

All I want from Budget 2015 is ...

Run-up to BUDGET 2015



Matthew Tee
President
Master Builders
Association Malaysia

FOR the construction industry, I hope for a continuous inflow of projects to make it sustainable. We also hope for greater and gradual reduction of corporate tax than the 24% ceiling announced recently as well as greater reduction of import duties on heavy machineries to be on par with our Asean counterparts. There should also be more consistent policies with regard to housing, for example, foreigners' buying limit and real property gains tax.

Budget 2014 has managed to maintain construction at a double-digit growth and a greater gross domestic product growth, so in that sense it has been successful."

Affordable housing for every Malaysian

THE health of our housing industry is a key concern for developers and house owners alike. In the upcoming budget parties on both sides of the divide are calling for the same thing; combating persistently rising prices of housing, better regulation and better access to financing for buyers.

JUST to recap, the government in Budget 2014 focused on making housing affordable and available, thus the implementation of various measures such as banning of DIBS, increase in threshold prices to RM4 million for foreigners, increasing the band on RPPGT and disclosure of all fees given by developers.

After one year, the question commonly asked is: 'Where are our affordable homes the government set out to construct under the MyHome scheme, PR1MA and others? Is pricing around the country reducing?'

The answer is obvious.

What then do we want for the housing industry and as a business entity?

As GST will be introduced on April 1, 2015, the cost of building residential properties will increase as input tax cannot be claimed since housing is tax exempt.

Some of the measures we wish to see in the coming Budget are:

► The government should accelerate the construction of affordable homes in the Klang Valley, Penang Island and Johor Baru. These are the areas that require affordable housing below RM500,000 and not in the smaller towns where most houses are below this pricing. We hope the government will

MALAYSIAN corporates across a wide range of industries will look to the Budget 2015 announcement tomorrow for implementation of the Goods and Services Tax (GST) and more measures to combat rising costs. Many are looking for clarity while others expect the government to come up with more tax breaks or additional incentives to cushion the effects of increasing costs with ongoing subsidy cuts. TheSun brings you the voice of corporate Malaysia.

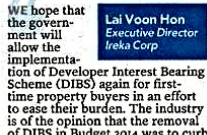


Datuk Chevy Beh
Founder and
Managing Director
Asian Healthcare
Group

MORE business friendly environment, tax breaks for corporate expenditure such as healthcare services or subsidies for certain drugs/services that will help lessen individual burden because a lot of people are suffering personal level bankruptcy when medical bills become too unaffordable. The government should also work out incentives to make people responsible for their health and raise productivity of the country with a healthier workforce.

GST also has been very blur, despite the exemption for healthcare, because some components are exempted and some are not, making compliance difficult.

I hope to see government-linked companies (GLCs) competing more on the international front instead of focusing on domestic market and crowding out the local SMEs. With their funding and size, GLCs should focus on making headlines in the global scene and make Malaysia proud."



Lai Voon Hon
Executive Director
Irela Corp

WE hope that the government will allow the implementation of Developer Interest Bearing Scheme (DIBS) again for first-time property buyers in an effort to ease their burden. The industry is of the opinion that the removal of DIBS in Budget 2014 was to curb speculation activities in the property market.

We were worried of too much speculative activities in the market (at that time). Hopefully the government would allow DIBS for first-time buyers. We are talking about first-time buyers, who are genuine buyers."



Rubani Diken
CEO
Northport
(Malaysia)

AMONG Northport's wish list for Budget 2015 are:

► **Exemption** on import duty and sales tax on port operating equipment and structure to reduce business transaction costs.

► **Exemption** on stamp duty for sale and purchase agreements to reduce business transaction costs.

► **Subsidy** for diesel within the port and for marine activities to maintain competitiveness and attract vessels.

► **Zero-rated GST** for all import and export services in order to ensure competitiveness to encourage ease of business for import and export.

► **Green technology** financing scheme for promotion of green initiatives.

