



Smart decisions. Lasting value.

Malaysia Short-Term Economic Recovery Plan 2020

Announced on 5 June 2020

Audit / Tax / Advisory

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Key Highlights at a Glance

On 5 June 2020, the Malaysian Government unveiled the Short-Term Economic Recovery Plan (STERP) valued at RM35 billion. This STERP is in addition to the three (3) Economic Stimulus Packages totaling RM260 billion announced earlier.

The STERP has 40 initiatives focusing on the following three (3) key thrusts:

- Empower People;
- Propel Businesses; and
- Stimulate the Economy.

Malaysia is now at the Recovery phase of the COVID-19 pandemic with most economic sectors reopened albeit in a controlled manner.

It is timely that the Government introduced this STERP to assist the country's economy to recover. It is hoped that all the proposals and allocations in the STERP will be implemented soonest possible to help all parties to get back to the "new normal" life.



Income tax rebate of up to RM20,000 per year for three (3) years of assessment (YAs) will be given for newly established Small and Medium Enterprises (SME).



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



Special Reinvestment Allowance (RA) for manufacturing and selected agriculture activities for YAs 2020 and 2021.



Stamp duty exemption will be given to SMEs on any instruments executed for Mergers and Acquisitions transactions.



Enhancement and extension of the Wage Subsidy Programme for a further period of three (3) months with subsidy of RM600 per employee per month for all eligible employers.



Exemption of real property gains tax for disposal of up to three (3) units of residential homes by an individual from 1 June 2020 to 31 December 2021.

Highlights at a Glance – Employers and Businesses



Extension of the period and expansion of the scope of COVID-19 related expenses allowed for tax deduction or capital allowance claim.



The period for claiming special tax deduction of up to RM300,000 for costs of renovation and refurbishment is extended to 31 December 2021.



100% Investment Tax Allowance (ITA) for existing companies relocating their overseas manufacturing facilities into Malaysia.



The period for claiming special deduction on rental discounts given by landlords of private business premises to SMEs is extended to 30 September 2020.



Further tax deduction for employers implementing Flexible Work Arrangements or who made enhancements to their existing Flexible Work Arrangements.



0% tax rate for a period of up to fifteen (15) years for new capital investments in the manufacturing sectors.



The period for claiming Accelerated Capital Allowance for machinery and equipment including Information and Communication Technology equipment is extended to 31 December 2021.



Deferment of monthly tax instalments for businesses in the tourism industry will be extended for an additional period of three (3) months to 31 December 2020.

Highlights at a Glance – Employers and Businesses



RM700 million grants and loans will be provided to SMEs and mid-tier companies to digitalise operations and trade channels.



Up to RM400 million is allocated to provide financial relief for agriculture and food players affected by COVID-19 and the Movement Control Order.



Bumiputera Relief Financing – PUNB and MARA will provide financing of RM200 million and RM300 million respectively as dedicated financial assistance to Bumiputera entrepreneurs.



A matching grant of up to RM50 million will be given to gig economy platforms which make contributions for their workers under PERKESO employment injury scheme and EPF i-Saraan contribution.



PENJANA SME Financing – The banking sector will allocate RM2 billion funding to assist SMEs with a cap of RM500,000 per SME.



PENJANA Tourism Financing – Up to RM1 billion facility will be made available to finance transformation initiatives by SMEs in the tourism sector.



PENJANA Micro financing – An allocation of RM400 million will be provided to micro enterprises with a cap of RM50,000 per enterprise where RM50 million is earmarked for women entrepreneurs.



A matching grant totaling RM10 million through Malaysian Global Innovation and Creativity Centre will be given to social enterprises which are able to crowd source contributions and donations to undertake social projects.

Highlights at a Glance – Employers and Businesses



An allocation of RM25 million will be provided to MDEC for Global Online Workforce (GLOW) programme.



An investment fund of up to RM1.2 billion will be established to support digitalisation of Malaysian businesses by channeling funding from international investors into the local venture capital space.



Up to RM70 million will be provided for the “Shop Malaysia Online” campaign to encourage online consumer consumption through e-commerce vouchers.



