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
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

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

**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

**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

**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

**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
• 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**