
VENDOR DEVELOPMENT PROGRAMME**

**Current Position**

Vendor Development Programme (VDP) has been introduced with the objective of creating vendors that are competitive and of world standards. In addition, VDP also aims to strengthen existing vendors and encourage creation of new vendors among Small and Medium Enterprises (SMEs).

VDP targets government-linked companies and multinational companies as anchors whereas local companies and SMEs as vendors. Among anchor companies that have implemented VDP are PETRONAS, PROTON, Tenaga Nasional Berhad, Telekom Malaysia Berhad, MAS and Boustead Naval Shipyard Sdn. Bhd.

A structured and comprehensive VDP requires anchor companies to incur high operating and development expenses. Such expenses do not qualify for deduction.

**Proposal**

The Bumiputera Economic Empowerment Agenda focuses among others to intensify Bumiputera entrepreneurship and businesses. Under this focus area, the Government urges the public and private sectors to continuously strengthen and propel VDP so that Bumiputera entrepreneurs become more competitive.

To encourage more anchor companies to develop local vendors, it is proposed that the operating expenses incurred by anchor companies in implementing VDP be given double deduction. The qualifying operating expenses include:

- i. cost of product development, R&D, innovation and quality improvement;
- ii. cost of obtaining ISO/Kaizen/5S certifications, evaluation programme and business process reengineering for the purpose of increasing vendor capabilities; and
- iii. cost of vendor skills training, capacity building, lean management system and financial management system.

The qualifying criteria for double deduction are as follows:

- i. anchor companies are required to sign a Memorandum of Understanding (MOU) with the Ministry of International Trade and Industry (MITI) under VDP;
- ii. qualifying operating expenses must be certified by MITI before the anchor companies can claim the deduction;
- iii. qualifying operating expenses are capped at RM300,000 per year; and
- iv. deduction is given for 3 years of assessment.

### **Effective Date**

The incentive is given to anchor companies that have signed MOU with MITI from 1 January 2014 to 31 December 2016.

**REVIEW OF REAL PROPERTY GAINS TAX**

**Current Position**

Real Property Gains Tax (RPGT) is a tax imposed on gains from the disposal of all types of properties such as residential homes, commercial buildings, land and shares from real property companies.

RPGT rates are between 0% to 30% depending on the holding period. The holding period refers to the period between the date of acquisition of the property and the date of disposal of such property. The date of acquisition of the property refers to the date recorded on the stamped sales and purchase agreement or stamped Form KTN 14A or stamped memorandum of transfer. The date of disposal of the property refers to the date recorded on the stamped sales and purchase agreement or stamped Form KTN 14A or stamped memorandum of transfer.

RPGT rates have been revised as follows:

Disposal	RPGT Rates						
	Before 1.4.07			1.4.07 to 31.12.09	From 1.1.10	From 1.1.12	From 1.1.13
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non-Citizens)				
Within 2 years	30%	30%	30%	Exempted	5%	10%	15%
In the 3rd year	20%	20%	30%		5%	5%	10%
In the 4th year	15%	15%	30%		5%	5%	10%
In the 5th year	5%	5%	30%		5%	5%	10%
In the 6th and subsequent years	5%	0%	5%		0%	0%	0%

RPGT is imposed on the net gains from the disposal of the property after deducting the acquisition price and other expenses incurred until the property is disposed. Other expenses include stamp duty, legal fee, cost of renovation, commission for sales and administrative payment. RPGT exemption is given for up to RM10,000 or 10% of the net gains, whichever is higher, from the disposal of real property by all individuals.

For citizens and permanent residents, RPGT is not imposed for the disposal of one residential property once in a lifetime. For all individuals, RPGT is also not imposed on gains from the disposal of property between husband and wife, parents and children, grandparents and grandchildren.

## Proposal

To further curb speculative activities which exert pressure on property prices, it is proposed that RPGT rates on the disposal of properties and shares in real property companies be reviewed as follows:

Disposal	Proposed RPGT Rates		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non Citizens)
Within 3 years	30%	30%	30%
In the 4th year	20%	20%	30%
In the 5th year	15%	15%	30%
In the 6th and subsequent years	5%	0%	5%

## Effective Date

For disposal of properties and shares in real property companies from 1 January 2014.

**RELIEF FOR MIDDLE INCOME TAX PAYERS**

**Current Position**

Resident individuals are subject to tax at progressive rates from 0% to 26% on their income derived in Malaysia as follows:

<b>Chargeable Income (RM)</b>	<b>Tax Rate (%)</b>
1 - 5,000	0
5,001 - 20,000	2
20,001 - 35,000	6
35,001 - 50,000	11
50,001 - 70,000	19
70,001 - 100,000	24
Exceeding 100,000	26

Resident individuals are subject to tax on their chargeable income after deducting allowable expenses from their aggregate income. The aggregate income comprises income from employment, business and other sources. Allowable expenses deducted from the aggregate income are:

- i. contributions to approved institutions; and
- ii. tax reliefs.

The amount of tax charged on the chargeable income can be further reduced by deducting 2 types of rebates as follows:

- i. RM400 for a tax payer with chargeable income up to RM35,000 and RM400 for the spouse; and
- ii. the amount equivalent to zakat paid by Muslim tax payers.

These deductions, reliefs and rebates alleviate the burden of low and lower middle income tax payers. However, some in the middle income group earning monthly income between RM4,000 to RM8,000 are still burdened with tax liabilities and the increasing costs of living.

### **Proposal**

To increase the disposable income of the middle income group, it is proposed that a special relief of RM2,000 be given to resident tax payers earning up to RM8,000 a month (aggregate income up to RM96,000 a year). This measure will provide tax saving up to RM480 depending on the amount of tax payable after taking into consideration all the deductions.

### **Effective Date**

For year of assessment 2013.

**EXTENSION OF ACCELERATED CAPITAL ALLOWANCE  
ON INFORMATION TECHNOLOGY AND COMMUNICATION  
EQUIPMENT**

**Current position**

To encourage companies to invest in the latest information, technology and communication (ICT) equipment, expenses on the purchase and installation of qualifying ICT equipment and software for business purposes is given Accelerated Capital Allowance (ACA). This allowance can be fully claimed in the same year of assessment the equipment was purchased with an initial allowance of 20% and an annual allowance of 80%.

This incentive is effective from year of assessment 2009 until year of assessment 2013.

**Proposal**

In line with the evolution of technology, companies need to constantly replace and upgrade ICT equipment in order to improve operational efficiency and speed of delivery to the customer. To further encourage the use of ICT by companies, it is proposed that expenses on the purchase and installation of ICT equipment and software be given ACA with an initial allowance of 20% and an annual allowance of 80%.

**Effective Date**

From year of assessment 2014 until year of assessment 2016.

## **GOODS AND SERVICES TAX MODEL**

### **Current Position**

Consumption taxes that are being implemented in the country comprise of sales tax and service tax. Sales tax is imposed on certain locally manufactured goods and imported goods. Service tax is imposed on selected services.

Sales tax was introduced in 1972 under the Sales Tax Act 1972. Local sales tax is imposed when annual sales turnover (threshold) exceeds RM100,000. Sales tax rates are 5%, 10% and at a specific rate.

Service tax was introduced in 1975 under the Service Tax Act 1975. The rate is 6% while specific rate is charged on credit cards. Most services are not subject to a threshold except for a few type of services where the thresholds are set at RM150,000, RM300,000 and RM3 million a year.

### **Proposal**

The current sales tax and service tax be abolished and be replaced with a consumption tax based on the value-added concept and known as Goods and Services Tax (GST).

The proposed GST model to be implemented in Malaysia is as follows:

#### **1. Scope**

- i. GST to be charged on goods and services at all levels starting from production, manufacture, wholesale and retail;
- ii. GST to be charged on goods and services supplied within the country or imported into the country;
- iii. Supplies made by the Federal and State Government departments are not within the scope of GST except for some services prescribed by the Minister of Finance;

- iv. Supplies made by the local authorities and statutory bodies in relation to regulatory and enforcement functions are not within the scope of GST; and
- v. GST charged on all business inputs such as capital assets and raw materials is known as input tax. Meanwhile, GST charged on all supplies made (sales) is known as output tax. For eligible businesses, the input tax incurred is fully recoverable from the Government through the input tax credit mechanism.

## **2. Zero-Rated Supply**

Zero-rated supply means goods and services sold by businesses are charged GST at zero rate. For businesses, GST paid on their inputs can be claimed as credits. The goods and services subject to GST at zero rate are as in **Appendix A1**.

## **3. Exempt Supply**

Exempt supply means goods and services sold by the businesses are exempted from GST. For businesses, GST paid on their inputs cannot be claimed as credit. The goods and services exempted from GST are as in **Appendix A2**.

## **4. Standard Rate**

GST standard rate is 6%.

## **5. Threshold**

The threshold for purpose of registration under GST is the annual sales value of RM500,000. This means that any business with annual sales of RM500,000 and above is required to be registered under the GST legislation. Businesses below the threshold are not required to register but may register on a voluntary basis.

## **Effective Date**

From 1 April 2015.