Continuation of the National “Buy Malaysia” campaign to encourage the consumption of local products and services through compulsory local products tagging and identification and creation of dedicated Malaysian product channels on major digital platforms.



An allocation of RM250 million is provided to support the arts, culture, entertainment and event industries to adapt to the new normal.



Eligible micro enterprises and SMEs will be onboarded to shift towards business digitalisation through a co-funded programme with MDEC and e-commerce platforms.



Additional allocation of RM50 million will be given to MIDA to undertake marketing and promotional activities.

Highlights at a Glance – Employers and Businesses



Cash incentive of RM600 per month up to a period of six (6) months will be given to businesses providing apprenticeships to school leavers and graduates.



One-off grant of up to RM5,000 will be provided to registered childcare centres to comply with new healthcare Standard Operating Procedures.



Cash incentive of between RM800 to RM1,000 per month up to a period of six (6) months will be given to businesses for hiring unemployed workers.



100% export duty exemption for the commodity industry i.e. crude palm oil, crude palm kernel oil and refined bleached deodorized palm kernel oil.

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Highlights at a Glance – People



Special individual income tax relief of up to RM2,500 will be given for the purchase of mobile phone, notebook and tablet.



Tax relief on childcare services expenses will be increased from RM2,000 to RM3,000 for YAs 2020 and 2021.



Individual income tax exemption of up to RM5,000 will be given to employees who receive a mobile phone, notebook or tablet from their employer.



Reintroduction of Home Ownership Campaign with stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes.



The period for Service Tax exemption on accommodation and related services is extended to 30 June 2021.



The period for claiming income tax relief of RM1,000 incurred on domestic travelling expenses is extended to 31 December 2021.



Exemption of Tourism Tax will be given to foreign tourists staying at any accommodation premises in Malaysia until 30 June 2021.



Full exemption of Sales Tax for purchase of locally assembled passenger cars and 50% exemption of Sales Tax for purchase of imported passenger cars.

Highlights at a Glance – People



One-off cash assistance of RM300 will be given to OKUs and single mothers.



An unlimited monthly travel pass (My30 Public Transport Subsidy) costing RM30 per month will be introduced for all Malaysian citizens from 15 June 2020 until the end of December 2020.



An allocation of RM2 billion will be dedicated for reskilling and upskilling programmes for Youth and Unemployed Workers.



Free internet connectivity of 1Gb per day will be given to all users from 8am to 6pm daily from mid-June 2020 until end of December 2020 to browse educational websites and use of video conferencing applications.



E-vouchers of RM800 per household for mobile childcare services will be given to working parents.



Training allowance of RM4,000 will be given to individuals who are retrenched but not covered under the Employment Insurance System.



The existing allocation for the PEKA B40 Programme is doubled to a total of RM100 million to support the healthcare needs of low-income groups.



Provision by e-wallet providers of RM50 worth of e-wallet credits and RM50 worth of vouchers, cashback and discounts to all Malaysians aged 18 and above and earning less than RM100,000 annually.

Highlights at a Glance – Government Initiatives



Approval for Manufacturing license for non-sensitive industries will be issued within two (2) working days.



An online one-stop business advisory platform (MyAssist MSME One Stop shop) will be set up to provide guidance and facilitate the recovery process for micro enterprises and SMEs.



Cash flow aid will be provided by SME Bank for G2 and G3 contractors that have been awarded small government projects under the previous Economic Stimulus Packages.



Sukuk Prihatin worth RM500 million will be issued to facilitate the Rakyat's participation in supporting post-recovery economic measures.



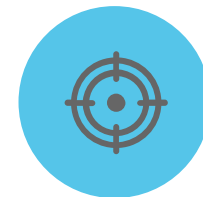
Government Linked Companies and large corporations are encouraged to accelerate their vendors' payment terms.



An innovation sandbox will be developed to pilot new technology solutions and provide relaxation of regulations to test new technology solutions (e.g. drone delivery, autonomous vehicles).



Acceleration of the digitalisation of government services to reduce face-to-face transactions (i.e. stamp assessments & duties, unclaimed monies, online interviews for Government scholarships, etc.)