► **To classify** advertising expenses for procurement of equipment as a tax deductible item.

► **Change of electricity** tariff from Commercial C2 Tariff to Special Tariff for savings in terms of cost of doing business.

► **To widen** the existing stretch of Jalan Pelabuhan, Port Klang, from two lanes to three lanes."



Tan Sri Lim Wee Chai
Chairman
Tan Glove

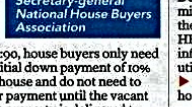
► **WE** hope to see a lowering of the corporate tax rate to counter the inflationary effects stemming from tariff hikes in electricity, natural gas and the recent increase in petrol price, as well as the impending GST. This will also enable Malaysia to stay competitive as an investment destination, compared with its neighbours within the region like Singapore (with a corporate tax rate of 17%) and Thailand (with a corporate tax rate of 20%).

► **We** would also like more incentives to be offered to encourage companies to pursue expansion aggressively. This will also serve to retain domestic investors and stem the migration to other countries with more business-friendly policies. The government ought not to focus on the potential short-term revenue loss from granting incentives, but look at the bigger picture: the retention of businesses will also benefit the supporting industries and ensure our economy continues to thrive.

► **In addition**, it is imperative that steps are taken to improve the management of our fiscal position and narrow the deficit. To this end, spending needs to be tightened and corruption further reduced.

► **Personally**, I wish for a reduction in personal tax, especially once GST is implemented.

► **We** did not see any stimulating factor from the 2014 Budget and its positive impact on the business was minimal.



Datuk Stewart LaRooy
CEO
Axis REIT Managers

At the company level: The big issue in 2015 will be the implementation of GST. We hope that the budget will clarify many of the grey areas as a REIT industry has highlighted in our dialogues with the regulators and tax authorities.

I believe that these grey areas are not just confined to our industry

but to many of the capital market players as well. An announcement by the government that these issues will be resolved prior to implementation will be most welcome and contribute to a continued growth and vibrancy on the Malaysian capital market.

Incentives and rule changes for REITs:

► **Removal of the 10%** withholding tax for individuals

► **That claims for IBA and ITA** allowances be allowed for REITs in the hospitality industry

► **That if a REIT purchases an SPV** that holds a property that the tax flowthrough be allowed

► **That REITs be able to zero rate** the 6% GST applied to the purchases of new assets

► **That GST costs relating to an SPV** be waived

► **That all REITs be exempted** from the BVEA act making it mandatory that they have to engage a registered valuer to manage their properties. This will bring it in line with established international practices.

Corporate/Personal Income Tax:

► **We** would like to see a further reduction in both corporate and individual tax.

Green Buildings:

A new comprehensive tax policy for green developments is formulated. In addition, incentives for urban regeneration projects be introduced including the restoration of heritage buildings.

From a Personal Level:

► **The** changes I would like to see as an individual:

► **Further reduction in personal income tax**

► **Monies** contributed by individuals to EPF to be fully deductible.

► **Hybrid** and full electric cars be exempted from all duties.

The biggest announcement in 2014 was the implementation of GST in 2015.

The second was the re-imposition of RPPGT coupled with Bank Negara's ruling on the abolition of Developers Interest Bearing Scheme and tighter lending standards, leading to an effective cool down in the property market. However, the downturn is in full flight and could lead to a severe contraction in the property market with untoward consequences on the banking sector. A review of these policies is necessary.

The review of corporate tax to 24% from 25% was welcome and moves to make Malaysia more competitive internationally although we still lag Singapore and Hong Kong. Further reductions would be welcome.

The review of individual income tax was a welcome relief.

Measures to be enhanced or removed:

► **If GST is implemented** for property purchases then stamp duty should be waived.

► **Purchases for housing** should be zero rated rather than exempted. (It means that the developer can still claim their input taxes.) If not, these costs will still be transferred to the purchaser, resulting in higher cost of housing.