APPENDIX A1

GOODS AND SERVICES TAX (ZERO-RATED SUPPLY)

Foods Item

TARIFF CODE		DESCRIPTION
<b>01.02</b>		<b>Live bovine animals.</b>
0102.21	000	- Cattle:
0102.29		- - Pure-bred breeding animals:
		- - Other:
		- - - For slaughter
	110	Oxen (lembu)
	190	Other
		- - - Other:
	910	Oxen (lembu)
	990	Other
0102.31	000	- Buffalo:
0102.39		- - Pure-bred breeding animals
		- - Other
	100	- - - For slaughter
	900	- - - Other
0102.90		- Other (including Selembu/Seladang):
	100	- - Pure-bred breeding animals
		- - Other
	910	- - - For slaughter
	990	- - - Other
<b>01.03</b>		<b>Live swine.</b>
0103.10	000	- Pure-bred breeding animals
		- Others:
0103.91	000	- - Weighing less than 50kg
0103.92	000	- - Weighing 50kg or more
<b>01.04</b>		<b>Live sheep and goats.</b>
0104.10	000	- Sheep
0104.20	000	- Goats
<b>01.05</b>		<b>Live poultry, that is to say, fowls of the species <i>Gallus domesticus</i>, ducks, geese, turkey and guinea fowls.</b>
0105.11		- Weighing not more than 185g
		- - Fowls of the species <i>Gallus domesticus</i>
	100	Breeding fowls( day old chicks only)

TARIFF CODE		DESCRIPTION
0105.13	900	Other
	100	- - Ducks
	900	Breeding ducklings (day old ducklings only)
0105.94		Other
		- Other:
		- - Fowls of the species <i>Gallus domesticus</i> :
		- - - weighing not more than 2,000 g
	190	- - - - Other
0105.99	900	- - - Other
		- - Other:
	100	ducks
<b>02.01</b>		<b>Meat of bovine animals, fresh or chilled</b>
0201.10	000	- Carcasses and half-carcasses
0201.20	000	- Other cuts with bone in
0201.30	000	- Boneless
<b>02.02</b>		<b>Meat of bovine animals, frozen</b>
0202.10	000	- Carcasses and half-carcasses
0202.20	000	- Other cuts with bone in
0202.30	000	- Boneless
<b>02.03</b>		<b>Meat of swine, fresh, chilled or frozen</b>
		- Fresh or chilled:
0203.11	000	- - Carcasses and half carcasses
0203.12	000	- - Hams, shoulders and cuts thereof, with bone in
0203.19	000	- - Other
		- Frozen:
0203.21	000	- - Carcasses and half carcasses
0203.22	000	- - Hams, shoulders and cuts thereof, with bone in
0203.29	000	- - Other
<b>02.04</b>		<b>Meat of sheep or goats, fresh, chilled or frozen</b>
0204.10	000	- Carcasses and half-carcasses of lamb, fresh or chilled
		- Other meat of sheep, fresh or chilled
0204.21	000	- - Carcasses and half carcasses
0204.22	000	- - Other cuts with bone in
0204.23	000	- - Boneless
0204.30	000	- Carcasses and half carcasses of lamb, frozen
		- Other meat of sheep, frozen
0204.41	000	- - Carcasses and half carcasses
0204.42	000	- - Other cuts with bone in
0204.43	000	- - Boneless
0204.50	000	- Meat of goats

TARIFF CODE		DESCRIPTION
<b>02.06</b>		<b>Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, chilled or frozen</b>
0206.10	000	- Of bovine animals, fresh or chilled
		- Of bovine animals, frozen
0206.21	000	- - Tongues
0206.22	000	- - Livers
0206.29	000	- - Other
0206.30	000	- Of swine, fresh or chilled
		- Of swine, frozen:
0206.41	000	- - Livers
0206.49	000	- - Other
0206.80	000	- Other (sheep and goats only), fresh or chilled
		- Other (sheep and goats only), frozen
<b>02.07</b>		<b>Meat and edible offal, of the poultry of heading No. 01.05, fresh, chilled or frozen</b>
		- Of fowls of the species <i>Gallus domesticus</i>
0207.11	000	- - Not cut in pieces, fresh or chilled
0207.12	000	- - Not cut in pieces, frozen
0207.13	000	- - Cut and offal, fresh or chilled
0207.14	000	- - Cut and offal, frozen
		- Of ducks
0207.41	000	- - Not cut in pieces, fresh or chilled
0207.42	000	- - Not cut in pieces, frozen
0207.43	000	- - Fatty livers, fresh or chilled
0207.44	000	- - Other, fresh or chilled
0207.45	000	- - Other, frozen
<b>03.01</b>		<b>Live fish</b>
		- Other live fish (not including fish for bait):
0301.91	000	- - Trout ( <i>Salmo trutta</i> , <i>Oncorhynchus mykiss</i> , <i>Oncorhynchus clarki</i> , <i>Oncorhynchus aguabonita</i> , <i>Oncorhynchus gilae</i> , <i>Oncorhynchus apache</i> and <i>Oncorhynchus chrysogaster</i> )
0301.92	000	- - Eels ( <i>Anguilla</i> spp.)
0301.93	000	- - Carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>hypophthalmichtys</i> spp., <i>Cirrhinus</i> spp., <i>Mylopharyngodon piceus</i> )
0301.94	000	- - Atlantic and Pacific Bluefin tunas ( <i>Thunnus thynnus</i> , <i>Thunnus orientalis</i> )
0301.95	000	- - Southern Bluefin tunas ( <i>thunnus maccoyii</i> )
0301.99	000	- - Other:

TARIFF CODE		DESCRIPTION
<b>03.02</b>		<b>Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04</b>
0302.11	000	- Salmonidae, excluding livers and roes: - - Trout ( <i>Salmo trutta</i> , <i>Oncorhynchus mykiss</i> , <i>Oncorhynchus clarki</i> , <i>Oncorhynchus aguabonita</i> , <i>Oncorhynchus gilae</i> , <i>Oncorhynchus apache</i> and <i>Oncorhynchus chrysogaster</i> )
0302.13	000	- - Pacific salmon ( <i>Oncorhynchus nerka</i> , <i>Oncorhynchus gorbuscha</i> , <i>Oncorhynchus keta</i> , <i>Oncorhynchus tshawytscha</i> , <i>Oncorhynchus kisutch</i> , <i>Oncorhynchus masou</i> , and <i>Oncorhynchus rhodurus</i> ), Atlantis salmon ( <i>Salmo salar</i> ) and Danube salmon ( <i>Hucho hucho</i> )
0302.14	000	- - Atlantic salmon ( <i>Salmo salar</i> ) and Danube salmon ( <i>Hucho hucho</i> )
0302.19	000	- - Other - Flat fish ( <i>Pleuronectidae</i> , <i>Bothidae</i> , <i>Cynoglossidae</i> , <i>Solwidae</i> , <i>Scophthalmidae</i> and <i>Citharidae</i> ), excluding livers and roes:
0302.21	000	- - Halibut ( <i>Reinhardtius hippoglossoides</i> , <i>Hippoglossus hippoglossus</i> , <i>Hippoglossus stenolepis</i> )
0302.22	000	- - Plaice ( <i>Pleuronectes platessa</i> )
0302.23	000	- - Sole ( <i>Solea spp.</i> )
0302.24	000	- - Turbots ( <i>Psetta maxima</i> )
0302.29	000	- - Other - Tunas (of the genus <i>Thunnus</i> ), skipjack or stripe-bellied bonito ( <i>Euthynnus (Katsuwonus) pelamis</i> ), excluding livers and roes:
0302.31	000	- - Albacore or longfinned tunas ( <i>Thunnus alalunga</i> )
0302.32	000	- - Yellowfin tunas ( <i>Thunnus albacares</i> )
0302.33	000	- - Skipjack or stripe-bellied bonito
0302.34	000	- - Bigeye tunas ( <i>Thunnus obesus</i> )
0302.35	000	- - Atlantic and Pacific bluefin tunas ( <i>Thunnus thynnus</i> , <i>Thunnus orientalis</i> )
0302.36	000	- - Southern bluefin tunas ( <i>Thunnus maccoyii</i> )
0302.39	000	- - Other

TARIFF CODE		DESCRIPTION
0302.40	000	- Herrings ( <i>Clupea harengus</i> , <i>Clupea pallasii</i> ) anchovies ( <i>Engraulis spp.</i> ), sardines ( <i>Sardina pilchardus</i> , <i>Sardinops spp.</i> ), sardinella ( <i>Sardinella spp.</i> ), brisling or sprats ( <i>Sprattus sprattus</i> ), mackerel ( <i>Scomber scombrus</i> , <i>Scomber australasicus</i> , <i>Scomber japonicus</i> ), jack and horse mackerel ( <i>Trachurus spp.</i> ) cobia ( <i>Rachycentron canadum</i> ) and swordfish ( <i>Xiphias gladius</i> ), excluding livers and roes
0302.41	000	- - Herrings ( <i>Clupea harengus</i> , <i>Clupea pallasii</i> )
0302.42	000	- - Anchovies ( <i>Engraulis spp.</i> )
0302.43	000	- - Sardines ( <i>Sardina pilchardus</i> , <i>Sardinops spp.</i> ), sardinella ( <i>Sardinella spp.</i> ), brisling or sprats ( <i>Sprattus sprattus</i> )
0302.44	000	- - Mackerel ( <i>Scomber scombrus</i> , <i>Scomber australasicus</i> , <i>Scomber japonicus</i> )
0302.45	000	- - Jack and Horse Mackerel ( <i>Trachurus spp.</i> )
0302.46	000	- - Cobia ( <i>Rachycentron canadum</i> )
0302.47	000	- - Swordfish ( <i>Xiphias gladius</i> ) - Fish of the families <i>Bregmacerotidae</i> , <i>Euclichthyidae</i> , <i>Gadidae</i> , <i>Macrouridae</i> , <i>Melanonidae</i> , <i>Merlucciidae</i> , <i>Moridae</i> and <i>Muraenolepididae</i> , excluding livers and roes:
0302.51	000	- - Cod ( <i>Gadus morhua</i> , <i>Gadus ogac</i> , <i>Gadus macrocephalus</i> )
0302.52	000	- - Haddock ( <i>Melanogrammus aeglefinus</i> )
0302.53	000	- - Coalfish ( <i>Pollachius virens</i> )
0302.54	000	- - Hake ( <i>Merluccius spp.</i> , <i>Urophycis spp.</i> )
0302.55	000	- - Alaska Pollack ( <i>Theraga chalcogramma</i> )
0302.56	000	- - Blue whittings ( <i>Micromesistius poutassou</i> , <i>Micromesistius australis</i> )
0302.59	000	- - Other - Tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> ), excluding livers and roes:
0302.71	000	- - Tilapias ( <i>Oreochromis spp.</i> )
0302.72	000	- - Catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> )

