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Crowe Chat (Special Budget Edition)

Highlights of Budget 2021 – Part 1

6 November 2020



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Foreword by the Managing Partner

2020 has been a turbulent year to say the least, with the Covid-19 pandemic wreaking havoc on global markets, causing declining growth rates across the board even in the most resilient of economies. Amidst this backdrop, the concept of business resiliency has never been more important.

In Budget 2021, the Malaysian Government has set the country on the pathway to revitalisation. Following the first round of economic stimulus in the form of the PRIHATIN Economic Stimulus Package and three subsequent stimulus packages, all of which total RM305 billion, the government of the day has met the on-going crisis head on by tabling an expansionary budget. With its theme of *Resilient as One, Together we Triumph*, this budget provides for the largest expenditure in Malaysia's history, amounting to RM322.5 billion, including a specific allocation of RM17 billion to the Covid-19 fund to combat the crisis.

The message is clear, to provide stimulus for economic sectors that require it and support to all levels of society. Development expenditure stands at RM69 billion, an increase from RM56 billion in the prior year, indicating that the government's focus would be to act as a catalyst for growth. An allocation of RM15 billion to infrastructure projects such as MRT 3 as well as RM7.4 billion to build and upgrade broadband services, showcase the government's commitment to supporting growth through increased connectivity in both physical and digital spaces.

From a tax perspective, the Malaysian Government has moved to capitalise on the on-going effort by companies to relocate global supply chains amidst the global crisis. Several incentives have been introduced to position Malaysia as a strategic investment destination including relaxation of existing incentives and introduction of new ones. The ordinary citizen is also set to benefit from a host of reliefs and a reduction in personal income tax for the M40 Group.

While these short-term measures are necessary, Malaysia's fiscal deficit is set to widen from 3.2% to 6% of GDP as a result. Therefore, we can expect that proactive measures will be taken to increase revenue to offset the large amount of expenditure. With a forecasted growth of tax revenue from RM153 billion (2020) to RM174 billion (2021), taxpayers should take note that an ambitious tax revenue target could come at the cost of greater tax compliance efforts.

Our overall opinion is that the Malaysian Budget 2021 is practical and supportive of the revitalisation of the economy amidst the unprecedented crisis. We hope the insights provided herein act as a guiding light for you and your business as you navigate through these uncertain times.

With warm regards,
Poon Yew Hoe
6 November 2020

02: Highlights at a Glance – Businesses



Application period for tax incentives for companies relocating their business operations to Malaysia and undertaking new investments is extended to 31 December 2022 whilst the tax incentives of 0% to 10% tax rate for a period of ten (10) years are expanded to include selected services sectors.



Special income tax rate will be given to companies manufacturing pharmaceutical products including vaccines.



Reintroduction of tax incentives for the commercialisation of non-resource based R&D findings and the inclusion of private higher learning institutions as public research institutions.

New tax incentive known as Global Trading Centre that comes with a preferential tax rate of 15% for a period of five (5) years will be introduced.

Application period for income tax exemption on the Sustainable and Responsible Investments sukuk grant is extended to 31 December 2025.

The period for claiming the Principal Hub incentive is extended to 31 December 2022.

The period for claiming the tax incentive for export of private healthcare services is extended to 31 December 2022.



02: Highlights at a Glance – Businesses



The period for claiming tax incentive for manufacturers of Industrialised Building System (IBS) components is extended to 31 December 2025.



The period for claiming tax deduction for companies employing senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants is extended to the Year of Assessment (YA) 2025.



The application period for tax incentives for aerospace industry, building and repair of ships and Bionexus companies is extended to 31 December 2022.

The application period for tax incentives for businesses operating in Iskandar Malaysia, East Coast Economic Region and Sabah Development Corridor is extended until 31 December 2022.



The period of Sales Tax exemption for the purchase of buses by the bus operators is extended to 31 December 2022.



The period for Stamp Duty exemption on the purchase of first residential home is extended to 31 December 2025 and the exemption is expanded to include residential home priced up to RM500,000.



The period of Stamp Duty exemption for Perlindungan Tenang products is extended to 31 December 2025.



02: Highlights at a Glance – Businesses



The period of Stamp Duty exemption for Exchange Traded Fund (ETF) is extended to 31 December 2025.



Increase on the sales value limit of approved activities carried out in Free Industrial Zone and Licensed Manufacturing Warehouse from 10% to 40% of the total sales value.



The period for Import Duty and Excise Duty exemptions on the purchase of vehicle by a person registered under Returning Expert Programme is extended to 31 December 2023 but the value of duty exemption is reduced to RM100,000.

The rate of Excise Duty for all types of cigarettes and tobacco products will be standardised from 1 January 2021.



Tourism Tax will be imposed on accommodation reserved through the online platform providers from 1 July 2021.



02: Highlights at a Glance – Individuals



Reduction of income tax rate by 1% for resident individuals under the chargeable income band of RM50,001 to RM70,000.



Income tax relief for medical expenses for parents will be increased from RM5,000 to RM8,000.



An additional tax relief for a disabled spouse will be increased from RM3,500 to RM5,000.

Tax relief on medical expenses for serious diseases for taxpayer, spouse and child and fertility treatment will be increased to RM8,000 and the relief includes complete medical examination expenses of up to RM1,000 and vaccination expenses of up to RM1,000.

The period for claiming personal tax relief for contribution to Private Retirement Scheme (PRS) is extended to YA 2025.



02: Highlights at a Glance – Individuals



Lifestyle tax relief will be increased to RM3,000 where up to RM500 is specifically provided for expenses incurred on sports equipment and sports activities. Subscription to electronic newspapers will now qualify under this relief.



Tax relief for savings made under the National Education Savings Scheme (SSPN) of up to RM8,000 will be extended for another two (2) years i.e. until YA 2022.

Scope of tax relief on further education fees of RM7,000 a year will be expanded to include fees for attending up-skilling and self enhancement courses but this is restricted to RM1,000 for each YA.



Income tax exemption limit for compensation for loss of employment with the same employer or companies within the same group will be increased from RM10,000 to RM20,000 for each full year of service for YA 2020 and YA 2021.



02: Highlights at a Glance – Individuals



Permodalan Nasional Berhad (PNB) through Amanah Saham Nasional Berhad or ASNB will introduce wakaf services to all ASNB unit trust holders. Under this service, unit holders can endow some of their units into ASNB wakaf fund and be eligible for an income tax deduction.



Application period for tax incentive for Returning Expert Programme (REP) is extended to 31 December 2023 and the 15% flat tax rate will not be restricted to employment income only.

Review of income tax exemption for individuals investing in equity crowd funding from 1 January 2021 until 31 December 2023.



Review of tax rate of 15% for foreign individuals holding key positions in companies making strategic new investments by relocating their operations to Malaysia.



02: Highlights at a Glance – Grants



Matching grants of up to RM20 million is allocated to encourage the private sector employers to provide childcare centres for their employees.



Grants to Rukun Tetangga Areas are increased from RM4,800 to RM6,000 each.

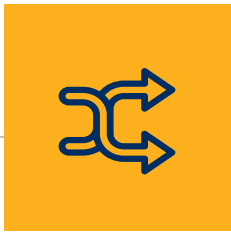


Employers can claim a grant of up to RM4,000 for training programs for the new graduates who participate in the apprenticeship program.



Matching grants of up to RM30,000 are allocated to the Pertubuhan Peladang Kawasan for purchasing agriculture equipment based on the Internet of Things (i.e. drones).

02: Highlights at a Glance – Grants



Matching grants of up to RM20,000 are allocated for micro entrepreneurs to purchase equipment to develop high-value aquaculture livestock such as lobster and grouper.



Matching grants of RM30 million are introduced to encourage the oil palm industry's investment in mechanisation and automation.



Grant Khas Prihatin of RM1,000 will be given to 20,000 traders and hawkers in Sabah as well as to taxi drivers, e-hailing, rental cars and tour drivers in Sabah.



Additional funds amounting to RM150 million are provided under the SME Digitalization Grant Scheme and the Automation Grant.

