

Summary of Tax Related Measures announced under the Short-Term Economic Recovery Plan (PENJANA) from June to December 2020

The Malaysian Institute of Certified Public Accountants (“MICPA”) is pleased to summarise the tax measures announced by the Prime Minister on June 5, 2020 which sets out strategic initiatives to propel forward the nation’s economic growth as the nation progress to the Recovery phase of the 6 key steps focussed approach.

1) Double Tax Deduction for Employers which Implement or Undertake Enhancement to Its Flexible Work Arrangements

Employers which implement or undertake enhancements to its Flexible Working Arrangements (FWAs) are eligible for double tax deductions in respect of the following expenses:

- (a) Consultancy fees;
- (b) Capacity building for FWA including employees training costs; and
- (c) Cost of purchase of virtual working environment software.

The expenses eligible for double deduction is up to RM500,000 / year for three (3) consecutive years and to be duly verified by TalentCorp.

Application should be submitted to TalentCorp between July 1, 2020 to December 31, 2020.

2) Individual Income Tax Exemption on Provision of ICT Equipment (Perquisite) by Employer

Individuals who receive ICT equipment such as a handphone, notebook and tablet from their employers arising from FWA implementation are eligible for income tax exemption of up to RM5,000.

The exemption is effective from Year of Assessment (YA) 2020.

3) Special Individual Income Tax Relief on the Purchase of Handphone, Computer and Tablet

A special individual income tax relief, in addition to the current lifestyle relief of RM2,500 is to be given in line with the new norm adopted (i.e. such as working from home and students’ virtual classroom learning) subject to the following conditions:

- (a) A special relief of up to RM2,500 for the purchase of handphone, computer and tablet; and
- (b) ICT equipment purchased from June 1, 2020 to December 31, 2020.

This special tax relief is effective for YA 2020.

4) Increased Tax Relief on Fees Paid to Childcare Centres and Kindergartens

The tax relief on fees paid to childcare centres and kindergartens by individual taxpayers who enrol their children up to 6 years of age is increased from RM2,000 to RM3,000.

The increased tax relief is effective for YA 2020 and YA 2021.

5) Tax Deduction / Capital Allowance on Personal Protective Equipment (PPE) Provided to Employees

The scope announced under the Economic Stimulus Package is expanded to cover expenditure incurred for COVID-19 testing and purchase of other related PPE. The PPE announced during the Economic Stimulus Package are safety helmet, safety boot, safety jacket, protective hearing aid, goggles and etc.

The expanded scope is effective March 1, 2020 and the eligibility for tax deduction or capital allowance is extended to January 1, 2021.

6) Financial Stress Support for Businesses

- 50% remission of penalty for late payment of sales tax and service tax due and payable for taxable periods ending May 31, 2020, June 30, 2020, July 31, 2020 and 31 August 2020;
- Extension of special tax deduction for renovation and refurbishment of business premises to 31st December 2021 (originally from March 1, 2020 to December 31, 2020);
- Extension of Accelerated Capital Allowance (ACA) on eligible capital expenses including ICT equipment to 31st December 2021 (originally from March 1, 2020 to December 31, 2020). Under the ACA, the annual allowance is increased to 40% of capital expenditure incurred; and
- Extension of special deduction equivalent to 30% reduction in rental for SMEs to September 30, 2020 (originally from April to June 2020).

7) Spur Set Up of New Businesses

New SMEs established between July 1, 2020 to December 31, 2020 will be given an income tax rebate of up to RM20,000 per year for three (3) consecutive YAs.

The conditions to be met by the new SMEs are:

- (a) Incorporated under the Companies Act 2016;
- (b) Paid-up capital of RM2.5 million and below with annual sales not exceeding RM50 million;
- (c) Amount eligible for rebate is equivalent to the capital expenditure or operational expenses incurred, subject to a maximum rebate claim of RM20,000 per year;
- (d) Unutilised rebate cannot be carried forward;
- (e) The new entity has to use a separate plant, equipment and facilities which are not transferred from an existing company or related company; and
- (f) Other conditions to be specified.