Establishment of Project Acceleration & Coordination Unit (PACU) at MIDA to accelerate the implementation and coordination of approved investment projects.

Taxes relating to Businesses

**Details of Proposed Measures,
Effective Date and Commentary**

Details of Proposed Measures, Effective Date and Commentary

1. Enhancement of Wage Subsidy Programme

Present	<p>Presently, the wage subsidy is provided to affected employers for the period from April 2020 to June 2020 based on the following manner:</p> <table border="1" data-bbox="440 601 1551 808"> <thead> <tr> <th>Size of company based on number of employees</th> <th>Amount of monthly subsidy per employee</th> <th>Limit on number of employees eligible</th> </tr> </thead> <tbody> <tr> <td>201 and above</td> <td>RM600</td> <td>200</td> </tr> <tr> <td>Between 76 and 200</td> <td>RM800</td> <td>200</td> </tr> <tr> <td>75 or less</td> <td>RM1,200</td> <td>75</td> </tr> </tbody> </table>	Size of company based on number of employees	Amount of monthly subsidy per employee	Limit on number of employees eligible	201 and above	RM600	200	Between 76 and 200	RM800	200	75 or less	RM1,200	75
Size of company based on number of employees	Amount of monthly subsidy per employee	Limit on number of employees eligible											
201 and above	RM600	200											
Between 76 and 200	RM800	200											
75 or less	RM1,200	75											
Proposed	<p>A wage subsidy of RM600 per month per employee will be given to all eligible employers (limited to 200 employees per company) for a further three (3) months.</p> <p>The current wage subsidy programme will also be enhanced as follows:</p> <ul style="list-style-type: none"> • Employers who receive wage subsidy are allowed to implement a 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%). • Employers are eligible to apply for the wage subsidy programme even though the employers have mandated their employees to take unpaid leave, subject to the employees receiving the subsidy directly (this is only applicable for tourism sector and businesses which are prohibited from operating during CMCO). 												
Effective Date	Mid-June 2020 to September 2020												
Commentary	The extension and revision of conditions of the wage subsidy programme will further encourage retention of employees and reduce layoffs. However, further clarifications are required from the authorities on the application of existing conditions towards this enhanced and extended wage subsidy programme especially on the requirement to substantiate a 50% reduction in sales for companies having more than 75 employees.												

Details of Proposed Measures, Effective Date and Commentary

2. Special Reinvestment Allowance (RA) for manufacturing and selected agriculture activities

Present	Companies involved in manufacturing and selected agriculture activities which had incurred capital expenditure on qualifying projects are allowed to claim RA for a period of fifteen (15) consecutive years of assessment beginning from the year of assessment for the basis period in which a claim for RA was first made.
Proposed	<p>A special RA will be given to eligible companies involved in manufacturing and selected agriculture activities for the years of assessment 2020 and 2021.</p> <p>Further details have to be obtained when the gazette order is issued.</p>
Effective Date	For the years of assessment 2020 and 2021.
Commentary	<p>RA is given for companies which incurred capital expenditure on expansion, diversification, automation or modernization. However, many companies involved in manufacturing and selected agriculture activities would have exhausted the first fifteen (15) years of RA incentive period and possibly the additional three (3) years of RA incentive period given for years of assessment 2016 to 2018.</p> <p>The introduction of this special RA for years of assessment 2020 and 2021 is a timely move as this will encourage eligible companies involved in manufacturing and selected agriculture activities to automate or modernise their businesses. It is envisaged that during this Covid-19 pandemic period, companies are more likely to take the opportunity to automate and modernise as opposed to expand or diversify in their bid to reduce costs and improve efficiency so that they can compete better in their industry.</p>