02: Highlights at a Glance – Grants



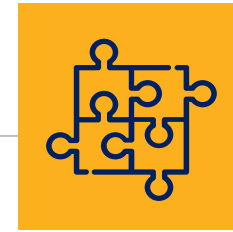
RM30 million is allocated to a matching grant that will be invested into Equity Crowd Funding platforms under the supervision of the Securities Commission.



Through the concept of matching grants, the Government together with Yayasan Hasanah has funded initiatives such as income generation especially for those affected during COVID-19.



A grant of RM100 million is allocated to NGOs involved in job creation, addressing social issues and environmental protection with a matching grant from GLC-owned foundations.

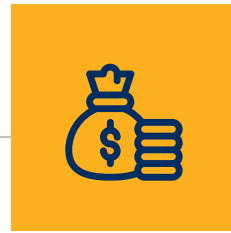


A one-off grant of RM500 is allocated to police retirees who received the National Hero Service Medal.

02: Highlights at a Glance – Other Key Initiatives



Bantuan Prihatin Rakyat of between RM350 and RM1,800 will be provided to eligible households and singles.



Jaringan PRIHATIN Programme in the form of telecommunication credit worth RM180 will be given to eligible B40 group.



Targeted Loan Repayment Assistance is enhanced to include B40 borrowers and micro enterprises whilst the application process is simplified for M40 borrowers.



Minimum employees' EPF statutory contribution rate will be reduced from 11% to 9% for a period of twelve (12) months commencing from January 2021.

02: Highlights at a Glance – Other Key Initiatives



Individuals who have lost their jobs will be given an option to withdraw their EPF savings from Account 1 of up to RM500 per month for a period of twelve (12) months starting from January 2021.



Job Search Allowance covered under the SOCSO's Employment Insurance System will be extended for an additional period of three (3) months in year 2021



The Wage Subsidy Program at a rate of RM600 per month for workers earning RM4,000 and below will be extended for an additional period of three (3) months and is catered specifically for the tourism and retail sectors.



EPF members will be allowed to withdraw from EPF Account 2 to purchase insurance and takaful products relating to life and critical illnesses coverage for the members and their family approved by the EPF.

02: Highlights at a Glance – Other Key Initiatives



Businesses in the tourism sector and companies affected by the Covid-19 crisis will be given an exemption from payment of HRDF levies for a period of six (6) months effective from 1 January 2021.



License and conditions for importation and shipment of cigarettes will be tightened. All duty free cigarettes will be treated as taxable goods from 1 January 2021.



The government has received a commitment from the four major gloves manufacturers to contribute RM400 million collectively in the fight against COVID-19 pandemic.

Details of Proposed Measures, Effective Date and Commentary

**Tax
measures
relating to
Businesses**

Details of Proposed Measures, Effective Date and Commentary

1. Review of tax incentives for companies that relocate their operations to Malaysia and undertake new investments

Present

New and existing companies that relocate their business or manufacturing activities into Malaysia are eligible for the following tax incentives:

Investments in fixed asset	New company		Existing company	
	Tax incentive	Period	Tax incentive	Period
RM300 mil to RM500 mil	0% tax rate	10 years	100% of Investment Tax Allowance (ITA)	5 years
More than RM500 mil		15 years		

The incentives are made available for eligible companies in the manufacturing sector except for selected industries and subject to the following conditions:

- i. the company incurring its first capital expenditure within one (1) year from the date of the approval of the incentive; and
- ii. the company meeting the investment in fixed asset within three (3) years from the first date of the capital expenditure incurred.

For applications received by Malaysian Investment Development Authority (MIDA) from 1 July 2020 until 31 December 2021.

Details of Proposed Measures, Effective Date and Commentary

1. Review of tax incentives for companies that relocate their operations to Malaysia and undertake new investments (cont'd)

Proposed	<p>Tax incentives for companies relocating their operations to Malaysia and making new investments will be reviewed as follows:</p> <ul style="list-style-type: none"> i. application period for the tax incentives will be extended for another one (1) year; and ii. the scope of tax incentives will be expanded to companies in selected services sectors including companies adapting Industrial Revolution 4.0 and digitalisation technology with investment that contribute to significant multiplier effect in the following services: <ul style="list-style-type: none"> a. provision of technology solutions, or more typically technology companies which develop technology and provide technology solutions based on substantial scientific or engineering challenges; b. provision of infrastructure and technology for cloud computing; c. research and development/design and development activities; d. medical devices testing laboratory and clinical trials; and e. any services or manufacturing related services as determined by the Minister of Finance. <p>The tax incentives granted are as follows:</p> <ul style="list-style-type: none"> i. New company – Income tax rate of 0% to 10% for a period of ten (10) years. ii. Existing company with new services segment – Income tax rate of 10% for a period up to ten (10) years.
Effective Date	<ul style="list-style-type: none"> i. Company in manufacturing sector – For applications received by MIDA until 31 December 2022. ii. Company in selected services sector – For applications received by MIDA from 7 November 2020 to 31 December 2022.
Commentary	<p>This proposed measure would encourage companies in selected services sectors to relocate their businesses to Malaysia and bring in new investments into Malaysia. This would also increase the number of employment opportunities for Malaysians.</p> <p>It should be noted that the concessionary income tax rate for selected services sector will only apply to the services approved by MIDA and proper planning should be made if an existing company is considering to establish new services segments within that company.</p>

Details of Proposed Measures, Effective Date and Commentary

2. Tax incentives for companies manufacturing pharmaceutical products including vaccines

Present

Tax incentives available are as follows:

- i. Tax incentive under Promotion of Investments Act, 1986 (PIA) for manufacturers of pharmaceutical products in the category of high-technology products.
 - a. Pioneer status – Income tax exemption of 100% from the statutory income for a period of five (5) years.
 - b. Investment Tax Allowance (ITA) – ITA of 60% on qualifying capital expenditure incurred within a period of five (5) years which can be set off against 100% of the statutory income for each YA.
- ii. Tax incentive for BioNexus status companies approved by Malaysian Bioeconomy Development Corporation Sdn Bhd.
 - a. New companies
 - Income tax exemption of 70% on the statutory income for a period of ten (10) consecutive years from the first statutory income; or
 - Income tax exemption equivalent to 100% ITA on qualifying capital expenditure incurred within a period of five (5) years which can be set off against 70% of the statutory income for each YA.
 - b. Existing companies undertaking expansion projects;
 - Income tax exemption of 70% on the statutory income for a period of five (5) consecutive years from the first statutory income; or
 - Income tax exemption equivalent to 100% ITA on qualifying capital expenditure incurred within a period of five (5) years which can be set off against 70% of the statutory income for each YA.
 - c. Concessionary income tax rate of 20% on the statutory income received from qualifying activities for a period of ten (10) years upon the expiry of tax exemption period in (a) and (b);
 - d. Import duty exemption for equipment and raw materials;
 - e. Double tax deduction on expenditure incurred on research and development activities; and
 - f. Industrial building allowance on the building constructed or purchased for research operations.
- iii. Tax incentives for Investor
 - Tax deduction equivalent to the amount of investment made in the BioNexus status company.

These tax incentives are effective for applications received by Malaysian Bioeconomy Development Corporation Sdn Bhd from 1 January 2019 to 31 December 2020.

