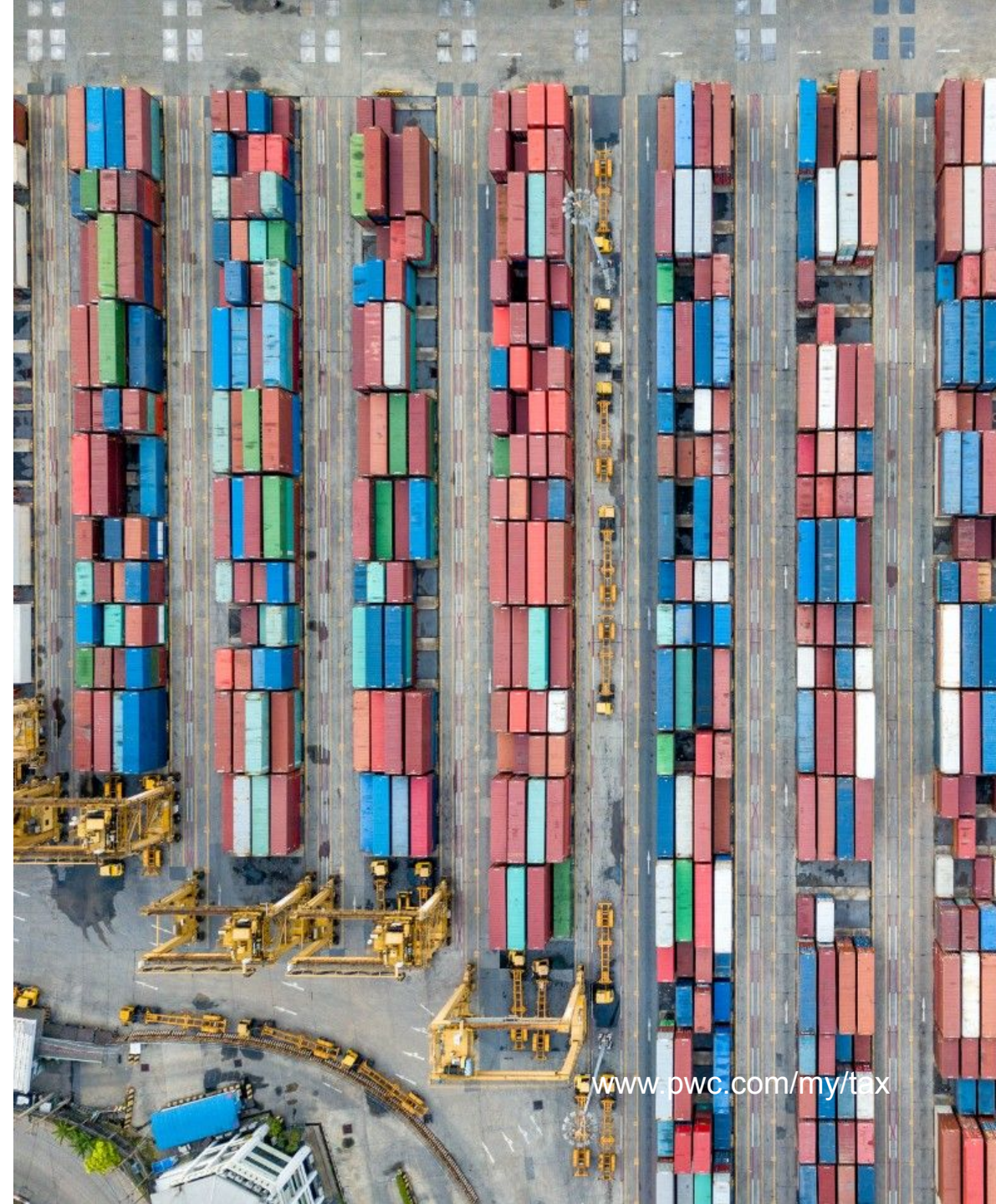




Taxavvy

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Short-term Economic Recovery Plan (PENJANA) - Tax measures



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Short-term Economic Recovery Plan (PENJANA)

PENJANA has been announced by the Prime Minister this afternoon. Valued at RM35 billion including RM10 billion of direct fiscal injection, PENJANA's objective is to support the economy through 3 thrusts:

- Empowering people
- Propelling business
- Stimulating the economy



Tax measures

Employers

- Extension of wage subsidy programme
- Deduction/allowance on personal protective equipment (PPE), thermal scanners and COVID-19 testing

Flexible work arrangements (FWA)

- Tax exemption up to RM5,000 for provision of mobile phones, laptops and tablets to employee
- Personal tax relief of RM3,000 for fees paid to child care centre
- Special personal income tax relief on the purchase of handphone, notebook & tablet
- Further tax deduction for implementation of FWA

Remission of penalties for late payment of sales tax and service tax

Extension of other incentives

- Special deduction for rental discount given to SME tenants
- Accelerated capital allowance for machinery and equipment including ICT equipment
- Deduction for renovation and refurbishment expenses

Special reinvestment allowance

Small and medium enterprises (SMEs)