Details of Proposed Measures, Effective Date and Commentary

3. Concessionary tax rate for new capital investments in the manufacturing sector by foreign companies

Present	Local and foreign companies investing in selected manufacturing sectors may apply for pioneer status or Investment Tax Allowance. However, no concessionary tax rate is given to foreign companies making new capital investments in the manufacturing sector in Malaysia.
Proposed	<p>Foreign companies that relocate their manufacturing facilities into Malaysia will be given the following incentives:</p> <ul style="list-style-type: none"> • For new capital investments in manufacturing sectors of between RM300 million to RM500 million – 0% tax rate for a period of ten (10) years; or • For new capital investments in manufacturing sectors in excess of RM500 million – 0% tax rate for a period of fifteen (15) years. <p>The above incentive will be given to foreign companies that relocate and begin their operations within one (1) year from the date of approval and the investment amount has be achieved within a period of three (3) years.</p>
Effective Date	For applications made from 1 July 2020 to 31 December 2021.
Commentary	<p>This proposed measure would incentivise foreign multinational companies to relocate their business operations into Malaysia which will increase foreign direct investments and the number of employment opportunities for Malaysians. Countries the world over are competing for such companies. Hence, it is imperative for Malaysia to offer special tax incentives to compete.</p> <p>In addition, the objective to encourage foreign direct investments into Malaysia can be facilitated if the government does not impose overly rigid conditions (including immigration issues) on the foreign companies and deterring them from relocating to Malaysia.</p>

Details of Proposed Measures, Effective Date and Commentary

4. 100% Investment Tax Allowance (ITA) for local Malaysian companies relocating overseas manufacturing facilities into Malaysia

Present	Local companies investing in selected manufacturing sectors may apply for pioneer status or Investment Tax Allowance. However, no tax incentive is given to local companies relocating their overseas manufacturing facilities into Malaysia.
Proposed	100% ITA for a period of five (5) years will be given to eligible Malaysian companies that relocate their overseas manufacturing facilities into Malaysia.
Effective Date	For applications made from 1 July 2020 to 31 December 2021.
Commentary	<p>This proposed measure would encourage local companies to relocate their overseas manufacturing facilities into Malaysia which would increase the number of employment opportunities for Malaysians. The ITA takes the form of a 100% allowance on the capital expenditure incurred by the local companies in relocating their manufacturing facilities into Malaysia. If the company does not incur any capital expenditure, the ITA is of no incentive to them.</p> <p>Due to this, it will be better if the government can give the local companies an option to choose between the abovementioned ITA or a 0% concessionary tax rate which is being given to foreign companies for relocating manufacturing facilities into Malaysia. The 0% concessionary tax rate will therefore level the playing field between the foreign companies and the local companies which relocate their overseas manufacturing facilities into Malaysia.</p>

Details of Proposed Measures, Effective Date and Commentary

5. Income tax rebate for establishment of new businesses

Present	Presently, no tax incentive is given to businessmen for starting new businesses.
Proposed	Income tax rebate of up to RM20,000 per year will be given for three (3) years of assessment for newly established SMEs.
Effective Date	For newly established SMEs between 1 July 2020 and 31 December 2021.
Commentary	<p>This proposed measure would encourage establishment of legally registered SME businesses in Malaysia.</p> <p>While the income tax rebate is a much welcome move from the government, further clarifications from the authorities on the following matters are required:</p> <ol style="list-style-type: none"> i. Which definition of SME will be used for this income tax rebate in view of the inconsistency between the definition of SME by SME Corporation Malaysia and the definition of SME found in the Income Tax Act 1967; and ii. Start up businesses are not likely to have any profits or much profits in the initial years of operations. Hence, this tax rebate may not be used if the start up business does not make profits during the initial 3 years' period.

Details of Proposed Measures, Effective Date and Commentary

6. Extension of special deduction on rental discount given by landlords of private business premises to SMEs

Present	<p>A special tax deduction which is equivalent to the amount of rental discount will be given to landlords of private business premises.</p> <p>In order to be eligible for this special tax deduction, the discount provided must be at least 30% of the original rental starting from April 2020 to June 2020.</p>
Proposed	The special tax deduction period will be extended to 30 September 2020.
Effective Date	From 1 April 2020 to 30 September 2020.
Commentary	<p>The extension of this special tax deduction on rental discounts given would incentivise landlords of private business premises to lend a helping hand to the SMEs during this difficult time. This may be a win-win situation to both parties.</p> <p>The Inland Revenue Board has issued Frequently Asked Questions (FAQ) to provide clarification on the special deduction on rental discounts given by landlords of private business premises to SMEs pending the issuance of the relevant gazette order. Hence, landlords are encouraged to read up the FAQ to understand the conditions that will be imposed for the special deduction.</p> <p>On a separate note, landlords and tenants who are related parties may start revisiting the existing tenancy arrangement in order to maximise cash flow during this challenging period. Further, the transfer pricing documentation should also be relooked at accordingly.</p>

