

Take5 for business

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COVID-19:
Short-term Economic
Recovery Plan

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right.

Building a better
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Perspectives on the Short-term Economic Recovery Plan

On 5 June 2020, the Prime Minister unveiled the Short-term Economic Recovery Plan ("Plan"). This Plan was unveiled against the backdrop of a pessimistic global economic outlook and a steep decline in Malaysia's economic growth projections for 2020, from 4.8% to -2% to 0.5%.

The RM35b Plan was developed around the broad themes of empowering people, propelling businesses and stimulating the economy.

Addressing the now

Today's announcement saw additional measures to support small and medium-sized enterprises (SMEs) and the *rakyat*, especially vulnerable groups and the B40. These include the extension of the Wage Subsidy Programme and additional financing measures.

Focusing on the next and the beyond

COVID-19 has accelerated the need for digital transformation. To facilitate and support this, the Government has now introduced various initiatives and measures to encourage digital adoption by businesses.

The Government itself is also accelerating the digitalization of its services in areas such as stamp duty and unclaimed monies matters. It is expected that the Government will continue to increase the use of technology in its interactions with the public and delivery of services under the new norm.

There are also various measures aimed at encouraging local entrepreneurship and promoting investments. For SMEs, measures have been introduced to spur the setting-up of new businesses i.e. income tax rebates and stamp duty exemption for mergers and acquisitions. Further, generous incentives in the form of tax holidays and special reinvestment allowance were announced to encourage investors to relocate large operations to Malaysia.

Combined with our world-class infrastructure network, connectivity and multilingual talent pool, these incentives will position Malaysia as one of the most competitive countries in ASEAN for foreign direct investments. The Government's promise of greater efficiency, for example the issuance of manufacturing licenses for non-sensitive industries within two days, will also boost investor confidence.

The Government has also introduced a "Buy Malaysia" campaign. As part of this campaign, big supermarket chains will be required to tag Malaysian products and dedicated Malaysian product channels will be introduced on major digital platforms. Further, the Government will co-fund digital discount vouchers to encourage online purchases from local retailers.

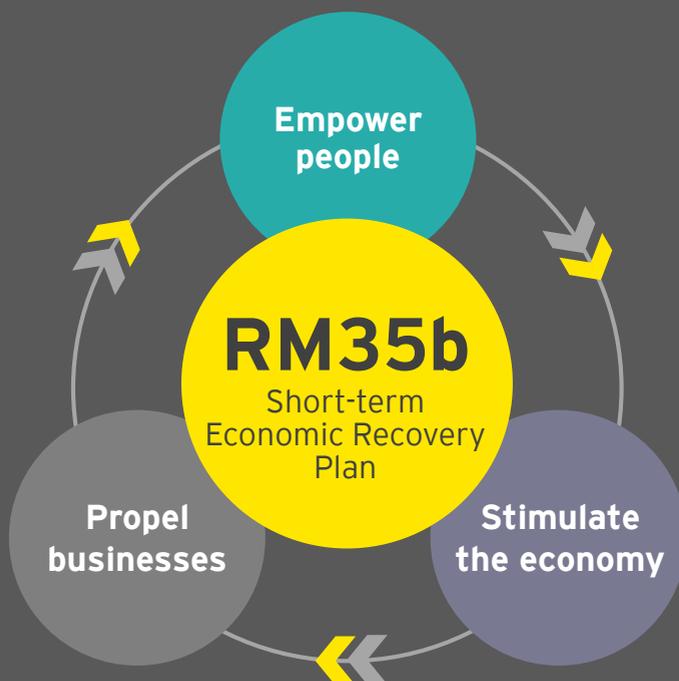
Overall, the Short-term Economic Recovery Plan focuses on the right priorities - saving jobs and preserving business continuity, digitalization, encouraging high-value investments and further improving Government efficiency.

COVID-19 response: the 6Rs

The Short-term Economic Recovery Plan is the fourth of the 6Rs in addressing the impact of COVID-19.



