

Economic Stimulus Package 2020

3 March 2020 (Version 2.0)

The spreading coronavirus is taking a toll on economic players around the world. The Malaysia economy is already feeling the impact of the disease outbreak. An economic stimulus package was announced on 27 February 2020 to brace the country's economy against the effects of the Covid-19 outbreak.

This Adviser provides details on the various measures that were announced in the 2020 Economic Stimulus Package.



Contents

Individual tax	3
Corporate tax	4
Tax incentives	6
Sales tax & Service tax	7
Stamp duty & others	9



Individual tax

1. Special income tax relief for domestic travelling expenses

Currently, travelling expenses either domestically or abroad are not eligible for tax relief.

It is proposed that special income tax relief of up to RM1,000 be given to resident individuals for domestic travelling expenses incurred between 1 March 2020 to 31 August 2020. The expenses eligible for tax relief are as follows:

- i. accommodation fees on a tourist accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia (MOTAC); and
- ii. entrance fees to tourist attractions.

Effective date : For the year of assessment 2020



Corporate tax

1. Deferment of instalment

Currently, a company is required to furnish an estimation of its tax payable not less than 30 days before the beginning of the new year of assessment and the tax estimate shall not be less than 85% of the tax estimate for the immediate preceding year of assessment. The company is required to make the tax payment by 12 monthly instalment beginning from the second month of the basis period.

To ease the cash flow of companies in the tourism industry such as travel agent, hotel operator and airline company, it is proposed that the deferment of monthly income tax instalment payments be allowed from 1 April 2020 to 30 September 2020.

Effective date : For monthly instalment payment from 1 April 2020 to 30 September 2020. Application has to be submitted online through the Inland Revenue Board of Malaysia's website.

2. Revision of income tax estimation

Currently, a company is allowed to revise its tax estimation in the sixth and ninth month of the basis period for each year of assessment.

To ease their cash flow, it is proposed that a company is allowed to revise its tax estimation in the third month of **instalments** if this third month falls within the year 2020.

Effective date : Application for the third month revised estimate has to be submitted online through the Inland Revenue Board of Malaysia's website from 1 March 2020.



Corporate tax

3. Accelerated capital allowance for machinery and equipment including Information and Communications Technology (ICT) equipment

Currently, capital allowance rates pursuant to Schedule 3 of the Income Tax Act 1967 are as follows:

Type of asset	Initial allowance	Annual allowance
Heavy machinery and motor vehicles	20%	20%
Plant and machinery	20%	14%
ICT equipment	20%	20%
Others	20%	10%

To encourage and accelerate the investments by businesses as well as to ease the cash flow of companies, it is proposed that accelerated capital allowances be given for capital expenditure incurred on machinery and equipment including ICT equipment from **1 March 2020** to 31 December 2020. This allowance will be claimable over a two-years period as follows:

- i. initial allowance of 20%; and
- ii. annual allowance of 40%.

Effective date : For qualifying capital expenditure incurred from **1 March 2020** to 31 December 2020

Tax incentives

1. Tax deduction on costs of renovation and refurbishment

Currently, the costs of renovation and refurbishment for business premises are not eligible for tax deduction.

It is proposed that expenses incurred to renovate and refurbish business premises for business purposes be given tax deduction up to a limit of RM300,000.

However, if allowances under Schedule 2 or Schedule 3 of the Income Tax Act 1967 have been claimed on the said expenditure, this deduction will not be applicable.

Effective date : For expenditure incurred from **1 March 2020** until 31 December 2020

2. Tax deduction of equipment provided to employees

It is proposed that expenses incurred by companies to provide employees with disposable Personal Protective Equipment (PPE) such as face masks be given tax deduction. Whereas, capital allowance can be claimed on expenses for non-disposable PPE products.

Effective date : To be announced at a later date

3. Double deduction for establishment of Regional Office by International Shipping Companies

Currently, pre-commencement business expenses are generally not eligible for tax deduction.

To promote the establishment of regional office by International Shipping Companies in Malaysia, it is proposed that pre-commencement business expenses for the above be given double deduction.

Effective date : Applications received by the Malaysian Investment Development Authority (MIDA) not later than 31 December 2021

4. Double deduction on expenses incurred for approved tourism-related training

Currently, expenses incurred for tourism-related training is only eligible for single deduction.

It is proposed that double deduction be given on expenses incurred for tourism-related training **approved by the Ministry of Tourism, Arts and Culture (MOTAC)**.

Effective date : To be announced at a later date



Sales tax & Service tax

1. Review of conditions for purchase of duty-free goods for persons entering Malaysia

Currently, any foreign tourist who enters and stays in Malaysia for a period of not less than 72 hours or any Malaysian who enters Malaysia after being abroad for more than 72 hours is allowed to purchase duty-free goods subject to a certain limit and threshold.

