

Short-term Economic Recovery Plan (PENJANA) – Tax Measures

5 June 2020

The spread of the Covid-19 has been a global challenge socially and economically, and Malaysia is not spared from the crisis. In order to overcome the Covid-19 crisis, the Government has taken a strategy comprising of six approaches known as 6R - Resolve, Resilience, Restart, Recovery, Revitalise and Reform. As Malaysian enters the Recovery stage, an economic recovery plan known as Pelan Jana Semula Ekonomi Negara (PENJANA) will be introduced by the Government.

This Adviser highlights the various tax measures that were announced as part of the initiatives of the PENJANA.



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Tax Incentive

1. Flexible Work Arrangement (FWA) Incentives

- **Tax deduction for employers which implement FWAs or undertake enhancement of their existing FWAs**

To encourage employers to implement FWAs or enhance their existing FWAs, a further tax deduction on the expenses incurred will be given to employers. However, further clarifications from the Government is required to ascertain the type of expenses eligible for this incentive.

Effective date : 1 July 2020

- **Tax exemption of up to RM5,000 to employees provided with handphone, notebook and tablet by their employer**

Currently, employees who received benefit of fixed line telephone, mobile phone, pager or Personal Digital Assistant (PDA) from the employer is fully exempted from tax. This exemption is limited to one unit for each category of asset.

To encourage work-from-home arrangements, a tax exemption of up to RM5,000 will be given to employees who receive a handphone, notebook and tablet from their employer. However, further clarifications from the Government is required to ascertain whether this is a new exemption or enhancement of the above.

Effective date : 1 July 2020

- **Personal tax relief of up to RM2,500 to individuals who purchase handphone, notebook and tablet**

Currently, individuals who are tax resident can claim a lifestyle relief of up to RM2,500 for the purchase of personal computer, smartphone or tablet which is for his or her own use and not for business purposes.

A special tax relief of up to RM2,500 will be given to resident individuals who purchase handphone, notebook and tablet for this work-from-home arrangement. However, further clarifications from the Government is required to ascertain whether this is a new relief or enhancement of the above.

Effective date : 1 June 2020



Tax Incentive (cont'd)

2. Relief for Child Care

From the year of assessment 2020, tax relief of up to RM2,000 is given to resident individuals who enroll their children aged 6 years and below in child care centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education.

To ease the transition to the new normal or working-from-home, the above tax relief will be increased to RM3,000.

Effective date : Year of assessments 2020 and 2021

3. Special income tax relief for domestic travelling expenses

In the earlier economic stimulus package, a special income tax relief of up to RM1,000 is given to resident individuals for domestic travelling expenses incurred between 1 March 2020 to 31 August 2020. The expenses eligible for the tax relief are as follows:

- accommodation fees on tourist accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia; and
- entrance fees to tourist attractions

To support the tourism sector, it is proposed that the special income tax relief be extended to 31 December 2021.

4. Tax deduction for Covid-19 related expenses

In the earlier economic stimulus package, it was announced that expenses incurred by companies to provide employees with disposable Personal Protective Equipment (PPE) e.g. face mask, be given tax deduction and non-disposable PPE products be given capital allowance.

To encourage businesses to adapt to the new norms and adhere to the standard operating procedures, the above incentive is now expanded to cover expenditure incurred for COVID-19 testing and purchase of thermal scanners. The period of this incentive is to be extended. However, the period of extension is not provided.

Effective date : Immediately



Tax Incentive (cont'd)

5. Financial stress support for businesses

- Extension of special tax deduction for renovation and refurbishment of business premises to 31 December 2021. In the earlier economic stimulus package, it was announced that a special tax deduction will be given on renovation and refurbishment expenditure up to a limit of RM300,000 incurred from 1 March 2020 to 31 December 2020.
- Extension of Accelerated Capital Allowance on eligible capital expenditure on machinery and equipment including ICT equipment to 31 December 2021 instead of 1 March 2020 to 31 December 2020 announced in the earlier economic stimulus package. This allowance will be claimable over a two-year period as follows:
 - Initial allowance of 20%
 - Annual allowance of 40%
- Extension of period of special deduction to property owners who provide at least 30% rental reduction to their SME tenants. In the earlier economic stimulus package, the special deduction is for the months of April, May and June 2020. The period is now extended to 30 September 2020 to cover rental reductions for the months of July, August and September 2020.

6. Set-up of new businesses

To encourage the establishment of new businesses and transactions such as mergers and acquisitions, it is proposed that financial relief be provided in the form of income tax rebate of up to RM20,000 per year for the first 3 years of assessment for newly established SME between 1 July 2020 to 31 December 2021.

Effective date : From 1 June 2020 to 31 December 2021

7. RPGT exemption for residential properties

RPGT exemption will be given to individuals who are citizens of Malaysia for disposal of residential properties from 1 June 2020 to 31 December 2021. This exemption is limited to disposal of three units of residential properties per individual.

