



Short-Term Economic Recovery Plan (PENJANA): Tax-Related Measures

Further to the Economic Stimulus Package (also known as PRIHATIN) to aid the people and businesses of Malaysia afflicted by the COVID-19 pandemic, the Government is now aiming to lead the country to the recovery phase.

This is done with the announcement of the RM35 billion PENJANA stimulus package with measures introduced to attract investments and foster economic activities domestically to restore the economy.

We highlight below the tax-related measures that have been announced.



Income Tax Measures

Income tax rebate for new Small and Medium Enterprises (SMEs)	<p>An income tax rebate of up to RM20,000 per year for first 3 years of assessment (YAs) will be given for SMEs incorporated and commenced operations during 1 July 2020 to 31 December 2021.</p> <p>The qualifying conditions are yet to be announced.</p>
Extension of Special Deduction for Rental Discount given to SME tenants	<p>The special tax deduction will be extended for a further 3 months to cover rental for the months of July, August and September 2020.</p> <p>The previous condition of a minimum 30% reduction of monthly rental remains applicable.</p>
Extension of scope for deduction on COVID-19 related expenses	<p>It was previously 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 1967 (ITA).</p> <p>The above scope is expanded to expenditure incurred for COVID-19 testing and purchase of thermal scanners.</p>
Extension of Accelerated Capital Allowance (ACA) period for machinery and equipment including Information and Communications Technology (ICT) equipment	<p>It was previously announced that ACA is given for qualifying capital expenditure incurred during the period of 1 March 2020 to 31 December 2020 on machinery and equipment, including ICT equipment. The ACA is fully claimable within two YAs at the following rates: -</p> <ul style="list-style-type: none">- Initial allowance at 20%; and- Annual allowance at 40%. <p>The qualifying period for the ACA will be extended to 31 December 2021.</p>
Extension of Deduction period for Renovation and Refurbishment expenses	<p>It was previously announced 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.</p> <p>The period for such special deduction will be extended to 31 December 2021.</p>
Extension of 6-month deferment of instalment payments for companies in the tourism industry	<p>It was previously announced that monthly tax instalment payments for businesses in the tourism sector can be deferred for a period of 6 months from 1 April 2020 to 30 September 2020.</p> <p>Such deferment will be extended to cover tax instalments due from 1 October 2020 to 31 December 2020.</p>

<p>Flexible Work Arrangements (FWAs)</p>	<p>Tax exemption up to RM5,000 for employees who receive a mobile phone, notebook and tablet from their employer, effective from 1 July 2020. This is to encourage and support employers, mainly in the SME sector, to adopt WFH practice.</p> <p>Special personal tax relief of up to RM2,500 for resident individuals for the purchase of mobile phone, notebook and tablet, effective 1 June 2020.</p> <p>Further tax deduction for employers which implement FWA or enhance their existing FWA, effective 1 July 2020.</p>
<p>Extension of Special Personal Tax Relief period for domestic travelling expenses</p>	<p>It was previously announced that a special personal income tax relief of RM1,000 is given to resident individuals for domestic travelling expenses (i.e. qualifying accommodation and entrance fees) incurred during the period from 1 March 2020 to 31 August 2020.</p> <p>The above period will be extended to 31 December 2021, effective for YA 2020 and YA 2021.</p>
<p>Personal Tax Relief for fees paid to Child Care Centre</p>	<p>To encourage parents to re-enrol or send their children to child care centres, the tax relief for fees paid to child care centres or kindergartens will be increased from RM2,000 to RM3,000, effective for YA 2020 and YA 2021.</p>
<p>Tax incentives for foreign companies</p>	<p>Foreign companies that make new investments in the manufacturing sector in Malaysia will be granted the following incentives: -</p> <ol style="list-style-type: none"> 1. 0% tax rate for 10 years with new investment in fixed assets from RM300 million to RM500 million; and 2. 0% tax rate for 15 years with new investment in fixed assets exceeding RM500 million. <p>The conditions for the incentives are that the company must relocate and commence its operation in Malaysia within one year from the date of approval and the investment amount must be made within three years.</p> <p>The above incentives are effective for application made to MIDA from July 2020 to December 2021.</p>
<p>Tax incentives for existing companies in Malaysia</p>	<p>The following incentives will be granted: -</p> <ol style="list-style-type: none"> 1. 100% investment tax allowance for 5 years for existing company in Malaysia relocating its overseas manufacturing facilities into Malaysia with investment in fixed assets exceeding RM300 million, effective for application made to MIDA from July 2020 to December 2021; and 2. Special reinvestment allowance for manufacturing and selected agriculture activity, effective from YA 2020 to YA 2021.

Indirect Tax Measures

Remission of penalties for late payment of Sales and Service Tax (SST)	A 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.
Service tax and tourism tax exemption for hotel and other accommodation operators	It was previously announced that operators of accommodation premises (such as hotels, inns, lodging house, service apartment, homestay and any other similar establishment) shall be exempted from charging service tax on accommodation and any related services provided, effective from 1 March 2020 to 31 August 2020. The exemption period will be extended from 1 September 2020 to 30 June 2021. Operators of accommodation are also exempted from charging tourism tax with effect from 1 July 2020 to 30 June 2021.
Sales tax exemption on passenger motor vehicles	The following exemptions will be given: - <ul style="list-style-type: none"> - Full sales tax exemption on the sale of locally assembled passenger motor vehicles; and - 50% sales tax exemption on imported passenger motor vehicles. The exemption is effective from 15 June 2020 to 31 December 2020.
Export duty exemption on palm oil related products	A 100% export duty exemption from 1 July 2020 to 31 December 2020 is granted on the following commodities: - <ul style="list-style-type: none"> - Crude Palm Oil - Crude Palm Kernel Oil - Refined Bleached Deodorized Palm Kernel Oil

Other Tax Measures

Real Property Gains Tax (RPGT) exemption relating to disposal of residential property	Malaysian citizens will be given RPGT exemption on gains arising from the disposal of up to 3 units of residential property per person from 1 June 2020 to 31 December 2021.
Stamp duty exemption for Merger and Acquisition (M&A)	Stamp duty exemption will be given on instruments for M&A of SMEs executed during the period from 1 July 2020 to 30 June 2021.
Stamp duty exemption relating to residential property under Home Ownership Campaign (HOC)	Stamp duty exemption on the instruments of transfer and loan agreement will be given for the purchase of residential property 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 is limited to the first RM1 million of the value of the residential property. The above exemptions apply for Sales and Purchase Agreement signed from 1 June 2020 to 31 May 2021 and the qualifying condition is that the developer must provide at least 10% discount on the price of the residential property.

Should you have any queries or require more information, please do not hesitate to contact us.



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