- Income tax rebate for new SMEs
- Stamp duty exemption for merger and acquisition

Tourism sector

- Extension of 6-month deferment of instalment payments
- Special personal income tax relief for domestic travelling expenses
- Service tax exemption for hotel and other accommodation operators
- Tourism tax exemption

Manufacturing sector

- Incentives for relocating to Malaysia

Property sector

- Stamp duty exemptions relating to residential property
- Real property gains tax (RPGT) exemption for disposal of residential property

Automotive sector

- Sales tax exemption on passenger motor vehicles

Commodity sector - Palm oil

- Export duty exemption on palm oil related products

Employers

Extension of wage subsidy programme

Under the PRIHATIN Tambahan, a wage subsidy ranging from RM600 up to RM1,200 per employee was put in place to support retention of jobs. The wage subsidy is for a period of 3 months from 1 April 2020 to 31 December 2020

The wage subsidy programme will be extended for an additional 3 months. The amount of subsidy is fixed at RM600 per employee up to a maximum of 200 employees for each company.

Deduction/allowance on personal protective equipment (PPE), thermal scanners and COVID-19 testing

Under the Economic Stimulus Package, it was announced that expenditure incurred in providing employees with disposable personal protective equipment (PPE) such as face masks is deductible under section 33(1) of the Income Tax Act; while expenditure incurred in providing non-disposable PPE to employees can be claimed as capital allowance.

The scope of the above measures will be expanded to cover expenditure for COVID-19 testing and purchase of thermal scanners. The period of these incentives is to be extended. However, the period of extension is not provided.

Flexible Work Arrangement Incentives

Tax exemption up to RM5,000 for provision of mobile phones, laptops and tablets to employees

Currently, gifts and monthly bills for a fixed line telephone, mobile phone, tablet, pager or PDA which is registered under the name of the employee is fully exempted from tax. The exemption given is limited to one unit for each asset category.

To encourage and support employers, especially in the SME sector, to adopt work-from home practices, a tax exemption of up to RM5,000 will be given to employees who receive a mobile phone, notebook and tablet from their employer.

There is a need to ascertain whether this is a new tax measure or an enhancement of the current tax exemption that is already in place.

[Effective from 1 July 2020]

Personal tax relief of RM3,000 for fees paid to child care centre

Currently, resident individuals can claim tax relief up to RM2,000 for child care fees paid to a registered child care centre / kindergarten for a child aged 6 years and below from YA 2020.

To encourage parents to re-enrol or send their children to child care centres, the tax relief will be increased from RM2,000 to RM3,000.

[Effective for YA 2020 and YA 2021]

Flexible Work Arrangement Incentives (cont'd)

Special personal income tax relief on the purchase of mobile phone, notebook & tablet

Currently, resident taxpayers can claim a lifestyle relief of RM2,500 for the following expenses:

- a) purchase of books, journals, magazines, printed newspapers and similar publications
- b) purchase of a personal computer, smartphone or tablet
- c) purchase of sports equipment
- d) the payment of monthly bill for internet subscription

A special personal income tax relief of up to RM2,500 will be given to resident individuals for the purchase of mobile phones, notebooks and tablets. As the expenses are already covered under the current lifestyle relief, clarity is required on whether this is a new separate tax relief from the existing lifestyle tax relief.

[Effective from 1 June 2020]

Further tax deduction for implementation of FWA

It is announced that a further tax deduction will be given to employers which implement FWA or enhance their existing FWA. The types of expenses which will qualify for the further tax deduction is not stated. Previously, a double deduction was granted in respect of training expenses and consultation fees for approved FWA.

[Effective from 1 July 2020]

Remission of penalties for late payment of sales and service tax (SST)

A 50% remission of penalty for late payment of SST due and payable from 1 July 2020 to 30 September 2020 will be given.

Extension of other incentives

Special deduction for rental discount given to SME tenants

Under the PRIHATIN Tambahan, a special tax deduction equivalent to the amount of reduction in rent that is given to SME tenants was announced for the months of April, May and June 2020. Conditions for the special deduction include a minimum 30% reduction of monthly rental.

The special tax deduction will be extended for another 3 months to cover rental for the months of July, August and September 2020.



Extension of other incentives (cont'd)

Accelerated capital allowance for machinery and equipment Including ICT equipment

Currently, qualifying capital expenditure incurred on machinery and equipment including ICT equipment, is entitled to capital allowance at the following rates:

- Initial allowance of 20%
- Annual allowance of between 10% to 20%.

It was announced under the Economic Stimulus Package that to incentivise businesses to invest in 2020, the annual allowance is to be increased to 40% for capital expenditure incurred during the period of 1 March 2020 to 31 December 2020.

The increased annual allowance rate of 40% will be extended to cover capital expenditure incurred until 31 December 2021

Deduction for renovation and refurbishment expenses

To encourage businesses to carry out renovation and refurbishment of their business premises, it was announced under the Economic Stimulus Package that a special deduction is given for the renovation and refurbishment expenditure up to a limit of RM300,000 for capital expenditure incurred during the period of 1 March 2020 to 31 December 2020.