TARIFF CODE		DESCRIPTION
0302.73	000	- - Carp ( <i>Cyprinus carpio</i> , <i>Carassius Carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylophar yngodon piceus</i> )
0302.74	000	- - Eels ( <i>Anguilla spp.</i> )
0302.79	000	- - Other
0302.81	000	- - Dogfish and other sharks
0302.82		- - Rays and skates ( <i>Rajidae</i> )
0302.83		- - Toothfish ( <i>Dissosticus spp.</i> )
0302.84		- - Seabass ( <i>Dicentrarchus spp.</i> )
0302.85		- - Seabream ( <i>Sparidae</i> )
0302.89	000	- - Other
0302.90	000	- Livers and roes
<b>03.03</b>		<b>Fish, frozen, excluding fish fillets and other fish meat of heading No. 03.04</b>
		- Salmonidae, excluding livers and roes:
0303.11	000	- - Sockeye salmon (red salmon) ( <i>Oncorhynchus nerka</i> )
0303.12	000	- - - Other Pacific salmon ( <i>Oncorhynchus nerka</i> , <i>Oncorhynchus gorbusha</i> , <i>Oncorhynchus keta</i> , <i>Oncorhynchus tshawytscha</i> , <i>Oncorhynchus kisutch</i> , <i>Oncorhynchus masou</i> , and <i>Oncorhynchus rhodurus</i> )
0303.13	000	- - Atlantic salmon ( <i>Salmo salar</i> ) and Danube salman ( <i>Hucho hucho</i> )
0303.14	000	- - Trout ( <i>Salmo trutta</i> , <i>Oncorhynchus mykiss</i> , <i>Oncorhynchus clarki</i> , <i>Oncorhynchus aguabonita</i> , <i>Oncorhynchus gilae</i> , <i>Oncorhynchus apache</i> and <i>Oncorhynchus chrysogaster</i> )
0303.19	000	- - Other - Tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> ), excluding livers and roes:
0303.23	000	- - Tilapias ( <i>Oreochromis spp.</i> )
0303.24	000	- - Catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> )
0303.25	000	- - Carp ( <i>Cyprinus carpio</i> , <i>Carassius Carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylophar yngodon piceus</i> )
0303.26	000	- - Eels ( <i>Anguilla spp.</i> )
0303.29	000	- - Other

TARIFF CODE		DESCRIPTION
0303.31	000	- Flat fish ( <i>Pleuronectidae</i> , <i>Bothidae</i> , <i>Cynoglossidae</i> , <i>Solwidae</i> , <i>Scophthalmidae</i> and <i>Citharidae</i> ), excluding livers and roes:
		- - Halibut ( <i>Reinhardtius hippoglossoides</i> , <i>Hippoglossus hippoglossus</i> , <i>Hippoglossus stenolepis</i> )
0303.32	000	- - Plaice ( <i>Pleuronectes platessa</i> )
0303.33	000	- - Sole ( <i>Solea spp.</i> )
0303.34	000	- - Turbots ( <i>Psetta maxima</i> )
0303.39	000	- - Other
		- Tunas (of the genus <i>Thunnus</i> ), skipjack or stripe-bellied bonito ( <i>Euthynnus (Katsuwonus) pelamis</i> ), excluding livers and roes:
0303.41	000	- - Albacore or longfinned tunas ( <i>Thunnus alalunga</i> )
0303.42	000	- - Yellowfin tunas ( <i>Thunnus albacares</i> )
0303.43	000	- - Skipjack or stripe-bellied bonito
0303.44	000	- - Bigeye tunas ( <i>Thunnus obesus</i> )
0303.45	000	- - Atlantic and Pacific bluefin tunas ( <i>Thunnus thynnus</i> , <i>Thunnus orientalis</i> )
0303.46	000	- - Southern bluefin tunas ( <i>Thunnus maccoyii</i> )
0303.49	000	- - Other
		- Herrings ( <i>Clupea harengus</i> , <i>Clupea pallasii</i> ), sardines ( <i>Sardina pilchardus</i> , <i>Sardinops spp.</i> ), sardinella ( <i>Sardinella spp.</i> ), brisling or sprats ( <i>Sprattus sprattus</i> ), mackerel ( <i>Scomber scombrus</i> , <i>Scomber australasicus</i> , <i>Scomber japonicus</i> ), jack and horse mackerel ( <i>Trachurus spp.</i> ) cobia ( <i>Rachycentron canadum</i> ) and swordfish ( <i>Xiphias gladius</i> ), excluding livers and roes:
0303.51	000	- - Herrings ( <i>Clupea harengus</i> , <i>Clupea pallasii</i> )
0303.53	000	- - Sardines ( <i>Sardina pilchardus</i> , <i>Sardinops spp.</i> ), sardinella ( <i>Sardinella spp.</i> ), brisling or sprats ( <i>Sprattus sprattus</i> )
0303.54	000	- - Mackerel ( <i>Scomber scombrus</i> , <i>Scomber australasicus</i> , <i>Scomber japonicus</i> )
0303.55	000	- - Jack and Horse Mackerel ( <i>Trachurus spp.</i> )
0303.56	000	- - Cobia ( <i>Rachycentron canadum</i> )
0303.57	000	- - Swordfish ( <i>Xiphias gladius</i> )
		- Fish of the families <i>Bregmacerotidae</i> , <i>Euclichthyidae</i> , <i>Gadidae</i> , <i>Macrouridae</i> , <i>Melanonidae</i> , <i>Merlucciidae</i> , <i>Moridae</i> and <i>Muraenolepididae</i> , excluding livers and roes:
0303.63	000	- - Cod ( <i>Gadus morhua</i> , <i>Gadus ogac</i> , <i>Gadus macrocephalus</i> ),
0303.64	000	- - Haddock ( <i>Melanogrammus aeglefinus</i> )

TARIFF CODE		DESCRIPTION
0303.65	000	- - Coalfish ( <i>Pollachius virens</i> )
0303.66	000	- - Hake ( <i>Merluccius spp.</i> , <i>Urophycis spp.</i> )
0303.67	000	- - Alaska Pollack ( <i>Theraga chalcogramma</i> )
0303.68	000	- - Blue whittings ( <i>Micromesistius poutassou</i> , <i>Micromesistius australis</i> )
0303.69	000	- - Other - Other fish, excluding livers and roes:
0303.81	000	- - Dogfish and other sharks
0303.82	000	- - Rays and skates ( <i>Rajidae</i> )
0303.83	000	- - Toothfish ( <i>Dissosticus spp.</i> )
0303.84	000	- - Seabass ( <i>Dicentrarchus spp.</i> )
0303.89	000	- - Other
0303.90	000	- Livers and roes
<b>03.04</b>		<b>Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen.</b>
		- Fresh or chilled fillets of tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> ):
0304.31	000	- - Tilapias ( <i>Oreochromis spp.</i> )
0304.32	000	- - Catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> )
0304.33	000	- - Nile Perch ( <i>Lates niloticus</i> )
0304.39	000	- - Other - Fresh or chilled fillets of other fish:
0304.41	000	- - Pacific salmon ( <i>Oncorhynchus nerka</i> , <i>Oncorhynchus gorbuscha</i> , <i>Oncorhynchus keta</i> , <i>Oncorhynchus tshawytscha</i> , <i>Oncorhynchus kisutch</i> , <i>Oncorhynchus masou</i> and <i>Oncorhynchus rhodurus</i> ), Atlantic salmon ( <i>Salmo salar</i> ) and Danube salmon ( <i>Hucho hucho</i> )
0304.42	000	- - Trout ( <i>Salmo trutta</i> , <i>Oncorhynchus mykiss</i> , <i>Oncorhynchus clarki</i> , <i>Oncorhynchus aguabonita</i> , <i>Oncorhynchus gilae</i> , <i>Oncorhynchus apache</i> and <i>Oncorhynchus chrysogaster</i> )
0304.43	000	- - Flat fish ( <i>Pleuronectidae</i> , <i>Bothidae</i> , <i>Cynoglossidae</i> , <i>Soleidae</i> , <i>Scophthalmidae</i> and <i>Citharidae</i> )

TARIFF CODE		DESCRIPTION
0304.44	000	- - Fish of the families <i>Bregmacerotidae</i> , <i>Euclichthyidae</i> , <i>Gadidae</i> , <i>Macrouridae</i> , <i>Melanonidae</i> , <i>Merlucciidae</i> , <i>Moridae</i> and <i>Muraenolepididae</i>
0304.45	000	- - Swordfish ( <i>Xiphias gladius</i> )
0304.46	000	- - Toothfish ( <i>Dissostichus spp.</i> )
0304.49	000	- - Other
		- Other, fresh or chilled:
0304.51	000	- - Tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> )
0304.52	000	- - Salmonidae
0304.53	000	- - Fish of the families <i>Bregmacerotidae</i> , <i>Euclichthyidae</i> , <i>Gadidae</i> , <i>Macrouridae</i> , <i>Melanonidae</i> , <i>Merlucciidae</i> , <i>Moridae</i> and <i>Muraenolepididae</i>
0304.54	000	- - Swordfish ( <i>Xiphias gladius</i> )
0304.55	000	- - Toothfish ( <i>Dissostichus spp.</i> )
0304.59	000	- - Other
		- Frozen fillets of tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> ):
0304.61	000	- - Tilapias ( <i>Oreochromis spp.</i> )
0304.62	000	- - Catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> )
0304.63	000	- - Nile Perch ( <i>Lates niloticus</i> )
0304.69	000	- - Other
		- Frozen fillets of fish of the families <i>Bregmacerotidae</i> , <i>Euclichthyidae</i> , <i>Gadidae</i> , <i>Macrouridae</i> , <i>Melanonidae</i> , <i>Merlucciidae</i> , <i>Moridae</i> and <i>Muraenolepididae</i> :
0304.71	000	- - Cod ( <i>Gadus morhua</i> , <i>Gadus ogac</i> , <i>Gadus macrocephalus</i> )
0304.72	000	- - Haddock ( <i>Melanogrammus aeglefinus</i> )
0304.73	000	- - Coalfish ( <i>Pollachius virens</i> )
0304.74	000	- - Hake ( <i>Merluccius spp.</i> , <i>Urophycis spp.</i> )
0304.75	000	- - Alaska Pollack ( <i>Theraga chalcogramma</i> )
0304.76	000	