It is proposed that the conditions for the purchase of duty-free goods at international airports in Malaysia to be reviewed as follows:

- i. the eligibility period for the purchase of duty free goods be reduced from 72 hours to 48 hours; and
- ii. the threshold for the duty-free goods is increased from RM500 to RM1,000. This threshold applies to goods other than goods that are already eligible for duty exemption according to specified limits such as liquor, cigarettes, clothes, shoes, food and personal electrical appliances.

Effective date : From 1 April 2020

2. Value added activities carried out in Licensed Manufacturing Warehouses (LMW) and Free Industrial Zones (FIZ)

Licensed Manufacturing Warehouses (LMW) and Free Industrial Zones (FIZ) are facilities that allow eligible manufacturers to enjoy exemptions from duties/sales tax on equipment and machinery as well as the raw materials for producing finished goods.

Manufacturers who are licensed or operating in FIZ must carry out manufacturing activities under Section 2 of the Customs Act 1967 and Section 2 of Free Zone Act 1990.

The following non-manufacturing value added activities listed below are allowed to be carried out in LMW and FIZ.

Value added activities	Approval
a) Research and development b) Design c) Marketing (for a company with International Procurement Centre –IPC status) d) Distribution (for a company with Regional Distribution Centre – RDC status) e) Quality control f) Testing and commissioning including calibration and configuration; and g) Packaging and labelling	Royal Malaysian Customs Department (RMCD)
Remanufacturing, repairing and services activities	Ministry of Finance

- i. the scope of the value added activities is expanded to include Supply Chain Management, Strategic Procurement Operation and Total Support Solutions; and
- ii. the approval process for all value added activities carried out by manufacturers in LMW and FIZ shall be standardised and approved at the RMCD state / zone level only.

Effective date : From 1 April 2020

Sales tax & Service tax

3. Import duty and sales tax exemptions on equipment and machinery for port operations

Currently, exemptions of import duty and sales tax on equipment and machinery are given to port operators approved under the Approved Service Projects (ASP). Port operators with expired ASP tax incentives will not be given any import duty or sales tax exemptions.

In order to support continuous investments made by the port operators with expired ASP, it is proposed that import duty and sales tax exemptions be given to any importation and local purchases of equipment and machinery that will be used by the port subject to the following criteria:

- i. the equipment and machinery are fundamental and will be used directly for port operations; and
- ii. spare parts and consumables including those used for maintenance purposes are not eligible for the import duty and sales tax exemptions.

Effective date : For applications submitted to the Ministry of Finance from 1 April 2020 to 31 March 2023

4. Service tax exemption for hotels

Currently, any accommodation and other related services provided by operators of accommodation premises including hotels, lodging, service apartments, hostels and any other establishments provided under Group A, First Schedule, Service Tax Regulations 2018 are taxable services and subject to service tax.

It is proposed that a person staying in accommodation premises or receiving any taxable service provided by the operators of accommodation premises be exempted from payment of service tax. The operators of the accommodation premises are correspondingly exempted from imposing service tax on accommodation and other related services provided.

Effective date : From 1 March 2020 to 31 August 2020



Stamp duty & others

1. Stamp duty exemption on loan restructuring and rescheduling agreements

Currently, stamp duty is charged at the rate of RM10 on loan restructuring or rescheduling agreements (limited to existing loans) if the original loan agreement has been charged with duty and stamped accordingly.

To facilitate businesses in restructuring and rescheduling their business loans, it is proposed that 100% stamp duty exemption is granted on loan restructuring and rescheduling agreements between borrowers and financial institutions subject to the condition that the original loan agreements were duly stamped.

Effective date : For loan restructuring and rescheduling agreements executed from 1 March 2020 to 31 December 2020

2. Human Resource Development Fund (HRDF) levies

It is proposed that HRDF levies for hotels and travel related companies be exempted. **The eight categories of businesses covered by this exemption are air travel, domestic ground transport, convention centres, shopping malls, travel tour operators, hotels, franchises and hypermarkets.**

Effective date : For a period of 6 months beginning from April 2020 until September 2020

3. Employees Provident Fund (EPF) contribution by employee

Currently, an employee is required to contribute on a monthly basis a minimum of 11% of his or her salary to the EPF.

It is proposed that the minimum EPF contribution be reduced by 4% to 7%. However, Malaysian employees are given the option to be excluded from the scheme and maintain their existing contribution rate.

Effective date : From 1 April 2020 to 31 December 2020

4. Listing fee by Securities Commission and Bursa Malaysia

It is proposed that the listing fees by Securities Commission and Bursa Malaysia be waived for one year. Companies seeking listing on Leading Entrepreneur Accelerator Platform (LEAP) or Access, Certainty, Efficiency (ACE) markets, as well as companies with market capitalization of less than RM500 million seeking listing on Main Market are eligible for this waiver.

Effective date : To be announced at a later date

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Find out how Grant Thornton can help you unlock the potential for growth for your business

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