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TAX INCENTIVE FOR THE ISSUANCE OF ISLAMIC SECURITIES

Present Position

Expenses incurred in the issuance of Islamic securities issued under the principles of *Mudharabah*, *Musyarakah*, *Ijarah* and *Istisna'* or other *Syariah* principles approved by the Minister of Finance are eligible for tax deduction if the issuance of such Islamic securities are approved by the Securities Commission or the Labuan Financial Services Authority.

The incentive is given from year of assessment 2003 until year of assessment 2015.

Proposal

To strengthen Malaysia's position as the leading *sukuk* market, the Government has launched the world's first *Syariah*-compliant commodity trading platform known as Bursa *Suq al-Sila*.

To further encourage innovation and to promote transactions in Bursa *Suq al-Sila*, it is proposed that the expenses incurred in the issuance of Islamic securities under the principles of *Murabahah* and *Bai' Bithaman Ajil* based on *tawarruq* be given deduction for the purpose of income tax computation. The issuance of such *sukuk* must be approved by the Securities Commission or the Labuan Financial Services Authority.

Effective Date

Commencing from year of assessment 2011 until year of assessment 2015.

**TAX INCENTIVE ON EXPORT CREDIT INSURANCE
PREMIUM BASED ON *TAKAFUL* CONCEPT**

Present Position

To encourage export of Malaysian goods overseas, the Government has given double tax deduction on payment of conventional insurance premium for export credit to companies approved by the Minister of Finance. The deduction is given from year of assessment 1986.

Proposal

To grant equal tax treatment between conventional insurance and *takaful*, it is proposed that payments of insurance premium for export credit based on *takaful* concept be given double tax deduction. Insurance premium based on *takaful* concept must be purchased from *takaful* operators approved by the Minister of Finance.

Effective Date

Commencing from year of assessment 2011.

**EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVES FOR
THE GENERATION OF ENERGY FROM RENEWABLE SOURCES**

Present Position

Tax incentives for companies generating energy from renewable sources (RE) are:

A. Companies generating energy from renewable sources:

- i. Pioneer Status with income tax exemption of 100% of statutory income for 10 years; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 100% of statutory income for each year of assessment;

AND

- iii. Import duty and sales tax exemption on equipment used to generate energy that is not produced locally and sales tax exemption on equipment purchased from local manufacturers.

Other companies in the same group undertaking the same activities are eligible for the above incentives even though any one of the company in the same group has been granted the incentive.

B. Companies generating renewable energy for own consumption:

- i. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be set-off against 100% of statutory income for each year of assessment; and
- ii. Import duty and sales tax exemption on equipment used to generate energy that is not produced locally and sales tax exemption on equipment purchased from local manufacturers.

C. Non-energy generating companies which import or purchase equipment to generate energy from renewable sources for consumption of third parties:

- i. Import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties given to importers including photovoltaic service providers approved by the Energy Commission; and
- ii. Sales tax exemption is given on the purchase of solar heating system equipment from local manufacturers.

The above incentives are given for applications received by the Malaysian Industrial Development Authority (MIDA) until 31 December 2010.

Proposal

In advancing green technology and ensuring sustainable environment, it is proposed that the current tax incentive application period for the generation of energy from renewable sources be extended.

Effective Date

- i. Incentive A and B be extended for applications received until 31 December 2015; and
- ii. Incentive C be extended for applications received until 31 December 2012.

**EXTENSION OF APPLICATION PERIOD FOR
TAX INCENTIVES FOR ENERGY CONSERVATION**

Present Position

Tax incentives for energy conservation (Energy Efficiency – EE) activities are:

A. Companies providing energy conservation services:

- i. Pioneer Status with income tax exemption of 100% of statutory income for 10 years; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of the statutory income for each year of assessment;

AND

- iii. Import duty and sales tax exemption on energy conservation equipment that are not produced locally and sales tax exemption on the purchase of locally produced equipment.

B. Companies which incur capital expenditure for energy conservation for own consumption:

- i. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years. The allowance to be set-off against 100% of statutory income for each year of assessment; and
- ii. Import duty and sales tax exemption on energy conservation equipment that are not produced locally and sales tax exemption on equipment purchased from local manufacturers.

C. Companies importing or purchasing locally manufactured EE equipment for third party consumption:

- i. Import duty and sales tax exemption on EE equipment such as high efficiency motors and insulation materials given to importers including authorized agents approved by the Energy Commission; and
- ii. Sales tax exemption is given on the purchase of EE consumer goods such as refrigerator, air conditioner, lightings, fan and television which are produced by local manufacturers.

The above incentives are given for applications received by the Malaysian Industrial Development Authority (MIDA) until 31 December 2010.

Proposal

To encourage the efficient utilization of energy, it is proposed that the current tax incentives application period for energy conservation be extended.

Effective Date

- i. Incentive A and B be extended for applications received until 31 December 2015; and
- ii. Incentive C be extended for applications received until 31 December 2012.

