



# **Tax Chat**

## **Special Edition Pt.1**

### **Highlights of Budget 2020**

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# Major highlights of Budget 2020

## 1 Revised chargeable income limit for eligible Small Medium Enterprises (SME)

Eligible SME will be taxed at 17% on the first RM600,000 chargeable income.

## 2 New chargeable income band and tax rate for individual

A new chargeable income band exceeding RM2 million and tax rate of 30% is introduced.

## 3 Special Investment Incentive

Electrical & Electronic (E&E) companies which have exhausted the 15 years reinvestment allowance incentive and reinvest in Malaysia are eligible to apply for special Investment Tax Allowance.

## 4 Incentive for development of intellectual property

Qualifying intellectual property income derived from patent and copyright software of qualifying activities will be given 100% income tax exemption for a period of up to 10 years.

## 5 Extension of several tax incentives

Several tax incentives such as venture capital and issuance of sukuk, were extended for a couple of years.

## 6 Approved Major Exporter Scheme

A new Sales Tax scheme is proposed to improve the existing drawback and exemption facility for approved traders and manufacturers of exempted goods.

## 7 Extension of Service Tax group relief

The Service Tax group relief is extended to include services provided to a company not within the same group of companies.



# Review of Corporate Income Tax

## Review of income tax treatment for SME

Presently, SME enjoy preferential tax rate of 17% on the first RM500,000 of the chargeable income. In order to support the growth of eligible SME, the Government has proposed to increase the chargeable income limit from RM500,000 to RM600,000 effective from the year of assessment (YA) 2020, subject to the following conditions:

Conditions	Current position		Proposed	
	Company	Limited Liability Partnership	Company	Limited Liability Partnership
Paid up capital of up to RM2.5 million / Total contribution of capital of up to RM2.5million	✓	✓	✓	✓
Having an annual sales of not more than RM50 million	Not applicable	Not applicable	✓	✓

### **Crowe's comment:**

*Based on the above proposal, it would appear that the preferential tax rate of 17% will only be given to SME which meet the above conditions i.e. having paid up capital or total contribution of capital of up to RM2.5 million AND having an annual sales of not more than RM50 million. Otherwise, the SME will be taxed at the prevailing corporate tax rate of 24%.*

## Review of capital allowance for Small Value Assets (SVA)

In order to improve the tax treatment on SVA, the Government has proposed the following measures effective from the YA 2020:

Conditions	Current position		Proposed	
	SME	Non-SME	SME	Non-SME
Value of each asset	RM1,300	RM1,300	RM2,000	RM2,000
Limit of qualifying capital allowance SVA for each YA	No limit	RM13,000	No limit	RM20,000

# Review of Corporate Income Tax

## Review of tax treatment for expenses incurred on secretarial fee and tax filing fee

In order to provide flexibility to taxpayers in respect of the tax deductions on the expenses incurred on secretarial fee and tax filing fee, the Government has proposed the following measures effective from the YA 2020:

<b>Tax deduction limit on the expenses incurred on secretarial fee and tax filing fee</b>	<b>Current position</b>	<b>Proposed</b>
Secretarial fee	Up to RM5,000	Up to RM15,000 (combined limit)
Tax filing fee	Up to RM10,000	

### **Crowe's comment:**

*Based on the above proposal, companies would be able to maximise the deductions on expenses incurred for secretarial fee and tax filing fee which could have been previously restricted based on the deduction limit imposed on the respective categories.*

## Tax deduction on cost of listing in Bursa Malaysia

Presently, expenses incurred for listing in Bursa Malaysia are not eligible for tax deduction. In an effort to assist technology-based companies and SME to grow their businesses by raising additional capital through listing in Access, Certainty, Efficiency (ACE) Market or Leading Entrepreneur Accelerator Platform (LEAP) Market, the Government has proposed a tax deduction of up to RM1.5 million be given on the following listing expenses:

- Fees to authorities;
- Professional fees; and
- Underwriting, placement and brokerage fees.

The above incentive is effective from the YA 2020 until 2022.

