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Malaysia Additional Prihatin SME Economic Stimulus Package 2020

Announced on 6 April 2020

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Highlights at a Glance

On 6 April 2020, the Government announced an additional economic stimulus package aimed at assisting Small and Medium Enterprises (SMEs) and micro businesses to withstand the impact of Covid-19 outbreak and Movement Control Order (MCO) to their businesses.

This Additional *Prihatin* SME Economic Stimulus Package 2020 (ESP3), valued at RM10 billion, includes:

- An additional RM7.9 billion for the Wage Subsidy Program; and
- The creation of a RM2.1 billion Special *Prihatin* Grant for all eligible SMEs and micro businesses.

To ensure that all the measures and initiatives under the *Prihatin* Economic Stimulus Package and this Additional *Prihatin* SME package are implemented quickly and smoothly, a taskforce has been established at the Ministry of Finance to oversee the deployment and progress of the initiatives.

The IMSME.com.my portal handled by the Credit Guarantee Corporation is ready to receive applications for SME reliefs, with the portal also offering financing advice for SMEs.



Additional tax deduction equal to the rental discount will be given to landlords of private business premises who give rental discounts to SMEs.



Special *Prihatin* Grant of RM3,000 for all eligible micro SMEs.



Abolition of 2% interest rate for Micro Credit Scheme under Bank Simpanan Nasional.



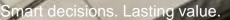
Enhancement of Wage Subsidy Program to subsidise affected employers between RM600 and RM1,200 per month for each employee earning less than RM4,000 for a period of three (3) months.



The Micro Credit Scheme for micro businesses is extended to TEKUN Nasional with a maximum loan limit of RM10,000 per company at no interest.



Foreign worker (except domestic workers) levies are reduced by 25% for those whose work permits are expiring between 1 April 2020 and 31 December 2020.





Highlights at a Glance (cont'd)



Licensed moneylenders have been called upon to give a six (6) months moratorium on loan repayments by SMEs from April 2020.



SME retailers renting premises owned by government-linked companies will be given rental exemption or discounted rental.



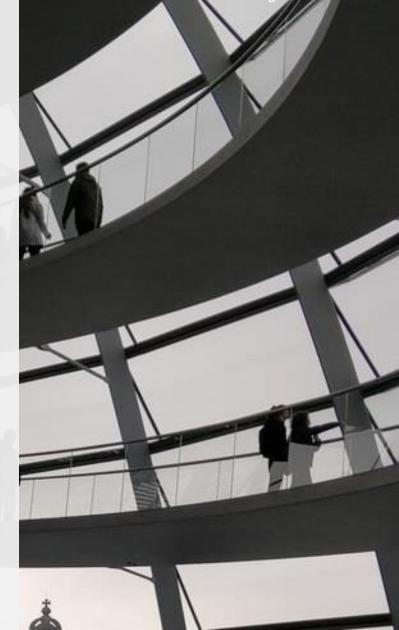


An automatic moratorium from the last day of the MCO for thirty (30) days has been granted for companies that are required to file any statutory documents to the Companies Commission of Malaysia (CCM)



Employers are encouraged to negotiate work term with their employees, including the options of pay cuts or unpaid leave during the MCO, as long as the rights and welfare of both parties are protected. Companies whose financial years ending 30 September 2019 to 31 December 2019 are given an extension of three (3) months from the last day of the MCO to submit their financial statements to the CCM, subject to application. No late charges will be imposed.





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Details of Proposed Measures, Effective Date and Implications



Details of Proposed Measures, Effective Date and Implications

1. Enhancement of Wage Subsidy Program

Present	Wage Subsidy Program was introduced under the <i>Prihatin</i> Economic Stimulus Package to subsidise affected employers of RM600 per month for each local employee earning RM4,000 and below per month, subject to a limit of one hundred (100) employees, for a period of three (3) months from April 2020 to June 2020.
Proposed	 The Wage Subsidy Program is further enhanced to subsidise affected employers for a period of three (3) months in the following manner: RM600 per month for each local employee for companies with more than two hundred (200) employees. The maximum number of employees entitled for this subsidy under this category is two hundred (200) employees; RM800 per month for each local employee for companies having between seventy six (76) and two hundred (200) employees; and RM1,200 per month for each local employee for companies having less than seventy six (76) employees.
	 The eligibility criteria for the program are as follows: the employer who is experiencing more than 50% reduction in income since 1 January 2020 (only applicable to companies having more than seventy five (75) employees); employees with monthly salaries of RM4,000 and below; employers should be registered with the CCM or a local authority before 1 January 2020 and are registered with PERKESO; the employer must not dismiss or retrench any employee or direct the employee to take unpaid leave for a period of six (6) months [i.e. three (3) months during the period of Wage Subsidy Program and the subsequent three (3) months]; the employer is not allowed to deduct the employee's existing salary.
Effective Date	1 April 2020
Implications	This program will further alleviate affected employers' cash flow during this period and ensure that affected employees remain in employment.



Details of Proposed Measures, Effective Date and Implications

2. Special *Prihatin* Grant of RM3,000 for all eligible micro SMEs

Present	Presently, no Government grant is provided to micro SMEs.
Proposed	A special grant of RM3,000 will be provided to all eligible micro SMEs. All eligible micro SMEs are required to register themselves with the Inland Revenue Board in order to enjoy this facility. The government will obtain the list of eligible micro SMEs from databases of the local authorities and the CCM.
Implications	This proposed measure would help to provide affected micro SMEs with additional cash flow to cover their overhead costs during this period in which their businesses are badly affected. However, the conditions of this special grant and the disbursement method have not been announced.



Details of Proposed Measures, Effective Date and Implications

3. Additional tax deduction for landlords of private business premises who give rental discounts to SMEs

Present	No special tax deduction is available on rental discount given or waiver of rental payment by a landlord to a tenant.
Proposed	An additional tax deduction which is equivalent to the amount of rental discount will be given to landlords of private business premises. In order to be eligible for this additional tax deduction, the discount provided must be at least 30% of the original rental.
Effective Date	For discounts or waivers given for the months of April 2020 to June 2020.
Implications	 Further clarification from the authorities is needed on the conditions to claim this additional tax deduction such as the requirement for a stamped tenancy agreement or documentary evidence, applicability of this special deduction to related party transactions, definition of SMEs, etc.
	2. Further clarification from the authorities is also needed on the mechanism of this additional tax deduction because the tax implications on the landlord may be different if the rental income is treated as a business source as compared to a non-business source.



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