2008 Budget Highlights
Tax Commentary

Malaysia **7 September 2007**

Executive Summary

- Reduction in corporate tax rate by one percentage point to 26% for Year of Assessment (YA) 2008 and to 25% for YA 2009.
- Replacement of the dividend imputation system with a single tier tax system.
- Improvement in tax benefits for Islamic fund management activities and Takaful businesses.
- Overcoming the incidence of double taxation in life insurance business.
- Clarification that the taxation and deductibility of discounts or premiums on bonds shall be over the life of the instrument.
- Exempting small and medium enterprises from the requirement to submit tax estimates for the first 2 YAs.
- Non-application of balancing charges on the disposal of industrial buildings to Real Estate Investment Trusts (REITs).
- Rationalisation of Information and Communication Technology incentives by centralizing such activities in Cybercities and Cybercentres.
- Enhancing the tax incentives for involvement in generating renewable energy and conservation of energy. Tax exemption on income from trading of certified emission reductions.
- Removal of the service tax thresholds for professional, consultancy and management services.
- Streamlining of tax treatment for expatriates working for International Procurement Centres and Regional Distribution Centres.
- Allowing Labuan offshore companies to elect to be taxed under the Income Tax Act 1967 (the Act).
- Extending stamp duty exemption for mergers and acquisitions of listed companies.

Overview and Commentary

The Prime Minister, YAB Dato' Seri Abdullah Ahmad Badawi tabled the 2008 Budget on Friday, 7 September 2007.

The theme of the 2008 Budget "Together Building the Nation and Sharing Prosperity" reflects the Government's aspirations that the wealth of the nation, will continue to grow and benefit all Malaysians.

The 2008 Budget which proposes expenditure of RM176.9 billion is a generous budget as the proposed expenditure has increased approximately 10.9% from 2007. The main objective is to strengthen the nation's infrastructure, human capital and delivery systems while at the same time ensuring that Malaysians enjoy an improved standard of living as the country prospers.

This budget is focused on three main strategies

- Enhancing the nation's competitiveness;
- Strengthening human capital development; and
- Ensuring the well-being of all Malaysians.

The following are some of the more notable proposed changes in the 2008 Budget:-

- Transition to a Single Tier System for Dividends

  With the aim of improving the efficiency and administration of corporate tax, a single tier system will be introduced to replace the existing imputation system on the payment of dividends with effect from year of assessment 2008. An imputation system is where the tax paid by a company is passed on to its shareholders as a tax credit on the payment of taxable dividends. Shareholders are taxed on the gross dividend income but can set off the tax credit against their tax payable and any excess of tax credits over the shareholders' final tax liability is refundable to the shareholders.

  In contrast, under the proposed single tier system, the tax paid by a company would constitute a final tax. Dividend income received by shareholders would be tax exempt in the hands of the shareholders. This change will have important implications particularly for companies that have Section 108 tax credit balances.

  However, the Government has allowed a transitional period of six years to ease the transition to a single tier system. No doubt companies and shareholders will need to consider the impact of this proposed measure carefully.

- Reduction in Corporate Income Tax Rate

  To ensure the nation's competitiveness in the global economy where tax rates are on a declining trend, the corporate income tax rate which is being reduced to 26% for 2008 will be further reduced to 25% in 2009.

- Additional Tax Incentives for Islamic Financing

  In line with the Government's objective to make Malaysia an International Islamic Financial Centre as well as to attract global experts in the field, it is proposed that a tax exemption be given on income received by non resident experts in Islamic finance. In a related move, Islamic fund management companies will be allowed to be fully foreign owned. Further, it is also proposed that local and foreign companies managing Islamic funds for local and foreign investors be given income tax exemption on all fees received from managing the funds.

- Stamp Duty Reduction

  To encourage the ownership of residential properties among the lower to middle income group, a 50% stamp duty exemption has been proposed on documents of transfer for the purchase of a house not exceeding RM250,000. To strengthen family values, the transfer of real property between husband and wife will also be exempted from stamp duty.

The other key changes are outlined in the following pages.