Short-term Economic Recovery Plan



Approach based on four requirements:

- 1** Agile and dynamic
- 2** Public-private sector cooperation
- 3** Comprehensive communications and outreach
- 4** Data-driven approach

People measures

Addressing unemployment	<ul style="list-style-type: none"> ▶ Retrenched individuals will receive RM4,000 training allowance from PERKESO, even if they have not contributed to the Employment Insurance System [Effective mid-June - December 2020]
Real estate	<ul style="list-style-type: none"> ▶ 70% financing margin for third housing loan onwards will not apply during the Home Ownership Campaign (HOC) period, for properties valued at RM600,000 and above.
Others	<ul style="list-style-type: none"> ▶ RM2b to support training and upskilling programs, place and train initiatives, short courses in selected institutions and training subsidies to increase employability of youths and unemployed individuals [Effective mid-June - December 2020] ▶ Additional RM50m (bringing the total to RM100m) to the SKIM PEKA B40 to finance health screening, medical device assistance, cancer treatment and transport subsidy [Effective immediately] ▶ One-off financial assistance of RM300 for: <ul style="list-style-type: none"> ▶ Single mothers with income below the poverty line and registered with the Ministry of Women, Family and Community Development ▶ OKUs registered with the Department of Social Welfare ▶ Volunteer Home Help Services [Effective June 2020] ▶ Free 1GB internet connectivity per day by participating telecommunication companies, applicable between 8 a.m. and 6 p.m. for education and productivity (e.g. video conferencing) purposes [Effective mid-June - December 2020] ▶ Unlimited access to rail services (MRT, LRT, Monorail), BRT, RapidKL buses and MRT feeder buses for RM30 per month. This applies to Malaysian citizens only [Effective mid-June - December 2020] ▶ Expansion of PERKESO coverage under the Employment Injury Scheme, to cover injuries suffered while working at home [Effective June 2020]

Wage Subsidy Programme	<ul style="list-style-type: none"> ▶ Wage Subsidy Programme extended by three months at RM600 per month per employee, capped at 200 employees per company ▶ Eligible employers in the tourism industry and businesses prohibited from operating during the Conditional Movement Control Order (CMCO) period can also apply for wage subsidy support for employees on unpaid leave, subject to employees receiving the subsidy directly.
Addressing unemployment	<ul style="list-style-type: none"> ▶ Incentives to employers for hiring unemployed Malaysians: <ul style="list-style-type: none"> ▶ RM800 for every individual under the age of 40 ▶ RM1,000 for every individual aged 40 and above or individuals with disabilities (OKU) both for a period of up to six months ▶ Businesses that provide apprenticeships to school leavers and graduates will receive RM600 per person per month, for a period of up to six months. [Effective mid-June - December 2020]
Digital	<ul style="list-style-type: none"> ▶ The RM1.2b Dana PENJANA Nasional will be established with RM600m each in contributions from the Government and domestic/foreign investors. The fund will be used to foster innovation and to channel funding to the local venture capital space. [Effective July 2020] ▶ RM700m allocated for loans and grants to SMEs and mid-tier companies (MTCs) to digitalize operations and trade channels [Effective June 2020] ▶ To drive micro enterprises and SMEs towards business digitalization and e-commerce, the Government and private sector will provide matching grants totaling RM140m. The funds will be used for on-boarding training, seller subsidies and sales support. This initiative will be spearheaded by Malaysia Digital Economy Corporation (MDEC) and selected e-commerce platforms. [Effective June-September 2020] ▶ RM100m to set up the National Technology and Innovation Sandbox, which will work towards piloting new technology solutions and the relaxation of regulations to test new technology (e.g. drone delivery and autonomous vehicles) [Effective June 2020] ▶ RM70m matching grants to promote the “Shop Malaysia Online” campaign [Effective August-September 2020] ▶ RM50m matching grants to gig economy platforms which make employee contributions to PERKESO’s Employment Injury Scheme and the Employees Provident Fund (EPF)’s i-Saraan Scheme [Effective August 2020] ▶ RM25m allocation to MDEC for the Global Online Workforce (GLOW) program to train Malaysians to generate income from online services provided to international clients [Effective August 2020] ▶ Second round funding will be provided through the Domestic Investment Strategic Fund (DISF), to encourage technological improvements and global market penetration through outsourcing, and to increase exports.

Business measures (cont'd)

