

Tax Alert

Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) assistance package

18 January 2021

The Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) assistance package that is valued at RM15 billion has been announced by the Government this afternoon. There will be a total of 22 initiatives implemented under the PERMAI assistance package, intended to achieve the following 3 objectives:

- 1) Combatting the Covid-19 pandemic
- 2) Safeguarding the welfare of the people
- 3) Supporting business continuity



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Individual Tax

1. PERSONAL TAX RELIEF FOR COVID-19 SCREENING EXPENSES

Currently, a resident individual is given a tax relief of up to RM8,000 for :

- i. medical expenses for treatment of serious diseases for self, spouse or child;
- ii. fertility treatment for self and spouse;
- iii. full medical check-up expenses for self, spouse or child (maximum of RM1,000); or
- iv. specific vaccination (including Covid-19) expenses for self, spouse or child (maximum of RM1,000).

To further support individuals to conduct Covid-19 screening and detection tests privately, it is proposed that expenses for Covid-19 screening be included as part of the full medical check-up expenses and be eligible for tax relief.

Effective date : From year of assessment 2021

2. EXTENSION OF SPECIAL PERSONAL TAX RELIEF OF UP TO RM2,500 TO INDIVIDUALS FOR THE PURCHASE SMARTPHONE, PERSONAL COMPUTER OR TABLET

Previously, a special tax relief of up to RM2,500 was given to resident individuals who purchased smartphone, personal computer and tablet for work-from-home arrangement. To be eligible for this tax relief, the purchases must be made from 1 June 2020 to 31 December 2020.

Acknowledging the reliance of individuals on the use of digital equipment, it is proposed that the special tax relief of RM2,500 be extended to individuals who purchase these equipment in the year 2021.

Effective date : 1 January 2021 to 31 December 2021



Corporate Tax

1. EXTENSION OF SPECIAL TAX DEDUCTION FOR RENTAL REDUCTION

Currently, landlords which provide assistance in the form of rental waiver or reduction to SME tenants are eligible for a special tax deduction equivalent to the amount of the rental reduction, with the condition that the rental reduction must not be less than 30% of the original rental amount. The special tax deduction is for rental reduction provided in the period 1 April 2020 to 31 March 2021.

To further assist businesses, it is proposed that the special tax deduction will be expanded to landlords who provide rental reduction of at least 30% from the original rental amount to non-SME tenants up to 30 June 2021.

Effective date : Further clarification required on special deduction period applicable for non-SME tenants.



Indirect Tax

1. SALES TAX EXEMPTION ON PASSENGER CARS

As part of the PENJANA package, 100% and 50% sales tax exemption was granted to the sale of locally assembled and imported passenger cars respectively. These exemptions were available from 15 June 2020 to 31 December 2020.

The Government has announced that the exemption be extended until 30 June 2021. The following are some of the conditions for the extension:

- i. Motor vehicles that are entitled for the exemption are passenger cars (including MPV and SUV) which are locally assembled and imported (new or used) where the invoice from the manufacturer / K1 Form is dated between 1 January 2020 and 30 June 2021;
- ii. The sale transaction to the end user must be between 1 January 2021 and 30 June 2021, based on the date of sales invoice;
- iii. The passenger cars must be registered with the Road Transport Department between 1 January 2021 to 31 July 2021.

2. EXCISE DUTY AND SALES TAX EXEMPTION FOR TAXI DRIVERS

Currently, excise duty and sales tax on the transfer, disposal and for private use of taxis are exempted provided the vehicle is owned for seven years.

In order to alleviate the burden faced by taxi drivers, the period of ownership required for these exemptions has been reduced to five years. These exemptions are effective from 1 January 2021 to 31 December 2021



Others

1. WAGE SUBSIDY PROGRAMME (WSP) 3.0

The WSP 2.0 announced in the earlier economic stimulus packages was part of the government's initiative to help businesses cope with headcount costs, due to the Covid-19 pandemic. Under this programme, for every employee who earns monthly salary of RM4,000 and below, the eligible employer is able to claim a subsidy amount that is fixed at RM600 per employee for up to 3 or 6 months, up to a maximum of 200 employees. This programme has ended on 31 December 2020.

However, the WSP was extended in the Budget 2021 for tourism and retail sector for a period of three months and up to 500 employees for each employer.

In view of the implementation of MCO in several states and the government's endeavor to reduce the business sector's burden, the WSP 3.0 will be enhanced whereby all employers operating in the MCO states will be eligible to apply for this programme, irrespective of sector. Eligible employers will receive a wage subsidy of RM600 for each of their employee earning less than RM4,000 for a period of one month. In addition, the wage subsidy limit of 200 employees will also be increased to 500 employees.

2. EXEMPTION FROM LEVY CONTRIBUTION TO HUMAN RESOURCE DEVELOPMENT FUND (HRDF)

It is announced that the HRDF will exempt the employer levy for companies that are unable to operate during the MCO and CMCO periods.



Summary of Extension of Time and Expansion of Scope

INDIVIDUAL TAX

Description	Extension of Time	Expansion of Scope
1. Personal tax relief for full medical check-up expenses for self, spouse or child (maximum of RM1,000)	Not applicable	The scope is expanded to include Covid-19 screening expenses
2. Special tax relief of up to RM2,500 for the purchase of smartphone, personal computer and tablet	1 January 2021 to 31 December 2021	Not applicable

CORPORATE TAX

Description	Extension of Time	Expansion of Scope
1. Special tax deduction for landlords providing rental waiver or reduction of at least 30% to SME tenants	30 June 2021	To include rental waiver or reduction provided to non-SME tenants

INDIRECT TAX

Description	Extension of Time	Expansion of Scope
1. 100% or 50% sales tax exemption on passenger cars	30 June 2021	Not applicable
2. Excise duty and sales tax exemption for taxi owners	Not applicable	Period of ownership reduced from seven years to five years

OTHERS

Description	Extension of Time	Expansion of Scope
1. Wage Subsidy Programme (WSP) 3.0 of RM600 per employee	Not applicable	To be granted to all employers operating in the MCO states of any sector for a period of one month and the limit of 200 employees to be increased to 500 employees

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Find out how Grant Thornton can help you with your taxation matters.



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