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SUBJECT	BUDGET PROPOSALS
CORPORATE TAX	
Reduction of Corporate Income Tax Rate	The corporate tax rate has been reduced to 26% for YA 2008. For YA 2009 and subsequent YAs, the corporate tax rate will be further reduced to 25%. The new rates will apply to the following entities : i. a company; ii. a trust body; iii. an executor of an estate of a deceased individual who was domiciled outside Malaysia at the time of his death; and iv. a receiver appointed by the court pursuant to Section 68(4) of the Act. However, for small and medium companies the tax rate for chargeable income up to RM500,000 remains at 20%. The proposal is effective from YA 2009.
Changes to Dividend Imputation System	To simplify and enhance the efficiency of the tax administrative system, the single-tier company income tax system ("single-tier system") has been proposed to replace the current imputation system. The tax payable by a resident company will now constitute a final tax. Dividends paid under the single-tier system will be tax exempt in the hands of shareholders. Transitional provisions have also been proposed which include the following: i. a 6-year transitional period from 1 January 2008 to 31 December 2013 to allow resident companies to remain on the imputation system in order to utilize the Section 108 credit as at 31 December 2007 ("108 balances"). ii. the 108 balance will only be adjusted downwards for any tax discharged, remitted or refunded in relation to taxes which has been taken into account for the purpose of computing the 108 balance. iii. all companies will automatically move to the single-tier system on 1 January 2014 notwithstanding remaining 108 balances as at 31 December 2013 unless they exercise an irrevocable option during

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	the transitional period to move prior to 1 January 2014. Companies which have fully utilized the 108 balances anytime during the transitional period will also automatically move to the single-tier system. iv. for small and medium companies, tax on dividends paid to shareholders is deducted from the credit balance of the section 108 account based on the highest current tax rate. The following conditions have been proposed to tighten the refund of the Section 110 relief: i. only dividends paid on ordinary shares and paid in the form of cash dividends will be eligible for tax credits. ii. only direct expenses related to dividend income are allowed to be deducted in arriving at adjusted dividend income. No offset will be allowed for current year losses from other business sources i.e. the statutory income consisting of a dividend source shall be deemed to be the total income or part of the total income for the year. As an anti-avoidance measure, shareholders who receive franked dividends paid or credited during the transitional period will only be allowed to claim the Section 110 relief provided the ordinary shares have been held continuously for 90 days or more. This condition does not apply to dividends received from shares of public listed companies. Under a single-tier system, there would be no need to monitor the Section 108 account for the purpose of paying dividends. The proposal is effective from YA 2008.
Tax Treatment of Takaful Business	The current tax treatment for takaful business generally follows the treatment accorded to conventional insurance business but the tax treatment of certain areas were not clear. To further promote the takaful industry it is proposed that special tax provisions be introduced to cover the taxation of takaful business. The proposals include the following :- i. share of profits distributed or credited to the participant or to the shareholders' fund out of the family fund and general takaful fund be allowed as tax deduction; ii. a proportion (to be ascertained in accordance with the formula prescribed by the Minister of Finance) of the share of profits distributed or credited out of the family fund, family re-takaful fund

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	and general takaful fund to the participant, other than a participant which is a resident company, be taxed through a withholding tax mechanism which is a final tax. The withholding tax rate proposed for a non-resident company is 26% (25% for YA 2009 and after) and 8% for others. iii. Wakalah Fee which is attributable to the shareholders' fund be deducted from the gross contribution of the general takaful fund; iv. Wakalah Fee or any other fee receivable by the shareholders' fund from the family takaful fund and general takaful fund is taxable; v. management expenses incurred by the shareholders' fund in connection with the family and general takaful business be allowed as deductions from the gross income of the shareholders' fund vi. deduction be allowed for Qard from the shareholders' fund and tax be imposed on the repayment of Qard. The proposals for i, iii, iv, v and vi are effective from YA 2008 whilst the proposal for ii is effective from 1 January 2008.
Transfer of Actuarial Surplus	To avoid double taxation, the amount of tax charged under the life fund on the portion of the amount of the actuarial surplus (ascertained in accordance with the formula prescribed by the Minister) that is transferred to the shareholders' fund will be allowed as a set off against the tax charged on the chargeable income of the insurer in respect of its shareholders' fund from the life business. Any excess of the set off is disregarded. The tax charged on the chargeable income of an insurer from its shareholders' fund is defined as the amount of tax before taking into account any tax set off under Section 110. The proposal is effective from YA 2008.
Deduction for Professional Indemnity Insurance	At present, a premium paid on professional indemnity insurance is not deductible for income tax purposes except under concession given by the Inland Revenue Board (IRB) where the following conditions are satisfied : i. the purchase of the professional indemnity insurance is required by statute, rules or by-laws of the profession; and

