



GES NewsFlash

Malaysia — budget news

In this issue:

Background

Reduction in income tax rates for residents

Increase in tax relief for amount deposited into Skim Simpanan Pendidikan Nasional

Increase in child relief for tertiary education

Withdrawal of contribution made to a private retirement scheme (PRS)

Deloitte's view

People to contact

November 30, 2012

Background

This NewsFlash on the 2013 national budget announced on 28th September 2012, presents the following relevant issues from the individual tax perspective in Malaysia:

Reduction in income tax rates for residents

Currently, the income tax of a resident individual is calculated based on scale rates ranging from 0% to 26%. The highest rate of 26% is applicable to chargeable income exceeding RM100,000.

Due to the rising cost of living on the resident individuals, as well as their income tax liabilities, it is proposed that the chargeable income bands of RM2,501 to RM50,000 of a resident individual be further reduced by 1% as shown below:

Chargeable income RM	Existing rates %	Proposed rates %
1 - 2,500	0	0
2,501 - 5,000	1	0
5,001 - 20,000	3	2
20,001 - 35,000	7	6
35,001 - 50,000	12	11
50,001 - 70,000	19	19
70,001 - 100,000	24	24
Above 100,000	26	26

Effective date : Year of assessment 2013

Increase in tax relief for amount deposited into Skim Simpanan Pendidikan Nasional ("Education Savings Scheme")

To encourage more Malaysians to save and ensure that adequate funds are available for the future generation's education, it is proposed that the relief given to a taxpayer for deposits made into a Skim Simpanan Pendidikan Nasional ("Education Savings Scheme") account established under the Perbadanan Tabung Pendidikan Tinggi Nasional (National Higher Education Fund Corporation) Act be increased from RM3,000 to RM6,000.

Effective date : Years of assessment 2012 to 2017

Increase in child relief for tertiary education

In order to reduce parents' financial burden of the cost of their children's higher education, and to enhance the level of education of the future generation, the government proposes

that the automatic child relief given to a resident individual taxpayer for each unmarried child over the age of 18 years studying at tertiary level at a recognized local institution of higher learning at diploma level and above, or a recognized institution of higher learning abroad at degree level and above, be increased from RM4,000 to RM6,000.

Effective date : Year of assessment 2013

Withdrawal of contribution made to a private retirement scheme (PRS)

Currently, there is no legislation to tax an individual on any contribution withdrawn from a PRS.

To encourage PRS contributors to save for retirement, and to ensure that retirees have sufficient savings to bear the cost of living upon retirement, it is proposed that contribution withdrawals from a PRS by an individual before the age of 55 be taxed at a rate of 8%. The PRS provider is required to withhold and remit the tax to the Malaysian Inland Revenue Board.

Effective date: 1st January 2013

Deloitte's view

In today's global economy, a nation's success depends fundamentally on the knowledge, skills, and competencies of its people. The 2013 budget focuses more on the development of the country's education system to achieve the goal of becoming a developed nation, identifying education as one of the national key economic areas to implement high-impact projects.

A mild change by the 2013 budget proposals to the existing tax regime on individual income tax, except that the 1% further deduction of the tax rate for the low-income group.

From an individual tax perspective, the 2013 budget enforces the government's continued commitment to education as a national priority by increasing the tax relief given for savings in the national Education Savings Scheme and for children's higher education.

People to contact

If you have any questions concerning the issues in this *GES NewsFlash*, please contact one of the Global Employer Services professionals at our Deloitte offices as follows:

Weina Ang
Partner
Tel: +60 3 7712 5143
angweina@deloitte.com

Michelle Lai
Associate Director
Tel: +60 3 7712 5175
michlai@deloitte.com

This NewsFlash information is also included in our biweekly GES newsletter, *Global InSight*, which you will receive directly if you are on the central distribution list.

If you are not on the central distribution list and received this communication by some other means, you can follow these few simple steps to be added to the central distribution list:

Go to the [Deloitte subscriptions page](#) on Deloitte.com

Enter your email address to login or create a profile

On the next page, enter your contact information and choose Tax: Global Insight under Email Newsletters

Click "Save profile"

Be sure to visit us at our website: www.deloitte.com/tax.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/my/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

Publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2012 Deloitte Global Services Limited