

# Malaysia Second Economic Stimulus Package 2020

Announced on 27 March 2020



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# Highlights at a Glance

On 27 March 2020, the Government announced a Second Economic Stimulus Package 2020 (ESP2) themed *Prihatin Rakyat*.

ESP2, valued at RM250 billion, includes:

- RM128 billion for the protection of Rakyat welfare;
- RM100 billion to support Small and Medium Enterprises;
- RM2 billion to strengthen the country's economy; and
- RM20 billion to pursue measures announced under ESP1.

It is not surprising that the ESP2 came exactly one month after the First Economic Stimulus Package 2020 (ESP1), valued at RM20 billion, was announced on 27 February 2020.

Since the ESP1, Malaysia recorded over 2,000 positive cases and 24 deaths due to Covid-19 and is presently under a movement control order (MCO) since 18 March 2020. Also, Covid-19 outbreak is reported in almost every country around the world with the United States of America topping the list, surpassing China!

The negative effects of Covid-19 outbreak and MCO are greatly felt by the Rakyat and business community. Hence, it is hoped that the proposed measures under ESP2 will be able to spur the economy going forward.



**Introduction of Wage Subsidy Program to subsidise affected employers RM600 per month for each employee earning less than RM4,000 for a period of 3 months.**



**No 8% withholding tax on pre-retirement withdrawal from Private Retirement Scheme (PRS) Sub-Account B of up to RM1,500 until December 2020.**



**Interest income and profits of banking institution derived from financing facilities covered under the 6 months moratorium shall only be taxed upon receipt after the moratorium period.**



**Deferment of monthly tax instalments for a period of 3 months for Small and Medium Enterprises (SME) beginning 1 April 2020.**



**Exemption from payment of Human Resources Development Fund levy for all business sectors for a period of 6 months beginning April 2020.**



**Introduction of Employer Consultation Services by the Employees Provident Fund (EPF) on 15 April 2020 for services on restructuring of employers' EPF contribution.**



## Highlights at a Glance – Employers and Businesses



The All Economic Sectors Facilities Fund will be increased from RM5.8 billion to RM6.8 billion.



Deferment of loan repayment by SME will be extended to include loans taken from TEKUN, MARA and co-operatives and government agencies from 1 April 2020.



Introduction of Social Financing Program to assist B40 entrepreneurs and individuals who lost their source of income.



Syarikat Jaminan Pembiayaan Perniagaan will provide RM5 billion guarantee facility while increasing the guarantee rate from 70% to 80% for SMEs with difficulty in obtaining financing.



The Micro Credit Scheme will be increased from RM500 million to RM700 million with an interest rate of 2%.



Introduction of RM50 billion guarantee scheme to guarantee up to 80% of the financing amount for the purpose of financing working capital.



Special Relief Facility fund will be increased from RM2 billion to RM5 billion whilst interest rate will be reduced from 3.75% to 3.5%.



SME with less than 4 years business record can apply for BizMula-I and BizWanita-I Syarikat Jaminan Kredit Malaysia Bhd with financing scheme of up to RM300,000.

## Highlights at a Glance – People



One-off cash aid of RM500 will be given to Government pensioners.



Bantuan Prihatin Nasional of between RM500 and RM1,600 will be provided to eligible households and singles.



One-off cash incentive of RM200 will be given to students of higher education institutions.



Special allowances to frontline medical industry personnel will be raised to RM600 a month starting from 1 April 2020 until the end of the Covid-19 pandemic.



One-off cash aid of RM500 will be given to e-hailing drivers.



Balance cash payment under the Bantuan Sara Hidup (BSH) program will be paid in July 2020.



One-off cash aid of RM500 will be given to civil servants below grade 56, including contract staff.



mySalam wage replacement incentive of RM50 per day for a maximum period of 14 days will be extended to patients-under-investigation (PUI) in B40 category.

## Highlights at a Glance – People



Free internet for all telecommunication users from 1 April 2020 until the end of the MCO period.