**EXTENSION OF TAX INCENTIVE PERIOD FOR
REDUCTION OF GREENHOUSE GAS EMISSION**

Present Position

Malaysia is committed in reducing greenhouse gas (GHG) emission and had introduced an incentive to reduce GHG emission by granting tax exemption on income received from the sale of Certified Emission Reductions (CERs) from Clean Development Mechanism (CDM) projects approved by the Ministry of Natural Resources and Environment. The income exempted is equal to the gross income from sale of CDM less the cost of expenditure (not being capital expenditure) to obtain the CERs.

The exemption period is for 3 years from the year of assessment 2008 until year of assessment 2010.

Proposal

In line with the effort to encourage companies to invest in CDM projects to overcome global warming, it is proposed that the tax exemption period on the income from the sales of CERs be extended for another 2 years.

Effective Date

Year of assessment 2011 until year of assessment 2012.

EXTENSION AND ENHANCEMENT OF TAX INCENTIVES FOR HYBRID CARS

Present Position

Franchise holders of hybrid cars are given 100% exemption of import duty and 50% exemption of excise duty on new completely-built-up (CBU) hybrid cars.

The above exemption is subject to the following criteria and conditions:

- i. Hybrid cars should comply with the United Nations' definitions as follows:

"A vehicle with at least 2 different energy converters and 2 different energy storage systems (gasoline and electric) on-board the vehicle for the purpose of vehicle propulsion";
- ii. Limited to new CBU hybrid passenger cars with engine capacity below 2000 cc;
- iii. Engine specification of at least Euro 3 technology;
- iv. Hybrid cars certified by the Road Transport Department, obtaining Vehicle Type Approval and certified to have achieved not less than 50% increase in the city-fuel economy or not less than 25% increase in a combined city-highway fuel economy relative to a comparable vehicle that is an internal combustion gasoline fuel; and
- v. Emission of carbon monoxide of less than 2.3 gram per kilometer.

The exemption is given for applications received by the Ministry of Finance from 30 August 2008 until 31 December 2010.

Proposal

To further promote Malaysia as a regional hub for hybrid cars and as an incentive for local car manufacturers and assemblers to prepare for the manufacture and assembly of such cars domestically, it is proposed that full exemption of import duty and full exemption of excise duty be given on new CBU hybrid cars. This incentive is also extended to electric cars as well as hybrid and electric motorcycles.

Effective Date

For applications received by the Ministry of Finance from 1 January 2011 until 31 December 2011.

EXTENSION OF TAX INCENTIVE APPLICATION PERIOD FOR FOOD PRODUCTION

Present Position

Currently, tax incentives are given to the company that invests and its subsidiary company that is engaged in the food production activities, as follows:

- i. The company that invests in its subsidiary company engaged in food production activities is granted tax deduction equivalent to the amount of investment made in that subsidiary; and
- ii. The subsidiary company undertaking food production activities is granted income tax exemption of 100% on its statutory income for 10 years of assessment for new project or 5 years of assessment for expansion project. The exemption period commences from the first year of assessment the company derived statutory income, in which:
 - a. Losses incurred before the exemption period is allowed to be brought forward after the exemption period;
 - b. Losses incurred during the exemption period is also allowed to be brought forward after the exemption period, and

The incentives are granted on the following conditions:

- i. The equity condition for a company which invests at least 70% in the subsidiary company that undertakes food production activities;
- ii. The approved food productions activities by the Minister of Finance are cultivation of kenaf, vegetables, fruits, herbs, spices; aquaculture; rearing of cattle, goats, sheep; and deep sea fishing; and
- iii. The food production project should commence within a period of one year from the date the incentive is approved.

The above incentives are given for applications received by the Ministry of Agriculture and Agro-based Industry until 31 December 2010.

Proposal

To ensure continuous development in agro-food and agro-based industry, the current incentives need to be continued. To further stimulate investments, there is a need to encourage investors in high scale agriculture projects. Therefore, it is proposed the tax incentive for food production activities be extended for another 5 years.

Effective Date

Application received from 1 January 2011 until 31 December 2015.

ABOLISHMENT OF IMPORT DUTY ON TOURISM PRODUCTS AND DAILY USED PRODUCTS

Present Position

In line with measures to promote the tourism industry, import duty on most tourism products such as camera, watches and perfumes has been abolished. Tourism dutiable products such as apparel, handbags, wallets and foot wear with FOB value exceeding RM200 are given exemption under Item 174, Customs Duties (Exemption) Order 1988.

Proposal

To further boost the tourism industry and to render Malaysia as the leading shopping destination, it is proposed that import duty be abolished on:

- i. Handbags, wallets, suitcases, briefcases, apparel, footwear and hats (with duty of between 5% and 20%);
- ii. Jewellery, costume jewellery and ornaments (with duty of between 5% and 20%); and
- iii. Toys such as dolls and small scale recreational models (with duty of between 5% and 20%).

In addition, to reduce the burden of the *rakyat* on the cost of daily used products, it is proposed that import duty be abolished on:

- i. Talcum powder, face powder and shampoo (with duty of between 10% and 20%); and
- ii. Bedspreads, blankets, curtains and table cloth (with duty of between 10% and 20%).

The detailed list of such products is as in **Appendix A**.