# Review of Corporate Income Tax

## Income tax exemption is extended to religious institutions or organisations registered under Company Limited By Guarantee (CLBG)

	<b>Current</b>	<b>Proposed</b> <i>(Effective from YA 2020)</i>
<b>Income tax exemption</b>	All income received by religious institutions or organisations established for the purposes of religious worship and advancement of religion and registered under Registrar of Societies Malaysia or under any written law governing the institution or organisation.	<p>The income tax exemption will be extended to religious institutions or organisations registered under CLBG, subject to the following conditions:</p> <ul style="list-style-type: none"> <li>a) Income and profit received and real property acquired is used solely the purposes of religious worship and advancement of religion;</li> <li>b) It is not operated primarily for the purpose of profit;</li> <li>c) Required to submit tax return annually to the Inland Revenue Board of Malaysia (IRBM); and</li> <li>d) Comply with other requirements set by the IRBM.</li> </ul>

## Review of tax deduction limit for sponsorship of arts, cultural and heritage activities in Malaysia

In an effort to encourage local arts, cultural and heritage activities in Malaysia, the Government has proposed that the tax deduction under subsection 34(6)(k) of the Income Tax Act 1967 (ITA 1967) for sponsorship expenses of local arts, cultural and heritage activities held in Malaysia and approved by Ministry of Tourism, Arts and Culture (MOTAC) be increased from RM700,000 a year to RM1,000,000 a year.

The above is effective from YA 2020.

# Review of Corporate Income Tax

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## Expansion of scope of tax deduction on contributions to charity and community projects

In order to further encourage the private sector in the implementation of Corporate Social Responsibility, the Government has proposed that tax deduction under subsection 34(6)(h) of the ITA 1967 be enhanced to include expenses incurred for the following:

- Environmental preservation and conservation projects including forest, island, beach and national park; and
- Maintenance and conservation projects for heritage buildings designated by National Heritage Department under the National Heritage Act 2005.

The above is effective from YA 2020.

## Expansion of tax deduction on contribution for charitable, sports activities and projects of national interest

The Government has proposed to expand the tax deduction on contribution for charitable, sports activities and projects of national interest to include the following:

- i. cash *wakaf* contribution to state religious authority or body established by the state religious authority to administer *wakaf*;
- ii. cash *wakaf* contribution to public university approved by the state religious authority to receive *wakaf*; and
- iii. cash endowment contribution to public university.

## Expansion of double deduction for Structured Internship Programme (SIP)

In an effort to increase the employability of local graduates, the Government has proposed that the double deduction on qualifying expenditure incurred by companies that implement SIP approved by Talent Corporation Malaysia Berhad be expanded to include Bachelor's Degree, Diploma, Vocational (DKM Level 4 and 5) and SKM Level 3 students in all academic fields and be extended for a period of 2 years.

The above incentive is effective from YA 2020 until YA 2021.

# Corporate Tax Incentives

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## New incentive for E&E sector

The Government has proposed the following new incentives to encourage continuous investment in the E&E sector:

- i. Income tax exemption up to 10 years to E&E companies investing in selected knowledge-based services; and
- ii. Special 50% Investment Tax Allowance (ITA) on qualifying capital expenditure incurred within a period of 5 years to set-off against 50% of statutory income for each YA. This incentive is only available to E&E companies that have exhausted the eligibility period of 15 consecutive years of reinvestment allowance incentive.

The incentive listed under (ii) above is available for applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2020 to 31 December 2021.

## New incentive for development of intellectual property (IP) sector

In order to further encourage IP development activities in Malaysia, the Government has proposed that 100% income tax exemption for a period of 10 years will be given on qualifying IP income derived from patent and copyright software of qualifying activities. For the purpose of computation of the income tax exemption, the Modified Nexus Approach will be adopted to ensure that only income derived from IP developed in Malaysia is eligible for this tax incentive.

This incentive is available for applications received by MIDA from 1 January 2020 to 31 December 2022.

### **Crowe's comment:**

*The above proposal is in line with Action 5 of the Base Erosion Profit Shifting initiative. The Modified Nexus Approach is based on a substantial activity requirement. Essentially, there must be a direct nexus between the income receiving benefits and the activity contributing to that income. Hence, companies must ensure that the actual research and development activity of the IP is undertaken by the companies in Malaysia in order to enjoy the above income tax exemption.*



# Corporate Tax Incentives

## Review of green technology incentive

The Government has proposed that the existing Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) be reviewed as follows:

		Incentive period	Effective date
<b>GITA</b>	100% ITA on capital expenditure for qualifying green activities and to be set-off against up to 70% of statutory income.	To be extended until 31 December 2023.	Applications received by MIDA until 31 December 2023.
<b>GITE</b>	70% income tax exemption on statutory income for qualifying green services activities.	To be extended until 31 December 2023.	Applications received by MIDA from 1 January 2020 until 31 December 2023.
	70% income tax exemption on statutory income for solar leasing activities certified by Sustainable Energy Development Authority (SEDA).	For a period of up to 10 YAs (New tax incentive).	