Details of Proposed Measures, Effective Date and Commentary

7. Tax relief on COVID-19 related expenses

Present	Expenses incurred on personal protective equipment (PPE) provided to employees are given tax deduction or capital allowances.
Proposed	The eligible period will be extended and the scope of expenses allowed as tax deduction will be expanded to cover more than PPE. It will now include tax deduction or capital allowances for COVID-19 prevention, including COVID-19 testing and thermal scanners.
Effective Date	Immediately. No ending date is mentioned.
Commentary	This proposed measure provides clarity and certainty for businesses to claim tax deduction or capital allowance for expenses incurred relating to COVID-19 prevention. Otherwise, businesses would have to rely on the general tax provisions under section 33(1) of the Income Tax Act 1967 to claim tax deduction for COVID-19 related expenses and schedule 3 of the Income Tax Act 1967 to claim capital allowances on assets purchased for COVID-19 prevention.

Details of Proposed Measures, Effective Date and Commentary

8. Tax incentive for Flexible Work Arrangements (FWA)

Present	Presently, there is no active tax incentive for implementation or enhancement of FWA. Previously, a double deduction was given on consultation fees and costs of training the employees incurred by a company to implement or enhance FWA. The expenses incurred must be verified by Talent Corporation Malaysia Berhad (TCMB) and is limited to RM500,000 per year of assessment. Further, the incentive is only available for a period of three (3) consecutive years of assessment commencing from the year of assessment in the basis period in which the certification is given by TCMB.
Proposed	A further tax deduction will be given to employers which implement FWA or undertake enhancement of their existing FWA.
Effective Date	1 July 2020.
Commentary	<p>This proposed measure will encourage employers to consider making the work-from-home (WFH) arrangement a permanent fixture. WFH expenses may include operating expenses like software fees and subscription fees payable to foreign service providers all of which may attract withholding tax and possibly Digital Service Tax. Other expenses may include capital equipment such as laptops, printers for home use, extra monitor, sound equipment, etc. To provide a good incentive to employers, it would be helpful if the government can abolish withholding tax, Service Tax or Digital Service Tax where applicable but allow 100% tax deduction for all relevant capital equipment.</p> <p>In the above regard and on other details relating to the tax deduction, we await further information from the authorities.</p>

Details of Proposed Measures, Effective Date and Commentary

9. Extension of Accelerated Capital Allowance (ACA) for machinery and equipment including Information and Communication Technology (ICT) equipment

Present	ACA will be given on capital expenditure incurred on machines, equipment and ICT equipment for the period from 1 March 2020 to 31 December 2020. The ACA can be fully claimed within two (2) years with an initial allowance rate of 20% and annual allowance rate of 40%.
Proposed	The accelerated capital allowance on eligible capital expenses including ICT equipment will be extended to 31 December 2021.
Effective Date	Applicable to capital expenditure incurred for the period from 1 March 2020 to 31 December 2021.
Commentary	<p>The above measure allows businesses which incur qualifying capital expenditure to accelerate the claim of capital allowances over two (2) years as compared to the current option of claiming the capital expenditure incurred over four (4) to eight (8) years. This will result in more capital allowances to be set off against the adjusted income of a business and hence reduces taxes. However, this will only have a cash flow impact and no reduction in taxes as there is no change to the amount of expenditure that qualifies for capital allowances. For businesses which may not have sufficient adjusted income in the two (2) years of assessment, the unabsorbed capital allowances can be carried forward indefinitely to subsequent years of assessment for set-off against future business income from the same source.</p> <p>Therefore, businesses with financial resources may consider investing in new machine and equipment during this period to tap into opportunities when the economy rebounds.</p>