Effective Date

Effective from 4.00 p.m. on 15 October 2010.

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
33.04	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations.	
	- Other:	
3304 .91	- - Powders, whether or not compressed:	
100	Talcum powder	20
200	Face powder	20
33.05	Preparations for use on the hair.	
3305 .10	000 - Shampoos	20
3305 .20	000 - Preparations for permanent waving or straightening	10
3305 .30	000 - Hair lacquers	10
3305 .90	000 - Other	10
33.07	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties.	
3307 .49	- - Other:	
900	Other	20
3307 .90	- Other:	
100	Animal toilet preparations	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
200	Wadding impregnated, coated or covered with perfume or cosmetics Felt and nonwovens, impregnated, coated or covered with perfume or cosmetics:	20
900	Other	20
42.02	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastic, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials, or with paper.	
4202 .19	- Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels and similar containers: - - Other:	
100	Of wood	20
200	Of iron or steel	20
400	Of nickel	15
500	Of aluminium	20
600	Of zinc	5
900	Other	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
4202 .29 000	- Handbags, whether or not with shoulder strap, including those without handle: - - Other	20
4202 .32 000	- Articles of a kind normally carried in the pocket or in the handbag: - - With outer surface of plastic sheeting or of textile materials	20
4202 .39	- - Other	
100	Of wood	5
200	Of iron or steel	20
400	Of nickel	15
500	Of aluminium	20
600	Of zinc	5
700	Of worked tortoise-shell, ivory bone, coral and other carving material of animal origin	5
800	Of worked carving material of vegetable or mineral origin	5
900	Other	20
4202 .91	- Other: - - With outer surface of leather, of composition leather or of patent leather: 900 Other	15
4202 .92	- - With outer surface of plastic sheeting or of textile materials: 900 Other	20
4202 .99	- - Other:	
100	Of wood	20
200	Of iron or steel	20
400	Of nickel	15
500	Of aluminium	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
600	Of zinc	5
700	Of worked tortoise-shell, ivory bone, coral and other carving material of animal origin	5
800	Of worked carving material of vegetable or mineral origin	5
900	Other	20
42.03	Articles of apparel and clothing accessories, of leather or of composition leather.	
4203 .10 000	- Articles of apparel - Gloves, mittens and mitts:	20
4203 .29 000	- - Other	20
4203 .30 000	- Belts and bandoliers	15
4205 .00	Other articles of leather or of composition leather.	
900	Other	20
4206 .00	Articles of gut (other than silk-worm gut), of goldbeater's skin, of bladders or of tendons.	
100	Catgut	5
	Other:	
910	tobacco pouches	25
990	other	5
61.03	Men's and boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.	
6103 .10 000	- Suits	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6103 .22 000	- Ensembles: - - Of cotton	20
6103 .23 000	- - Of synthetic fibres	20
6103 .29 000	- - Of other textile materials	20
	- Jackets and blazers:	
6103 .31 000	- - Of wool or fine animal hair	20
6103 .32 000	- - Of cotton	20
6103 .33 000	- - Of synthetic fibres	20
6103 .39 000	- - Of other textile materials	20
	- Trousers, bib and brace overalls, breeches and shorts:	
6103 .41 000	- - Of wool or fine animal hair	20
6103 .42 000	- - Of cotton	20
6103 .43 000	- - Of synthetic fibres	20
6103 .49 000	- - Of other textile materials	20
61.04	Women's or girls' suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.	
	- Suits:	
6104 .13 000	- - Of synthetic fibres	20
6104 .19 000	- - Of other textile materials	20
	- Ensembles:	
6104 .22 000	- - Of cotton	20
6104 .23 000	- - Of synthetic fibres	20
6104 .29 000	- - Of other textile materials	20
	- Jackets and blazers:	
6104 .31 000	- - Of wool or fine animal hair	20
6104 .32 000	- - Of cotton	20
6104 .33 000	- - Of synthetic fibres	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6104 .39 000	- - Of other textile materials - Dresses:	20
6104 .41 000	- - Of wool or fine animal hair	20
6104 .42 000	- - Of cotton	20
6104 .43 000	- - Of synthetic fibres	20
6104 .44 000	- - Of artificial fibres	20
6104 .49 000	- - Of other textile materials - Skirts and divided skirts:	20
6104 .51 000	- - Of wool or fine animal hair	20
6104 .52 000	- - Of cotton	20
6104 .53 000	- - Of synthetic fibres	20
6104 .59 000	- - Of other textile materials - Trousers, bib and brace overalls, breeches and shorts:	20
6104 .61 000	- - Of wool or fine animal hair	20
6104 .62 000	- - Of cotton	20
6104 .63 000	- - Of synthetic fibres	20
6104 .69 000	- - Of other textile materials	20
61.05	Men's or boys' shirts, knitted or crocheted.	
6105 .10 000	- Of cotton	20
6105 .20 000	- Of man-made fibres	20
6105 .90 000	- Of other textile materials	20
61.06	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.	
6106 .10 000	- Of cotton	20
6106 .20 000	- Of man-made fibres	20
6106 .90 000	- Of other textile materials	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
61.07	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns similar articles, knitted or crocheted.	
	- Underpants and briefs:	
6107 .11 000	- - Of cotton	20
6107 .12 000	- - Of man-made fibres	20
6107 .19 000	- - Of other textile materials	20
	- Nightshirts and pyjamas:	
6107 .21 000	- - Of cotton	20
6107 .22 000	- - Of man-made fibres	20
6107 .29 000	- - Of other textile materials	20
	- Other:	
6107 .91 000	- - Of cotton	20
6107 .99 000	- - Of other textile materials	20
61.08	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, négligés, bathrobes, dressing gowns and similar articles, knitted or crocheted.	
	- Slips and petticoats:	
6108 .11 000	- - Of man-made fibres	20
6108 .19 000	- - Of other textile materials	20
	- Briefs and panties:	
6108 .21 000	- - Of cotton	20
6108 .22 000	- - Of man-made fibres	20
6108 .29 000	- - Of other textile materials	20
	- Nightdresses and pyjamas:	
6108 .31 000	- - Of cotton	20
6108 .32 000	- - Of man-made fibres	20
6108 .39 000	- - Of other textile materials	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6108 .91 000	- Other: - - Of cotton	20
6108 .92 000	- - Of man-made fibres	20
6108 .99 000	- - Of other textile materials	20
61.09	T-shirts, singlets and other vests, knitted or crocheted.	
6109 .10 000	- Of cotton	20
6109 .90 000	- Of other textile materials	20
61.10	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted.	
	- Of wool or fine animal hair:	
6110 .11 000	- - Of wool	20
6110 .12 000	- - Of Kashmir (cashmere) goats	20
6110 .19 000	- - Other	20
6110 .20 000	- Of cotton	20
6110 .30 000	- Of man-made fibres	20
6110 .90 000	- Of other textile materials	20
61.11	Babies' garments and clothing accessories, knitted or crocheted.	
6111 .20 000	- Of cotton	20
6111 .30 000	- Of synthetic fibres	20
6111 .90 000	- Of other textile materials	20
61.12	Track suits, ski suits and swimwear, knitted or crocheted.	
	- Track suits:	
6112 .11 000	- - Of cotton	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6112 .12 000	- - Of synthetic fibres	20
6112 .19 000	- - Of other textile materials	20
6112 .20 000	- Ski suits	20
	- Men's or boys' swimwear:	
6112 .31 000	- - Of synthetic fibres	20
6112 .39 000	- - Of other textile materials	20
	- Women's or girls' swimwear:	
6112 .41 000	- - Of synthetic fibres	20
6112 .49 000	- - Of other textile materials	20
6113 .00 000	Garments, made up of knitted or crocheted fabrics of heading 59.03, 59.06 or 59.07.	20
61.14	Other garments, knitted or crocheted.	
6114 .20 000	- Of cotton	20
6114 .30 000	- Of man-made fibres	20
6114 .90 000	- Of other textile materials	20
61.15	Panty hose, tights, stockings, socks and other hosiery, including graduated compression hosiery (for example, stockings, for varicose veins) and footwear without applied soles, knitted or crocheted.	
6115 .10 000	- Graduated compression hosiery (for example, stockings, for varicose veins) - Other panty hose and tights:	15
6115 .21 000	- - Of synthetic fibres, measuring per single yarn less than 67 decitex	15
6115 .22 000	- - Of synthetic fibres, measuring per single yarn 67 decitex or more	15
6115 .29 000	- - Of other textile materials	15