## Tax Incentive for the purchase of tourism vehicles

In an effort to support the Visit Malaysia Year 2020, the Government has proposed the following incentives to be given to licensed tour operators:

- i. Accelerated Capital Allowance (ACA) on the purchase of new locally assembled excursion buses incurred in YA 2020 to YA 2021 with initial allowance of 20% and annual allowance of 40% to be fully claimed within 2 years; and
- ii. Excise duty exemption of 50% on the purchase of new locally assembled vehicles that are used as tourism vehicles.

The incentive under item (ii) above is available for applications received by the Ministry of Finance (MOF) from 1 January 2020 until 31 December 2021.

# Corporate Tax Incentives

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## Expansion of scope of tax incentives for tourism projects

In an effort to further promote the growth of the tourism sector, the Government has proposed that the following tax incentive be extended to include integrated tourism and sports tourism projects:

- Pioneer Status with income tax exemption of 70% of statutory income for a period of 5 years; or
- 60% ITA on qualifying capital expenditure incurred within 5 years which can be set-off against up to 70% of statutory income for each YA.

Furthermore, to attract additional investment in tourism projects, the Government has proposed that the following tax incentives be given to new investments for international theme parks:

- Pioneer Status with tax exemption of 100% of statutory income for a period of 5 years; or
- 100% ITA on qualifying capital expenditure incurred within 5 years which can be set-off against up to 70% of statutory income for each YA.

The above is available for applications received by MIDA from 1 January 2020.

## Tax incentive for organising conferences in Malaysia

In its efforts to promote Malaysia as the preferred destination for hosting international conferences and to support Visit Malaysia Year 2020, the Government has proposed that a 100% income tax exemption on statutory income of companies in Malaysia from promoting and organising conferences be expanded to include any entities whose main activities are other than promoting and organising conferences on condition that the organiser brings in at least 500 foreign participants annually.

The above is effective from the YA 2020 until YA 2025.

## Tax incentives for organising arts, cultural, sports and recreational activities in Malaysia

In an effort to encourage the organising of arts and cultural activities, international sports and recreational competitions, as well as to support Visit Malaysia Year 2020, the Government has proposed that a 50% income tax exemption on statutory income be given to companies that organise:

- i. arts and cultural activities approved by MOTAC; and
- ii. international sports and recreational competitions approved by the Ministry of Youth and Sports.

The above is effective from the YA 2020 until YA 2022.

# Corporate Tax Incentives

## Extension of several tax incentives and exemptions

The theme for 2020 Budget is on “Driving Growth and Equitable Outcomes Towards Shared Prosperity”. In order to embrace it, the Government has proposed to extend the eligibility period of the following tax incentives and exemptions:

Type of incentives/ exemptions	Description	Proposed extension period	Effective date
Angel investor	Angel investor who invests in investee company (i.e. activity to be approved by MOF) in the form of ordinary shares is eligible for tax exemption equivalent to the amount of investment made.	Tax incentive application period will be extended for a period of 3 years (i.e. until 31 December 2023).	For application received by MOF until 31 December 2023.
Company participating in National Dual Training Scheme	Double deduction is given on expenses incurred by companies participating in National Dual Training Scheme for Industry4WRD programmes approved by Ministry of Human Resources (MOHR).	Approved programmes will be extended for a period of 2 years (i.e. until 31 December 2021).	For programmes approved by MOHR from 1 January 2020 until 31 December 2021.
Income tax deduction on Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) loan amount paid by employers on behalf of employees	Repayment of PTPTN loan made by employers from 1 January 2019 until 31 December 2019 on behalf of their employees who are employed on full time basis are eligible for tax deduction.	Loan repayment period to be extended for a period of 2 years (i.e. until 31 December 2021).	For repayment made from 1 January 2020 until 31 December 2021.