The income tax rebate is applicable for SMEs set-up and commenced operations between July 1, 2020 and December 31, 2021.

8) Stamp Duty Exemption for Merger and Acquisition (M&A)

Stamp duty exemption is given to SMEs on any instruments executed for Mergers and Acquisitions (M&As) from July 1, 2020 to June 30, 2021.

The qualifying instruments are:

- (a) Contract or agreement for sale or rental of property (land, building, machinery and equipment);
- (b) Instrument of transfer and memorandum of understanding;
- (c) Loan or financing agreement; and
- (d) First tenancy agreement.

The stamp duty exemption is for instruments executed by December 31, 2021 in respect of M&A of SMEs approved by the Ministry of Entrepreneur Development and Cooperatives from July 1, 2020 to June 30, 2021.

9) Incentives for Property Sector

- Stamp duty exemption relating to residential property

Stamp duty exemption is given on instruments of transfer and loan agreement for the purchase of residential homes by Malaysian citizens between June 1, 2020 to May 31, 2020 for properties priced between RM300,000 to RM2.5 million subject to at least 10% discounts from developers registered with REHDA, SHARED A and SHEDA.

The exemption on the instrument of transfer is limited to the first RM1 million of the home price while full stamp duty exemption is given on loan agreement.

The exemption is effective for sales and purchase agreements signed between June 1, 2020 to May 31, 2020.

- RPGT exemption for disposal of residential homes

Malaysian citizens will be eligible for RPGT exemption for disposal of up to three units of residential homes per individual. The exemption is not applicable for disposal of properties acquired by way of gift pursuant to Paragraphs 3(1)(b) and 12 of Schedule 2 of the RPGT Act 1976.

This exemption is effective for disposals between June 1, 2020 to December 31, 2021.

10) Tax Incentives for Automotive Sector

- Locally assembled passenger cars - Full sales tax exemption
- Imported passenger cars - 50% sales tax exemption

The qualifying conditions for sales tax exemption on passenger motor vehicles are:

- (a) Savings arising from the sales tax exemption must be passed on as a price reduction in the passenger motor vehicle to the purchaser; and
- (b) The list of models / variants together with the recommended selling price after the sales tax exemption must be furnished to the Ministry of Finance for verification.

This exemption is effective from June 15, 2020 to December 31, 2020.

11) Tax Incentives for Manufacturing Sector

- Tax incentives for company relocating into Malaysia:
 - 0% tax rate for 10 years for new investment in manufacturing sectors with capital investment between RM300 - RM500 million
 - 0% tax rate for 15 years for new investment in manufacturing sectors with capital investment above RM500 million

Effective for applications received by MIDA from July 1, 2020 to December 31, 2021.

- Tax incentive for Malaysian companies

100% Investment Tax Allowance for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million.

Effective for applications received by MIDA from July 1, 2020 to December 31, 2021.

- Special Reinvestment Allowance

A special Reinvestment Allowance (RA) at 60% is given on qualifying expenditure incurred for the purposes of a qualifying manufacturing and agriculture project currently defined under Section 7A of the Income Tax Act, 1967.

The special RA is for a period of 3 YAs from YA 2020 to YA 2022.

12) Tax Incentive for Tourism Sector

- Extension of service tax exemption for hotels

This exemption from charging service tax on accommodation provided is extended from September 1, 2020 to June 30, 2021 (originally from March 1, 2020 to August 31, 2020). The exemption also applies to related services provided by the hotel and accommodation providers.

- Extension of period for income tax relief of RM1,000 for tourism expenses

This extension is extended to December 31, 2021 (originally from March 21, 2020 to August 31, 2020). The expenses eligible for tax relief are accommodation fees on tourist accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia and entrance fees to tourist attractions.

- Extension of period for deferment of tax instalment payment for tourism industry to 31st December 2020 (originally from April 1, 2020 to September 30, 2020)

13) Export Duty Exemption for Commodity Sector

It is proposed that 100% export duty exemption be given on the following:

- Crude Palm Oil
- Crude Palm Kernel Oil
- Refined Bleached Deodorized Palm Kernel Oil

The exemption is effective from July 1, 2020 to December 31, 2020.