Details of Proposed Measures, Effective Date and Commentary

2. Tax incentives for companies manufacturing pharmaceutical products including vaccines (cont'd)

Proposed	<p>It is proposed that the following tax incentives be given:</p> <ul style="list-style-type: none">i. Income tax rate of 0% up to 10% for the first ten (10) years; andii. Income tax rate of 10% for the subsequent period of ten (10) years. <p>Apart from the above tax incentives, strategic investments by such companies may be considered for other facilities including grants, import duty/ sales tax exemption for machineries and equipment as well as raw materials.</p>
Effective Date	For applications received by MIDA from 7 November 2020 to 31 December 2022.
Commentary	<p>This proposed measure will encourage manufacturers of pharmaceutical products to relocate their manufacturing facilities to Malaysia. This will benefit us in obtaining the vaccines especially COVID-19 vaccine in the shortest time and at a lower cost.</p> <p>Apart from the other facilities mentioned under the proposal, companies may also consider to apply for exemption from complying with the withholding tax provisions for payments of interest, royalties, and service fees to non-residents as such withholding taxes are more often than not required to be absorbed by the resident payer which will in turn increase the cost of doing business in Malaysia.</p>

Details of Proposed Measures, Effective Date and Commentary

3. Review and expansion of scope of tax incentives for commercialisation of research and development (R&D) findings

Present	<p>Tax incentives available for commercialisation of R&D findings of public research institutions including public higher learning institutions in Malaysia are as follows:</p> <ul style="list-style-type: none"> i. Resource-based or Non-resource Based <ul style="list-style-type: none"> a. For investor company – tax deduction equivalent to the amount of investments made in the subsidiary company that undertakes commercialisation of R&D findings of public research institutions. b. For subsidiary companies that commercialise R&D findings of public research institutions – income tax exemption of 100% of statutory income for ten (10) years. <p>For Resource-based R&D findings, the incentive is available for applications received by the MIDA from 11 September 2004. For Non-resource based R&D findings, the incentive is available for applications received by the MIDA from 29 September 2012 to 31 December 2017 and it is subject to the list of activities or products under the PIA.</p>
Proposed	<p>It is proposed that the tax incentives for the commercialisation of non-resource based R&D findings be reintroduced and the tax incentives for commercialisation of R&D findings by public research institutions be expanded to include private higher learning institutions.</p> <p>Resource based or non-resource based activities or products are subject to the list under the PIA.</p>
Effective Date	<p>For applications received by the MIDA from 7 November 2020 until 31 December 2025.</p>
Commentary	<p>This proposed measure will create a competitive R&D ecosystem in Malaysia and encourage new R&D activities by public research institutions including the public and private higher education institutions.</p>

Details of Proposed Measures, Effective Date and Commentary

4. Tax incentives for Global Trading Centre	
Present	Principal Hubs which carry out services and trading activities are eligible for special tax rate of 0% or 5% on statutory income on the qualifying activities for a period of up to ten (10) years. This incentive will expire on 31 December 2020.
Proposed	It is proposed that a new incentive scheme known as Global Trading Centre be introduced whereby the applicant will be given concessionary income tax rate of 10% for a period of five (5) years and is renewable for another five (5) years.
Effective Date	For applications made to MIDA from 1 January 2021 until 31 December 2022.
Commentary	<p>The proposed measure would incentivise foreign multinational companies (MNC) to shift their Principal Hub or global trading activities into Malaysia, which is in line with the government's initiative to make Malaysia the preferred destination for high value service activities. Furthermore, this would increase foreign direct investments and the number of employment opportunities in Malaysia.</p> <p>Further details on this new incentive scheme have not been made available. However, as the name suggests, it is likely that only companies that carry out pure trading activities i.e. buy and sell activities will qualify for this incentive scheme. Companies who manufacture products and sell the products are likely to be ineligible for this new incentive scheme.</p>

Details of Proposed Measures, Effective Date and Commentary

5. Review of income tax exemption on the Green Sustainable and Responsible Investments sukuk grant	
Present	Securities Commission of Malaysia through the statutory fund of the Capital Market Development Fund has provided Green Sustainable and Responsible Investments (SRI) sukuk grant amounting up to RM6 million. Each Green SRI sukuk issuer needs to apply to Securities Commission of Malaysia for this grant to finance the external review expenses, limited to RM300,000. Grants received by Green SRI sukuk issuers are exempted from income tax for applications received by the Securities Commission of Malaysia from 1 January 2018 to 31 December 2020.
Proposed	It is proposed that: <ol style="list-style-type: none"> i. The existing income tax exemption on grant for Green SRI sukuk be expanded to include all SRI sukuk and bonds which meet the ASEAN Green, Social and Sustainability Bond Standards approved by the Securities Commission of Malaysia; and ii. the income tax exemption on the above grant be given for a period of five (5) years.
Effective Date	For applications received by the Securities Commission of Malaysia from 1 January 2021 to 31 December 2025.
Commentary	<p>To ensure the sustainability of resources which is in line with the economic resilience goal, the Government is set to preserve the environment while developing the country's economy. Hence, the Government is encouraging the issuance of SRI sukuk which meets the ASEAN Green, Social and Sustainability Bond Standards.</p> <p>The ASEAN Green, Social and Sustainability Bond Standards refer to the issuance of ASEAN Sustainability Bonds. ASEAN Sustainability Bonds are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects that respectively offer environmental and social benefits.</p>

Details of Proposed Measures, Effective Date and Commentary

6. Extension of incentive period and relaxation of conditions for Principal Hub Incentive

Present	Presently, the Principal Hub incentive is subject to the following conditions.					
	New Company - Tier 1 Tax rate: 0%		New Company - Tier 2 Tax rate: 5%		Existing Company Tax rate: 10%	
	Blocks	Block 1: First 5 years	Block 2: Additional 5 years	Block 1: First 5 years	Block 2: Additional 5 years	Not applicable
	High value jobs with monthly salary of at least RM5,000	50	PH Base Commitment + 20%	30	PH Base Commitment + 20%	30
	Number of persons holding key positions (monthly salary of at least RM25,000)	5	PH Base Commitment + 20%	4	PH Base Commitment (Block 1) + 20%	5
Annual Operating Expenditure (OPEX)	RM10 million	PH Base Commitment + 30%	RM5 million	PH Base Commitment + 30%	RM10 million	
Proposed	The Principal Hub incentive period will be extended for two (2) years, from 1 January 2021 to 31 December 2022. Moreover, the conditions for additional five (5) years (i.e. Block 2) under the Principal Hub Incentive, will be relaxed. The conditions that will be reviewed include the number of high value jobs, number of persons holding key positions and annual OPEX.					
Effective Date	1 January 2021 to 31 December 2022.					
Commentary	The proposed measure could potentially attract more MNCs to establish a principal hub in Malaysia to undertake regional or global businesses. Additionally, the proposed measure is timely to revive economic condition and reduce the unemployment rates in Malaysia. Further clarification on the revised conditions are required from MIDA.					

Details of Proposed Measures, Effective Date and Commentary

7. Extension of incentive period for export of private healthcare services

Present	<p>The private healthcare providers are eligible for income tax exemption equivalent to 100% of the value of increased export of health services provided to foreign clients. The income tax exemption can be deducted against 70% of the statutory income. The existing incentive is applicable up to YA 2020 and is subject to the following conditions:</p> <ul style="list-style-type: none">a) at least 10% of the total number of patients receiving private healthcare services for each YA are comprised of qualified healthcare travellers; andb) at least 10% of company's gross income for each year of assessment is derived from qualified healthcare travellers.
Proposed	<p>The incentive period will be extended for two (2) YAs.</p>
Effective Date	<p>YAs 2021 and 2022.</p>
Commentary	<p>The proposed measure could potentially promote the export of private healthcare services and entice high value healthcare travellers to Malaysia. Additionally, the private healthcare providers could channel the additional funds from tax savings in providing good quality services to foreign patients / clients and stay competitive among other foreign healthcare providers in the international market.</p>

Details of Proposed Measures, Effective Date and Commentary

8. Review of the tax incentive for manufacturers of Industrialised Building System (IBS) components

Present	The manufacturers of IBS components are eligible to apply for the following tax incentives:			
	Type of Manufacturers	Income Tax Exemption (ITE)		ITA
	Category 1: Manufacturers which produce at least 3 basic components of IBS or IBS System.	ITE of 70% on statutory income of the manufacturer for a period of five (5) years.	OR	ITA of 60% on qualifying capital expenditure incurred within five (5) years and ITA can be set off against 70% of statutory income.
Category 2: Manufacturers which produce at least 4 basic components of IBS or IBS System.	ITE of 100% on statutory income of the manufacturer for a period of five (5) years.	OR	ITA of 60% on qualifying capital expenditure incurred within five (5) years and ITA can be set off against 100% of statutory income.	
	The existing incentive is only applicable to applications made to MIDA from 10 September 2015 to 31 December 2020.			
Proposed	The incentive period will be extended for a period of five (5) years. The existing incentive offered to category 1 and category 2 manufacturers will be streamlined. The manufacturers which produce at least 3 basic components of IBS or IBS system will be eligible to claim ITA of 60% on qualifying capital expenditure incurred within five (5) years and ITA can be set off against 70% of statutory income.			
Effective Date	For applications submitted to MIDA from 1 January 2021 to 31 December 2025.			
Commentary	The construction industry is one of the industries being adversely affected by the COVID-19 pandemic. The extension of the tax incentive period is a welcome move as it encourages more contractors into migrating from conventional construction methods to systematic construction techniques through the adoption of IBS. In the long term, the Government's initiative may ultimately grow the construction industry as the IBS offers various benefits including reduced costs, waste reductions and better work quality for the construction projects undertaken.			