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6115 .30 000	- Other women's full-length or knee-length hosiery, measuring per single yarn less than 67 decitex	15
	- Other:	
6115 .94 000	- - Of wool or fine animal hair	15
6115 .95 000	- - Of cotton	15
6115 .96 000	- - Of synthetic fibres	15
6115 .99 000	- - Of other textile materials	15
61.16	Gloves, mittens and mitts, knitted or crocheted.	
6116 .10 000	- Impregnated, coated or covered with plastics or rubber	20
	- Other:	
6116 .92 000	- - Of cotton	20
6116 .93 000	- - Of synthetic fibres	20
6116 .99 000	- - Of other textile materials	20
61.17	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.	
6117 .80	- Other accessories:	
	900 Other	15
62.03	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear).	
	- Suits:	
6203 .11 000	- - Of wool or fine animal hair	15
6203 .12 000	- - Of synthetic fibres	15

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6203 .19 000	- - Of other textile materials - Ensembles:	15
6203 .22 000	- - Of cotton	20
6203 .23 000	- - Of synthetic fibres	20
6203 .29 000	- - Of other textile materials - Jackets and blazers:	20
6203 .31 000	- - Of wool or fine animal hair	15
6203 .32 000	- - Of cotton	15
6203 .33 000	- - Of synthetic fibres	15
6203 .39 000	- - Of other textile materials - Trousers, bib and brace overalls, breeches and shorts:	15
6203 .41 000	- - Of wool or fine animal hair	20
6203 .42 000	- - Of cotton	20
6203 .43 000	- - Of synthetic fibres	20
6203 .49 000	- - Of other textile materials	20
62.04	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear). - Suits:	
6204 .11 000	- - Of wool or fine animal hair	15
6204 .12 000	- - Of cotton	15
6204 .13 000	- - Of synthetic fibres	15
6204 .19 000	- - Of other textile materials - Ensembles:	15
6204 .21 000	- - Of wool or fine animal hair	20
6204 .22 000	- - Of cotton	20
6204 .23 000	- - Of synthetic fibres	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6204 .29 000	- - Of other textile materials - Jackets and blazers:	20
6204 .31 000	- - Of wool or fine animal hair	15
6204 .32 000	- - Of cotton	15
6204 .33 000	- - Of synthetic fibres	15
6204 .39 000	- - Of other textile materials - Dresses:	15
6204 .41 000	- - Of wool or fine animal hair	20
6204 .42 000	- - Of cotton	20
6204 .43 000	- - Of synthetic fibres	20
6204 .44 000	- - Of artificial fibres	20
6204 .49 000	- - Of other textile materials - Skirts and divided skirts:	20
6204 .51 000	- - Of wool or fine animal hair	20
6204 .52 000	- - Of cotton	20
6204 .53 000	- - Of synthetic fibres	20
6204 .59 000	- - Of other textile materials - Trousers, bib and brace overalls, breeches and shorts:	20
6204 .61 000	- - Of wool or fine animal hair	20
6204 .62 000	- - Of cotton	20
6204 .63 000	- - Of synthetic fibres	20
6204 .69 000	- - Of other textile materials	20
62.05	Men's or boys' shirts.	
6205 .20 000	- Of cotton	20
6205 .30 000	- Of man-made fibres	20
6205 .90 000	- Of other textile materials	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
62.06	Women's or girls' blouses, shirts and shirt-blouses.	
6206 .10 000	- Of silk or silk waste	20
6206 .20 000	- Of wool or fine animal hair	20
6206 .30 000	- Of cotton	20
6206 .40 000	- Of man-made fibres	20
6206 .90 000	- Of other textile materials	20
62.07	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.	
	- Underpants and briefs:	
6207 .11 000	- - Of cotton	20
6207 .19 000	- - Of other textile materials	20
	- Nightshirts and pyjamas:	
6207 .21 000	- - Of cotton	20
6207 .22 000	- - Of man-made fibres	20
6207 .29 000	- - Of other textile materials	20
	- Other:	
6207 .91	- - Of cotton:	
	900 Other	20
6207 .99 000	- - Of other textile materials	20
62.08	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles.	
	- Slips and petticoats:	
6208 .11 000	- - Of man-made fibres	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6208 .19 000	- - Of other textile materials - Nightdresses and pyjamas:	20
6208 .21 000	- - Of cotton	20
6208 .22 000	- - Of man-made fibres	20
6208 .29 000	- - Of other textile materials - Other:	20
6208 .91 000	- - Of cotton	20
6208 .92 000	- - Of man-made fibres	20
6208 .99 000	- - Of other textile materials	20
62.09	Babies' garments and clothing accessories.	
6209 .20 000	- - Of cotton	20
6209 .30 000	- - Of synthetic fibres	20
6209 .90 000	- - Of other textile materials	20
