

Malaysia

Kadir Andri & Partners

Budgeting for growth

The 2015 budget tabled on October 10 2014 carried the theme People Economy, aimed at improving the well-being of its citizens, and it outlined seven main strategies to achieve that. This article will focus on the first strategy, which is to strengthen economic growth, and in which the Government will continue to provide a conducive and comprehensive ecosystem to accelerate domestic and foreign investment.

Among the measures introduced is the strengthening of the Islamic financial market. There will be an introduction of a shariah-compliant investment product called the Investment Account Platform

(IAP), which will be implemented with a start-up fund of RM150 million (\$45 million). The IAP will provide opportunities to investors in financing entrepreneurial activities and developing viable small and medium enterprises. The IAP will serve as a

platform to attract institutional and high net worth individuals to invest in the Islamic financial markets. Individual investors will be given income tax exemption on profits earned from qualifying investments for three consecutive years.

To promote high quality and focused investments, there is a proposal for a more specialised incentive package for investment projects based on technology, innovation and knowledge, involving highly-qualified and knowledgeable employees with high salaries. No specific details on this incentive and its effective date are known at this moment.

Another measure proffered is the incentive for the establishment of principal hubs. There will be continued efforts to further increase the number of multinational companies' global operational centres in Malaysia.

With the imposition of the Goods and Service Tax from April 1 2015, the

Government has taken steps to reduce the direct taxes for individuals and corporations. In addition, corporates will enjoy tax deduction incentives for secretarial fees and tax filing fees.

In respect of Real Property Gains Tax (RPGT), a purchaser of landed property is required to withhold and remit the entire RPGT payable or two percent of the aggregate value, whichever is lower. From January 1 2015, the retention sum withheld will be increased to three percent. There will also be amendments made to the RPGT Act 1976 in relation to the deemed market value for disposal of assets of deceased persons and a disposal by way of a gift.

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