Details of Proposed Measures, Effective Date and Commentary

9. Extension of existing tax incentives									
Present	<p>The following tax incentives are available for applications made to MIDA up to 31 December 2020:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #FFC000;">Industry</th> <th style="background-color: #FFC000;">Tax incentive</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Maintenance, repair and overhaul activities for aerospace industry</td> <td>Income tax exemption of 100% of statutory income for up to ten (10) years.</td> </tr> <tr> <td style="text-align: center;">Building and repair of ships</td> <td> <p><u>New companies</u></p> <ul style="list-style-type: none"> Income tax exemption of 70% of statutory income for a period of five (5) years; or ITA of 60% on Qualifying Capital Expenditure (QCE) set-off against 100% of statutory income incurred within a five (5) year period. <p><u>Existing companies</u></p> <ul style="list-style-type: none"> ITA of 60% on QCE set-off against 100% of statutory income incurred within a five (5) year period. </td> </tr> <tr> <td style="text-align: center;">Bionexus status companies</td> <td> <ul style="list-style-type: none"> Income tax exemption of 100% of statutory income for up to ten (10) years; or ITA of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period. </td> </tr> </tbody> </table>	Industry	Tax incentive	Maintenance, repair and overhaul activities for aerospace industry	Income tax exemption of 100% of statutory income for up to ten (10) years.	Building and repair of ships	<p><u>New companies</u></p> <ul style="list-style-type: none"> Income tax exemption of 70% of statutory income for a period of five (5) years; or ITA of 60% on Qualifying Capital Expenditure (QCE) set-off against 100% of statutory income incurred within a five (5) year period. <p><u>Existing companies</u></p> <ul style="list-style-type: none"> ITA of 60% on QCE set-off against 100% of statutory income incurred within a five (5) year period. 	Bionexus status companies	<ul style="list-style-type: none"> Income tax exemption of 100% of statutory income for up to ten (10) years; or ITA of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period.
Industry	Tax incentive								
Maintenance, repair and overhaul activities for aerospace industry	Income tax exemption of 100% of statutory income for up to ten (10) years.								
Building and repair of ships	<p><u>New companies</u></p> <ul style="list-style-type: none"> Income tax exemption of 70% of statutory income for a period of five (5) years; or ITA of 60% on Qualifying Capital Expenditure (QCE) set-off against 100% of statutory income incurred within a five (5) year period. <p><u>Existing companies</u></p> <ul style="list-style-type: none"> ITA of 60% on QCE set-off against 100% of statutory income incurred within a five (5) year period. 								
Bionexus status companies	<ul style="list-style-type: none"> Income tax exemption of 100% of statutory income for up to ten (10) years; or ITA of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period. 								
Proposed	The above tax incentives will be extended for applications made to MIDA until 31 December 2022.								
Effective Date	For applications made to MIDA from 1 January 2021 until 31 December 2022.								
Commentary	The above incentives are extended to allow the government to conduct a comprehensive study to restructure the Malaysian tax incentives framework. This is to provide a competitive, transparent and more attractive tax incentives framework while encouraging companies to engage in industries that are deemed vital to Malaysia.								

Details of Proposed Measures, Effective Date and Commentary

10. Extension of existing tax incentives for economic corridors development

Present

The following tax incentives are available for applications made to the relevant authorities up to 31 December 2020:

Economic corridor	Tax incentive
Iskandar Malaysia	<ul style="list-style-type: none"> • Approved developer – Income tax exemption on income derived from rental or disposal of a building located in an approved area until YA 2020. • Approved development manager – Income tax exemption on income derived from the provision of management, supervisory or marketing services to approved developers until YA 2020. • IDR status company – Income tax exemption on income derived from qualifying activities within the approved area and outside Malaysia for a period of ten (10) years. • Non-resident – Withholding tax exemption on royalty or technical fee received from an IDR status company for a period of ten (10) years.
East Coast Economic Region	<p><u>Qualifying person undertaking qualifying activity</u></p> <ul style="list-style-type: none"> • Income tax exemption of 100% of statutory income for a period of ten (10) years; • Income tax exemption equals to 100% of QCE incurred for a period of five (5) years; and / or • Stamp duty exemption on instruments of transfer of real property or lease of land or building used for the purpose of carrying on a qualifying activity. For instruments executed up to 31 December 2020. <p><u>Qualifying person undertaking special qualifying activity</u></p> <ul style="list-style-type: none"> • Income tax exemption of 70% to 100% for a period determined by MoF; or • Income tax exemption equals to 60% to 100% of QCE incurred for a period determined by MoF.

Details of Proposed Measures, Effective Date and Commentary

10. Extension of tax incentives for economic corridors development (cont'd)

Present	Economic corridor	Tax incentive
	East Coast Economic Region (Cont'd)	<p><u>Non-resident</u></p> <ul style="list-style-type: none"> Withholding tax exemption on fees for technical advise, assistance or services, or royalty received from a qualifying person for the purpose of a qualifying activity or special qualifying activity for payments made up to 31 December 2020. <p><u>Approved developer undertaking development in industrial park of free zone</u></p> <ul style="list-style-type: none"> Income tax exemption on income derived from disposal of property or rental of property for a period of ten (10) years. <p><u>Approved park manager</u></p> <ul style="list-style-type: none"> Income tax exemption of 100% of statutory income derived from the provision of park management services in the industrial park or free zone. <p><u>Approved development manager</u></p> <ul style="list-style-type: none"> Income tax exemption of 100% of statutory income derived from the provision of management, supervisory or marketing services relating to the development of an industrial park or free zone. <p><u>Company investing in a related company</u></p> <ul style="list-style-type: none"> Tax deduction equivalent to the value of investment made into a related company carrying out qualifying activity or special qualifying activity.

Details of Proposed Measures, Effective Date and Commentary

10. Extension of tax incentives for economic corridors development (cont'd)

Present	Economic corridor	Tax incentive
	Sabah Development Corridor	<p><u>Tourism project at Kinabalu Gold Coast Enclave</u></p> <ul style="list-style-type: none"> • Income tax exemption of 100% of statutory income for a period of ten (10) years; • Investment Tax Allowance of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period; • Import duty and sales tax exemption; and / or • Stamp duty exemption on land acquired for development. <p><u>Creative cluster at Kinabalu Gold Coast Enclave</u></p> <ul style="list-style-type: none"> • Income tax exemption of 100% of statutory income for a period of five (5) years; • Investment Tax Allowance of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period; and / or • Import duty and sales tax exemption. <p><u>Manufacturing downstream activities at Integrated-Livestock Valley and Palm Oil Industrial Cluster</u></p> <ul style="list-style-type: none"> • Income tax exemption of 100% of statutory income for a period of ten (10) years; or • Investment Tax Allowance of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period; <p><u>Manufacturing downstream activities at Sipitang Oil & Gas Industrial Park</u></p> <ul style="list-style-type: none"> • Income tax exemption of 100% of statutory income for a period of ten (10) years; or • Investment Tax Allowance of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period;

Details of Proposed Measures, Effective Date and Commentary

10. Extension of tax incentives for economic corridors development (cont'd)

Present	Economic corridor	Tax incentive
	Sabah Development Corridor (Cont'd)	<p><u>Ship building and repairs downstream activities at Sandakan Education Hub and Marine Integrated Cluster</u></p> <ul style="list-style-type: none"> • Income tax exemption of 100% of statutory income for a period of five (5) or ten (10) years; • Investment Tax Allowance of 100% on QCE set-off against 100% of statutory income incurred within a five (5) year period; and / or • Import duty and sales tax exemption on equipment and machineries. <p><u>Production of halal products at Sabah Agro-Industrial Precinct</u></p> <ul style="list-style-type: none"> • Investment Tax Allowance of 100% on QCE set-off against 100% of statutory income incurred within a ten (10) year period; and • Import duty and sales tax exemption.
Proposed	The above tax incentives will be extended for applications made to the relevant authorities until 31 December 2022.	
Effective Date	For applications made to the relevant authorities from 1 January 2021 until 31 December 2022.	
Commentary	The proposed measure would allow the government to conduct a comprehensive study to restructure the existing tax incentives to provide a competitive, transparent and more attractive tax incentives framework to attract more local and foreign investments and business activities in the respective economic corridors.	