TARIFF CODE		DESCRIPTION
0304.79	000	- - Other
0304.81	000	- - Frozen fillets of other fish:
		- - Pacific salmon ( <i>Oncorhynchus nerka</i> , <i>Oncorhynchus gorbusha</i> , <i>Oncorhynchus keta</i> , <i>Oncorhynchus tshawytscha</i> , <i>Oncorhynchus kisutch</i> , <i>Oncorhynchus masou</i> and <i>Oncorhynchus rhodurus</i> ), Atlantic salmon ( <i>Salmo salar</i> ) and Danube salmon ( <i>Hucho hucho</i> )
0304.82	000	- - Trout ( <i>Salmo trutta</i> , <i>Oncorhynchus mykiss</i> , <i>Oncorhynchus clarki</i> , <i>Oncorhynchus aguabonita</i> , <i>Oncorhynchus gilae</i> , <i>Oncorhynchus apache</i> and <i>Oncorhynchus chrysogaster</i> )
0304.83	000	- - Flat fish ( <i>Pleuronectidae</i> , <i>Bothidae</i> , <i>Cynoglossidae</i> , <i>Soleidae</i> , <i>Scophthalmidae</i> and <i>Citharidae</i> )
0304.84	000	- - Swordfish ( <i>Xiphias gladius</i> )
0304.85	000	- - Toothfish ( <i>Dissostichus spp.</i> )
0304.86	000	- - Herrings ( <i>Clupea harengus</i> , <i>Clupea pallasii</i> )
0304.87	000	- - Tunas (of the genus <i>Thunnus</i> ), skipjack or stripe-bellied bonito ( <i>Euthynnus (Katsuwonus) pelamis</i> )
0304.89	000	- - Other
		- Other, frozen:
0304.91	000	- - Swordfish ( <i>Xiphias gladius</i> )
0304.92	000	- - Toothfish ( <i>Dissostichus spp.</i> )
0304.93	000	- - Tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> )
0304.94	000	- - Alaska Pollack ( <i>Theragra chalcogramma</i> )
0304.95	000	- - Fish of the families <i>Bregmacerotidae</i> , <i>Euclichthyidae</i> , <i>Gadidae</i> , <i>Macrouridae</i> , <i>Melanonidae</i> , <i>Merlucciidae</i> , <i>Moridae</i> and <i>Muraenolepididae</i> , other than Alaska Pollack ( <i>Theragra chalcogramma</i> )
0304.99	000	- - Other

TARIFF CODE		DESCRIPTION
03.05		<b>Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption.</b>
0305.20	100	- Livers and roes, dried, smoked, salted or in brine: Of cod
	220	Of salmon dried, salted or in brine
	320	Of other marine fish dried, salted or in brine
	420	Of freshwater fish dried, salted or in brine
0305.31	000	- Fish fillets, dried, salted or in brine, but not smoked - - Tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> )
0305.32	000	- - Fish of the families <i>Bregmacerotidae</i> , <i>Euclichthyidae</i> , <i>Gadidae</i> , <i>Macrouridae</i> , <i>Melanonidae</i> , <i>Merlucciidae</i> , <i>Moridae</i> and <i>Muraenolepididae</i>
0305.39		- - Other:
	100	- - - Of freshwater fish
	200	- - - Of marine fish
		- Other:
	100	Of marine fish
	200	Of freshwater fish
		- Dried fish, other than edible fish offal, whether or not salted but not smoked
0305.51	000	- - Cod ( <i>Gadus morhua</i> , <i>Gadus ogac</i> , <i>Gadus macrocephalus</i> )
0305.59		- - Other
		- - - Marine:
	110	Anchovies ( <i>Stolephorus spp.</i> ) (Ikan bilis)
	190	Other:
	400	- - - freshwater
		- Fish, salted but not dried and fish in brine: other than edible fish offal,
0305.61	000	- - Herrings ( <i>Clupea harengus</i> , <i>Clupea pallasii</i> )
0305.62	000	- - Cod ( <i>Gadus morhua</i> , <i>Gadus ogac</i> , <i>Gadus macrocephalus</i> )

TARIFF CODE		DESCRIPTION
0305.63	000	- - Anchovies ( <i>Engraulis spp.</i> )
0305.64	000	- - Tilapias ( <i>Oreochromis spp.</i> ), catfish ( <i>Pangasius spp.</i> , <i>Silurus spp.</i> , <i>Clarias spp.</i> , <i>Ictalurus spp.</i> ), carp ( <i>Cyprinus carpio</i> , <i>Carassius carassius</i> , <i>Ctenopharyngodon idellus</i> , <i>Hypophthalmichthys spp.</i> , <i>Cirrhinus spp.</i> , <i>Mylopharyngodon piceus</i> ), eels ( <i>Anguilla spp.</i> ), Nile perch ( <i>Lates niloticus</i> ) and snakeheads ( <i>Channa spp.</i> )
0305.69		- - Other
	300	- - - Marine:
	400	- - - Freshwater
		- Fish fins, heads, tails, maws and other edible fish offal :
0305.72		- - Fish heads, tails and maws:
		- - - Fish maws:
	110	Of cod
	190	Other
		- - - Other
		Marine:
	911	Of cod
	919	Other
	920	Freshwater
0305.79		- - Other:
		- - - Marine:
	110	Of cod
	190	Other
	200	- - - Freshwater
<b>03.06</b>		<b>Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; smoked crustaceans, whether in shell or not, whether or not cooked before or during the smoking process; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine, flours, meals and pellets of crustaceans, fit for human consumption</b>
		- Frozen
0306.11	000	- - Rock lobster and other sea crawfish ( <i>Palinurus spp.</i> , <i>Panulirus spp.</i> , <i>Janus spp.</i> )
0306.12	000	- - Lobster ( <i>Homarus spp.</i> )
0306.14	000	- - Crabs
0306.15	000	- - Norway lobsters ( <i>Nephrops norvegicus</i> )
0306.16	000	- - Cold-water shrimps and prawns ( <i>Pandalus spp.</i> , <i>Crangon crangon</i> )
0306.17	000	- - Other shrimps and prawns

TARIFF CODE		DESCRIPTION
0306.19	000	- - Other, (excluding flours, meals and pellets of crustaceans, fit for human consumption)
		- Not frozen
0306.21		- - Rock lobster and other sea crawfish ( <i>Palinurus spp.</i> , <i>Panulirus spp.</i> , <i>Janus spp.</i> )
		- - - In airtight containers
	190	Other
	900	- - - Other
0306.22		- - Lobster ( <i>Homarus spp.</i> )
		- - - In airtight containers
	190	Other
	900	- - - Other
0306.24		- - Crabs
		- - - In airtight containers
	190	Other
	900	- - - Other
0306.25		- - Norway lobsters ( <i>Nephrops norvegicus</i> ):
		- - - In airtight containers
	190	Other
	900	- - - Other
0306.26		- - Cold-water shrimps and prawns ( <i>Pandalus spp.</i> , <i>Crangon crangon</i> ):
		- - - Other:
	910	Fresh or chilled
	990	Other
0306.27		- - Other shrimps and prawns:
		- - - Other:
	910	Fresh or chilled
	990	Other
0306.29		- - Other, (excluding flours, meals and pellets of crustaceans, fit for human consumption)
		- - - In airtight containers
	190	Other
	900	- - - Other
<b>03.07</b>		<b>Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; smoked molluscs, whether in shell or not, whether or not cooked before or during the smoking process; flours, meals and pellets of molluscs, fit for human consumption.</b>
		- Oysters
0307.11	000	- - Live, fresh or chilled
0307.19		- - Other:
	100	Frozen
	200	Dried, salted or in brine

TARIFF CODE		DESCRIPTION
0307.21 0307.29	000	- Scallops, including queen scallops, of the genera <i>Pecten</i> , <i>Chlamys</i> or <i>Placopecten</i> :
		- - Live, fresh or chilled
		- - Other:
	100	Frozen
	200	Dried, salted or in brine
0307.31 0307.39	000	- Mussels ( <i>Mytilus spp.</i> , <i>Perna spp.</i> )
		- - Live, fresh or chilled:
		- - Other
	100	Frozen
	200	Dried, salted or in brine
0307.41 0307.49	000	- Cuttlefish ( <i>Sepia officinalis</i> , <i>Rossia macrosoma</i> , <i>Sepiolo spp.</i> ) and squid ( <i>Ommastrephes spp.</i> , <i>Logilo spp.</i> , <i>Nototodarus spp.</i> , <i>Sepiteuthis spp.</i> )
		- - Live, fresh or chilled
		- - Other:
	100	Frozen
	200	Dried, salted or in brine
0307.51 0307.59	000	- Octopus ( <i>Octopus spp.</i> )
		- - Live, fresh or chilled
		- - Other:
	100	Frozen
	200	Dried, salted or in brine
0307.60		- Snails, other than sea snails
	100	- - Live, fresh or chilled
	200	- - Frozen
	300	- - Dried, salted or in brine
		- Clams, cockles and ark shells (families <i>Arcidae</i> , <i>Arcticidae</i> , <i>Cardiidae</i> , <i>Donacidae</i> , <i>Hiatellidae</i> , <i>Mactridae</i> , <i>Mesodesmatidae</i> , <i>Myidae</i> , <i>Semelidae</i> , <i>Solecurtidae</i> , <i>Solenidae</i> , <i>Tridacnidae</i> and <i>Veneridae</i> ):
0307.71 0307.79	000	- - Live, fresh or chilled
		- - Other:
	100	Frozen
	200	Dried, salted or in brine
		- Other, (excluding flours, meals and pellets, fit for human consumption)
0307.91	000	- - Live, fresh or chilled
		- - Other:
	100	Frozen
	200	Dried, salted or in brine