6 months rent-free period for tenants occupying premises owned by Federal Government such as school canteen, kindergarten, cafeteria and others.



6 months rent-free period for tenants under Projek Perumahan Rakyat dan Perumahan Awam (PPR).



Civil defence personnel will receive RM200 per month for their efforts in enforcing the Movement Control Order (MCO) starting from 1 April 2020 until the end of the pandemic.



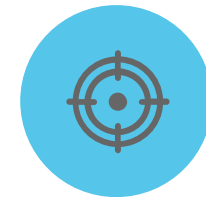
Deferment of monthly insurance premium and takaful contribution for a period of 3 months.



Tiered electricity discounts of between 15% and 50% for electricity usage up to 600kWh a month for 6 months beginning from the April 2020 bill.



Deferment of monthly payment for a period of 6 months from April 2020 to September 2020 for PPR owners under Rent-to-Own (RTO) scheme.



Deferment of repayment of Perbadanan Tabung Pembangunan Kemahiran (PTPK) skills training loan by borrowers for a period of 6 months from 1 April 2020 to 30 September 2020.

## Highlights at a Glance – People



RM1 billion will be allocated for Food Guarantee Fund.



Up to RM200,000 assistance will be given to the Growers Associations and Fishing Associations.



RM100 million will be provided for preparing food storage and distribution infrastructure.



Assistance in the form of food, medical care and shelter totalling RM25 million will be allocated to the needy.



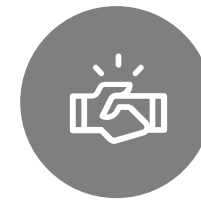
All Ministries to review their budgets for saving purposes.



2 months' salary reduction by Prime Minister, Minister and Deputy Minister as contribution to *Tabung COVID 19*.



Direct fiscal contribution of RM25 billion to reduce the burden of individuals and businesses.



An allocation of RM10 million will be provided to pay contractors providing services such as cleaning and preparing food in government agencies.

# **Details of Proposed Measures, Effective Date and Implications**



# Details of Proposed Measures, Effective Date and Implications

## 1. Pre-retirement withdrawal from Private Retirement Scheme Sub-Account B

Present	Individuals are allowed to take pre-retirement withdrawals from their Private Retirement Scheme (PRS) Sub-Account B but are subject to a payment of withholding tax of 8%.
Proposed	Individuals will be allowed to take a pre-retirement withdrawal from their PRS Sub-Account B of up to a maximum of RM1,500 without the withholding tax of 8% being imposed.
Effective Date	For withdrawals made during the period from April 2020 to December 2020.
Implications	This proposed measure would help to provide affected individuals with an additional source of cash flow for spending on daily necessities during this period. This is especially so for individuals who contributed to PRS and are non-fixed income earners (i.e. Grab drivers, freelancers, etc.) or those earning income that are highly dependant on allowances and commissions (i.e. salespersons, insurance agents, etc.), and who may face difficulties to generate any income during the MCO period.

# Details of Proposed Measures, Effective Date and Implications

## 2. Deferment of monthly tax instalments for Small and Medium Enterprises

Present	Companies are required to pay monthly tax instalments based on the estimate of tax payable for that year of assessment.
Proposed	Small and Medium Enterprises (“SMEs”) will be given a deferment for payment of the monthly tax instalments for a period of three (3) months from 1 April 2020 to 30 June 2020.
Effective Date	For monthly tax instalment payments falling between 1 April 2020 until 30 June 2020.
Implications	<p>This proposed measure will help to ease the cash flow burden of SMEs which are badly affected due to production stoppages, closure of businesses, etc. These SMEs would then have more cash flow to continue paying their employees who in turn will have cash to spend on their daily necessities.</p> <p>However, further clarifications are required from the authorities on the categories of taxpayers that are eligible for this proposed measure as the definitions of SME by SME Corporation Malaysia and under the Income Tax Act 1967 (ITA) are different.</p> <p>Based on SME Corporation Malaysia, SME is defined as:</p> <ul style="list-style-type: none"> <li>a) Manufacturing: Sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 workers.</li> <li>b) Services and Other Sectors: Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers.</li> </ul> <p>Under the ITA, SME is defined as a resident company in Malaysia with paid up capital / total contribution of capital of RM2.5 million and below at the beginning of the basis period and having gross income from source(s) consisting of a business of not more than RM50 million for the basis period for a year of assessment.</p>