62.10	Garments, made up of fabrics of heading 56.02, 56.03, 59.03, 59.06 or 59.07.	
6210 .10 000	- Of fabrics heading 56.02 or 56.03	20
6210 .20 000	- Other garments, of the type described in subheadings 6201.11 to 6201.19	20
6210 .30 000	- Other garments, of the type described in subheadings 6202.11 to 6202.19	20
6210 .40 000	- Other men's or boys' garments	20
6210 .50 000	- Other women's or girls' garments	20
62.11	Track suits, ski suits and swimwear; other garments.	
	- Swimwear:	
6211 .11 000	- - Men's or boys'	20
6211 .12 000	- - Women's or girls'	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6211 .20 000	- Ski suits	20
	- Other garments, men's or boys':	
6211 .32 000	- - Of cotton	20
6211 .33 000	- - Of man-made fibres	20
6211 .39 000	- - Of other textile materials	20
	- Other garments, women's or girls':	
6211 .41 000	- - Of wool or fine animal hair	20
6211 .42	- - Of cotton:	
	900 Other	20
6211 .43	- - Of man-made fibres:	
	900 Other	20
6211 .49	- - Of other textile materials:	
	900 Other	20
62.12	Brassieres, girdles, corsets, brace, suspenders, garters and similar articles and part thereof, whether or not knitted or crocheted.	
6212 .10	- Brassieres:	
	100 Of cotton	20
	900 Of other textile materials	20
6212 .20 000	- Girdles and panty-girdles	20
6212 .30 000	- Corselettes	20
6212 .90	- Other:	
	100 Sanitary belts	20
	900 Other	20
6216 .00	Gloves, mittens and mitts.	
	100 Of cotton	20
	300 Of man-made fibres	20
	900 Of other textile materials	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
62.17	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 62.12.	
6217 .10 000	- Accessories	20
	I.- OTHER MADE UP TEXTILE ARTICLES	
63.01	Blankets and traveling rugs.	
6301 .10 000	- Electric blankets	25
6301 .20	- Blankets (other than electric blankets) and traveling rugs, of wool or fine animal hair:	
	100 Knitted or crocheted	20
	900 Other	20
6301 .30	- Blankets (other than electric blankets) and traveling rugs, of cotton:	
	100 Knitted or crocheted	20
	900 Other	20
6301 .40 000	- Blankets (other than electric blankets) and traveling rugs, of synthetic fibres	20
6301 .90 000	- Other blankets and traveling rugs	20
63.02	Bed linen, table linen, toilet linen and kitchen linen.	
6302 .10 000	- Bed linen, knitted or crocheted	20
	- Other bed linen, printed:	
6302 .21 000	- - Of cotton	20
6302 .22 000	- - Of man-made fibres	20
6302 .29 000	- - Of other textile materials	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6302 .31 000	- Other bed linen: - - Of cotton	20
6302 .32 000	- - Of man-made fibres	20
6302 .39 000	- - Of other textile materials	20
6302 .40 000	- Table linen, knitted or crocheted - Other table linen:	20
6302 .51 000	- - Of cotton	20
6302 .53 000	- - Of man-made fibres	20
6302 .59 000	- - Of other textile materials	20
6302 .60 000	- Toilet linen and kitchen linen, of terry towelling or similar terry fabrics, of cotton - Other:	20
6302 .91	- - Of cotton:	
	100 Knitted or crocheted	20
	900 Other	20
6302 .93	- - Of man-made fibres:	
	100 Of terry towelling or similar terry fabrics	20
	200 Knitted or crocheted	20
	300 Of fabrics heading 56.03	20
	900 Other	20
6302 .99	- - Of other textile materials:	
	100 Of terry towelling or similar terry fabrics Knitted or crocheted:	20
	210 of flax	25
	290 other	20
	900 Other	20
63.03	Curtains (including drapes) and interior blinds; curtain or bed valances.	
	- Knitted or crocheted:	
6303 .12 000	- - Of synthetic fibres	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6303 .19 000	- - Of other textile materials	20
	- Other:	
6303 .91 000	- - Of cotton	20
6303 .92 000	- - Of synthetic fibres	20
6303 .99 000	- - Of other textile materials	20
63.04	Other furnishing articles, excluding those of heading 94.04.	
	- Bedspreads:	
6304 .11 000	- - Knitted or crocheted	20
6304 .19	- - Other:	
	100 Of terry towelling or similar terry fabrics	20
	200 Of fabrics of heading 56.03	20
	900 Other	20
	- Other:	
6304 .91 000	- - Knitted or crocheted	20
6304 .92	- - Not knitted or crocheted, of cotton:	
	100 Mosquito nets	20
	900 Other	20
6304 .93	- - Not knitted or crocheted, of synthetic fibres:	
	100 Mosquito nets	20
	900 Other	20
6304 .99	- - Not knitted or crocheted, of other textile materials:	
	100 Mosquito nets	20
	900 Other	20
63.07	Other made up articles, including dress patterns.	

