GMS Flash Alert

2018-149 | November 19, 2018

Malaysia – Budget 2019 Contains Few Measures Affecting Individuals

Malaysia's Minister of Finance presented the 2019 Budget proposals on 2 November 2018, offering some increase in personal tax reliefs and a reduction in contributions to the Employees Provident Fund for individuals above the age of 60.[1] There is also an increase in real property gains tax rates for disposals in the 6th year of ownership and onwards.

WHY THIS MATTERS

These measures will have little impact on assignees into Malaysia subject to Malaysian tax or outbound assignees who remain subject to Malaysian tax and on the cost of international assignments from the employer's perspective.

Tax Relief on Contributions to an Approved Provident Fund or Takaful or Life Insurance Premiums

Currently, a tax-resident individual is eligible to claim tax relief on contributions made to approved provident funds such as the Employees Provident Fund ("EPF") and payment for life insurance premiums or "takaful" contributions[2] up to MYR 6,000. To further encourage savings for old age, it is proposed that the combined tax relief for contributions made to EPF and payments for life insurance premiums or takaful contributions be increased to MYR 7,000. However, the relief is separated into MYR 4,000 for EPF contributions and MYR 3,000 for takaful contributions or payments for life insurance premiums.

For public servants under the pension scheme, the tax relief on takaful contributions or payments for life insurance premiums will be allowed for amounts up to MYR 7,000.

The above proposal is effective from year of assessment 2019.

KPMG NOTE

Inbound assignees to Malaysia who have claimed life insurance relief will experience a slight reduction from MYR 6,000 to MYR 3,000 starting in 2019. The additional tax would be RM 840 where their income is taxed at the top rate of 28 percent.

Tax Relief on Net Savings in the National Education Savings Scheme ("SSPN")

To further encourage parents to save for financing the tertiary education of their children, it is proposed that resident individual tax relief on net savings in the SSPN will be increased from MYR 6,000 to MYR 8,000. The relief is only applicable to Malaysian tax-resident individuals.

The above proposal is effective from year of assessment 2019 to year of assessment 2020.

KPMG NOTE

The SSPN is a savings scheme (or instrument) specifically designed by the National Higher Education Fund Corporation (PTPTN) to enable parents or guardians to save for the higher education of their children. The allowable deduction is limited to the net amount deposited in that year. Further, an individual must be able to produce the SSPN statement to substantiate the net amount deposited in the year concerned.

Reduction in Contribution to Employees Provident Fund

Malaysian employees are required to be contributors to the EPF. This includes outbound Malaysian assignees where their payrolls remain in Malaysia. Currently, the employee and employer contributions for employees who have attained the age of 60 and above are 5.5 percent and 6 percent, respectively, of the employee's wages.

To encourage employment of those Malaysians who have passed the retirement age of 60, it is proposed that the employee's contribution to the EPF be made "zero." For the employer's contribution to the EPF, it is proposed that it be reduced to 4 percent of the employee's wages.

The above proposal is effective from 1 January 2019.

KPMG NOTE

The above will have no impact on inbound assignees to Malaysia as they are not Malaysian nationals.

Real Property Gains Tax ("RPGT")

The comparison between the current and proposed effective RPGT rates applicable to citizens, permanent residents, and non-citizen individuals on gains arising from the disposal of real properties and shares in real property companies are as set out below:

Disposal	Old RPGT Rates		Proposed RPGT Rates	
	Individuals (Citizens & Permanent Residents)	**Individuals (Non Citizens)**	**Individuals (Citizens & Permanent Residents)**	**Individuals (Non Citizens)**
Within 3 years	30%	30%	30%	30%
In the 4th year	20%	30%	20%	30%
In the 5th year	15%	30%	15%	30%
In the 6th year and subsequent years	Nil	5%	**5%**	**10%**

Source: KPMG Tax Services Sdn Bhd, Malaysia

Notwithstanding the above change in RPGT rates in the 6^{th} year, disposals by Malaysian citizens of low- and medium-cost housing and affordable housing priced below MYR 200,000, will continue to be exempt for RPGT purposes.

The above proposal is effective from 1 January 2019.

KPMG NOTE

It should be noted that there remains a once-in-a-lifetime exemption for disposals of private residences for Malaysian citizens and permanent residents. For purposes of this exemption, the individual is required to make an application in writing for the exemption in the prescribed form. The exemption is not automatic.

Travel Departure Levy

To encourage domestic tourism, it is proposed that a departure levy would be imposed for all outbound travelers by air. The levy will be applied on each person upon departure from Malaysia. The proposed levy rate would be MYR 20 for outbound travellers to ASEAN countries and MYR 40 to countries other than ASEAN.

The above proposal is effective from 1 June 2019.

KPMG NOTE

With the implementation of the new departure levy on outbound travelers by air leaving Malaysia, companies with international assignees are likely to see an increase in assignment-related costs.

FOOTNOTES:

1 The Budget speech and related budget documents can be found on the Web site for Malaysia's Ministry of Finance (in English and in Malaysian).

2 Takaful contributions represent payment for an insurance contract based on Islamic models of financing concepts pursuant to Takaful Act 1984.

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MYR 1 = EUR 0.2085
MYR 1 = USD 0.239
MYR 1 = GBP 0.1858
MYR 1 = AUD 0.328

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