TARIFF CODE		DESCRIPTION
<b>03.08</b>		<b>Aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, salted or in brine; smoked aquatic invertebrates other than crustaceans and molluscs, whether or not cooked before or during the smoking process; flours, meals and pellets of aquatic invertebrates other than crustaceans and molluscs, fit for human consumption.</b>
0308.11	000	- Sea cucumbers ( <i>Stichopus japonicus</i> , <i>Holothurioidae</i> ):
0308.19		-- Live, fresh or chilled
		-- Other:
	100	Frozen
	200	Dried, salted or in brine
		- Sea urchins ( <i>Strongylocentrotus spp.</i> , <i>Paracentrotus lividus</i> , <i>Loxechinus albus</i> , <i>Echichinus esculentus</i> ):
0308.21	000	-- Live, fresh or chilled
0308.29		-- Other:
	100	Frozen
	200	Dried, salted or in brine
		- Jellyfish ( <i>Rhopilema spp.</i> ):
0308.30	100	-- Live, fresh or chilled
	200	-- Frozen
	300	-- Dried, salted or in brine
0308.90		- Other
	100	-- Live, fresh or chilled
	200	-- Frozen
	300	-- Dried, salted or in brine
<b>04.07</b>		<b>Birds eggs, in shell, fresh, preserved or cooked.</b>
0407.11	000	- Fertilised eggs for incubation:
0407.19		-- Of fowls of the species <i>Gallus domesticus</i>
		-- Other:
	100	--- Of ducks
		- Other fresh eggs:
0407.21	000	-- Of fowls of the species <i>Gallus domesticus</i>
		-- Other:
	100	--- Of ducks
0407.90		- Other: (salted only)
	100	-- Of fowls of the species <i>Gallus domesticus</i>
	200	-- Of ducks

TARIFF CODE		DESCRIPTION
<b>07.01</b>	000	<b>Potatoes, fresh or chilled</b>
0701.90		- Other
<b>0702.00</b>	<b>000</b>	<b>Tomatoes, fresh or chilled</b>
<b>07.03</b>		<b>Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled</b>
0703.10	000	- Onions and shallots
0703.20	000	- Garlic
0703.90	000	- Leeks and other alliaceous vegetables
<b>07.04</b>		<b>Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled</b>
0704.10	000	- Cauliflowers and headed broccoli
0704.20	000	- Brussels sprouts
0704.90		- Other:
	110	- - Cabbages:
	190	- - - Rounds (drumhead)
	200	- - - Other
	200	- - Chinese mustard
	900	- - Other
<b>07.05</b>		<b>Lettuce (<i>Lactua sativa</i>) and chicory (<i>Cichorium spp.</i>), fresh or chilled.</b>
		- Lettuce:
0705.11	000	- - Cabbage lettuce ( <i>head lettuce</i> )
0705.19	000	- - Other
		- Chicory:
0705.21	000	- - Witloof chicory ( <i>Cichorium intybus var.foliosum</i> )
0705.29	000	- - Other
<b>07.06</b>		<b>Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled</b>
0706.10	000	- Carrots and turnips
0706.90	000	- Other
<b>0707.00</b>	<b>000</b>	<b>Cucumbers and gherkins, fresh or chilled</b>

TARIFF CODE		DESCRIPTION
<b>07.08</b>		<b>Leguminous vegetables, shelled or unshelled, fresh or chilled</b>
0708.10	000	- Peas ( <i>Pisum sativum</i> )
0708.20		- Beans ( <i>Vigna spp.</i> , <i>Phaseolus spp.</i> ):
	100	- - French beans
	200	- - Long beans
	900	- - Other
0708.90	000	- Other leguminous vegetables
<b>07.09</b>		<b>Other vegetables, fresh or chilled</b>
0709.20	000	- Asparagus
0709.30	000	- Aubergines (egg-plants)
0709.40	000	- Celery other than celeriac
		- Mushrooms and truffles:
0709.51	000	- - Mushrooms of the genus <i>Agaricus</i>
0709.59	000	- - Other
0709.60		- Fruits of the genus <i>Capsicum</i> or the genus <i>Pimenta</i> :
	200	- - Chillies (fruits of genus <i>Capsicum</i> )
	900	- - Other
0709.70	000	- Spinach, New Zealand spinach and orache spinach (garden spinach)
		- Other:
0709.91	000	- - Globe artichokes
0709.92	000	- - Olives
0709.93	000	- - Pumpkins, squash and gourds ( <i>Cucurbita spp.</i> )
0709.99		- - Other
	100	- - - Sweet corns
	200	- - - Lady's fingers
	900	- - - Other
<b>07.10</b>		<b>Vegetables (uncooked or cooked by steaming or boiling in water), frozen</b>
0710.10	000	- Potatoes
		- Leguminous vegetables, shelled or unshelled:
0710.21	000	- - Peas ( <i>Pisum sativum</i> )
0710.22	000	- - Beans ( <i>Vigna spp.</i> , <i>Phaseolus spp.</i> )
0710.29	000	- - Other
0710.30	000	- Spinach, New Zealand spinach and orache spinach (garden spinach)
0710.40	000	- Sweet corn
0710.80	000	- Other vegetables
0710.90	000	- Mixtures of vegetables

TARIFF CODE		DESCRIPTION
<b>07.11</b>		<b>Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption</b>
0711.20	900	- Olives:
0711.40	900	- - Other (in brine only)
0711.51	900	- Cucumbers and gherkins:
0711.59	900	- - Other (in brine only)
0711.90	900	- Mushrooms and truffles
	900	- - Mushrooms of the genus <i>Agaricus</i> :
	900	- - - Other (in brine only)
	900	- - Other
	900	- - - Other (in brine only)
	100	- Other vegetables; mixtures of vegetables;(in brine only)
	100	- - Sweet corn
	100	- - Fruits of the genus <i>capsicum</i> or the genus <i>Pimenta</i>
	210	- - - Chillies (fruits of genus <i>Capsicum</i> )
	290	- - - Other
	990	- - Other:
	990	- - - Other
<b>07.12</b>		<b>Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared.</b>
	900	- - Other: (dried or powdered of Chillies (fruits of genus <i>Capsicum</i> ) only)
<b>07.13</b>		<b>Dried leguminous vegetables, shelled, whether or not skinned or split</b>
0713.10	000	- Peas ( <i>Pisum sativum</i> )
<b>07.14</b>		<b>Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith</b>
0714.10	100	- Manioc (cassava)
	200	- - Dried chips
	200	- - In the form of pellets
	900	- - Other
0714.20	000	- Sweet potatoes
0714.30	000	- Yams ( <i>Diocorea spp.</i> )

TARIFF CODE		DESCRIPTION
<b>08.13</b>		<b>Fruit, dried, other than that of headings 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter</b>
0813.40	100 900	- Other fruits - - Tamarinds - - Other (Assam (genus : <i>Garcinia atroviridis</i> ) only)
<b>09.04</b>		<b>Pepper of the genus <i>Piper</i>; dried or crushed or ground fruits of the genus <i>Capsicum</i> or on the genus <i>Pimenta</i></b>
0904.12	100 200 900	- Pepper: (genus <i>Piper</i> ) - - Crushed or ground: - - - White - - - Black - - - Other
0904.22	000	- Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i> - - Crushed or ground
<b>09.06</b>		<b>Cinnamon and cinnamon-tree flowers</b>
0906.11	000	- Neither crushed nor ground:
0906.19	000	- - Cinnamon ( <i>Cinnamomum zeylanicum</i> Blume)
0906.20	000	- - Other - Crushed or ground
<b>09.07</b>		<b>Cloves (whole fruit, cloves and stems).</b>
0907.10	000	- Neither crushed nor ground
0907.20	000	- Crushed nor ground
<b>09.08</b>		<b>Nutmeg, mace and cardamoms.</b>
0908.11	000	- Nutmeg
0908.12	000	- - Neither crushed nor ground: - - Crushed nor ground:
0908.21	000	- Mace
0908.22	000	- - Neither crushed nor ground: - - Crushed nor ground:
0908.31	000	- Cardamoms
0908.32	000	- - Neither crushed nor ground: - - Crushed nor ground:

TARIFF CODE		DESCRIPTION
<b>09.09</b>		<b>Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries.</b>
0909.21	000	- Seeds of coriander:
0909.22	000	- - Neither crushed nor ground:
		- - Crushed nor ground:
0909.31	000	- Seeds of cumin:
0909.32	000	- - Neither crushed nor ground:
		- - Crushed nor ground:
		- Seeds of anise, badian, caraway or fennel; juniper berries:
0909.61	000	- - Neither crushed nor ground:
0909.62	000	- - Crushed nor ground:
<b>09.10</b>		<b>Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices.</b>
		- Ginger:
0910.11	000	- - Neither crushed nor ground:
0910.12	000	- - Crushed nor ground:
0910.20	000	- Saffron
0910.30	000	- Turmeric (curcuma)
		- Other spices:
0910.91	000	- - Mixtures referred to in Note 1(b) to this Chapter
0910.99	000	- - Other
<b>10.06</b>		<b>Rice</b>
1006.10		- Rice in the husk (paddy or rough)
	100	- - Glutinous rice
	900	- - Other
1006.20		- Husked (brown) rice:
	100	- - Glutinous rice
	900	- - Other
1006.30		- Semi-milled or wholly milled rice, whether or not polished or glazed:
	100	- - Glutinous rice
	900	- - Other
1006.40		- Broken rice:
	100	- - Of a kind used for animal feed
	900	- - Other
<b>1101.00</b>	<b>000</b>	<b>Wheat or meslin flour (including attar flour)</b>
<b>11.02</b>		<b>Cereal flours other than of wheat or meslin</b>
1102.90	100	- - Rice flour