Details of Proposed Measures, Effective Date and Commentary

11. Extension of effective period for tax deduction provided to companies for the employment of senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants

Present	<p>Companies are eligible to claim a further tax deduction on remuneration incurred for the employment of senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants from YAs 2019 to 2020. The further tax deduction is subject to the following conditions:</p> <ul style="list-style-type: none"> a) the employee is employed on a full-time basis; b) the monthly remuneration does not exceed RM4,000; c) the employer and the employee are not the same person; d) the employer is not a relative of the employee.
Proposed	The effective period for the further tax deduction on remuneration will be extended for a period of five (5) years.
Effective Date	YAs 2021 to 2025.
Commentary	It is challenging for most people to secure jobs due to the current economic situation, especially for the senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants. The Government takes the initiative to assist this group of people in increasing their chances of securing a job during this current economic situation.

Details of Proposed Measures, Effective Date and Commentary

12. Review of stamp duty exemption for the purchase of first residential home

Present	Category	Instrument exempted	Exemption given on stamp duty	Stamp duty exemption period
	Purchase of a first residential home priced up to RM300,000	Instrument of transfer and the loan agreement	100%	Sales and purchase agreement executed from 1 January 2019 to 31 December 2020
	Purchase of a first residential home priced between RM300,001 to RM500,000	Instrument of transfer and the loan agreement	100% on the first RM300,000 and excess is subject to the prevailing rate of stamp duty.	Sales and purchase agreement executed from 1 July 2019 to 31 December 2020
Proposed	It is proposed that the 100% stamp duty exemption limit on the instrument of transfer and the loan agreement for the purchase of the first residential house be increased from RM300,000 to RM500,000 and the 100% stamp duty exemption period is extended for a period of five (5) years.			
Effective Date	For sales and purchase agreements executed from 1 January 2021 to 31 December 2025.			
Commentary	<p>The purchase of a residential home is considered as one of the big ticket spending for most Malaysians in their lifetime as it requires long term financial commitment. Hence, many Malaysians are still reluctant or not ready to step into such a commitment.</p> <p>With this stamp duty exemption incentive, securing a residential home that is priced below RM500,000 will be more affordable as the initial capital outlay is reduced. In addition, potential first time residential home buyers are being exposed to a wider range of residential homes to choose from which are priced below RM500,000 instead of RM300,000 previously. Coupled with low overnight policy interest rate, it will be easier for first time residential home buyers to secure their dream home with a lower monthly financial commitment.</p>			

Details of Proposed Measures, Effective Date and Commentary

13. Extension of stamp duty exemption period for the rehabilitation of abandoned housing projects

Present	<p>a) <u>Rescuing contractor or a developer</u> Stamp duty exemption on instruments executed by a rescuing contractor or a developer, that is a contractor or a developer who is certified by the Minister of Housing and Local Government to provide rehabilitation works for an abandoned project. The instruments are:</p> <ul style="list-style-type: none"> • Loan agreement approved by the approved financier for the purpose of reviving abandoned housing project; and • Instruments of transfer for the purpose of transfer of land or abandoned housing project. <p>This applies to instruments executed by the rescuing contractor or developer on or after 1 January 2013 but not later than 31 December 2020.</p> <p>b) <u>Original home purchaser for the abandoned housing project</u> Stamp duty exemption on the following:</p> <ul style="list-style-type: none"> - Loan agreement for additional financing purposes; and - Instrument of transfer. <p>The exemption applies to instruments executed by an original purchaser on or after 1 January 2013 but not later than 31 December 2020.</p>
Proposed	It is proposed that the existing stamp duty exemption be extended for a period of five (5) years.
Effective Date	For loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing project certified by the Ministry of Housing and Local Government.
Commentary	With the current global pandemic, many businesses including property developers are facing difficult times. Property developers with low operating cash flow may not be able to sustain their business operations and could potentially abandon an on-going project. The extension of the stamp duty exemption period is a welcome move as this could ensure that the white knight developer and purchasers are able to minimise the cost involved in reviving an abandoned project.

Details of Proposed Measures, Effective Date and Commentary

14. Extension of stamp duty exemption period for Perlindungan Tenang products

Present	Stamp Duty (Exemption)(No. 5) Order 2018 provides for stamp duty exemption on the purchase of insurance policies and takaful certificates for Perlindungan Tenang products covering life, fire and flood insurance with an annual premium or contribution value not exceeding RM100. This exemption is granted for policies and certificates issued from 1 January 2019 to 31 December 2020.
Proposed	It is proposed that the stamp duty exemption period on the purchase of Perlindungan Tenang products be extended for another five (5) years.
Effective Date	For insurance policies and takaful certificates issued from 1 January 2021 to 31 December 2025.
Commentary	The objective of Perlindungan Tenang products is to provide a basic insurance protection to the family members of low-income groups in case of any unforeseen circumstances. Family members who are affected by unfortunate events will receive a sum of money in order to assist in their daily expenses. With the stamp duty exemption, such insurance policies will be more affordable to lower income group and it serves as a safety net to the family members of low-income group especially with the current Covid-19 outbreak.

Details of Proposed Measures, Effective Date and Commentary

15. Extension of stamp duty exemption period for Exchange Traded Fund (ETF)

Present	Stamp duty exemption is given on contract notes for trading of ETF from 1 January 2018 to 31 December 2020.
Proposed	It is proposed that the stamp duty exemption on contract notes for trading of ETF be extended for another five (5) years.
Effective Date	For the trading of ETF executed from 1 January 2021 to 31 December 2025.
Commentary	Without the stamp duty exemption, investments in ETF is subject to stamp duty of 0.1%. Clearly, such a proposal is to encourage investors to continue investing in ETFs in order to invigorate Malaysia's capital market.

Details of Proposed Measures, Effective Date and Commentary

16. Extension of Sales Tax exemption for the purchase of locally assembled buses by bus operators

Present	<p>Minister of Finance (MOF) had granted the Sales Tax exemption to the bus operators for the purchase of locally assembled buses including air conditioners.</p> <p>This Sales Tax exemption was effective from 1 September 2018 to 31 December 2020.</p>
Proposed	<p>The Sales Tax exemption on the purchase of locally assembled buses by the bus operators will be extended to 31 December 2022.</p>
Effective Date	<p>1 January 2021 to 31 December 2022.</p>
Commentary	<p>This proposed measure is aimed at reducing the cost of the bus operators and it is hoped that the bus operators will improve the quality of the bus services (e.g. provide comfortable and safe services to the public, etc.).</p>

Details of Proposed Measures, Effective Date and Commentary

17. Increase the sales value limit of approved activities in Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW)

Present	<p>Effective from 1 April 2020, the value-added activities [i.e. research and development, product design, marketing (for companies with International Procurement Centre), distribution (for companies with Regional Distribution Centre), quality control, testing and commissioning including calibration and configuration, labelling, packaging and repackaging, remanufacturing, repairing and servicing, supply chain management, strategic procurement operation and total support solutions] to be carried out in FIZ and LMW will be processed and approved at State or Zone of Royal Malaysian Customs Department (RMCD).</p> <p>However, the sales value of the approved value-added activities to be carried out in FIZ and LMW should not be more than 10% of the total annual sales value of the Company.</p>
Proposed	<p>It is proposed to increase the sales value for the approved value-added activities to be carried out in FIZ and LMW from 10% to 40% of the total annual sales value of the Company.</p>
Effective Date	<p>Applicable for new applications and applications to increase the limit of the sales value of value-added activities made to the RMCD from 7 November 2020.</p>
Commentary	<p>This proposed measure is aimed to encourage the Companies in FIZ and LMW to expand their value-added activities so that they can compete better and meet the global trade dynamic.</p>