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6307 .90	- Other:	
200	Laces for shoes, boots, corsets and the like	20
400	Fans and hand screen	5
	II.- SETS	
6308 .00 000	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.	20
64.01	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	
6401 .10 000	- Footwear incorporating a protective metal toe-cap	30
	- Other footwear:	
6401 .92 000	- - Covering the ankle but not covering the knee	30
6401 .99 000	- - Other	30
64.02	Other footwear with outer soles and uppers of rubber or plastics.	
	- Sports footwear:	
6402 .19 000	- - Other	30
6402 .20 000	- Footwear with upper straps or thongs assembled to the sole by means of plugs	30
	- Other footwear:	
6402 .91 000	- - Covering the ankle	30
6402 .99 000	- - Other	30

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
64.03	Footwear with outer soles of rubber, plastics, leather of composition leather and uppers of leather.	
6403 .19	- Sports footwear:	
900	- - Other: Other	30
6403 .40	000 - Other footwear, incorporating a protective metal toe-cap	30
6403 .91	- Other footwear:	
100	- - Covering the ankle: Footwear made on a base or platform of wood, not having an inner sole or a protective metal toe-cap	30
6403 .99	- - Other: Footwear made on a base or platform of wood, not having an inner sole or a protective metal toe-cap	30
64.04	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	
6404 .11	000 - Footwear with outer soles of rubber or plastics: - - Sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes and the like	25
6404 .19	000 - - Other	30
6404 .20	000 - Footwear with outer soles of leather or composition leather	15

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6501 .00 000	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.	20
6502 .00 000	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed.	20
6504 .00 000	Hats and other headgear, plaited or made by assembling strips of any material, whether or not trimmed.	20
65.05	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric, in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed.	
6505 .10 000	- Hair-nets	20
6505 .90	- Other:	
	200 Felt hats and other felt headgear, made from the hat bodies, hoods or plateaux of heading 65.01, whether or not lined or trimmed	20
	900 Other	20
65.06	Other headgear, whether or not lined or trimmed.	
6506 .10 000	- Safety headgear	20
	- Other:	
6506 .91	- - Of rubber or of plastics:	
	100 Swimming caps	20
	900 Other	20