TARIFF CODE		DESCRIPTION
11.06		<b>Flour, meal and powder of the dried leguminous vegetables of heading 07.13, of sago or of roots or tubers of heading 07.14 or of the products of Chapter 8.</b>
1106.20	100 200	- Of sago or of roots or tubers of heading 07.14: - - Of sago - - Of mainoc (cassava)
15.08		<b>Ground-nut oil and its fractions, whether or not refined, but not chemically modified.</b>
1508.90	900	- Other: - - Other
15.11		<b>Palm oil and its fractions, whether or not refined, but not chemically modified</b>
1511.90	910 990	- Other: - - Other (for cooking oil only) - - - In packings of a weight not exceeding 20kg - - - Other
15.13		<b>Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified</b>
1513.19	000	- Coconut (copra) oil and its fractions: - - Other (for cooking oil only but excluding its solid fraction)
15.17		<b>Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 15.16</b>
1517.90	521 522 526 527	- Other: - - Other mixtures or preparations of vegetable fats or oils or of their fractions: - - - Liquid mixtures of preparations: - - - - In which ground-nut oil predominates (for cooking oil only but excluding crude oil - - - - In which palm oil predominates - - - - - Other (for cooking oil only) - - - - - In packing of a net weight of less than 20kg - - - - - In packing of a net weight of 20kg or more

TARIFF CODE		DESCRIPTION
	561	- - - - In which coconut oil predominates (for cooking oil only but excluding crude oil)
<b>16.05</b>		<b>Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved</b>
1605.21	000	- Shrimps and prawns: (cencaluk only) - - Not airtight container - - Other
<b>17.01</b>		<b>Cane or beet sugar and chemically pure sucrose, in solid form</b>
1701.13	000	- Raw sugar not containing added flavouring or colouring matter: - - Cane sugar specified in Subheading Note 2 to this Chapter
1701.14	000	- - Other cane sugar
<b>19.01</b>		<b>Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of heading 04.01 to 04.04, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included.</b>
1901.10	100	- Preparations for infant use, put up for retail sale: - - Of goods of headings 04.01 to 04.04: - - - Not containing cocoa
	211	- - - - Prepared milk in powder form
<b>21.03</b>		<b>Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard</b>
2103.90	100	- Other: - - Sauces other than those of subheadings 2103.10 000 and 2103.20 000 ( budu only)
	200	- - Belachan (blachan)
<b>2501.00</b>	<b>000</b>	<b>Salt (including table salt and denatured salt) and pure sodium chloride, whether or not in aqueous solution; or containing added anti-caking or free-flowing agents; sea water (Table salt including rock salt in any form only)</b>

## **Other goods**

1. Goods supplied to designated areas (Labuan, Langkawi and Tioman) from Malaysia other than designated areas.
2. Goods for use as stores on a voyage or flight to or from a place outside Malaysia or as merchandise for sale by retail to persons carried on such voyage or flight in a ship or aircraft.
3. Goods for use as ship spares allowed on a voyage or flight to or from a place outside Malaysia.
4. Supply of treated water (excluding distilled water, de-ionised water, oxygenised water and mineral water) to domestic consumers.
5. Supply of the first 200 units of electricity to a domestic household for a minimum period of twenty eight days.
6. Supply of raw materials and components made to a person who belongs in a country other than Malaysia for the treatment and processing of goods by a taxable person under the Approved Toll Manufacturer Scheme.

## **Services**

1. Services supplied which directly benefit a person wholly in his business capacity (and not in his private or personal capacity) of any of the following description:
  - (a) Ship and aircraft handling services in the port or airport;
  - (b) Navigation services supplied in relation to a ship or aircraft supplied in a designated port or airport;
  - (c) Salvage services supplied in relation to a ship;

- (d) Repair, maintenance and installation services supplied in relation to a ship or aircraft including parts incorporated;
  - (e) Surveying or classification services supplied in relation to a ship or aircraft; and
  - (f) Brokerage and agency services supplied in relation to ship or aircraft.
2. Notwithstanding Paragraph 13, management services supplied in relation to a ship or aircraft which directly benefit a person wholly in his business capacity (and not in his private or personal capacity).
  3. Services supplied in Inland Clearance Depot or in a port or airport for the loading, unloading, handling or storage of goods by a port or airport operator carried or to be carried in a ship or aircraft.
  4. Services (not being ancillary transport activities such as loading, unloading and handling) comprising the transport of passengers or goods:
    - (a) from a place outside Malaysia to another place outside Malaysia;
    - (b) from a place in Malaysia to a place outside Malaysia; or
    - (c) from a place outside Malaysia to a place in Malaysia.
  5. Services (including any ancillary transport activities such as loading, unloading and handling) comprising the transport of goods from a place in Malaysia to another place in Malaysia to the extent that those services are supplied by the same supplier as part of the supply of services to which Paragraph 4(b) or (c) applies.

6. Services (excluding any ancillary transport activities) comprising the transport of passenger from a place in Malaysia to another place in Malaysia to the extent that those services are supplied by the same supplier as part of a supply of services to which paragraph 4(b) or (c) applies.
7. Services (other than the letting or hire of any means of transport) comprising the arranging of the transport of passengers or goods or the insuring or the arranging of the insurance to which any provision of Paragraphs 4, 5 and 6 applies.
8. The letting or hire of any goods for use in a place outside Malaysia throughout the period of the hiring which are:
  - (a) exported by the lessor to such a place; or
  - (b) in such a place at the time of the supply.
9. Subject to Note (ii), services supplied directly in connection with land or any improvement thereto situated outside Malaysia.
10. Subject to Note (ii), services supplied directly in connection with goods situated outside Malaysia when the services are performed.
11. Subject to Notes (ii) and (iii), services supplied:
  - (a) under a contract with a person who belongs in a country other than Malaysia; and
  - (b) which directly benefit a person who belongs in a country other than Malaysia and who is outside Malaysia at the time the services are performed.
12. Notwithstanding Paragraph 11 and subject to Note (iv), services of any of the following descriptions supplied:

- (a) under a contract with a person wholly in his business capacity (and not in his private or personal capacity) and who in that capacity belongs in a country other than Malaysia; and
- (b) which directly benefit a person wholly in his business capacity (and not in his private or personal capacity) and who in that capacity belongs in a country other than Malaysia;
  - (I) services of engineers, lawyers, accountants and other similar consultancy services, not being services which are supplied directly in connection with:
    - (A) land or any improvement thereto situated in Malaysia; or
    - (B) goods situated inside Malaysia at the time the services are performed, other than goods for export outside Malaysia.
  - (II) data processing and provision of information, not being services which are supplied directly in connection with:
    - (A) land or any improvement thereto situated in Malaysia; or
    - (B) goods situated inside Malaysia at the time the services are performed, other than goods for export outside Malaysia;
  - (III) the testing of a sample of goods taken from or forming part of:
    - (A) goods situated outside Malaysia at the time the services are performed; or
    - (B) goods for export outside Malaysia.

13. Financial services of any of the following descriptions:
  - (a) the provision of insurance and reinsurance which provides coverage against any risk incurred in the making of advances or the granting of credit directly relating to the export of goods outside Malaysia;
  - (b) the advising, confirmation, transfer, acceptance, collection, negotiation or indemnification against payment of any letter of credit directly relating to the export of goods outside Malaysia; or
  - (c) the collection, endorsement or discounting of any bill of exchange or the factoring of receivables directly relating to the export of goods outside Malaysia.
14. The provision of life insurance and life reinsurance contract where the coverage wholly relates to the risk outside Malaysia.
15. Services of any of the following descriptions which are performed wholly outside Malaysia:
  - (a) cultural, artistic, sporting, tourism, educational or entertainment services;
  - (b) exhibition or convention services; or
  - (c) services ancillary to, including that of organising the performance outside Malaysia of the services referred to in subparagraphs (a) and (b).
16. Telecommunication services by a telecommunication supplier who belongs in Malaysia to a telecommunication supplier who belongs in a country outside Malaysia.
17. Telecommunication services by a telecommunication supplier who belongs in Malaysia to its subscriber in relation to outbound roaming outside Malaysia, when the subscriber makes an outgoing call or receives an incoming call.

18. Services supplied:
- (a) under a contract with a person who belongs in a country other than Malaysia; and
  - (b) which directly benefit a person who belongs in a country other than Malaysia,
- relating to the co-location in Malaysia of computer server equipment belonging to the person referred to in subparagraph (a) or (b).
19. Subject to Note (viii), services comprising either or both of:
- (a) the supply of a right to promulgate an advertisement by means of any medium of communication; and
  - (b) the promulgation of an advertisement by means of any medium of communication,
- where the Director General is satisfied that the advertisement is intended to be substantially promulgated outside Malaysia.
20. Postal service performed in relation to international mail.
21. Services supplied by an approved refund agent in relation to the refund of tax under the Tourist Refund Scheme.
22. Services comprising the arranging of an inbound or outbound tour by a person who belongs in Malaysia to a person who belongs in a country other than Malaysia and is outside Malaysia when the services are performed.
23. The lease of air or sea containers.