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	ii. a mandatory requirement to maintain professional status in order to practice. To inculcate professionalism and safeguard consumer interests, it is proposed that professional indemnity insurance premiums be allowed as deductions for income tax purposes. The proposal is effective from YA 2008.
Tax Treatment for SMEs	To mitigate the financial limitations of newly established SMEs with paid up ordinary share capital not exceeding RM2.5 million, it is proposed that the newly set up SMEs be relieved from furnishing tax estimates or making tax instalment payments for a period of two years of assessment beginning from the YA the company commences operation. Full income tax payment is to be made only upon submission of tax returns. The proposal is effective from YA 2008.
Community Projects	To further encourage companies to participate in corporate social responsibility initiatives, it is proposed that a company which provides infrastructure facilities that are made available for public use and approved by the Minister of Finance be eligible for a deduction equal to the expenditure incurred. The conditions that the Minister of Finance is likely to emphasize on are as follows : i. the facilities must be provided free of charge; and ii. significantly benefit the public (this will be subject to the discretion of the Minister of Finance). The proposal is effective from YA 2008.
Enhancing Security Control of Goods	As a measure to step up security control to prevent theft and loss of goods, it is proposed that a 100% Accelerated Capital Allowance (ACA) claim be given to the following expenditure incurred: i. security control and surveillance equipment installed in the factory premises of companies approved under the Industrial Coordination Act 1975. The security and surveillance equipment includes equipment for electronic security systems such as anti-theft alarm system, access control system, closed circuit television and vehicle tracking system; and

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	ii. vehicle surveillance equipment installed in the container lorries bearing the Carrier Licence A and general cargo lorries bearing Carrier Licence A and C. The security and surveillance equipment for the ACA claim must be approved by the Minister of Finance. The proposal is effective from YA 2008 to YA 2012.

SUBJECT	BUDGET PROPOSALS
CAPITAL MARKETS	
Taxation and Deductibility of Discounts or Premiums on Bonds	Where a company's Malaysian sourced income consists of any amount of discount or premium arising from the subscription or issuance of bonds, such income shall be deemed to accrue over the period of the bonds. The income shall be deemed to accrue when it first becomes receivable. In relation to deductibility of costs in ascertaining a company's adjusted income from a source consisting of a discount or premium arising from the issuance or subscription of the bond, expenses relating to the discount or premium incurred on bonds issued or subscribed by the company are deemed to accrue to the company over the whole period of the bond. The sum to be accrued and subject to tax or available as tax deductions in a relevant period shall be calculated as follows : $\frac{A}{B} \times C$ Where : A is the number of days in the relevant period that falls within the period of the bonds B is the total number of days of the whole period of the bonds C is the total amount of discount or premium income or expenses relating to the discount or premium incurred in respect of the bonds Notwithstanding the above, the Director General is empowered to allow the company to apply any other formula which is in accordance with the generally accepted accounting principles applicable during the relevant period. This is provided that such other formula is applied consistently. The proposal is effective from YA 2006.
Tax Treatment for Special Purpose Vehicle ("SPV") for Islamic Financing	The following is consequential to a proposal made in the 2007 Budget and is to be inserted into the Act. The following is to have effect from YA 2007. Where a company establishes a SPV solely for the issuance of Islamic securities, any source of the SPV and any income from that source shall be treated as a source and income of the company that establishes the

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	SPV. The company that establishes the SPV shall keep and retain in safe custody the records and documents in accordance with Sections 82 and 82A of the Act. This is for the purpose of ascertaining the chargeable income of the company from the source referred to above. The SPV itself is exempted from the responsibility of doing all acts and things required to be done under the Act. For the purpose of this provision : "Islamic securities" means Islamic securities which adopt the principles of mudharabah, musyarakah, ijarah or istisna' approved by the Securities Commission (SC). "special purpose vehicle" means a company incorporated under the Companies Act 1965 and established solely for the purpose of complying with the principles of syariah in the issuance of Islamic securities but excludes a company which issues asset-backed securities in a securitization transaction approved by the SC.
Transfer of Industrial Buildings to REITs and PTFs	To encourage the growth of Real Estate Investment Trusts (REITs) and Property Trust Funds (PTFs) in Malaysia, it is proposed that no balancing charge or balancing allowance shall be made to companies in respect of the disposal of buildings, which qualify for Industrial Building Allowance (IBA), to REITs or PTFs. In such a disposal, the controlled transfer provisions would apply. As such, the REITs or PTFs are only eligible to claim IBA on the remaining tax written down value of the building. The proposal is effective from YA 2008.