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
6506 .99 000	- - Of other materials	20
6507 .00 000	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear.	20
	III.- JEWELLERY, GOLDSMITHS' AND SILVERSMITHS' WARES AND OTHER ARTICLES	
71.13	Articles or jewellery and parts thereof, of precious metal or of metal clad with precious metal.	
	- Of precious metal whether or not plated or clad with precious metal:	
7113 .11 000	- - Of silver, whether or not plated or clad with other precious metal	10
7113 .19 000	- - Of other precious metal, whether or not plated or clad with precious metal	10
7113 .20 000	- Of base metal clad with precious metal	10
71.14	Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or of metal clad with precious metal.	
	- Of precious metal whether or not plated or clad with precious metal:	
7114 .11 000	- - Of silver, whether or not plated or clad with other precious metal	10
7114 .19 000	- - Of other precious metal, whether or not plated or clad with precious metal	10
7114 .20 000	- Of base metal clad with precious metal	10
71.16	Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed).	

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
7116 .10 000	- Of natural or cultured pearls	10
7116 .20 000	- Of precious or semi-precious stones (natural, synthetic or reconstructed)	10
71.17	Imitation jewellery.	
	- Of base metal, whether or not plated with precious metal:	
7117 .11 000	- - Cuff-links and studs	5
7117 .19 000	- - Other	10
7117 .90	- Other:	
	Cuff-links and studs:	
	190 of other materials	5
	Other:	
	of single material:	
	912 of woods	5
	913 of porcelain or china	20
	915 of worked tortoise shell, ivory, bone, horn, coral, mother of pearl and other animal carving material	5
	916 of worked vegetable or mineral carving material	5
	990 other	10
9503 .00	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds.	
	300 Dolls including parts and accessories	5
	400 Reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds	5

ELIMINATION OF IMPORT DUTY

Tariff Code	Description	Current Rate (%)
500	Other toys	5
	Parts:	
910	for subheading 9503.00 100	20
	for subheading 9503.00 200:	
991	spokes and nipples	20
999	other	5
95.05	Festive, carnival or other entertainment articles, including conjuring tricks and novelty jokes.	
9505 .10 000	- Articles for Christmas festivities	5
9505 .90 000	- Other	5
95.06	Articles and equipment for general physical exercise gymnastics, athletics, other sports (including table-tennis) or out-door games, not specified or included elsewhere in this Chapter; swimming pools and paddling pools.	
	- Golf clubs and other golf equipment:	
9506 .32 000	- - Balls	10
9506 .40	- Articles and equipment for table-tennis:	
100	Tables	20

**EXTENSION OF APPLICATION PERIOD FOR TAX INCENTIVE
FOR LAST MILE NETWORK FACILITIES PROVIDER FOR BROADBAND**

Present Position

Companies investing in last mile broadband infrastructure are given the following tax incentives:

- i. Income tax exemption equivalent to 100% of the qualifying capital expenditure incurred for broadband infrastructure for the period of 5 years. The allowance to be set off against 70% of statutory income for each year of assessment. The implementation of this exemption is similar to the Investment Allowance under Schedule 7B Income Tax Act 1967; 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.

The above incentives are given for applications received until 31 December 2010.

For incentive (i), application to be submitted to Ministry of Finance. For incentive (ii), application to be submitted to the Malaysian Industrial Development Authority (MIDA).

Proposal

To further encourage investments in broadband services infrastructures for continuous growth, it is proposed the application period for tax incentives to companies that invest in last mile infrastructure be extended for another 2 years.

Effective Date

Application received from 1 January 2011 until 31 December 2012.

EXEMPTION OF SALES TAX ON MOBILE PHONES

Present Position

Ordinary mobile phones are subject to sales tax of 10% whereas Personal Digital Assistant (PDA) with Global System Mobile (GSM) which may function as a mobile phone is given sales tax exemption under the Sales Tax (Exemption) Order 2008. Therefore, sales tax treatment on mobile phones and that of other equipment which may function as mobile phones such as PDA with GSM is not the same.

Proposal

To harmonize tax treatment on PDA with GSM and ordinary mobile phones, it is proposed that mobile phones be exempted from sales tax.

Effective Date

Effective from 4.00 pm, 15 October 2010.

EXCISE DUTY EXEMPTION ON NATIONAL VEHICLES FOR DISABLED PERSONS

Present Position

A disabled person is given exemption of excise duty of 50% on the purchase of a national vehicle. The exemption is given for a disabled person with certain physical disabilities, namely handicapped limbs. The criteria to apply for the exemption are as follows:

- i. The applicant must be registered as a disabled person and possess a Registration Certificate from the Social Welfare Department;
- ii. The applicant must have a valid driving license;
- iii. The vehicle bought must be from the stock of unpaid duty and tax;
- iv. The vehicle should not be sold or its ownership transferred until the expiry of 5 years except with a written approval from the Treasury; and
- v. The exemption is given only for one vehicle within a period of 5 years.

This exemption is given from 28 October 2000.