Details of Proposed Measures, Effective Date and Commentary

18. Reduction in the value and extension of the period of Import Duty and Excise Duty exemptions for the purchase of vehicles by a person registered under Returning Expert Programme (REP)

Present	<p>The person registered under REP is exempted from the payment of import duty and excise duty on the purchase of a Completely Built-Up (CBU) vehicle and Completely Knocked-Down (CKD) vehicle, subject to a maximum of RM150,000 worth of the total duty exemption.</p> <p>This import duty and excise duty exemption would only be applicable until 31 December 2020.</p>
Proposed	<p>It is proposed:</p> <ul style="list-style-type: none"> to extend the period of this import duty and excise duty exemptions to 31 December 2023; and to reduce the total value of import duty and excise duty exemptions from RM150,000 to RM100,000.
Effective Date	<p>Applicable for applications made to Talent Corporation Malaysia Berhad from 1 January 2021 to 31 December 2023.</p>
Commentary	<p>Due to the highly educated Malaysian professionals moving away for better career opportunities in a country outside of Malaysia, the Malaysian Government intends to continue with the provision of tax incentives to encourage Malaysian professionals abroad to return to Malaysia.</p>

Details of Proposed Measures, Effective Date and Commentary

19. Tightening the cigarettes import license

Present	Importers of cigarettes for commercial purposes (excluding for private consumption) are required to apply for an import license to be issued by the Director General of Customs under Regulation 18 of the Customs Regulation 1977. Importation of cigarettes which is exempted from payment of customs duty given under Section 14 of Customs Act 1967 is exempted from an import license.
Proposed	<p>The Government will implement the following measures:</p> <ol style="list-style-type: none"> 1. Freezing the issuance of new import licenses for cigarettes; 2. Tightening the renewal of import licenses for cigarettes through review of license conditions including the imposition of import quota; 3. Limiting transshipment of cigarettes to dedicated ports only; 4. Imposition of tax on the importation of cigarettes with drawback facilities for re-export; 5. Disallow transshipment of cigarettes and re-export of cigarettes by small boats including kumpit and instead be allowed only in ISO containers; and 6. Making cigarettes and tobacco products as taxable goods in all Duty Free Islands and any free zones that have been permitted retail sale of duty free cigarettes.
Effective Date	1 January 2021.
Commentary	The illegal cigarettes smuggled from neighbouring countries without the payment of tax and duty has caused revenue leakage to the Government. With the stringent measures in place, it should help to combat the illegal cigarettes trade.

Details of Proposed Measures, Effective Date and Commentary

20. Imposition of Excise Duty on electronic cigarettes	
Present	Electronic cigarettes including vape are not subjected to excise duty as opposed to cigarettes and other tobacco products regulated under the Control of Tobacco Product Regulations 2004.
Proposed	To ensure an equal tax treatment on all types of cigarettes and other tobacco products, it is proposed that: i. excise duty at the rate of 10% ad valorem for all types of electronic and non-electronic cigarettes devices including vape; and ii. excise duty at the rate of RM0.40 per milliliter for liquid or gel used for electronic cigarettes including vape.
Effective Date	1 January 2021.
Commentary	The imposition of excise duty on electronic cigarettes would have significant revenue potential. The revenue is relatively easy to collect. On the other side of the coin, this could be used to encourage a behavioural change in public to be more health conscious.

Details of Proposed Measures, Effective Date and Commentary

21. Expansion of the scope of imposition of Tourism Tax on accommodation booked through online platform

Present	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 by a registered premises operator.
Proposed	Imposition of Tourism Tax be expanded to accommodation premises reserved through online platform providers.
Effective Date	1 July 2021.
Commentary	Tourism Tax is accounted when the tourist checks out. The new expansion is possibly targeted to the operator that runs an AirBnB type of accommodation premises. Regardless, further clarification is to be provided by RMCD on this to ensure equal treatment between tourists who make their reservation for accommodation directly with the registered accommodation premises operators and through online platform providers.

Details of Proposed Measures, Effective Date and Commentary

**Tax
measures
relating to
Individuals**

Details of Proposed Measures, Effective Date and Commentary

1. Reduction of income tax rate for resident individuals

Present

Presently, resident individuals in the chargeable income band of RM50,001 to RM70,000 are taxed at the rate of 14%.

Chargeable Income (RM)	Current Tax Rates (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	8
50,001 - 70,000	14
70,001 - 100,000	21
100,000 - 250,000	24
250,000 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
1,000,000 - 2,000,000	28
2,000,000 and above	30

Non-resident individuals are subject to income tax at a flat rate of 30%.

Details of Proposed Measures, Effective Date and Commentary

1. Reduction of income tax rate for resident individuals (cont'd)

Proposed

To reduce the income tax rate for resident individuals in the chargeable income band of RM50,001 to RM70,000 by 1 percentage point.

Chargeable Income (RM)	Current		Proposed		Tax Savings	
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(RM)	(%)
0 - 5,000	0	-	-	-	0	0
5,001 - 20,000	1	0*	1	0*	0	0
20,001 - 35,000	3	200*	3	200*	0	0
35,001 - 50,000	8	1,800	8	1800	0	0
50,001 - 70,000	14	4,600	13	4,400	200	4.55
70,001 - 100,000	21	10,900	21	10,700	200	1.87
100,000 - 250,000	24	46,900	24	46,700	200	0.43
250,000 - 400,000	24.5	83,650	24.5	83,450	200	0.24
400,001 - 600,000	25	133,650	25	133,450	200	0.15
600,001 - 1,000,000	26	237,450	26	237,250	200	0.08
1,000,000 - 2,000,000	28	517,450	28	517,250	200	0.04
2,000,000 and above	30		30			

*After rebate of RM400 for chargeable income up to RM35,000

Details of Proposed Measures, Effective Date and Commentary

1. Reduction of income tax rate for resident individuals (cont'd)

Effective date

From the YA 2021.

Commentary

While the 1% reduction of income tax rate is made at the chargeable income bracket of RM50,001 to RM70,000, all individuals with chargeable income exceeding RM50,000 will enjoy additional tax savings of RM200. This proposed measure will increase resident individuals' disposable income by RM200, benefitting middle income earners.

Details of Proposed Measures, Effective Date and Commentary

2. Increase of tax relief for medical expenses for parents

Present	<p>Income tax relief of up to RM5,000 is given to a taxpayer who has incurred expenses for medical treatment, special needs and care giver expenses for parents, which include:</p> <ul style="list-style-type: none">i. Treatment in clinics and hospitals;ii. Treatment in nursing homes;iii. Dental treatment, not including cosmetic dental treatment; andiv. Treatment and care at home, day care centres and home care centres.
Proposed	<p>It is proposed that the income tax relief for medical expenses for parents be increased from RM5,000 to RM8,000.</p>
Effective Date	<p>From the YA 2021.</p>
Commentary	<p>During the COVID-19 pandemic, extra medical treatment and care (including COVID-19 testing) are essential to protect the elderly. This proposal aims to reduce the financial burden of the taxpayers in relation to medical expenses incurred for parents. There is potential tax savings of up to RM2,400 (RM8,000 relief x the maximum individual tax rate of 30%).</p>