SMEs and micro enterprises	<ul style="list-style-type: none"> ▶ Banking sector to allocate RM2bil as loans to targeted SMEs at a 3.5% interest rate, subject to a maximum loan of RM500,000 per SME [Effective mid-June 2020] ▶ RM400m (RM50m for women entrepreneurs) allocated for loans to micro enterprises at an interest rate of 3.5%, subject to maximum financing of RM50,000 per enterprise [Effective June 2020] ▶ SME Bank, through the SME-Go Scheme, will provide financing for 16,000 qualifying G2 and G3 contractors that have secured projects under the PRIHATIN package. No deposits or collateral needed. [Effective July 2020] ▶ Government-linked companies (GLCs), large corporations and financial institutions are encouraged to accelerate payments to vendors. This is mainly to ease SMEs' cash flow issues.
Tourism	<ul style="list-style-type: none"> ▶ RM1b allocation for PENJANA Tourism Financing (PTF) facility to finance transformation initiatives by SMEs in the tourism industry. The details of this fund will be announced in July 2020 by Bank Negara Malaysia (BNM).
Bumiputera businesses	<ul style="list-style-type: none"> ▶ RM300m allocated to Majlis Amanah Rakyat (MARA) to provide working capital loans to affected Bumiputera entrepreneurs at an interest rate of 3.5%. Each loan is capped at RM1m. [Effective June 2020] ▶ RM200m dedicated financial assistance for Bumiputera-owned <i>shariah</i>-compliant businesses, including financing of up to RM1m per company for a maximum period of five years at an interest rate of 3.5%. A six-month moratorium applies from the loan disbursement date. [Effective June 2020]
Agriculture	<ul style="list-style-type: none"> ▶ RM350m micro credit loan facility, up to a maximum of RM50,000 per entrepreneur, with an interest rate of 3.5%, to ensure sustainability of agriculture and commodity entrepreneurs [Effective June 2020] ▶ Incentives provided to pioneer companies to train agricultural workers in pursuing opportunities in agriculture and plantations [Effective June 2020] ▶ In-kind benefits (e.g. fertilizers, seeds, infrastructure, equipment, advisory and training) of RM500 per person and RM50,000 per community provided to urban agriculture entrepreneurs, to promote urban agriculture [Effective June 2020]
Creative industry	<ul style="list-style-type: none"> ▶ RM225m will be channeled via MyCreative Ventures, MDEC and the private sector for the benefit of individuals in the arts, culture, entertainment and events industries. [Effective June 2020]
Social enterprises	<ul style="list-style-type: none"> ▶ RM10m in matching grants provided to social enterprises which are able to crowdsource contributions and donations to undertake social projects. The grants are provided through the Malaysian Global Innovation & Creativity Centre (MaGIC). [Effective August 2020]

Individuals

<p>Real estate</p>	<ul style="list-style-type: none"> ▶ Real Property Gains Tax (RPGT) exemption for Malaysian citizens on disposal of up to three units of residential property between 1 June 2020 and 31 December 2021. ▶ Home Ownership Campaign (HOC): <ul style="list-style-type: none"> ▶ Stamp duty exemption on instruments of transfer and loan agreements for the purchase of residential property priced between RM300,000 and RM2.5m ▶ The exemption on the instrument of transfer is limited to the stamp duty on the first RM1m of the property price, whereas a full stamp duty exemption is given on loan agreements. ▶ The above exemptions apply for Sales and Purchase Agreements (SPAs) signed between 1 June 2020 and 31 May 2021 and where the developer gives a discount of at least 10%.
<p>Reliefs and exemptions</p>	<ul style="list-style-type: none"> ▶ Tax exemption of up to RM5,000 for individual taxpayers who receive handphones, notebooks or tablets from their employers [Effective 1 July 2020] ▶ Special tax relief of up to RM2,500 for purchase of handphones, notebooks or tablets [Effective 1 June 2020] ▶ The tax relief for fees paid to childcare centers and kindergartens will be increased from RM2,000 to RM3,000. [Years of Assessment (YAs) 2020 and 2021] ▶ The tax relief of up to RM1,000 given to resident individuals for qualifying domestic travel expenses will be extended to 31 December 2021.

Businesses - general

<p>Accelerated capital allowance (ACA) for the purchase of machinery and equipment¹</p>	<ul style="list-style-type: none"> ▶ The ACA (20% initial allowance and 40% annual allowance) for the purchase of machinery and equipment (including information and communications technology equipment) will be extended to cover such qualifying capital expenditure incurred up to 31 December 2021.
<p>Deduction for cost of renovation and refurbishment¹</p>	<ul style="list-style-type: none"> ▶ The tax deduction of up to RM300,000 on costs for renovating and refurbishing business premises will be extended to cover such costs incurred until 31 December 2021.

¹ These incentives were proposed in the First Economic Stimulus Package where the deduction and ACA were given until 31 December 2020.

Businesses - general (cont'd)

Flexible Work Arrangements (FWAs)

- ▶ Further tax deduction will be given to employers that implement FWAs or undertake enhancement of their existing FWAs, effective 1 July 2020. The types of expenses which will qualify for the further deduction are not known at this time.