## Details of Proposed Measures, Effective Date and Implications

### 3. Interest income and profits of banking institutions derived from financing facilities covered under the six (6) months moratorium will be taxed only upon receipt after the moratorium period

Present	Interest income and profits of banking institutions derived from financing facilities provided to their customers are taxable when the interest and profits become receivable or due to be paid by the customers.
Proposed	Interest income and profits of banking institutions derived from financing facilities covered under the moratorium shall only be taxed upon receipt of the said income after the moratorium period.
Effective Date	For interest income and profits covered under the moratorium period from 1 April 2020 to 30 September 2020.
Implications	This proposed measure is a form of gratitude by the Malaysian Government to the banking institutions that took the initiative to offer individuals and SMEs a moratorium for payments on borrowings for a period of six (6) months, conversion of outstanding credit card balances to term loans and restructuring of corporate loans. This initiative will help customers to ease their cash flow burden and allow the available cashflow to be deployed for other more pressing needs.



## Details of Proposed Measures, Effective Date and Implications

### 4. Wage Subsidy Program

Present	-
Proposed	<p>This introduction of this Wage Subsidy Program is to subsidise affected employers of RM600 per month for each employee for a period of three (3) months. The criteria for the program is as follows:</p> <ul style="list-style-type: none"> <li>• the employee must be earning less than RM4,000 per month;</li> <li>• the employer is experiencing more than 50% reduction in income since 1 January 2020;</li> <li>• the employer must not dismiss any employee or direct the employee to take unpaid leave for a period of three (3) months after the program is implemented; and</li> <li>• the employer is not allowed to deduct the employee's existing salary.</li> </ul>
Effective Date	Not announced
Implications	This program will alleviate affected employers' cash flow during this period and ensure that affected employees remain in employment.

## Details of Proposed Measures, Effective Date and Implications

### 5. Micro Credit Scheme

Present	Bank Simpanan Nasional (BSN) will offer a RM200 million micro-credit scheme for companies in the tourism and other affected sectors at an interest rate of 4%.
Proposed	<p>The Micro Credit Scheme will be increased from RM500 million to RM700 million with an interest rate of 2% and without collateral. The eligibility criteria has been loosened as follows:</p> <ul style="list-style-type: none"> <li>• reduce the operation period from minimum of one (1) year to only six (6) months;</li> <li>• increase the financing amount from a maximum of RM50,000 to RM75,000 per entrepreneur; and</li> <li>• application is open to all micro entrepreneurs in all business sectors including taxi operators, bus and taxi operators, the creative industry and online traders.</li> </ul>
Effective Date	Not announced
Implications	This proposed measure helps SME to obtain financing at a lower interest rate which will ease the cashflow of the SME.

## Details of Proposed Measures, Effective Date and Implications

### 6. Bantuan Prihatin Nasional between RM500 to RM1,600 will be provided to household and individuals

Present	Presently, there is no cash incentive provided to category M40.
Proposed	One-off cash incentive will be given to category M40 and below based on the following criteria: <ul style="list-style-type: none"><li>• RM1,600 for those with household monthly income of RM4,000 and below;</li><li>• RM1,000 for those with household monthly income between RM4,001 to RM8,000;</li><li>• RM800 for individuals who are single, aged 21 and above with monthly income of RM2,000 and below; or</li><li>• RM500 for individuals who are single, aged 21 and above with monthly income between RM2,001 to RM4,000</li></ul>
Effective Date	1 April 2020
Implications	To reduce the burdens of Rakyat affected by the COVID-19 plague.



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