
**FEASIBILITY OF
INHERITANCE TAX
IN MALAYSIA**

SCOPE OF PRESENTATION

- * History of Estate Duty
- * Basic Reasons of Imposition of Inheritance Tax
- * Comparison with ASEAN & Regional Countries
- * Impacts And Related Issues
- * Conclusion

HISTORY OF ESTATE DUTY IN MALAYSIA

- * on property inherited from the **deceased**
- * In 1941, **28 tax bracket** with scale rates from **0% to 40%**. Highest rate on **value > RM5 mil**
- * **6 reform** since 1941. Effective from 1984, only **3 tax bracket** with scale rates i.e. **0%, 0.5% & 10%**
 - * **No tax** on value **< RM2 mil**
 - * Highest rate on **value > RM4 mil**
- * **Tax calculation:**
 - * Tax on the **reduced value** (value after eligible deductions)
- * Collection pre 1991: **RM24 mil to RM40 mil** a year
- * Ratio to total tax collection: **0.04% to 0.5%**
- * On **1.11.1991**, Estate Duty Enactment 1941 was abolished
- * Duty is **still applicable** for death before 1 November 1991

BASIC REASONS IN IMPOSITION OF INHERITANCE TAX

- * **revenue** for a government
- * mechanism to **reduce inequalities** of wealth (income disparity)
 - * tax is imposed on the value of an asset or inheritance
 - * help the government to reduce wealth gap between the rich and the poor
 - * overwhelming advantage for heirs to start up lives & accumulate wealth comparing to those who does not inherit any properties from their family
- * much of the money in term of assets consists of ‘unrealized’ **capital gains that have never been taxed**. The inheritance tax is the only means of taxing this income

COMPARISON WITH ASEAN & REGIONAL COUNTRIES

In ASEAN, only **Vietnam & Philippines** impose estate duty/ inheritance tax

**Countries that had estate duty
but have abolished it**

- Singapore: 2008
- Brunei: 2013
- Hong Kong: 2006

**Countries that still impose
estate duty**

- Japan
- United Kingdom
- New Zealand

**no estate duty/ inheritance tax,
but subject to Capital Gains
Tax.**

- Indonesia
- Thailand
- Philippines

IMPACTS AND RELATED ISSUES

To introduce Gift Tax

- Gift tax is associated with any inheritance or estate tax
- To avoid or reducing tax avoidance

Registration, valuation and administration of Estate Duty

- Most of tax authority that administer estate duty have its own property valuation unit
- valuation unit will expedite the overall process of taxing the property

Equal income distribution

- Prevent super wealthy people
- Income redistribution could help the government from raising rate in other taxes to support many public investments

Deductions / exemptions

- Estate duty should be levied only to extremely wealthy people
- Basic deductions and exemptions are allowable
- Most countries adopted simple deduction such as funeral and debt expenses

Economic Issues to Individuals and Businesses

- may reduce foreigners bringing their assets into Malaysia
- Singapore had abolished the estate tax in 2008 as it is preventing wealth

Tax Planning/Evaders issues

- several ways to eliminate or avoid
- eg: lifetime giving where a person is allowed to give up to some amount (e.g. in America is USD14, 000 as at 2013) to as many recipients as they desire and this is free for taxes

WAY FORWARD

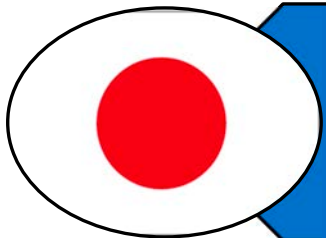
- inheritance and gift tax could become a **new source of revenue** & as a tool for fair income distribution
- would **affect only those who are extremely rich** and the lower and middle income earners will not be affected
 - Higher threshold e.g **value > RM4 mil**
 - several exemption & relief
- estimates that the inheritance tax of **RM62 mil**



THANK YOU



TERIMA KASIH



ARIGATO