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ENHANCEMENT OF INCENTIVES	
Incentive for Companies Managing Islamic Funds	To further promote Islamic fund management activities, it is proposed that local and foreign fund management companies licensed by the SC be given income tax exemption on all fees received from managing Islamic funds. The Islamic funds must be approved by the SC. Currently, income tax exemption is only given on fees received by the fund management companies from managing approved Islamic funds of foreign investors. The proposal is effective from YA 2008 to YA 2016.
Additional Incentives for Malaysia International Islamic Financial Centre	To develop further Malaysia as an International Islamic financial centre and to attract leading global experts in Islamic finance to participate in Malaysia International Islamic Financial Centre (MIFC), it is proposed that income tax exemption be given on income received by non-resident consultants with the required expertise in Islamic finance. The experts would have to be verified by the MIFC Secretariat. The proposal is effective from 8 September 2007 to 31 December 2016.
Recipients of Export and Brand Excellence Awards	Currently, an amount equal to 100% of the value of increased export is given to the manufacturing company that receives the Export Excellence Award (Merchandise) (awarded by the Ministry of International Trade & Industry (MITI)). The amount is eligible to be set off against 70% of the statutory income for each YA. In recognising the commitment and effort of companies which excel in exporting services and companies which are successful in exporting Malaysian brands internationally, it is proposed that an amount equal to 100% of the value of increased export be extended to companies who received the Export Excellence Award (Services) and the Brand Excellence Award (both are awarded by MITI). The amount is eligible to be set off against 70% of statutory income for each YA. The proposal is effective from YA 2008.

SUBJECT	BUDGET PROPOSALS
Expediting Investment for Selected Activities	To expedite investments in certain selected activities, the tax incentives have been reviewed. Expiry dates for the incentives have been proposed.

No.	*Activities*	*Tax incentives*
1	Chicken and duck rearers who reinvest for the purpose of shifting from opened house system to closed house system	Reinvestment Allowance of 60% on qualifying capital expenditure incurred to be set off against 70% of statutory income for 15 years with effect from YA 2003
2	Non-rubber plantation company with at least 10% of the plantation with rubber wood trees	Accelerated Agriculture Allowance on capital expenditure for land preparation. Full write-off of planting and maintenance expenditure on rubber wood cultivation in the year. This was available from 21 September 2002.
3	Small and Medium Industries that supply components, technology or R&D	Pioneer Status with income tax exemption of 100% of statutory income for 5 years; or Investment Tax Allowance of 60% on qualifying capital expenditure incurred within a period of 5 years to be set off against 100% of statutory income. This incentive was available since 25 October 1997.
4	Small and Medium Industries capable of achieving world class standard in terms of pricing, quality and capacity	Pioneer Status with income tax exemption of 100% of statutory income for 10 years; or Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of 5 years to be set off against 100% of statutory income. This incentive was available since 25 October 1997.

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	It is proposed that tax incentives for item 1 and 2 above be effective until YA 2010 only and for item 3 and 4, be effective for applications received until 31 December 2010.
Rationalisation of Incentives for ICT	There is currently a disparity between tax incentives available for companies granted the Multimedia Super Corridor ("MSC") status undertaking ICT activities in Cybercities and Cybercentres and companies undertaking similar activities but operating outside Cybercities and Cybercentres as follows:

	Located in Cybercities and Cybercentres	*Located outside Cybercities and Cybercentres*	
	ICT including computer software development companies	*ICT companies*	*Software development companies*
Pioneer Status ("PS")	100% tax exemption of statutory income for 10 years	50% tax exemption of statutory income for 5 years	70% tax exemption for 5 years
Investment Tax Allowance ("ITA")	100% on qualifying capital expenditure incurred for a period of 5 years to be set-off against 100% of statutory income	50% on qualifying capital expenditure incurred for a period of 5 years to be set-off against 50% of statutory income	Not applicable