Proposal

To reduce the financial burden of the physically disabled persons who wish to own vehicles to facilitate their mobility, it is proposed that 100% exemption of excise duty be given on national vehicles purchased by physically disabled persons subject to the existing conditions stipulated above.

The exemption is also extended to disabled persons who have hearing and speaking disabilities.

Effective Date

For applications received by the Ministry of Finance from 18 October 2010.

TAX RELIEF ON MEDICAL EXPENSES AND CARE FOR PARENTS

Present Position

Tax relief of up to RM5,000 is claimable by individual taxpayers on medical expenses for parents limited to the following:

- i. treatment in clinics and hospitals;
- ii. treatment in nursing homes; and
- iii. dental treatment excluding cosmetic dental treatment.

Proposal

To reduce the cost of financing expenses on medical treatment and care for parents, it is proposed that the existing tax relief be extended to include expenses to care for parents. Such expenses relating to the care are for parents who suffer from diseases or with physical or mental disabilities and who need regular treatment certified by a qualified medical practitioner. Such treatment and care provided include treatment and care at home, day care centres or home care centres.

Qualifying expenses related to the treatment and cares 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 visa/special work permit for the care of parents of taxpayers; or
- iii. expenses on special needs for parents certified by qualified medical practitioner and supported by receipts as proof purchase.

Effective Date

Commencing from year of assessment 2011.

STAMP DUTY EXEMPTION ON INSTRUMENTS OF TRANSFER OF RESIDENTIAL PROPERTY

Present Position

Stamp duty rates on instruments of transfer of property including residential property are as follows:

Value of Property	Stamp Duty Rate For Every RM100 Or Part Thereof
First RM100,000	RM1.00
> RM100,000 to ≤ RM500,000	RM2.00
>RM500,000	RM3.00

Instruments of transfer of a residential property priced not exceeding RM250,000 are given stamp duty exemption of 50%. The exemption is granted on one residential property for each individual Malaysian citizen. The exemption is effective for sales and purchase agreements executed from 8 September 2007 to 31 December 2010.

Proposal

The Government's aspiration is to ensure every citizen owns a residential property. For this purpose, the cost of ownership especially for the first residential property ought to be reduced.

To encourage ownership of the first residential property, it is proposed that stamp duty exemption of 50% be given on instruments of transfer of a residential property priced not exceeding RM350,000.

The exemption is granted on the first residential property purchased by a Malaysian citizen and eligible to be claimed once only within the exemption period. The first residential property means a situation whereby an individual does not own any residential property (or does not own a part of a residential property in the case of joint ownership) in his name at the time he applies for the 50% stamp duty exemption for residential property priced not exceeding RM350,000.

Residential property includes a terrace house, condominium, apartment or flat.

Effective Date

For sales and purchase agreements executed from 1 January 2011 to 31 December 2012.

STAMP DUTY EXEMPTION ON LOAN AGREEMENTS FOR RESIDENTIAL PROPERTY

Present Position

Stamp duty rate on loan agreement instruments for residential property is at 0.5% of the loan value.

Loan agreement instruments for residential properties priced not exceeding RM250,000 are given stamp duty exemption of 50%. The exemption is granted for the purchase of one residential property for each individual Malaysian citizen.

The exemption is effective for sales and purchase agreements executed from 30 August 2008 to 31 December 2010.

Proposal

In line with the Government's aspiration to ensure that every citizen affords to own a residential property and to reduce the cost of ownership of the first residential property, it is proposed that stamp duty exemption of 50% be given on loan agreement instruments for a residential property priced not exceeding RM350,000. Such loan agreements are made between purchaser with the bank, financial institutions, insurance companies, cooperatives or employer under the employee housing loan scheme.

The exemption is granted on the first residential property purchased by a Malaysian citizen and eligible to be claimed once only within the exemption period. The first residential property means a situation whereby an individual does not own any residential property (or does not own a part of a residential property in the case of joint ownership) in his name at the time he applies for the 50% stamp duty exemption for residential property priced not exceeding RM350,000.

Residential property includes a terrace house, condominium, apartment or flat.

Effective Date

For sales and purchase agreements executed from 1 January 2011 to 31 December 2012.

REVIEW OF SERVICE TAX RATE

Present Position

Service tax is charged by service providers at the rate of 5% on all taxable services. This rate is not applicable to credit cards whereby service tax is charged at specific rates of RM50 per year on principal cards and RM25 per year on supplementary cards.

Proposal

To review the existing rate of service tax and generate additional tax revenue for national development, it is proposed that the rate of service tax on all taxable services be increased from 5% to 6%.

Effective Date

Commencing from 1 January 2011.

SERVICE TAX ON PAID BROADCASTING SERVICES

Present Position

Service tax is charged on all telecommunication services such as telephone, facsimile, leased line, and bandwidth effective from 1 January 2001. Telecommunication services adopting satellite applications such as paid television broadcasting services are not subject to service tax.

Proposal

To widen the tax base, it is proposed that service tax of 6% be imposed on paid television broadcasting services. This service tax is charged on the monthly subscription fees on paid television broadcasting services.

Effective Date

Commencing from 1 January 2011.