Effective date : From 1 June 2020 to 31 December 2021

Tax Incentive (cont'd)

8. Tax incentives for new investments in Malaysia

To encourage investment and relocation of manufacturing by foreign companies into Malaysia, it is proposed that the following tax incentives be given:

- 0% tax rate for 10 years for new investment in manufacturing sectors with capital investment between RM300 million to RM500 million. Operation must commence within 1 year from the date of approval and capital investment must be made within 3 years.
- 0% tax rate for 15 years for new investment in manufacturing sectors with capital investment above RM500 million. Operation must commence within 1 year from the date of approval and capital investment must be made within 3 years.
- 100% Investment Tax Allowance for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million.
- Special Reinvestment Allowance for manufacturing and selected agriculture activity, from year of assessment 2020 to year of assessment 2021. However, further clarifications from the Government is required pertaining to the rates and qualifying conditions.

Effective date : Application received from 1 July 2020 to 31 December 2021.



Corporate Tax

1. Deferment of tax instalment for the companies in the tourism industry

In the earlier economic stimulus package, companies in the tourism industry such as travel agent, hotel operator and airline are allowed to defer their monthly income tax instalment payments for 6 months from 1 April 2020 to 30 September 2020.

To reactivate the activities of the tourism sector, it is proposed that the deferment of monthly income tax instalment payments for companies in the tourism industry to be extended for another 3 months.

Effective date : For monthly instalment payment due from 1 October 2020 to 31 December 2020.



Sales Tax and Service Tax

1. Sales tax exemption on passenger cars

In order to stimulate the automotive sector and to provide financial relief to car buyers, 100% sales tax exemption will be given on the sale of locally assembled passenger cars while 50% sales tax exemption will be given on imported passenger cars. These exemptions are available from 15 June 2020 to 31 December 2020.

2. Service tax exemption on accommodation services

The current service tax exemption on accommodation services provided by a person operating an accommodation premises (i.e. hotel) which expires in 31 August 2020 is now extended to 30 June 2021.

3. Financial stress support for businesses

To ease the financial stress of businesses affected by the Covid-19 and MCO, it is proposed 50% remission of penalty will be given for late payment of sales tax and service tax due and payable from 1 July 2020 to 30 September 2020.



Others

1. Stamp duty exemption for SMEs for Mergers and Acquisitions

To encourage the SMEs' competitiveness in conducting business, stamp duty exemption is given to Small Medium Enterprises (SMEs) on any instruments executed for Mergers and Acquisitions (M&A) transactions completed between 1 July 2020 to 30 June 2021.

2. Stamp duty exemption for Home Ownership Campaign

The Government will reintroduce the Home Ownership Campaign. Under this campaign, the instruments of transfer and loan agreements for the purchase of residential homes priced between RM300,000 to RM2.5 million will be exempted from stamp duty.

The stamp duty exemption on the instruments of transfer is limited to the first RM1 million of the home price while full stamp duty exemption will be given to the loan agreements. This stamp duty exemption is applicable for sale and purchase agreements on residential properties executed between 1 June 2020 to 31 May 2021 and is subject to the developer providing a discount of at least 10%.

3. Tourism tax exemption

In order to support the tourism sector during the Covid-19 period, tourism tax will be fully exempted from 1 July 2020 to 30 June 2021.

4. Export duty exemption

In order to support the commodity sector, 100% export duty exemption will be given on crude palm oil, crude palm kernel oil and refined bleached deodorised palm kernel oil effective from 1 July 2020 to 31 December 2020.

Others (Cont'd)

5. Extension of Wage Subsidy Programme

The Wage Subsidy Programme announced in the earlier economic stimulus package was for the period from 1 April 2020 to 31 December 2020 and last day of application on 15 September 2020. The subsidy program is now extended for a further 3 months and the subsidy amount is fixed at RM600 per employee for all eligible employers, up to a maximum of 200 employees per company. Other eligibility requirements and application process remain the same.

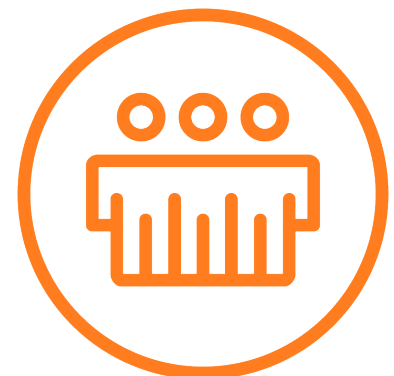
The subsidy programme is also enhanced to:

- Allow employers receiving wage subsidy to implement reduced work week (e.g. 4-day work week with a reduced pay of 20%) and reduced pay (the maximum allowable reduced pay is 30%)
- Allow employers to receive wage subsidy for employees on unpaid leave, subject to the employees receiving the subsidy directly (only applicable for tourism sector and business which are prohibited from operating during CMCO).

6. Hiring and Training Assistance for Businesses

To encourage employers to hire the unemployed, the Government will introduce the following incentives:

- Youth
 - **RM600 per month** for apprenticeships for school leavers and graduates for up to 6 months
- Unemployed workers
 - **RM800 per month** for employment of workers below 40 years old who are unemployed for up to 6 months
 - **RM1,000 per month** for employment of disabled workers or workers 40 years old and above who are unemployed for up to 6 months
 - Training allowance of **RM4,000** per individual will be extended to those retrenched but not covered under the Employment Insurance Scheme (EIS).



Contact us

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

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