Details of Proposed Measures, Effective Date and Commentary

10. Extension of tax deduction for costs of renovation and refurbishment

Present	<p>A special tax deduction of up to RM300,000 will be given for expenditure incurred from 1 March 2020 to 31 December 2020 on renovation and refurbishment of business premises.</p> <p>This tax deduction will not apply if such expenditure is entitled for capital allowances under Schedule 2 or Schedule 3 of the Income Tax Act 1967.</p>
Proposed	The special tax deduction for renovation and refurbishment of business premises will be extended to 31 December 2021.
Effective Date	1 March 2020 to 31 December 2021.
Commentary	<p>This proposed measure encourages businesses to undertake renovation and refurbishment in preparation for increased economic activity in the future. As such, business owners which plan to carry out renovation and refurbishment of their business premises in the near future should consider to bring that plan forward to year 2020 or 2021 to take advantage of the tax deduction given by the government.</p> <p>On a separate note, the relevant gazette order on the expenses incurred on renovation and refurbishment of business premises which qualify for tax deduction has not been issued by the authorities at this juncture. Hence, to prevent any disallowance of tax deduction, businesses should ensure that the expenses incurred on renovation and refurbishment expenditure are clearly itemised in the supporting documents.</p>

Details of Proposed Measures, Effective Date and Commentary

11. Extension for deferment of monthly tax instalments in tourism industry

Present	Companies in the tourism industry such as travel agencies, hoteliers and airlines were given a deferment of monthly tax instalments for a period of six (6) months which is from 1 April 2020 to 30 September 2020.
Proposed	Extension will be given of the period for the above-mentioned deferment of tax instalment payments for the tourism industry until 31 December 2020.
Effective Date	For monthly tax instalment payments between 1 October 2020 to 31 December 2020.
Commentary	<p>This proposed measure will help to ease the cash flow of companies in the tourism industry for an additional period of three (3) months.</p> <p>In order to maximise cash flow for the current year of assessment and the coming year of assessment, companies in the tourism industry should plan ahead and make use of the determent of monthly tax instalments, revision of estimate of tax payable in the third (3rd) instalment payment and revision of estimate of tax payable in the sixth (6th) and ninth (9th) month of the basis period available to these companies.</p>

Details of Proposed Measures, Effective Date and Commentary

12. Stamp duty exemption for mergers and acquisitions transactions

Present	Presently, stamp duty relief under section 15 of the Stamp Act 1949 is given for reconstructions or amalgamations of companies whilst stamp duty relief under section 15A of the Stamp Act 1949 is given in cases of transfer of property between associated companies.
Proposed	Stamp duty exemption will be given on any instruments executed by SMEs for mergers and acquisitions (M&A) transactions.
Effective Date	For instruments relating to M&A transactions executed between 1 July 2020 and 30 June 2021.
Commentary	<p>This proposed measure would help to reduce the costs associated with the M&A transactions and encourage SMEs to scale up.</p> <p>In the absence of a stamp duty exemption order, the instrument qualifying for stamp duty exemption is not known at this juncture. Hence, it is hoped that the stamp duty exemption is given for all types of instruments relating to M&A transactions executed by SMEs since M&A transactions may at times involve a few instruments depending on the nature of the assets to be transferred.</p> <p>Further, the conditions attached to the stamp duty exemption should not be too restrictive or stringent as seen under the stamp duty relief under section 15A whereby the applicant must prove the transfer of property is to achieve greater efficiency in operation.</p> <p>The government should consider extending the stamp duty exemption to non-SMEs as well since non-SMEs are more likely to undertake M&A transactions.</p>

Details of Proposed Measures, Effective Date and Commentary

13. Remission of penalty for late payment of Sales Tax & Service Tax

Present	Penalty for late payment of Sales Tax and Service Tax due and payable must be settled in full to avoid prosecution by the Royal Malaysian Customs Department.
Proposed	50% remission of penalty will be given for late payment of Sales Tax and Service Tax due and payable.
Effective Date	From 1 July 2020 to 30 September 2020.
Commentary	This proposed measure would allow affected businesses to plan and strategise on the payment of Sales Tax and Service Tax due and prioritise the funds available for other more critical business requirements.

