

Second Economic Stimulus Package 2020

27 March 2020

A second economic stimulus package was announced by the Malaysia government on 27 March 2020 to strengthen the economy, as well as necessary measures to provide assistance to all Malaysians who are affected by the COVID-19 outbreak and the movement control order from 18 March 2020 to 14 April 2020.



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Corporate tax

1. Deferment of instalment for Small and Medium Enterprises (SMEs)

Under the previous Economic Stimulus Package announced on 27 February 2020, 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.

The deferment of monthly income tax instalment payments is now extended to SMEs for 3 months from 1 April 2020 to 30 June 2020 in order to ease their cash flow. It is unclear as to the definition of SMEs for this purpose.

However, for income tax purposes, SMEs are defined as companies with paid up capital in respect of ordinary shares of RM2.5 million and below at the beginning of the basis period for the relevant year of assessment and the gross income from all business sources shall not exceed RM50 million for the basis period for that year of assessment. In addition, a company will not be regarded as a SME if more than:

- (a) 50% of the paid up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company ;
- (b) 50% of the paid up capital in respect of ordinary shares of the related company is directly or indirectly owned by the first mentioned company ; or
- (c) 50% of the paid up capital in respect of ordinary shares of the first mentioned company and the related company is directly or indirectly owned by another company.

“Related company” in the above context means a company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for the relevant year of assessment.

2. Taxability of interest income or profit of bank institution

On 25 March 2020, Bank Negara Malaysia announced that banking institutions shall implement a six-month moratorium on loan and financing repayments by small-medium enterprises (SMEs) and individuals as well as the corporate sector in facing the Covid-19 pandemic. The deferment is for a period of 6 months, with effect from 1 April 2020.

In appreciation of the banking institutions' support, it is proposed that the interest income or profit from the loan of the bank institution will only be taxable upon receipt of the income after the moratorium period.



Others

1. Withdrawal of pre-retirement fund from Private Retirement Scheme

Private Retirement Schemes (PRS) is a voluntary long-term savings and investment scheme that seeks to enhance choices available for all Malaysians whether employed or self-employed to supplement their retirement savings under a well-structured and regulated environment. A contributor who makes partial withdrawal from Sub-Account B for pre-retirement will be subject to a 8% withholding tax on the withdrawal amount.

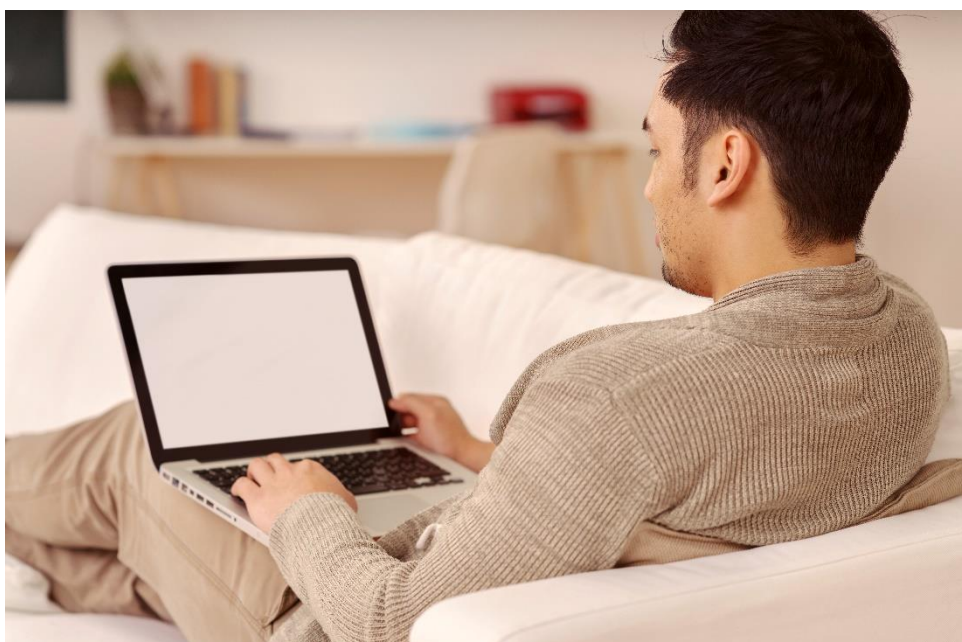
It is proposed that withdrawals of up to RM1,500 be exempted from the above withholding tax. This exemption is applicable for withdrawals from April to December 2020.

2. Deferment, restructuring or rescheduling of employers' EPF contribution (Program Khidmat Rundingan Majikan)

To ease the cash flow of employers, the Employee's Provident Fund (EPF) will introduce a program (i.e. Program Khidmat Rundingan Majikan) on 15 April 2020 to provide employers with the options to defer payment, restructure or reschedule its portion of EPF contributions.

3. Exemption from levy contribution to Human Resource Development Fund (HRDF)

Under the previous Economic Stimulus Package, hotels and travel related companies are exempted from contributing levies to the HRDF. The exemption of levy contribution to HRDF is now extended to all industries for 6 months from April to September 2020.



Contact us

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

KUALA LUMPUR

Mr Alan Chung
E alan.chung@my.gt.com

Mr Chow Chee Yen
E cheeyen.chow@my.gt.com

Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
T +603 2692 4022
F +603 2721 5229

Other offices:

PENANG

Ms Gwendolyn Lau
51-8-A
Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
T +604 228 7828
F +604 227 9828
E gwendolyn.lau@my.gt.com

JOHOR BAHRU

Ms Yau Chew Yin
Suite 28.01, 28th Floor
Menara Zurich
No. 15, Jalan Dato' Abdullah Tahir
80000 Johor Bahru, Johor
T +607 332 8335
F +607 332 2268
E chewyin.yau@my.gt.com

KUANTAN

Ms Han Siew Bueh
A-105A, 1st Floor
Sri Dagangan, Jalan Tun Ismail
25000 Kuantan
Pahang
T +609 515 6124
F +609 515 6126
E siewbueh.han@my.gt.com



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