To ensure that the development of the ICT is more focused, it is proposed that the tax incentives for ICT activities including computer software development be rationalised as follows:

- Companies undertaking ICT and computer software development activities located outside Cybercities and Cybercentres be centralized in the Cybercities and Cybercentres and be given MSC status with PS tax incentive in the form of 100% tax exemption for 10 years or ITA of 100% on qualifying capital expenditure incurred for a period of 5 years to be off-set against 100% of statutory income;

- Incentives for companies located outside Cybercities and Cybercentres will be discontinued; and

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	• The Multimedia Development Corporation will be the sole agency to process and recommend tax incentives for companies undertaking ICT activities including computer software development. The above proposal is effective from 8 September 2007.
Income Tax Exemption for Non-Profit Oriented Schools	In recognition of the efforts of trust bodies and charitable organisations in supporting the development of national education, it is proposed that all income received by non-profit oriented Government assisted and private schools be given tax exemption. These include those formed by a body of person, a trust body or a company limited by guarantee. The proposal is effective from YA 2008.
Incentives for Last Mile Network Facilities Provider	To encourage companies to invest in last mile broadband infrastructure, it is proposed that the last mile network facilities provider be given : i. income tax exemption equivalent to 100% of the qualifying capital expenditure incurred for broadband infrastructure with the allowance to be set-off against 70% of statutory income for each YA; and ii. import duty and sales tax exemption on broadband equipment and consumer access devices which are basic in providing the broadband services and not produced locally. This incentive is effective for investment made and equipment purchased until 31 December 2010. For proposal (i), the application for tax incentive is to be submitted to the Ministry of Finance. For proposal (ii), the application for exemption is to be submitted to the Malaysian Industrial Development Authority.
Renovation of Workplace for Disabled Workers	To ensure a safe and conducive working environment for disabled employees and in line with the Government's aspiration to create a caring society, it is proposed that the renovation cost of the work place by the employer to assist any disabled employees be allowed as a deduction. The proposal is effective from YA 2008.

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Incentives for Medical Devices Testing Laboratory	In order to encourage private sector investment in medical devices, testing laboratories of international standards, it is proposed that companies investing in setting up a new laboratory or upgrading existing laboratory be given the following incentives : i. Company investing in a new testing laboratory for testing medical devices • Pioneer Status with income tax exemption of 100% of statutory income for a period of 5 years; or • Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 100% of the statutory income for each year of assessment. ii. Company upgrading an existing testing laboratory for testing medical devices • Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 100% of the statutory income for each year of assessment. The proposal is effective for applications received by the Malaysian Industrial Development Authority from 8 September 2007 to 31 December 2012.
Generation of Renewable Energy	To encourage further the generation of renewable energy, it is proposed that the existing tax incentives be enhanced as follows : • Companies generating renewable energy Previously, pioneer status (PS) with income tax exemption of 100% of statutory income for 10 years or investment tax allowance (ITA) of 100% on the qualifying capital expenditure incurred within a period of 5 years were granted to companies generating renewable energy. However, if any of the companies from the same group have been granted PS or ITA incentives for renewable energy, other companies in the same group undertaking the same activities are not eligible for those incentives. It is proposed that other companies in the same group be given the same incentives even though one company in that group has been granted the incentive.

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	In addition to PS or ITA incentives, import duty and sales tax exemptions are also granted on equipment used to generate energy that is not produced locally. Sales tax exemption is also granted on equipment purchased from local manufacturers. • Companies generating renewable energy for own consumption Previously Accelerated Capital Allowance (asset is fully written off within a period of 1 year) was granted on equipment used by the company to generate renewable energy. It is proposed that Accelerated Capital Allowance be replaced with ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance is to be set off against 100% of statutory income for each year of assessment. The proposal is effective for applications received by the Malaysian Industrial Development Authority from 8 September 2007 to 31 December 2010.
Energy Conservation	To further enhance the tax incentives for conservation of energy, it is proposed that for : • Companies providing energy conservation services - The level and period of pioneer status (PS) incentive be increased from 70% to 100% and from 5 years to 10 years; or - Investment Tax Allowance (ITA) be increased from 60% to 100% of qualifying capital expenditure incurred within 5 years. The allowance is to be set off against 100% instead of 70% of statutory income for each year of assessment. • Companies which incur capital expenditure for energy conservation for own consumption - ITA be increased from 60% to 100% of qualifying capital expenditure incurred within 5 years. The allowance is to be set off against 100% instead of 70% of statutory income for each year of assessment. The proposal is effective for applications received by the Malaysian Industrial Development Authority from 8 September 2007 to 31 December 2010.