The deduction will not be given if the expenditure is claimed as an allowance under Schedule 2 or Schedule 3 of the Income Tax Act 1967.

The special deduction will be extended to cover expenditure incurred until 31 December 2021.

Special reinvestment allowance (RA)

A special RA for manufacturing and selected agriculture activity is to be given. Details pertaining to rates and qualifying conditions have not been made known.

[Effective from the year of assessment 2020 to 2021]

Small and Medium Enterprises (SMEs)

Income tax rebate for new SMEs

New SMEs which are incorporated and commence operations during the period from 1 July 2020 to 31 December 2021 will be eligible for income tax rebate of up to RM20,000 per year for the first three years of assessment, subject to certain conditions.

Stamp duty exemption for merger and acquisition (M&A)

Instruments for the M&A of SMEs executed during the period from 1 July 2020 to 30 June 2021 will be eligible for stamp duty exemption.

Tourism sector

Extension of 6-month deferment of instalment payments

Under the PRIHATIN Tambahan, businesses in the tourism sector such as travel agents, hotel operators and airline companies are allowed to defer their monthly tax instalments for a period of six months from 1 April 2020 to 30 September 2020.

The deferment will be extended to cover tax instalments due from 1 October 2020 to 31 December 2020.

Special personal income tax relief for domestic travelling expenses

It was announced in the Economic Stimulus Package that a special personal income tax relief of up to RM1,000 be given to resident individuals for domestic traveling expenses incurred between 1 March 2020 to to 31 August 2020. This has now been extended to 31 December 2021. The expenses eligible for tax relief are as follows:

1. accommodation fees on tourist accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia; and
2. entrance fees to tourist attractions.

[Effective for YA 2020 and YA 2021]

Service tax exemption for hotel and other accommodation operators

Currently, hotel and other accommodation operators have been given exemption from charging service tax on their accommodation and related services provided for a period of 6 months from 1 March 2020 until 31 August 2020.

It has been proposed that exemption from charging service tax on the accommodation services provided by accommodation operators is extended from 1 September 2020 until 30 June 2021. Clarity should be sought on whether the extension applies to related services provided by accommodation operators.

[Effective from 1 September 2020 to 30 June 2021]

Tourism tax exemption

Currently, tourism tax is charged and levied on a tourist staying at any accommodation premises made available by an operator at the rate of tax fixed at RM10 per room per night.

It has been proposed that tourism tax will be fully exempted from 1 July 2020 until 30 June 2021.

[Effective from 1 July 2020 to 30 June 2021]

Manufacturing sector

To encourage investment and the relocation of manufacturing into Malaysia, the following incentives are announced:

Zero tax rate for foreign companies

Foreign companies which make new investments in the manufacturing sector in Malaysia will qualify for a zero tax rate as follows:

Incentive	Key conditions	
	Value of fixed asset investment (to be made within a period of 3 years)	Commencement of operation
0% tax rate for 10 years	RM300 million to RM500 million	Within 1 year from approval
0% tax rate for 15 years	RM500 million and above	

[Effective for applications received from 1 July 2020 to 31 December 2021]

Investment tax allowance for Malaysian companies

Malaysian companies which relocate their overseas manufacturing facility to Malaysia will qualify for investment tax allowance of 100% for 5 years.

Subject to further details, this incentive seems to be very broad as it does not state whether it is subject to conditions such as value of investment or specific products.

[Effective for applications received from 1 July 2020 to 31 December 2021]



Property sector

Stamp duty exemptions relating to residential property

Stamp duty exemption on the instruments of transfer and loan agreement will be given for the purchase of residential properties priced between RM300,000 to RM2.5 million. Full stamp duty exemption will be given for the loan agreement while the exemption on the instrument of transfer will be restricted to the first RM1 million of the value of the residential property. A qualifying condition is the developer must give at least 10% discount on the price of the residential property.

[Effective for sale and purchase agreement signed from 1 June 2020 to 31 May 2021]

Real property gains tax (RPGT) exemption for disposal of residential property

Individuals who are citizens of Malaysia will be eligible for RPGT exemption on the disposal of residential properties during the period from 1 June 2020 to 31 December 2021. The exemption is limited to the disposal of three residential properties per individual.

Automotive sector

Sales tax exemption on passenger motor vehicles

Currently, passenger motor vehicles manufactured locally or imported are subject to a 10% sales tax.

It has been proposed that a 100% sales tax exemption be given on the sale of locally assembled passenger motor vehicles and a 50% sales tax exemption be given on imported passenger motor vehicles.

[Effective from 15 June 2020 to 31 December 2020]

Commodity sector - Palm oil

Export duty exemption on palm oil related products

Currently, crude palm oil and palm kernel oil are subject to an export duty of 5% to 10%.

It has been proposed that a 100% export duty exemption be given on crude palm oil and palm kernel oil (unrefined and refined) exported from Malaysia.

[Effective from 1 July 2020 to 31 December 2020]

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