Businesses - by sector

Manufacturing

- ▶ To encourage foreign companies to relocate manufacturing operations to Malaysia, the following incentives have been proposed:
 - ▶ 0% tax rate for 10 years for capital investments of between RM300m and RM500m
 - ▶ 0% tax rate for 15 years for capital investments of more than RM500m
 The company must commence operations in Malaysia within one year of the approval date and the capital investment must be made within three years. Applications must be made between 1 July 2020 and 31 December 2021.
- ▶ Subject to conditions and minimum investment amounts, existing companies in Malaysia which relocate their foreign manufacturing facilities to Malaysia will enjoy a 100% Investment Tax Allowance (ITA) Incentive for a period of five years. Applications must be made between 1 July 2020 and 31 December 2021.
- ▶ Special reinvestment allowance for YA2020 and YA2021 for manufacturing activities and selected agricultural activities

SMEs

- ▶ Income tax rebate of up to RM20,000 per YA for three YAs, subject to conditions. This applies to companies which are established and begin operations between 1 July 2020 and 31 December 2021.
- ▶ Stamp duty exemption for SMEs on any instrument executed for Mergers & Acquisitions (M&As). This applies between 1 July 2020 and 30 June 2021.

Tourism

- ▶ Extension of deferment of tax instalment payments for an additional three months, to include the period 1 October 2020 to 31 December 2020 (previous deferment was from 1 April 2020 to 30 September 2020)

Property owners

- ▶ The special deduction given to property owners who provide at least 30% rental discounts to SMEs² will be extended by another three months, until 30 September 2020.

² The special deduction was proposed in the additional Economic Stimulus Package where the deduction was given until 30 June 2020.

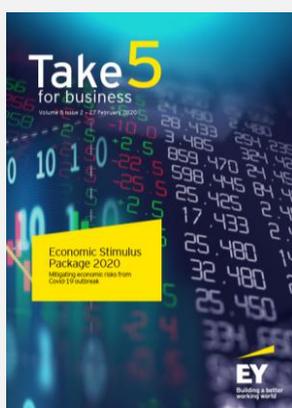
Indirect tax	
Penalty remissions	<ul style="list-style-type: none"> ▶ 50% remission of late payment penalty will be granted for any late payment of sales tax and service tax which is due and payable from 1 July 2020 to 30 September 2020.
Tourism	<ul style="list-style-type: none"> ▶ The exemption from charging service tax on accommodation and other related taxable services, that was previously provided to operators of accommodation premises until 31 August 2020, has been extended until 30 June 2021. ▶ Operators of accommodation premises are also exempted from charging tourism tax from 1 July 2020 to 30 June 2021.
Automotive	<ul style="list-style-type: none"> ▶ Sales tax exemption will apply on the purchase or importation of passenger cars from 15 June 2020 to 31 December 2020, as follows: <ul style="list-style-type: none"> ▶ 100% sales tax exemption on locally assembled cars ▶ 50% sales tax exemption on imported cars
Commodities	<ul style="list-style-type: none"> ▶ Full export duty exemption will apply on the export of the following commodities, with effect from 1 July 2020 to 31 December 2020: <ul style="list-style-type: none"> ▶ Crude Palm Oil; ▶ Crude Palm Kernel Oil; and ▶ Refined Bleached Deodorized Palm Kernel Oil

Other measures

<p>Sukuk PRIHATIN</p>	<ul style="list-style-type: none"> ▶ RM500m Sukuk PRIHATIN to be issued by the Government in the third quarter of 2020 ▶ The Sukuk will be utilized for specific programmes, e.g. to improve internet connectivity to schools (particularly in rural areas), to fund micro enterprises (especially women micro-entrepreneurs) and for research grants for infectious diseases. ▶ The Sukuk will be subscribed via a digital subscription process by individuals and corporations, in line with the theme “From the People To the People”.
<p>Temporary legislation</p>	<ul style="list-style-type: none"> ▶ The COVID-19 (Temporary Measures) Act will be introduced to provide businesses with relief from certain contractual obligations. The Bill is expected to be tabled in the July 2020 Parliament session.

Further references:

Economic Stimulus Package 2020



https://www.ey.com/en_my/take-5-business-alert/perspectives-on-the-economic-stimulus-package-2020

Second Economic Stimulus Package 2020



https://www.ey.com/en_my/take-5-business-alert/covid-19-second-stimulus-package-2020

EY global tax trackers

- ▶ [Global COVID-19 Stimulus Tracker](#)
- ▶ [Force Majeure](#)
- ▶ [Global Mobility](#)
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- ▶ [EY COVID-19 Transfer Pricing Tracker](#)

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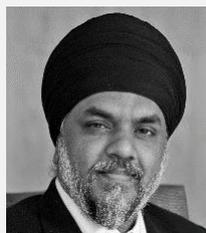
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