Details of Proposed Measures, Effective Date and Commentary

14. Export duty exemption for commodity industry

Present	The rate of export duty on the exportation of commodities ranges from 0% to 10%.
Proposed	Exportation of the following commodities would not be subject to export duty: <ul style="list-style-type: none">• Crude palm oil;• Crude palm kernel oil; and• Refined bleached deodorized palm kernel oil.
Effective Date	1 July 2020 to 31 December 2020.
Commentary	This proposed measure is aimed at encouraging the exportation of commodities to a country outside of Malaysia.

Taxes relating to Individuals

**Details of Proposed Measures,
Effective Date and Commentary**

Details of Proposed Measures, Effective Date and Commentary

1. Income tax exemption and relief for mobile phone, notebook and tablet

Present	Presently, any gift of mobile phone, notebook or tablet by employers to employees is treated as perquisites to the employees and is taxable in the hands of the employees. On the other hand, expenses incurred by individuals on the purchase of personal computer, smart phone and tablet are given a tax relief of up to RM2,500 under the lifestyle relief.
Proposed	<p>It is proposed that:</p> <ul style="list-style-type: none"> Income tax exemption of up to RM5,000 will be given to employees who receive a mobile phone, notebook and tablet from their employers; and Special individual income tax relief of up to RM2,500 will be given to individuals on the purchase of mobile phone, notebook and tablet.
Effective Date	<ul style="list-style-type: none"> Effective 1 July 2020 for income tax exemption given to employees. Effective 1 June 2020 for special individual income tax relief given to employees.
Commentary	<p>This proposed measure will encourage employees to opt for flexible work arrangements. However, further information on the proposed income tax exemption and special individual income tax relief have yet to be made available by the authorities. It is hoped that the income tax exemption will be expanded to include other essential items such as webcam, computer monitor or even a desktop computer as these items are necessary to ensure seamless flexible work arrangements.</p> <p>Further, clarity is required from the authorities on whether the special individual income tax relief will be given on top of the current lifestyle relief whereby an individual will be allowed to claim a full relief of RM5,000 on the purchase of a notebook costing RM5,000 i.e. RM2,500 under lifestyle relief and RM2,500 under special individual income tax relief.</p>

Details of Proposed Measures, Effective Date and Commentary

2. Child care relief

Present	Presently, an individual who pays child care fees to a registered child care centre / kindergarten for a child aged six (6) years and below is given a tax relief of RM2,000.
Proposed	The tax relief on child care fees paid to a registered child care centre will be increased from RM2,000 to RM3,000.
Effective Date	YAs 2020 and 2021.
Commentary	This proposed measure will provide up to RM25 in monthly tax savings to working parents who send their children to registered child care centres / kindergartens. This measure will also encourage parents to pay child care fees during these difficult times. The survival of the child care centre / kindergarten depends heavily on the fees received from these parents.

Details of Proposed Measures, Effective Date and Commentary

3. Extension of the period for personal income tax relief for domestic travelling expenses

Present	<p>Previously, there was no income tax relief for domestic travelling expenses.</p> <p>Based on the announcement on 27 February 2020, a special personal income tax relief of up to RM1,000 will be given to resident individuals for the following domestic travelling expenses incurred between 1 March 2020 to 31 August 2020:</p> <ul style="list-style-type: none"> a) Accommodation fees paid for tourist accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia; and b) Entrance fees paid for tourist attractions.
Proposed	Extension of period for the above-mentioned income tax relief for tourism expenses to 31 December 2021.
Effective Date	For expenses incurred between 1 September 2020 to 31 December 2021.
Commentary	Resident individuals who undertake domestic travelling may enjoy tax savings of up to RM300 (RM1,000 relief x the maximum individual tax rate of 30%) in the year of assessment 2020 and year of assessment 2021. This measure will also boost domestic spending to support local tourism businesses given that foreign tourist arrivals have reduced substantially in view of the travel restrictions.