► **To work with state governments**

Additional incentives that can be given to developers to build affordable housing are:

(a) Fast-track approval;

(b) Lower conversion premiums;

(c) Fast-track approval for unsold bumi quota units.

► **Lower compliance cost** for developers. Developers are required to lay the "last mile" for public utilities. The cost of laying the "last mile" is passed on to house buyers. HBA recommends that "last mile" infrastructure should be undertaken by the utility companies.

► **Price control mechanism** in affordable housing category.

Prices of cement, sand, steel, and other construction materials are regulated. The cost of doing business, whether hidden or otherwise, are pre-known to developers.

The only element that is not standard is land cost. For example, the price of land in Mont Kiara is different from that in Ulu Yam. Our IPPH knows the actual land cost through comparison basis. Hence, can the land cost not be predetermined so that the government can say, "Factor in the developer's profit of, say, 20% and set at XXX amount." Please ponder over this proposal.

► **Bumiputera discount** in multiple purchases should be restricted - the threshold of eligibility.

a) Price cap of RM500,000 and type of property (only link homes and condominiums/apartments for the masses).

b) Maximum number of properties capped at two per bumiputera buyer.

c) Only private residences to be eligible.

to waive land premiums for conversion of agricultural land to industrial category. Incentives are given to developers of such products.

► **Zero-rated GST** for industrial buildings.

A further reduction in personal income tax would be welcome.

Full tax exemption for hybrid/fully electric cars to continue.

Euro 5 diesel to be introduced so the latest diesel technology in cars can be enjoyed by Malaysian motorists with the savings in fuel to offset the rise in fuel prices.



Puan Chan Cheong
CEO
PI Networks

PI is in a great position. We have just completed the strategic partnership transaction with TM, Green Packet and SK Telecom. And we expect to invest up to RM2 billion within the next three years to deploy a differentiated 4G-LTE network. We believe we will contribute strongly to Malaysia's broadband agenda.

Our government has done well to facilitate ICT growth, but it is always healthy to perform periodic reviews considering ICT's catalytic role for our achievement of a developed and high-income nation status in a mere five years away.

There is room for improvement to fast track ICT adoption. For instance, in 2014, the tax incentive for last-mile infrastructure deployment, import duty and sales tax exemption for broadband equipment ended when it continues to be useful and relevant.

Incentives such as these will ease the burden of telcos with large capital outlays to roll out their network and services expeditiously, at the same time, benefit consumers when our savings are transferred to them.

For the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

However, for the consumer concerned with the rising cost of living, GST is a highly debated hot item. Some argue that GST will not burden the rakyat, neutralised by the removal of the sales & service tax, and the government has gone further to exempt certain essential goods.

Measures announced in Budget 2014 which will come into force in 2015

► **ONE-OFF** cash assistance of RM300 to householders who are BR1M recipients.

► **INDIVIDUAL** income tax rates to be reduced by 1 to 3 percentage points for all tax payers to increase their disposable income. (This measure is expected to see 300,000 individuals, who currently pay income tax, no longer pay tax.)

► **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%.

► **CORPORATE** income tax rate to be reduced by 1 percentage point from 25% to 24%. 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.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **ONE-OFF** cash assistance of RM300 to householders who are BR1M recipients.

► **INDIVIDUAL** income tax rates to be reduced by 1 to 3 percentage points for all tax payers to increase their disposable income. (This measure is expected to see 300,000 individuals, who currently pay income tax, no longer pay tax.)

► **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%.

► **CORPORATE** income tax rate to be reduced by 1 percentage point from 25% to 24%. 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.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

► **EXPENSES** incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015.

► **TRAINING** grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. Financial assistance of RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

► **COOPERATIVE** income tax rate to be reduced by 1 to 2 percentage points from the year of assessment 2015.

► **SECRETARIAL** fee and tax filing fee are allowed as tax deductions from the year of assessment 2015.

► **COST** of purchasing ICT equipment and software is given accelerated capital allowance until year of assessment 2016.

►