

COVER STORY BUDGET 2014

Tax burden of middle-income group lightened

BY SHALINI KUMAR

The new individual tax structure proposed in Budget 2014 is expected to ease the burden of the middle-income group. The government proposes that income tax rates be reduced by 1% to 3% for resident individuals. This structure will be implemented in the year of assessment 2015.

SM Thanneermalai, president of the Chartered Tax Institute of Malaysia, says those who earn a chargeable income of less than RM5,000 a month will be taken out of the equation under the new tax brackets.

"At the moment, about 80% of the population earn less than RM3,000 a month and about 90% earn less than RM5,000. So to take out the lower end is a very good thing and is exactly what I was hoping for," he tells *The Edge*.

"The new structure exceeds my expectations because I didn't think the top bracket would be widened so much."

Prime Minister Datuk Seri Najib Razak, who is also the country's finance minister, announced that the individual income tax structure would be reviewed to enhance the competitiveness of the nation and to retain talent and attract skilled workers to the country.

To ensure a more progressive tax structure, the chargeable income subject to the maximum rate will be increased from more than RM100,000 to more than RM400,000. The current maximum tax rate at 26% will be reduced to 24%, 24.5% and 25% (see table).

The individual income tax rate for non-residents will also be reduced by one percentage point to 25%.

Najib also announced a special relief of RM2,000 for those earning up to RM8,000 a month (aggregate up to RM96,000 a year), which means savings of up to RM480, depending on the amount of tax payable after taking into consideration all the deductions. Currently, those with annual chargeable income of between RM5,001 and RM20,000 pay RM300 in taxes. Under the new structure, those in this bracket will be subject to about RM150 in taxes before the rebate is applied.

Thanneermalai says he is impressed with Budget 2014 because it addresses the economic issues of the country.

"This budget is not full of giveaways and goodies. Najib really addressed every sector, including education and healthcare. It's important to note that he was also looking at the government's expenditure carefully."



CHARGEABLE INCOME (RM)	CURRENT TAX RATE (%)	PROPOSED TAX RATE (%)	REDUCTION (%)
1-5,000	0	0	nil
5,001-20,000	2	1	1
20,001-35,000	6	5	1
35,001-50,000	11	10	1
50,001-70,000	19	16	3
70,001-100,000	24	21	3
100,001-250,000	26	24	2
250,001-400,000	26	24.5	1.5
Exceeding 400,000	26	25	1