Details of Proposed Measures, Effective Date and Commentary

3. Review of income tax relief for medical treatment expenses for self, spouse and child																	
Present	A resident individual is entitled to claim up to RM6,000 on medical expenses for serious diseases, as well as fertility treatment for self and spouse. The claim of tax relief must be proven by receipts and certified by medical practitioners registered with the Malaysian Medical Council (MMC). The relief also includes the expenses incurred for full medical check up for a maximum amount of RM500.																
Proposed	<table border="1" style="margin-bottom: 10px;"> <thead> <tr> <th colspan="2" style="background-color: #FFD700;">Serious diseases and fertility treatment From RM6,000 to RM8,000</th> </tr> </thead> <tbody> <tr> <td style="background-color: #FFF2CC;">Full medical check-up expenses</td> <td style="background-color: #FFF2CC;">*Vaccination expenses</td> </tr> <tr> <td style="background-color: #FFF2CC;">From RM500 to RM1,000</td> <td style="background-color: #FFF2CC;">Up to RM1,000</td> </tr> </tbody> </table> <p>*Note: Vaccines that are eligible for the tax relief are as follows:-</p> <table style="width: 100%;"> <tbody> <tr> <td>a) Pneumococcal.</td> <td>f) Meningococcal.</td> </tr> <tr> <td>b) Human Papillomavirus (HPV).</td> <td>g) Combination of tetanus-diphtheria-acellular pertussis (Tdap).</td> </tr> <tr> <td>c) Influenza.</td> <td>h) COVID-19 (subject to the availability of the vaccine).</td> </tr> <tr> <td>d) Rotavirus.</td> <td></td> </tr> <tr> <td>e) Varicella.</td> <td></td> </tr> </tbody> </table>	Serious diseases and fertility treatment From RM6,000 to RM8,000		Full medical check-up expenses	*Vaccination expenses	From RM500 to RM1,000	Up to RM1,000	a) Pneumococcal.	f) Meningococcal.	b) Human Papillomavirus (HPV).	g) Combination of tetanus-diphtheria-acellular pertussis (Tdap).	c) Influenza.	h) COVID-19 (subject to the availability of the vaccine).	d) Rotavirus.		e) Varicella.	
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Effective Date	From the YA 2021.																
Commentary	<p>Currently, a deduction of RM6,000 is allowed for treatment of serious diseases under paragraph 46(1)(g) of the Income Tax Act, 1967 (ITA), with relief for complete medical examination expenses of RM500 forming part of that deduction. Based on the proposal, the relief for complete medical examination expenses will be increased to RM1,000 and will now include vaccination expenses of up to RM1,000. There is a potential tax savings of up to RM2,400 (RM8,000 relief x the maximum individual tax rate of 30%) for medical expenses incurred for self, spouse and child.</p> <p>This proposal aims to alleviate the cost of medical treatment, and to encourage more Malaysians to get vaccinated.</p>																

Details of Proposed Measures, Effective Date and Commentary

4. Increase in the limit of income tax relief for disabled spouse

Present	Presently, an additional tax relief of up to RM3,500 is given to a taxpayer with a disabled spouse.
Proposed	It is proposed that the additional tax relief for a disabled spouse be increased from RM3,500 to RM5,000.
Effective Date	From the YA 2021.
Commentary	<p>This proposal aims to lessen the financial burden and improve household income.</p> <p>The estimated tax saving for the taxpayer with disabled spouse will be RM2,700 [(RM4,000 spouse relief + RM5,000 disabled spouse) x the maximum individual tax rate of 30%].</p>

Details of Proposed Measures, Effective Date and Commentary

5. Extension of the period for personal income tax relief for Private Retirement Schemes (PRS) to YA2025

Present	Presently, an individual who contributes to PRS is given personal tax relief of up to RM3,000 until YA 2021.
Proposed	Extension of period for the above-mentioned income tax relief to for another four (4) YAs until YA 2025.
Effective Date	1 January 2022 to 31 December 2025.
Commentary	<p>This measure will encourage more Malaysians to continue saving for their retirement via PRS where they will be able to enjoy the advantage of tax savings as opposed to other cash investments.</p> <p>Further, an individual who opts for the reduced EPF statutory contribution of 9% can use the 2% additional funds to invest in PRS to maximise the tax relief available. The estimated tax savings for an individual who earns RM12,500 a month from reducing the EPF statutory contribution to 9% and reinvest in PRS is RM720 a year.</p>

Details of Proposed Measures, Effective Date and Commentary

6. Review of income tax relief for lifestyle

Present	<p>Presently, an individual taxpayer is eligible for tax relief of up to RM2,500 for expenses incurred in respect of the following:-</p> <ul style="list-style-type: none">(i) purchase of books / journals / magazines / printed newspapers / other similar publications (Not banned reading materials);(ii) purchase of personal computer, smartphone or tablet (Not for business use);(iii) purchase of sports equipment for sports activity defined under the Sports Development Act 1997 and payment of gym membership; and(iv) payment of monthly bill for internet subscription.
Proposed	<p>It is proposed that:</p> <ul style="list-style-type: none">(i) The limit for lifestyle tax relief be increased from RM2,500 to RM3,000 where up to RM500 is specifically provided for expenses incurred relating to sports including entry/ rental fees for sports facilities and entrance fee in sports competitions; and(ii) Expansion of scope for printed newspapers to include subscription to electronic newspapers.
Effective Date	<p>From the YA 2021.</p>
Commentary	<p>The specific allocation of RM500 will indirectly encourage individuals to participate in sports competitions where most talents are usually discovered.</p> <p>In addition, the proposed measure to expand the scope for printed newspapers to include electronic newspapers is highly commendable, in line with the digitalisation era we are currently living in where we are updated on the current news electronically.</p>

Details of Proposed Measures, Effective Date and Commentary

7. Extension of period of individual income tax relief on net annual savings in the National Education Savings Scheme (SSPN)

Present	The amount deposited in Skim Simpanan Pendidikan Nasional (SSPN) by individuals for their children's education is deductible up to a maximum of RM8,000 for net annual savings effective from the YAs 2019 and 2020.
Proposed	To further encourage savings among parents for financing tertiary education of their children, the tax relief up to RM8,000 on net annual savings in SSPN will be extended for another two (2) years.
Effective Date	For YAs 2021 and 2022.
Commentary	<p>Based on Public Ruling 8/2020 para 6.8.4, SSPN accounts can be opened by parents for children aged 18 years and below and maintain the account until the child reaches the age of 29 years old. Deposits made by parents to this account until the child reaches the age of 29 can be allowed as a deduction.</p> <p>With this extension of tax relief period, as long as the depositor of the account is in the parents' name, the parents (a husband and a wife are assessed separately) will be entitled to a maximum relief of RM16,000 on the net annual savings in SSPN for their children.</p>

Details of Proposed Measures, Effective Date and Commentary

8. Expansion of the scope of income tax relief for expenses on study fees

<p>Present</p>	<p>A deduction up to RM7,000 can be claimed on fees expended for any of the following courses of study undertaken in any institution or professional body in Malaysia recognized by the Malaysian Government or approved by the Minister of Finance:-</p> <table border="1" data-bbox="440 461 2288 672"> <thead> <tr> <th data-bbox="440 461 978 518">Level of Study</th> <th data-bbox="978 461 2288 518">Field of Study</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 518 978 615">Certificate/Diploma/Bachelor</td> <td data-bbox="978 518 2288 615">Law, accounting, Islamic finance, skills or vocational, technical, industrial, scientific and technological skills</td> </tr> <tr> <td data-bbox="440 615 978 672">Master/Doctorate</td> <td data-bbox="978 615 2288 672">All fields</td> </tr> </tbody> </table>	Level of Study	Field of Study	Certificate/Diploma/Bachelor	Law, accounting, Islamic finance, skills or vocational, technical, industrial, scientific and technological skills	Master/Doctorate	All fields
Level of Study	Field of Study						
Certificate/Diploma/Bachelor	Law, accounting, Islamic finance, skills or vocational, technical, industrial, scientific and technological skills						
Master/Doctorate	All fields						
<p>Proposed</p>	<p>To encourage Malaysian citizens affected by the COVID-19 pandemic to enroll for up-skilling, re-skilling or acquiring new skill, it is proposed that the scope of relief of RM7,000 a year be expanded to cover fees for attending up-skilling and self enhancement courses in any field of skills recognised by the Department of Skills Development, Ministry of Human Resources. The tax relief is limited to RM1,000 for each YA.</p>						
<p>Effective Date</p>	<p>For the YAs 2021 and 2022.</p>						
<p>Commentary</p>	<p>Technical and Vocational Education Training (TVET) programmes have always been seen as the vehicle to prepare aptly-skilled human capital but somehow the general perspective is that they fall short in terms of the level of skills and knowledge needed for the industry to forge ahead.</p> <p>Therefore, the Government has taken the initiative to encourage individuals (especially B40) to enhance their skills through participation in programmes recognised by the Department of Skills Development, Ministry of Human Recourses and at the same time help them to reduce their chargeable income level through this relief.</p>						

