

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

1 July 2020 (Updated)

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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Individual Tax

1. Flexible Work Arrangement (FWA) Incentives

- **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.

In addition, employees who received benefit of one new personal computer from the employer is fully exempted from tax from the year of assessment 2008 to 2010.

To encourage work-from-home arrangements, **a further tax exemption** of up to RM5,000 will be given to employees who receive a handphone, notebook and tablet from their employer.

Effective date : Year of assessment 2020

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

Currently, individuals who are tax resident can claim a lifestyle relief of up to RM2,500 for the following expenses:

- books, journals, magazines and other similar publications
- printed daily newspaper
- personal computer
- sports equipment
- smartphone or tablet
- internet subscription
- gymnasium membership fee

In addition to the lifestyle relief, a special tax relief of up to RM2,500 will be given to resident individuals who purchase handphone, computer and tablet for this work-from-home arrangement.

Update : Purchases must be made from 1 June 2020 to 31 December 2020

Effective date : Year of assessment 2020

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

Individual Tax (Cont'd)

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.

Effective date : *Year of assessments 2020 and 2021*



Corporate Tax

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

Update : Double deduction be given for the following expenditure:

- i. Consultancy fee;
- ii. Capacity development on flexible work arrangement including staff training cost; and
- iii. “Virtual working environment” software cost.

All the above expenditure must be verified by Talent Corporation Malaysia Berhad and should not exceed RM500,000 for each year of assessment. The double deduction will be granted for 3 consecutive years of assessment.

Effective date : Application received by Talent Corporation Malaysia Berhad from 1 July 2020 to 31 December 2022

2. 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.

Effective date : From 1 March 2020 to 31 December 2020 and extension commencing from 1 January 2021



Corporate Tax (Cont'd)

3. 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.

4. 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.

Update : The income tax rebate is subject to the following conditions:

- i. The SME is registered under the Companies Act 2016;
- ii. The SME has paid up capital in respect of ordinary shares of RM2.5 million and below with gross income from all business source shall not exceed RM50 million a year;
- iii. The income tax rebate of up to RM20,000 for a year of assessment incurred on capital expenditure or operational expenditure for that year of assessment;
- iv. Unutilised income tax rebate is not allowed to be carried forward to the following year of assessment;
- v. The SME is required to use separate plant, equipment and facility that were not transferred from an existing company or related companies; and
- vi. Other conditions to be determined.

Effective date : From 1 July 2020 to 31 December 2021

Corporate Tax (Cont'd)

5. 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

6. Relaxation of requirements for PROTÉGÉ READY TO WORK scheme (previously known as Skim Latihan 1Malaysia – SL1M)

Currently, a company implementing PROTÉGÉ READY TO WORK (PROTÉGÉ RTW) is approved by the Ministry of Entrepreneur Development and Cooperatives (MEDAC) to provide training continuously for a period of 8 to 12 months to unemployed graduates. Double deduction be given on the following to encourage the participation of more companies in this scheme :

- i. monthly training allowance of not less than RM1,000 paid to the trainees for a maximum period of 12 months ;
- ii. expenditure incurred for the training provided to the trainees ;
- iii. expenditure incurred for food, travelling and accommodation allowances of the trainees during the training scheme ; and
- iv. fees paid to a person who has been appointed to conduct soft-skills training under the training scheme.

The total amount of deduction allowable under (ii)-(iv) above for each trainee shall not exceed RM5,000 for each training scheme.

In order to support companies affected by the Movement Control Order (MCO) due to Covid-19, it is proposed that the requirements for a company to implement PROTÉGÉ RTW between March 2020 to May 2020 be relaxed. A company is eligible for this scheme even if it is not listed as an essential services company during the MCO period or when it has valid reason for not operating its business during the MCO period, and that no training allowance was paid during the MCO period.

The eligibility of the company is subject to the following conditions:

- i. approved by the MEDAC ; and
- ii. replace the above period with a period as approved by the MEDAC.

Effective date : From 1 March 2020 to 31 May 2020

Tax Incentive

1. Tax incentives for new investments in Malaysia

To encourage investment and relocation of all manufacturing sectors (except for selected industries) 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.

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

- Special Reinvestment Allowance for manufacturing and selected agriculture activity, from year of assessment 2020 to year of assessment 2022.

Update : It is proposed that Special Reinvestment Allowance of 60% be given on qualifying capital expenditure incurred on the reinvestment made from the year of assessment 2020 to year of assessment 2022. The qualifying projects for manufacturing and selected agriculture activities are as provided in Schedule 7A of the Income Tax Act 1967.



Real Property Gains Tax

1. 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.

Update : The residential properties disposed were not acquired by way of love and affection transfers where they were not subject to RPGT under paragraph 3(1)(b) and paragraph 12, Schedule 2 of the Real Property Gains Tax Act 1976 during the exemption period.

Effective date : From 1 June 2020 to 31 December 2021



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.

Update : This sales tax exemption is subject to the following conditions:

- i. Local car assemblers, franchise car assemblers, franchise Approved Permit (AP) holders and open AP holders must fully pass on the sales tax savings to the car buyers by reducing the car price; and
- ii. A list of models / variants with the proposed prices after the exemption must be submitted to the Ministry of Finance for verification.

All passenger cars are entitled for this exemption except for vehicles used for business purposes and MPVs with 11 seats or more, window vans, pickup trucks and commercial vehicles such as panel vans, trucks, prime movers and buses. Passenger cars imported between 1 January 2020 and 14 June 2020 where sales tax were paid, may qualify for a refund of sales tax if the passenger cars are registered between 15 June 2020 to 31 January 2021. The refund must be claimed not later than 31 March 2021.

The following persons are entitled for this exemption:

- i. Franchise holders/distributors or dealers who purchase passenger cars from a local assembler who is a registered manufacturer
- ii. Franchise AP holders who import new passenger cars
- iii. Open AP holders registered as members of Persatuan Pengimport & Peniaga Kenderaan Melayu Malaysia (PEKEMA) who import used CBU (Complete Built-Up) passenger cars
- iv. Any other persons who are approved by the Ministry of Finance

Any person who is not listed in the above list (e.g. students who hold individual APs) is not entitled for this exemption.



Sales Tax and Service Tax (Cont'd)

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.

Update : The penalties for late payment of sales tax and service tax is proposed to be reduced by 50% effective from 1 July 2020 for four taxable periods. In order to qualify for the 50% reduction of penalty, the payment of SST must be made within 90 days from the payment deadline. No application is required for this remission. The four taxable periods are as follows:

No.	Taxable period ending	Payment deadline	Penalties imposed from
1.	31 May 2020	30 June 2020	1 July 2020
2.	30 June 2020	31 July 2020	1 August 2020
3.	31 July 2020	31 August 2020	1 September 2020
4.	31 August 2020	30 September 2020	1 October 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.

Update : The exemption is given to the following instruments executed for M&A:

- i. Contract or any agreement for sale or rental of property (land, building, machine and equipment);
- ii. Instrument of transfer on title and memorandum of understanding;
- iii. Loan or financing agreement; and
- iv. Initial rental agreement.

The M&A must be approved by the Ministry of Entrepreneur Development and Cooperatives (MEDAC) between 1 July 2020 and 30 June 2021, and the instruments must be executed not later than 31 December 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%.

Update : The sale and purchase agreement entered into must be between a purchaser who is a Malaysian citizen and a developer who is registered with REHDA, SHARED and SHEDA. The stamp duty exemption on the instruments of transfer is limited to the first RM1 million of the value of the residential property. The balance amount will be subjected to stamp duty at 3%.

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

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