

Summary of Measures announced under the 2020 Economic Stimulus Package

The Malaysian Institute of Certified Public Accountants (“MICPA”) is pleased to summarise the tax measures announced by the Prime Minister on February 27, 2020, mainly to ensure economic risks associated with COVID-19 is effectively addressed.

1) Deferment of Monthly Income Tax Instalments Payments

Businesses in the tourism related sectors are allowed to defer the monthly income tax instalments payments from 1 April 2020 to 30 September 2020 for six months.

Application for the deferment has to be made online to the IRB.

2) Revision of Tax Estimate in the Third Month

Businesses affected by COVID-19 are allowed to revise their tax estimates in the third month of the instalment payment schedule if the third month falls in 2020. This measure is in addition to revision of tax estimates allowed only in the sixth and ninth month of the basis period for a year of assessment.

Application for revision of tax estimate has to be made online to the IRB.

3) Exemption of Stamp Duty on Loan Restructuring and Rescheduling Agreements

A 100% stamp duty exemption is given on loans agreements relating to loan restructuring and rescheduling between borrowers and financial instruments provided that the original loan agreement has been duly stamped.

The exemption is applicable for agreements executed from March 1, 2020 to December 31, 2020.

4) Accelerated Capital Allowance (“ACA”) for Machinery and Equipment including ICT

An ACA over a two-year period on expenses incurred from March 1, 2020 to December 31, 2020 on machinery and equipment including ICT will be given. The ACA effectively increased the annual allowance to 40%.

5) Tax Deduction on Renovation and Refurbishment Cost

A tax deduction of up to RM300,000 on renovation and refurbishment of business premises will be given for expenditure incurred from March 1, 2020 to December 31, 2020. Such expenditure is presently not deductible for tax purposes.

6) Double Deduction for Establishment of Regional Office by International Shipping Companies

A double deduction will be given for pre-commencement expenditure incurred by international shipping companies for setting-up of regional office in Malaysia.

Application would have to be submitted to MIDA by December 31, 2020.

7) Expansion of Scope of Value-Added Activities Carried Out in LMW and FIZ

The current value-added scope of activities carried out in a Licensed Manufacturing Warehouse (LMW) and Free Industrial Zone (FIZ) will be expanded to include supply chain management, strategic procurement operation and total support solutions. The approval process for all value-added activities will be centralised and approved RMCD at State and Zone levels.

Presently, the value-added activities permitted to be carried out in a LMW and FIZ include research and development, design, marketing (for companies with International Procurement Centre status), distribution (for companies with Regional Distribution Centre status), quality control, testing and commissioning including calibration and configuration, labelling, packaging, remanufacturing, repairing and servicing and must be approved either by the RMCD or Ministry of Finance.

This proposal is effective April 1, 2020.

8) Import Duty and Sales Tax Exemption

Import duty and Sales Tax exemption would be given to port operators on importation or local purchase of machinery and equipment used in port operations for 3 years commencing 1 April 2020. Presently, this exemption cannot be enjoyed by port operators who are no longer under the Approved Service Projects.

Applications for exemption have to be submitted to the Ministry of Finance from April 1, 2020 to March 31, 2023.

This exemption is effective from April 1, 2020 to March 31, 2023.

9) Exemption of Service Tax for Hotel

Hotels are exempted from charging the 6% service tax on their accommodation and related services provided from March 2020 to August 2020.

10) Double Deduction on Approved Tourism Related Trainings

Employers from the tourism industry will be given double deduction on expenses incurred on their employees on approved tourism-related trainings. Presently, a single deduction is prescribed under the Income Tax (Deduction for Approved Training) Rules 1992 [PU(A) 61/1992].

The effective date of this measure is not stated.

11) Reduction of EPF Contribution by Employees

The mandatory employee statutory contribution of 11% is reduced to 7% from April 2020 to December 2020. However, employees can still make an election to retain their contribution at 11%.

12) Deduction / Allowance on Personal Protective Equipment Provided to Employees

The expenditure incurred by companies in providing employees with:

- a) Disposable personal protective equipment (PPE) such as face masks is deductible under Section 33(1) of the Income Tax Act; 1967;
- b) Non-disposable PPE can be claimed as capital allowance.