Notes:

- i. Designated areas means Labuan, Langkawi and Tioman.

- ii. Services in Paragraphs 9, 10 and 11 of this list shall not include any services comprising either or both of:
  - (a) the supply of a right to promulgate an advertisement by any medium of communication; and
  - (b) the promulgation of an advertisement by means of any medium of communication.
- iii. Services in Paragraph 11 of this list shall not include any services which are supplied directly in connection with:
  - (a) land or any improvement thereto situated inside Malaysia;
  - (b) goods situated inside Malaysia at the time the services are performed; or
  - (c) securities or unit trusts traded in Malaysia or insurance contracts where the coverage relates to risk in Malaysia.
- iv. Services in Paragraph 12 of this list shall not include any part of a supply comprising services relating to accommodation and entertainment.
- v. In Paragraph 16 or 17 of this list, “telecommunication services” means the transmission, emission or reception, and the transfer or assignment of the right to use capacity for the transmission, emission or reception of signals, writing, images, sounds or information of any kind by wire cable, radio, optical or other electromagnetic system, or by a similar technical system.
- vi. In Paragraph 16 or 17 of this list, “telecommunication supplier” means a person whose principal activity is the supply of telecommunications services.

- vii. In Paragraph 18 of this list, co-location, in relation to computer server equipment, means the provision of a physical environment for the operation of the computer server equipment.
- viii. The services referred to in Paragraph 19 of this list shall not include any services comprising only of the promulgation of an advertisement by means of the transmission, emission or reception of signs, signals, writing, images, sounds or intelligence by any nature of wire, radio, optical or other electro-magnetic systems whether or not such signs, signals, writing, images, sounds or intelligence have been subjected to rearrangement, computation or other processes by any means in the course of their transmission, emission or reception.
- ix. In Paragraph 22 of this list, “inbound tour” and “outbound tour” has the meaning assigned to it under Section 2 of the Tourism Industry Act 1992.
- x. The air or sea containers in Paragraph 23:
  - (a) are used or to be used for transportation of goods; and
  - (b) they adhere to the following prescribed definitions:
    - I. sea containers shall conform to the standards defined by the International Organisation for Standardization, the Institution of International Container Lessors or any other equivalent organisation;
    - II. air containers shall conform to the standards for Aircraft Unit Load Devices defined by the International Air Transport Association or any other equivalent organisation.

**GOODS AND SERVICES TAX**

**EXEMPT SUPPLY**

**Goods**

1. Land used for residential or agricultural purposes or general use.
2. Building used for residential purposes.

Note:

General use means the use of land for the purpose of burial ground, playground or religious building.

**Services**

**A. Financial Services**

1. The operation of any current, deposit or savings account.
2. The provision of any loan, advance or credit or other similar facility.
3. The provision of any facility of installment credit finance in a hire-purchase, conditional sale, credit sale or lease agreement where an interest or any other similar charge is disclosed separately to the recipient of the supply of goods.
4. The transfer of ownership of any note or order for payment.

5. The exchange of currency or the transfer of ownership of any derivative relating to the exchange of currency (whether effected by the exchange of bank notes, currency notes or coin, by crediting or debiting accounts or otherwise) other than the supply of a bank note or coin as a collector's item, investment article or item of numismatic interest.
6. The transfer of ownership of any right or derivative relating to an obligation to pay interest or similar charge.
7. The holding of bonds, debentures, notes or other similar instruments representing or evidencing indebtedness, whether secured or otherwise.
8. The transfer of ownership of any securities or the transfer of ownership of derivatives relating to securities.
9. The transfer of ownership of futures contract or transfer of ownership of derivatives relating to commodities except for the settlement of any futures contract by way of physical delivery of commodities.
10. The issue, holding or redemption of any unit or other similar instruments under a trust fund.
11. The provision of any life insurance or life reinsurance.
12. Any reference to the provisions under this Group shall apply, *mutatis mutandis*, to any reference involving transactions conducted in accordance with the principles of Syariah.

Provided that the supply of services in the above paragraphs shall not be deemed to be an exempt supply to the extent that the consideration payable for the usage or provision of facilities, arranging, broking, underwriting, or advising on any of the supplies specified therein, is any fee, commission, merchant's discount or other similar charge.

Notes:

- i. "Security" means:
  - (a) debt security in the form of bond, debentures, notes or other similar instruments representing or evidencing indebtedness; or
  - (b) equity securities in the form of shares and loan stock.
- ii. "Derivative" is a security that derives its value from the value or return of another asset or security where the underlying asset can be physical asset which includes agricultural commodities, metals and sources of energy or financial asset which includes stocks, bonds, currencies or interest.

**B. Education Services**

1. Educational and related educational services provided to students by private pre-schools, primary and secondary schools registered under the Education Act 1996, Child Care Centre Act 1984 or State Islamic Religious School Controlled Enactments.
2. Educational and related educational services in relation to tertiary education provided to students by private higher educational institutions approved under the Universities and University Colleges Act 1971 and the Private Higher Educational Institutions Act 1996.
3. Food and drinks supplied by a canteen operator in a pre-school, primary and secondary school registered under the Education Act 1996, Child Care Centre Act 1984 or State Islamic Religious School Controlled Enactments.

Notes:

- i. “Private pre-school, primary and secondary school” means a school or an educational institution which is not a government or government-aided school or educational institution as defined under the Education Act 1996.
- ii. “Educational institution” means a school or any other place where, in the carrying on of the work of an organisation or institution, persons are habitually taught, whether in one or more classes, and includes a kindergarten and a distance education centre but does not include:
  - (a) any place where the teaching is confined exclusively to the teaching of any religion; or
  - (b) any place declared by the Minister by notification in the *Gazette* not to be an educational institution for the purposes of the Education Act 1996.
- iii. Educational and related educational services in paragraphs (i) and (ii) of this list include:
  - (a) pre-school, primary and secondary education made in accordance with the curriculum as prescribed in the Education Act 1996;
  - (b) tertiary education made in accordance with the course as specified under the Universities and University Colleges Act 1971 and the Private Higher Educational Act 1996;
  - (c) curriculum and course materials;
  - (d) excursions or field trips;
  - (e) provision of food and accommodation;
  - (f) transport;

- (g) administrative services;
- (h) examination services; and
- (i) supply of cleaning and maintenance, electricity, gas, air condition as part of the provision of student accommodation.

### **C. Childcare Services**

Childcare services provided by childcare centres registered under the Child Care Centre Act 1984.

#### Notes:

- i. “Childcare centre” has the same meaning assigned to it under Section 2 of the Child Care Centre Act 1984.
- ii. “Childcare services” is a service of any form of child care on a part-time or day-to-day basis for payment or as a benefit of employment.

### **D. Healthcare Services**

Healthcare services provided by private healthcare facilities.

#### Notes:

- i. Healthcare services include:
  - (a) medical, dental, nursing, midwife, allied health, pharmacy, ambulance services and any other service provided by a healthcare professional;
  - (b) any accommodation and food for the purpose of providing healthcare services;

- (c) any service for screening, diagnose, or treatment of person suffering any disease, injury or disability of mind and body;
  - (d) any service for preventive or promoting health purposes;
  - (e) any service provided by private healthcare facilities;
  - (f) any service for curing or alleviating any abnormal condition of the human body by application of any apparatus, equipment, instrument or device or any other medical technology; and
  - (g) any related healthcare service which includes the supply of drugs and medicines, hemodialysis services and blood bank services.
- ii. “Private healthcare facilities” has the same meaning assigned to it under Section 2 of the Private Healthcare Facilities and Services Act 1998.
- iii. Healthcare professional includes:
- (a) a medical practitioner, dental practitioner, pharmacist, clinical psychologist, nurse, midwife, medical assistant, physiotherapist, occupational therapist and other allied healthcare professional and any other person involved in the giving of medical, health, dental, pharmaceutical or any other healthcare services under the jurisdiction of the Ministry of Health; and
  - (b) Optometrist registered under the Optical Act 1991.

## **E. Residential Land or Building, Agriculture Land and General Use Land**

1. The grant of any right over land or of any licence to occupy land or building for residential purposes.
2. The grant of any right over land or licence to occupy land for agricultural purposes.
3. The grant of any right over land or licence to occupy land intended for general use.
4. The supply of services to owners in low and low medium cost housing held under strata title by management corporation and joint management bodies.

### Notes:

- i. General use means the use of land for the purpose of burial ground, playground or religious building.
- ii. Low and low medium cost housing means low and low medium cost housing as referred to in the National Housing Standard for Low Cost or Low Medium Cost Housing, Construction Industry Development Board.

## **F. Accommodation**

The grant of any right or of any licence to occupy hotels, inns, boarding houses, serviced apartments, shop apartments or similar establishments with control management under a contract for a duration of twenty eight days or more, used predominantly as place of residence or abode of any individual.

### Notes:

- i. “Serviced apartment” means any building under a commercial title but is occupied or is intended to be occupied as a residence.

- ii. “Shop apartment” means an apartment located above a commercial premise under a commercial title and is occupied or is intended to be occupied as a residence.

## **G. Transport Services**

- 1. The transport of passengers:
  - (a) in any vehicle licensed by the Land Public Transport Commission or Commercial Vehicle Licensing Board as:
    - (i) bus excluding chartered bus;
    - (ii) taxi excluding airport taxi, luxury taxi and hire and drive car;
  - (b) by a railway company licensed under Railways Act 1991; and
  - (c) in any ship or vessel licensed as passenger craft under the Merchant Shipping Ordinance 1952 and the Merchant Shipping Ordinance 1960 (for Sabah and Sarawak) but excluding ship or vessel for the purposes of recreation or leisure.

## **H. Tolled Highway or Bridge**

The grant of any right to use a tolled highway or bridge.

