

2016 REVISED BUDGET

The Prime Minister announced on 28th January 2016 the revised 2016 Budget with 11 recalibrated measures to take into consideration the current global and domestic economic situation. The recalibration was aimed at alleviating some of the hardships being faced by the nation, whilst still trying to achieve the target budget deficit figure at 3.2% of GDP. This revision follows the tabling of the 2016 Budget proposals in October 2015.

Among the measures affecting taxation and disposable incomes of the *rakyat* are the following:

Employees Provident Fund ('EPF') contributions

- The rate of contribution by employees will be reduced by 3% for contributions made from March 2016 to December 2017. This measure is to increase disposable income in the hands of employees and it is anticipated that the reduced contributions would boost spending by an estimated RM8 billion.

Special personal tax relief

- A special tax relief in the amount of RM2,000 will be given to individual taxpayers with monthly income not exceeding RM8,000 for the year of assessment 2015. This measure is anticipated to affect approximately 2 million taxpayers with tax revenue foregone of approximately RM350 million. It is hoped that this will also help boost private consumption expenditure.

Tax collection efforts

- It was announced that special efforts will be made to enhance tax compliance and intensify the identification and persecution of tax evaders. On a brighter note, special consideration will also be given to relaxing tax penalties to encourage voluntary disclosure and settlement of taxes in arrears if such arrears can be settled before 31 December 2016.

Among the other measures announced were also the following:

- With immediate effect, sale of all houses costing RM300,000 and below will be limited to first-time buyers only.
- Introduction of MyBeras program to distribute 20kg of rice per month for registered hard-core poor families.
- FAMA to open MyFarm outlets which will sell food at 5-20% cheaper than prevailing market prices.
- Liberalisation of Approved Permits ('AP') for agricultural produce to encourage competition and lower prices.
- The Ministry of Domestic Trade, Cooperatives and Consumerism will increase enforcement and action against unethical traders.

For further information, please contact:-

Mr Anand Chelliah

Leader

Tax Services, Baker Tilly Malaysia

DL: +6 (0)3 2297 1093

anand.chelliah@bakertillymh.com.my

Ms Karen Lim

Executive Director

Tax Services, Baker Tilly Malaysia

DL: +6 (0)3 2297 1096

karen.lim@bakertillymh.com.my