



GES NewsFlash

Malaysia – Budget News

November 12, 2010

Background

This newsflash on the 2011 National Budget announced on 15 October 2011 presents the following relevant issues from the individual tax perspective in Malaysia:

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Relief for contribution to Private Pension Fund

To revitalise capital market activities, the Government will launch a Private Pension Fund in 2011 which will benefit the private sector employees and self-employed individuals, where employers will also be given tax deduction on contributions made on behalf of their employees. In view of this, an existing relief of RM 6,000 given to employees on contributions made to the Employees Provident Fund or approved pension scheme is now extended to contributions made to the Private Pension Fund with effect from year of assessment 2011. However, details of the Private Pension Fund that will qualify for this relief have yet to be released and the Government is expected to provide further guidelines on this in due course.

Expansion of relief on medical expenses for own parents

To enhance the well being of the people, the existing tax relief for parents' medical expenses of RM 5,000 which are restricted to certain categories of treatment will be extended to include expenses on medical treatment and care for parents who suffer from diseases or with physical or mental disabilities and who need regular treatment certified by a qualified medical practitioner. Treatment and care provided would include treatment and care at home or home care centres with effect from year of assessment 2011.

Qualifying expenses related to the treatment and care are as follows:

- (i) treatment and medical expenses supported with receipts issued by registered medical centres, pharmacies or licensed medical stores; or
- (ii) expenses for the care of parents supported with receipts or written

certification by carers (does not include the tax payer claiming the relief, the spouse and the children) certifying that the care was provided and the total payment involved. Foreign hired carers are required to possess valid visas/special work permits for the care of parents of the individual; or

(iii) expenses on special needs for parents certified by qualified medical practitioners and supported by receipts as proof of purchase.

Further guidelines from the Ministry of Health on the definition of medical treatment and care for parents are expected to be released in due course.

Abolishment of rebate on fee in respect of issuance of employment pass, visit pass or work pass

A foreign individual is now no longer eligible to claim tax rebate on the fees paid to the Government with regard to the issuance of an employment pass, visit pass or work pass with effect from the year of assessment 2011.

Abolishment of relief on annuity premium on annuity purchased through Employees Provident Fund Annuity Scheme

A relief of RM 1,000 given for annuity premiums paid by a resident individual for the purchase of annuity through the Employees Provident Fund annuity scheme is no longer available with effect from the year of assessment 2011.

Prevention from leaving Malaysia

To ensure that tax instalment payments are paid on a timely basis, the Director General is now empowered to prevent a person from leaving Malaysia if he fails to pay late payment penalty imposed on any outstanding tax instalments under Section 107B (3) and 107C (9) of the Income Tax Act, 1967, in addition to not paying the outstanding tax liability. This measure will be enforced upon the coming into operation of the Finance Act 2010.

Taxability of Voluntary Pension received by Widowers

A pension or other periodical payments, paid voluntarily to a widower by his deceased spouse's former employer or successor of her former employer, after she ceased to exercise an employment is deemed to be the gross income of the widower with effect from the year of assessment 2011. This is introduced to provide that widowers who receive pension or other periodical payment would be deemed to have received gross income. Presently section 16 of the Income Tax Act does not include a widower.

Extension of Exemption on Approved Pension to Widowers

Exemption of approved pension granted to any person under any written law relating

to widows' and orphans' pensions is now extended to widowers. This amendment is introduced to correct an anomaly where the current exemption does not include widowers and is effective from year of assessment 2011.

Deloitte's View

The 2011 Budget does not have any major implications on income taxes affecting individuals as there are no introductions of new reliefs or rebates nor are there changes in tax rates which many expected. Rather, the Budget focuses more on extensive budget allocations for various sectors of the economy which is intended to propel the country into a high income economy. The tax changes are merely refinements and corrections of anomaly such as broadening the scope of available relief for approved pension fund to include Private Pension Fund, taxability of voluntary pensions received by widowers and extending the scope of relief on medical expenses to include treatment for parents and care for parents.

People to Contact

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