## **I. Funeral, Burial and Cremation Services**

- 1. Any supply of services in a package in connection with ceremonial and tribute, disposition of the remains or memorialisation.
- 2. Pre-need funeral plan program.

Notes:

Pre-need funeral plan program is the reservation of columbarium or burial plot.

**J. Supplies made by Societies and Similar Organisations**

The supply of certain goods or services to its members, where the benefit of such supply is substantive, which relates to its aims and available without payment other than a membership subscription by any of the following society or similar organisation registered under any written law:

- (a) a trade union or other organisation of persons having as its main object the negotiation on behalf of its members of the terms and conditions of their employment;
- (b) a professional association, membership of which is wholly or mainly restricted to individuals who have or are seeking a qualification appropriate to the practice of the profession concerned;
- (c) an association, the primary purpose of which is the advancement of a particular branch of knowledge, or the fostering of professional expertise, connected with the past or present professions or employment of its members; or
- (d) a trade association, the primary purpose of which is to safeguard or promote the businesses of its members.

Notes:

- i. The above item excludes any right of admission to any premise, event or performance, to which non-members are admitted for a consideration.
- ii. "Trade union" has the meaning assigned to it by Section 2 of the Trade Union Act 1959.

- iii. “Trade association” has the meaning assigned to it by section 53(3) of the Income Tax Act 1967.
- iv. “Membership subscription” shall include an affiliation fee or similar levy for societies and similar organisations, the membership of which consists wholly or mainly of constituent or affiliated associations.
- v. Paragraph (c) does not apply unless the association restricts its membership wholly or mainly to individuals whose present or previous professions or employment are directly connected with the purposes of the association.

**REVIEW OF INDIVIDUAL INCOME TAX**

**Current Position**

Income tax structure for resident individuals is as follows:

<b>Chargeable Income (RM)</b>	<b>Tax Rate (%)</b>
1 - 5,000	0
5,001 - 20,000	2
20,001 - 35,000	6
35,001 - 50,000	11
50,001 - 70,000	19
70,001 - 100,000	24
Exceeding 100,000	26

Non-resident individuals are subject to income tax at a fixed rate of 26%.

**Proposal**

To increase the disposable income and in line with GST implementation, it is proposed that the income tax rates for resident individuals be reduced by 1 percentage point to 3 percentage points as follows:

<b>Chargeable Income (RM)</b>	<b>Current Tax Rate (%)</b>	<b>Proposed Tax Rate (%)</b>	<b>Reduction (%)</b>
1 – 5,000	0	0	-
5,001 – 20,000	2	1	1
20,001 – 35,000	6	5	1
35,001 – 50,000	11	10	1
50,001 – 70,000	19	16	3
70,001 – 100,000	24	21	3
100,001 – 250,000	26	24	2
250,001 – 400,000	26	24.5	1.5
Exceeding 400,000	26	25	1

Non-resident individuals income tax rate is reduced by 1 percentage point from 26% to 25%.

To enhance the tax structure to be more competitive and more progressive as well as to retain and attract talents into the country, it is proposed that the chargeable income band exceeding RM100,000 be restructured as follows:

<b>Current</b>	<b>Proposed</b>
<b>Chargeable Income (RM)</b>	<b>Chargeable Income (RM)</b>
Exceeding 100,000	100,001 – 250,000
	250,001 – 400,000
	Exceeding 400,000

The above measure resulted in tax savings as follows:

Chargeable Income (RM)	Current			Proposed			Tax Savings	
	Tax Rate (%)	Tax Without Rebate (RM)	Tax Paid (RM)	Tax Rate (%)	Tax Without Rebate (RM)	Tax Paid (RM)	(RM)	(%)
1 – 5,000	0	0		<b>0</b>	0			
		0	* 0		0	* 0	-	-
5,001 – 20,000	2	300		<b>1</b>	150			
		300	* 0		150	* 0	-	-
20,001 – 35,000	6	900		<b>5</b>	750			
		1,200	* 800		900	* 500	300	37.5
35,001 – 50,000	11	1,650		<b>10</b>	1,500			
		2,850	2,850		2,400	2,400	450	15.8
50,001 – 70,000	19	3,800		<b>16</b>	3,200			
		6,650	6,650		5,600	5,600	1,050	15.8
70,001 – 100,000	24	7,200		<b>21</b>	6,300			
		13,850	13,850		11,900	11,900	1,950	14.1
100,001 – 250,000	26	39,000		<b>24</b>	36,000			
		52,850	52,850		47,900	47,900	4,950	9.4
250,001 – 400,000	26	39,000		<b>24.5</b>	36,750			
		91,850	91,850		84,650	84,650	7,200	7.8
Exceeding 400,000	26			<b>25</b>				

\* after RM400 rebate

### Effective Date

From year of assessment 2015.

**REVIEW OF CORPORATE INCOME TAX**

**Current Position**

Income tax at a fixed rate of 25% is imposed on a company and the following entities:

- i. a trust body;
- ii. an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death;
- iii. a receiver appointed by the court; and
- iv. a limited liability partnership.

A company with paid-up capital of up to RM2.5 million is subject to the following tax rates:

- i. 20% on chargeable income up to RM500,000; and
- ii. 25% on the remaining chargeable income.

**Proposal**

To support the smooth implementation of GST and to further enhance the competitiveness of the nation, it is proposed that the tax rate for a company be reduced by 1 percentage point to 24%. This rate also applies to the following entities:

- i. a trust body;
- ii. an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death;

- iii. a receiver appointed by the court; and
- iv. a limited liability partnership.

For a company with paid-up capital of up to RM2.5 million, the rates be reduced by 1 percentage point as follows:

- i. 19% on chargeable income up to RM500,000; and
- ii. 24% on the remaining chargeable income.

### **Effective Date**

From year of assessment 2016.

**REVIEW OF CO-OPERATIVE INCOME TAX**

**Current Position**

Income tax structure for co-operative is as follows:

Chargeable Income (RM)	Tax Rate (%)
1 – 30,000	0
30,001 – 60,000	5
60,001 – 100,000	10
100,001 – 150,000	15
150,001 – 250,000	20
250,001 – 500,000	22
500,001 – 750,000	24
Exceeding 750,000	25

Co-operatives are exempted from income tax for a period of 5 years from the date of registration. After this period, co-operatives are still exempted from income tax if their Members' Fund is less than RM750,000. Dividends received by co-operative members are exempted from tax.

**Proposal**

In line with GST implementation and to further drive the growth of co-operative, it is proposed that co-operative income tax rates be reduced by 1 percentage point to 2 percentage points for chargeable income exceeding RM150,000.

A comparison between current and proposed co-operative income tax rates is as follows:

Chargeable Income (RM)	Current Tax Rate (%)	Proposed Tax Rate (%)
1 – 30,000	0	0
30,001 – 60,000	5	5
60,001 – 100,000	10	10
100,001 – 150,000	15	15
150,001 – 250,000	20	<b>18</b>
250,001 – 500,000	22	<b>21</b>
500,001 – 750,000	24	<b>23</b>
Exceeding 750,000	25	<b>24</b>

The above measure resulted in tax savings as follows:

Chargeable Income (RM)	Current		Proposed		Tax Savings	
	Tax Rate (%)	Tax Paid (RM)	Tax Rate (%)	Tax Paid (RM)	(RM)	(%)
1 – 30,000	0	0	0	0		
		0		0	-	-
30,001 – 60,000	5	1,500	5	1,500		
		1,500		1,500	-	-
60,001 – 100,000	10	4,000	10	4,000		
		5,500		5,500	-	-
100,001 – 150,000	15	7,500	15	7,500		
		13,000		13,000	-	-
150,001 – 250,000	20	20,000	<b>18</b>	18,000		
		33,000		31,000	2,000	6.1
250,001 – 500,000	22	55,000	<b>21</b>	52,500		
		88,000		83,500	4,500	5.1
500,001 – 750,000	24	60,000	<b>23</b>	57,500		
		148,000		141,000	7,000	4.7
Exceeding 750,000	25		<b>24</b>			

### Effective Date

From year of assessment 2015.

**TAX INCENTIVE PACKAGE IN LINE WITH  
GST IMPLEMENTATION**

**Current Position**

**A. Secretarial fee and tax filing fee:**

Secretarial fee and tax filing fee are expenses borne by taxpayers to comply with legal requirements in carrying on a business. These fees are not deductible expenses for the purpose of computing income tax since they are not incurred directly in the production of business income.

**B. Expenses for the purchase of information and communication technology (ICT) equipment and software:**

Expenses for the purchase of ICT equipment and software are eligible for Accelerated Capital Allowance (ACA). The allowance is fully deductible in the year of purchase with initial allowance of 20% and annual allowance of 80%.

The incentive is effective from year of assessment 2009 until year of assessment 2013.

**C. Expenses relating to training in accounting and ICT:**

Expenses relating to training of employees in accounting and ICT are deductible under Section 33(1) of the Income Tax Act 1967.

## **Proposal**

To support the smooth implementation of GST, enhance tax compliance and reduce the cost of doing business, it is proposed that the following incentives be given:

### **A. Secretarial fee and tax filing fee:**

Secretarial fee and filing fee be given the following deductions:

- i. secretarial fee - up to RM5,000.
- ii. tax filing fee - up to RM10,000.

### **B. Expenses for the purchase of ICT equipment and software:**

Expenses for the purchase of ICT equipment and software be given ACA.

### **C. Expenses for GST related training in accounting and ICT:**

Expenses for GST related training of employees in accounting and ICT be given further deduction.

## **Effective Date**

Proposal A : For year of assessment 2015 and subsequent years of assessment.

Proposal B : For year of assessment 2014, 2015 and 2016.

Proposal C : For year of assessment 2014 and 2015.



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PRINTED BY  
PERCETAKAN NASIONAL MALAYSIA BERHAD  
KUALA LUMPUR, 2013  
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