Details of Proposed Measures, Effective Date and Commentary

4. Real Property Gains Tax (RPGT) exemption for disposal of residential homes

Present	Effective from year 2019, gains arising from disposal of real property by a Malaysian citizen and permanent resident is subject to RPGT at a rate of between 5% and 30%, depending on the holding period of the real property. On the other hand, gains arising from disposal of real property by a non-Malaysian citizen and foreigner is subject to RPGT at a rate of between 10% and 30%, depending on the holding period of the real property.
Proposed	Exemption of RPGT for disposal of up to three (3) units of residential homes by an individual.
Effective Date	For disposals made from 1 June 2020 to 31 December 2021.
Commentary	<p>This proposed measure would provide additional cash inflow into the pockets of the individual disposer. However, further clarification from the authorities is required on the applicability of the RPGT exemption to permanent residents of Malaysia as the speech made by the Prime Minister only mentioned about Malaysian citizens. It would have been better if the RPGT exemption is given to companies as well, or at least to SMEs that may be required to dispose of real property to stay afloat.</p> <p>Notwithstanding the above, individuals should not embark on a disposal spree simply to take advantage of the RPGT exemption without analysing their own history of property ownership as failure to do so may lead to adverse tax consequences. For instance, an individual who has a history of buying and selling properties may not be able to enjoy the RPGT exemption as the gains arising from disposal of properties could be caught under income tax instead of RPGT. This is because such repetitive transactions may tantamount to an adventure in the nature of trade.</p>

Details of Proposed Measures, Effective Date and Commentary

5. Stamp duty exemption for purchase of residential homes

Present	The Home Ownership Campaign (HOC) launched in January 2019 has ended on 31 December 2019.
Proposed	The HOC will be reintroduced wherein stamp duty exemption will be given on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 to RM2.5 million, subject to at least 10% discounts provided by the developer. The stamp duty exemption on the instrument of transfer is limited to the first RM1 million of the home price while full stamp duty exemption is given on the loan agreement.
Effective Date	For sale and purchase agreements signed between 1 June 2020 and 31 May 2021.
Commentary	This proposed measure would help to stimulate the property market and provide financial relief to home buyers. Home buyers can expect to save up to RM24,000 and RM12,500 in stamp duties on the instrument of transfer and loan agreement respectively.

Details of Proposed Measures, Effective Date and Commentary

6. Sales Tax exemption for purchase of passenger cars

Present	A 10% Sales Tax is levied on the selling price of passenger cars.
Proposed	Full Sales Tax exemption will be given on locally assembled cars whilst a 50% Sales Tax exemption will be given on imported cars.
Effective Date	15 June 2020 to 31 December 2020.
Commentary	The Sales Tax exemption is likely to result in a reduction of the selling price of passenger cars by approximately 5% to 10% which may boost the automotive industry that is badly affected by COVID-19.

Details of Proposed Measures, Effective Date and Commentary

7. Extension of Service Tax exemption on accommodation and related services

Present	<p>All taxable services (i.e. accommodation and other related services) provided by a registered person who operates accommodation premises (such as a hotel operator, etc.) would be subject to 6% Service Tax.</p> <p>Effective from 1 March 2020 to 31 August 2020, such a registered person is exempted from charging Service Tax on the accommodation and other related services.</p>
Proposed	Extension of period will be given for the above-mentioned Service Tax exemption on the accommodation and other related services to 30 June 2021.
Effective Date	1 July 2020 to 30 June 2021.
Commentary	Prices charged by the operators of the accommodation premises would be reduced by 6% which would result in cost savings to tourists.

Details of Proposed Measures, Effective Date and Commentary

8. Tourism Tax exemption

Present	Effective from 1 September 2017, the operator who registered under Tourism Tax Act 2017 (i.e. registered operator) is required to charge Tourism Tax to the foreign tourist. The Tourism Tax is fixed at RM10 per room per night.
Proposed	The registered operator is exempted from charging the Tourism Tax to foreign tourists.
Effective Date	1 July 2020 to 30 June 2021.
Commentary	Price per room per night charged by the registered operators to the foreign tourist would be reduced by RM10. It is hoped that the exemption would encourage foreign tourist to visit Malaysia once the COVID-19 pandemic is under control.



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