

REAL PROPERTY GAINS TAX / STAMP DUTY

1. Mergers of Financial Institutions

- Relief from Real Property Gains Tax (RPGT) and Stamp Duty

Mergers that satisfy the provisions of *Section 15/15A of the Stamp Act, 1949* and *Paragraph 17 Schedule 2 to the RPGT Act, 1975* are eligible for relief from stamp duty and RPGT respectively.

In the current economic situation, mergers of financial institutions are encouraged to promote efficiency in the face of competition. To reduce the cost of such mergers, it is proposed that instruments pertaining to such mergers be exempt from stamp duty. Likewise, exemption would be available for any RPGT arising in connection with the merger.

These exemptions are to be granted to mergers completed between October 24, 1998 to June 30, 1999.

2. Service of Notices and Requisitions

Currently, a notice or requisition relating to RPGT which is sent by ordinary or registered post would be deemed to have been served on a company, partnership or body of persons having a registered office in Malaysia on the day succeeding the day on which the notice or requisition would have been received in the ordinary course of post if it is addressed to that registered office. It is proposed that a notice or requisition sent to a company, partnership or body of persons having a registered office in Malaysia, is deemed so served on the relevant persons if it is addressed to that registered office, its last known address or to any person authorised by it to accept service of process.

The above proposal will be retrospective to November 7, 1975 the date the RPGT Act came into force.

3. Exemption of Stamp Duty on Loan Refinancing Instruments

Presently, loan instruments are usually liable to stamp duty at RM2.50 for every RM500. Any loan agreement for the purpose of refinancing of the original loan also attracts similar stamp duty.

As a measure to lessen the burden on borrowers who wish to obtain refinancing to finance their business and trade activities, it is proposed that refinancing instruments with respect to term loans be exempt from stamp duty where the following conditions are met :

- a. the refinancing facility represents a term loan for the purpose of funding the original loan (refinancing for the purpose of funding an overdraft facility and for working capital are not eligible for such exemption);
- b. the exemption is limited to funding the balance of the original loan; and
- c. for a syndicated loan, the amount of refinancing loan given by each bank has to be stipulated on the refinancing loan agreement.

This proposal is to be effective from October 24, 1998.