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Reduction of Greenhouse Gas Emission	Companies which successfully reduce the emission of greenhouse gases are given a Certified Emission Reductions (CERs) certificate that can be traded. In line with the effort to overcome global warming, it is proposed that income derived from trading of CERs certificates be given tax exemption. The proposal is effective from YA 2008 to YA 2010.

SUBJECT	BUDGET PROPOSALS
INDIRECT TAX	
Abolition of Service Tax Thresholds	Currently, professional (i.e. accounting, legal, engineering, architecture, survey, valuation, appraisal and real estate agency), consultancy and management service providers who have reached the licensing threshold of RM150,000 sales turnover within a period of 12 months or part thereof, are required to be licensed under the Service Tax Act 1975 and charge 5% service tax. To promote healthy competition among the same service providers, it is proposed that the service tax licensing threshold for professional, consultancy and management services be abolished. This means that the service providers have to be licensed once there is an intention to trade as service tax needs to be collected from the first invoice. The proposal is effective from 1 January 2008.

SUBJECT	BUDGET PROPOSALS
PERSONAL TAX	
Expatriates Working For International Procurement Centres (IPC) and Regional Distribution Centres (RDC)	The income tax treatment for expatriates working for IPC and RDC is streamlined with that available for Operational Headquarters and Regional Offices. Only the portion of employment income attributable to the number of days employment is exercised in Malaysia is taxed. The proposal is effective from YA 2008.
Post Graduate Studies	It is proposed that the scope of courses eligible for individual tax relief for further education of up to RM5,000 per annum on fees be extended from courses undertaken at tertiary level to acquire law, accounting, Islamic financing, technical, vocational, industrial, scientific or technological skills or qualifications to include all fields of studies at post graduate level i.e. masters and doctorate level. The proposal is effective from YA 2008.
New Computer and Broadband Subscription Fee	In tandem with the Government's aspiration to increase the broadband penetration rate, it is proposed that: i. a benefit-in-kind in the form of new computers or payment of broadband subscription fees is tax exempt in the hands of the employee; and ii. expenses incurred by employers on such computers or broadband subscription fees be allowed as a tax deduction. The proposal is effective from YA 2008 to YA 2010.
Purchase of Sports Equipment	To create a healthy society through sports activities, it is proposed that individual tax relief up to a maximum of RM300 be given in respect of expenses expended for the purchase of sports equipment for any sports activity as defined under the Sports Development Act 1997 as evidenced by receipts issued in respect of the purchase. The proposal is effective from YA 2008.

SUBJECT	BUDGET PROPOSALS
ADMINISTRATIVE	
IRB Powers	It is proposed that the existing provision of Section 80 of the Act covering the powers of access to buildings and documents be extended. The Director General may, in exercising his powers have full and free access not only to books and documents but also to objects, articles, materials and things. The proposal is intended to allow the IRB to have a wider scope of review in carrying out their tasks especially in the case of tax audits and investigations. The proposal is effective from the date when the Finance Bill is gazetted.
Admissibility of Electronic Records	It is proposed that electronic records or the copy or print-out of electronic records of prescribed forms furnished, or any other document stored, communicated or received through or by electronic medium be admissible as evidence. The proposal is effective from the date when the Finance Bill is gazetted.
Furnishing of Returns by Tax Agent On Behalf of Clients	To promote and facilitate e-filing, it is proposed that the tax agents be allowed to file income tax returns through e-filing on behalf of their clients using a Personal Identification Number assigned to the tax agents. To this effect, the clients would need to make a declaration in a prescribed form authorising the tax agents to file on their behalf. The proposal is effective from the date when the Finance Bill is gazetted.
Hearing Before Special Commissioners	To allow judicial flexibility, the following measures are proposed: i. two or more hearing of appeals before the Special Commissioners may be held concurrently at any one time; and ii. where a Special Commissioner is unable to complete the hearing for any reason, the hearing may, with the consent of both parties, be heard afresh or continued by the remaining Special Commissioners with another Special Commissioner. In addition, it is also proposed that the Special Commissioners be empowered to dismiss an appeal if the appellant to an appeal fails to attend at the time and place fixed for hearing. The proposals are effective from the date when the Finance Bill is gazetted.