Details of Proposed Measures, Effective Date and Commentary

9. Increase in the limit of income tax exemption on compensation for loss of employment	
Present	<p>Section 13(1)(e) of the Income Tax Act, 1967 (ITA) provides that compensation received for loss of employment is a gross income from employment and subject to income tax. However, the employee is entitled for exemption of income tax under paragraph 15(1) of schedule 6 of the ITA under the following circumstances:</p> <ul style="list-style-type: none"> (i) Full exemption – If the Director General of Inland Revenue (DGIR) is satisfied that the payment is made on account of loss of employment due to ill health; or (i) Partial exemption – Exemption on income tax of RM10,000 for each full year of service with the same employer or companies within the same group. <p>Effective from 1 July 2008, the exemption limit in paragraph (ii) was increased from RM5,000 to RM10,000.</p>
Proposed	To assist taxpayers who have lost their jobs due to the current economic condition arising from the COVID-19 pandemic, the income tax exemption limit for compensation for loss of employment with the same employer or companies within the same group will be increased from RM10,000 to RM20,000 for each full year of service.
Effective Date	For the YAs 2020 and 2021.
Commentary	<p>Individuals who have lost their source of income due to current economic condition arising from the COVID-19 pandemic and who are eligible for the tax exemption of RM20,000 per completed year of service will have additional cash flow to support their lifestyle for a temporary period.</p> <p>However, such individuals who are eligible for this tax exemption should keep proper records as they may be required to submit proof of documents to the IRB during a tax audit.</p>

Details of Proposed Measures, Effective Date and Commentary

10. Gift of money in the form of wakaf or endowment	
Present	With effect from the YA 2020, subsection 44(11D) of ITA is introduced to allow a deduction in respect of gift of money in the form of: a) wakaf to any appropriate religious authority established under any written law, body established by that appropriate religious authority or public university allowed by that appropriate religious authority to receive wakaf; or b) endowment to a public university.
Proposed	Permodalan Nasional Berhad (PNB) through Amanah Saham Nasional Berhad or ASNB will introduce wakaf services to all ASNB unit trust holders. Under this service, unit holders can endow some of their units into ASNB wakaf fund and be eligible for an income tax deduction. Returns from the wakaf fund will be channelled to the wakaf projects of national interest that will be identified by PNB.
Effective Date	From the YA 2021.
Commentary	This proposal allows ASNB unit holders to continue to be charitable in the current economic situation through endowment of their ASNB units instead.

Details of Proposed Measures, Effective Date and Commentary

11. Tax incentive for investment in equity crowdfunding	
Present	<p>The following tax exemptions are available to corporate and individual investors:</p> <ul style="list-style-type: none"> i. Companies or individuals with business income from investment in Venture Capital (VC) are given tax deduction equivalent to the investment amount in VC. ii. Companies or individuals with business income from investment in Venture Capital Companies (VCC) funds are given tax deduction equivalent to the investment amount made in VCC, limited to a maximum of RM20 million per year. iii. Angel investors who invest in investee companies are given tax exemption equivalent to the amount of investments made.
Proposed	<p>It is proposed that the individual investors will be eligible to claim an income tax exemption on aggregate income equivalent to 50% of the amount of investment made in equity crowdfunding, which is subject to the following conditions:</p> <ul style="list-style-type: none"> a) the eligible amount for tax exemption is limited to RM50,000 for each Year of Assessment (YA); b) the deductible amount is limited to 10% of the aggregate income for that YA; the excess amount will be disregarded; c) the investor, investee company and amount of investment made must be verified by the Securities Commission Malaysia; d) the investor must not have any family relationship with the investee company; e) investment must be made through equity crowdfunding platform approved by the Securities Commission Malaysia; and f) the investment must not be disposed of either in full or in part within two (2) years from the date the investment made.
Effective Date	For investments made from 1 January 2021 until 31 December 2023.
Commentary	The proposed measures will incentivise individual investors to invest in equity crowdfunding and will assist high risk and high potential start-up companies in obtaining alternative financing through crowdfunding.

Details of Proposed Measures, Effective Date and Commentary

12. Extension of tax incentive for Returning Expert Programme (REP)

Present	<p>Tax incentives for the REP are as follows:</p> <table border="1" data-bbox="428 401 2328 629"> <thead> <tr> <th data-bbox="428 401 861 496">Year</th> <th data-bbox="861 401 2328 496">Tax incentive</th> </tr> </thead> <tbody> <tr> <td data-bbox="428 496 861 558">2011-2014</td> <td data-bbox="861 496 2328 558">Flat rate of 15% on employment income for a period of five (5) consecutive years of assessment</td> </tr> <tr> <td data-bbox="428 558 861 629">2014-2020</td> <td data-bbox="861 558 2328 629">Flat rate of 15% on employment income for a period of five (5) consecutive years of assessment</td> </tr> </tbody> </table>	Year	Tax incentive	2011-2014	Flat rate of 15% on employment income for a period of five (5) consecutive years of assessment	2014-2020	Flat rate of 15% on employment income for a period of five (5) consecutive years of assessment
Year	Tax incentive						
2011-2014	Flat rate of 15% on employment income for a period of five (5) consecutive years of assessment						
2014-2020	Flat rate of 15% on employment income for a period of five (5) consecutive years of assessment						
Proposed	<p>It is proposed that:</p> <ul style="list-style-type: none"> i. the application period for the REP incentive be extended for another three (3) years; and ii. the tax incentive is revised to a flat rate of 15% for a period of five (5) consecutive YAs. 						
Effective Date	<p>For applications received by Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023.</p>						
Commentary	<p>In order to create a world-class workforce in Malaysia, the Government is proposing attractive tax incentives so that Malaysian professionals working overseas are able to bring home their vital experiences, skill sets, knowledge, and intercultural abilities that they have gained from their time overseas and contribute to the Malaysian economy.</p>						

Details of Proposed Measures, Effective Date and Commentary

13. Preferential tax rate for foreign individuals holding key positions in companies making strategic new investments by relocating their operations to Malaysia

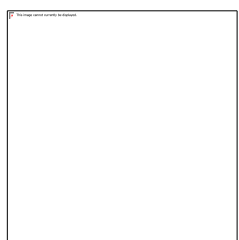
Present	<p>The tax rate for non-resident individuals in Malaysia is a flat rate of 30%.</p> <p>A flat tax rate of 15% is afforded to individuals in the following categories:</p> <ul style="list-style-type: none"> i. Malaysian resident individual that is categorized as a specialist approved under the Returning Experts Programme and is returning to Malaysia for employment; ii. Individual that is a knowledge worker employed in Iskandar Malaysia; or iii. Individual that is a knowledge worker employed in the Malaysia-China Kuantan Industrial park.
Proposed	<p>A flat tax rate of 15% be given to foreign individuals holding key positions for five (5) consecutive years in companies making strategic new investments by relocating their operations to Malaysia. The flat tax rate is restricted to five (5) foreign individuals employed in a company that has been approved for the tax incentives for foreign companies relocating their operations into Malaysia that was previously announced in the Short Term Economic Recovery Plan (STERP).</p> <p>Foreign individuals that are approved for the preferential tax rate of 15% shall:</p> <ul style="list-style-type: none"> i. Receive a monthly salary of not less than RM25,000; and ii. Be a Malaysian tax resident for each year of assessment eligible for the preferential tax rate.
Effective Date	For applications made to MIDA from 7 November 2020 until 31 December 2021.
Commentary	In addition to the tax incentives provided to foreign companies that relocate their operations into Malaysia, the proposed measure will incentivise foreign knowledge workers to hold key positions in those companies. These will benefit the employees of those companies as they would be able to tap into the knowledge and experience of those foreign individuals.



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