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MISCELLANEOUS	
Payment of Stamp Duty Using Private Valuation	To expedite urgent transfers of real property pending the official valuation from the Valuation and Property Services Department (“JPPH”), it is proposed that private valuations be accepted in the interim to assess the initial stamp duty payable. To take advantage of this provision, the taxpayer has to: i. pay a fee of RM10; ii. submit the private valuation report; iii. provide the Stamp Office with a bank guarantee for an amount equal to the difference between the initial stamp duty computed based on the value of the private valuation and the stamp duty computed based on the value ascertained as follows: Private valuation x $\frac{100}{65}$ iv. the bank guarantee must have a validity of at least 6 months. The Stamp Office may within 3 months after the payment of the initial stamp duty make an additional assessment in cases where the JPPH valuation is higher than the private valuation. The additional stamp duty has to be paid to the Stamp Office within 30 days of the notice of additional assessment. The Stamp Office may draw upon the bank guarantee if the additional stamp duty is not paid by the due date. Where the actual stamp duty exceeds the initial stamp duty and the bank guarantee amount by more than 30%, the difference between that amount and 30% of the actual stamp duty shall be increased by 10% of that difference. The proposal is effective from 1 January 2008.
Extension of Stamp Duty Exemption for Mergers and Acquisitions	Currently, a stamp duty exemption is given on instruments relating to mergers and acquisitions of companies listed on Bursa Malaysia, approved by the SC, from 1 October 2005 until 31 December 2007. To encourage further mergers and acquisitions of companies listed on Bursa Malaysia, it is proposed that the stamp duty exemption on all instruments pertaining to such mergers and acquisitions be extended for

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	another three years. The proposal is effective for mergers and acquisitions approved by the SC until 31 December 2010 and such mergers and acquisitions must be completed not later than 31 December 2011.
Stamp Duty Exemption for Mergers of Petronas Vendors	To encourage vendors licensed with Petronas to merge and be globally competitive, it is proposed that a stamp duty exemption be given on all instruments relating to mergers of such vendors involved in upstream activities. The proposal is for mergers completed not later than 31 December 2010.
Stamp Duty Exemption on Residential Property	To encourage ownership of residential properties, it is proposed that instruments of transfer for the purchase of a house not exceeding RM250,000 be given 50% stamp duty exemption. This translates to a stamp duty savings of up to RM2,000. This exemption is granted to only one house per individual. The proposal is effective for sale and purchase agreement executed from 8 September 2007 to 31 December 2010.
Stamp Duty Exemption on Husband/Wife Transfer	To strengthen family values and provide financial security, it is proposed that the instruments for the transfer of property between husband and wife on the basis of love and affection be exempted from stamp duty. It appears that property in this instance covers only real properties. The proposal is effective from 8 September 2007.
Tax Treatment on Private Retirement Benefit	To provide equal tax treatment for certain private sector employees who are required to retire at the age of 50 and above, it is proposed that such employees be given full income tax exemption on their retirement benefits provided that the compulsory retirement age is set out in the employment contract or in the collective agreement between the employer and employee. The proposal is effective from YA 2007.
Labuan Offshore Companies	To provide a flexible tax regime for Labuan offshore companies as an effort to sustain their competitiveness, it is proposed that Labuan offshore companies be given the option to subject their income from offshore business activities to be taxed under the Act or the Labuan Offshore Business Activity Tax Act, 1990. The election has to be made using a prescribed form and is irrevocable.

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	It is hoped that companies that elect to be taxed under the Act would be entitled to the benefits of Malaysia's double tax treaties whilst enjoying the more liberal exchange control environment. The current tax treatment under the Act already exempts foreign sourced income from tax. The proposal is effective from YA 2008.