# Corporate Tax Incentives

Type of incentives/ exemptions	Description	Proposed extension period	Effective date
Tax treatment for Real Estate Investment Trusts (REITs)	<p>Investors in REITs are subject to the following tax treatment:</p> <ul style="list-style-type: none"> <li>i. resident corporate investors receiving profit distribution from REITs listed on Bursa Malaysia are subject to current corporate tax rate;</li> <li>ii. non-resident corporate investors receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final withholding tax at the current corporate tax rate;</li> <li>iii. foreign institutional investors, particularly pension funds and collective investment funds receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final 10% withholding tax; and</li> <li>iv. non-corporate investors including resident and non-resident individuals and other local entities receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final 10% withholding tax.</li> </ul>	The existing tax treatment will be extended for a period of 6 years.	For the YA 2020 until YA 2025.

# Corporate Tax Incentives

Type of incentives/ exemptions	Description	Proposed extension period	Effective date
Issuance of Sukuk Wakalah	<p>Expenses incurred in issuing Sukuk under the principles of Ijarah and Wakalah are eligible for income tax deduction. A further deduction is also eligible to be claimed on additional costs incurred on the issuance of Sukuk under the principles of Ijarah and Wakalah as follows:</p> <ul style="list-style-type: none"> <li>i. professional fees relating to due diligence, drafting and preparation of prospectus;</li> <li>ii. Securities Commission (SC) of Malaysia prospectus registration fee;</li> <li>iii. Bursa Malaysia processing fee and initial listing fee;</li> <li>iv. Bursa Malaysia new issue crediting fee;</li> <li>v. primary distribution fee;</li> <li>vi. printing costs of prospectus; and</li> <li>vii. advertisement cost of prospectus.</li> </ul>	<ul style="list-style-type: none"> <li>a. The tax incentives will be extended for a period of 5 years only for Sukuk under the principles of Wakalah such as follows:               <ul style="list-style-type: none"> <li>i. tax deduction for issuance cost of Sukuk; and</li> <li>ii. further deduction on additional issuance cost of Sukuk.</li> </ul> </li> <li>b. Tax deduction for issuance cost and further deduction on additional issuance cost of Sukuk under the principle of Ijarah are eligible to be claimed until YA 2020.</li> </ul>	From YA 2021 until YA 2025.

# Corporate Tax Incentives

Type of incentives/ exemptions	Description	Proposed extension period	Effective date
Issuance of Sustainable and Responsible Investments (SRI) Sukuk	<p>Tax deduction is given on the issuance cost of SRI Sukuk either approved by, authorised by or lodged with the SC. SRI Sukuk refers to the financing of projects with the following objectives:</p> <ul style="list-style-type: none"> <li>i. preserve and protect the environment and natural resources;</li> <li>ii. conserve the use of energy;</li> <li>iii. promote the use of renewable energy;</li> <li>iv. reduce greenhouse gas emission; or</li> <li>v. improve the quality of life of society.</li> </ul>	The existing tax incentive will be extended for a period of 3 years.	From YA 2021 until YA 2023.
Management fee income for SRI funds	A company that provides conventional SRI and Shariah-compliant SRI fund management services to local investors, foreign investors and business trust investors or REITs in Malaysia, approved by SC is given tax exemption on management fee income in managing conventional SRI and Shariah-compliant SRI funds.	The existing income tax exemption will be extended for a period of 3 years.	From YA 2021 until YA 2023.

# Corporate Tax Incentives

Type of incentives/ exemptions	Description	Proposed extension period	Effective date
Management fee income for Shariah-compliant fund	<p>A company that provides Shariah-compliant fund management services approved by SC is given tax exemption on the following income:</p> <ul style="list-style-type: none"> <li>i. statutory income derived from business of providing fund management services to foreign investors in Malaysia;</li> <li>ii. statutory income derived from business of providing fund management services to local investors in Malaysia; and</li> <li>iii. statutory income derived from business of providing fund management services to business trusts or real estate investment trusts in Malaysia.</li> </ul>	The existing income tax exemption will be extended for a period of 3 years.	From YA 2021 to YA 2023.

# Corporate Tax Incentives

## Review of tax incentives for automation

To encourage automation and increase a company's productivity, the Government has proposed to review the incentive for automation as follows:

Industries	Tax incentives	Proposed extension period	Effective Date
<b>Category 1:</b> Labour-intensive industry (rubber, plastic, wood and textile products)	ACA for automation equipment of 100% on the first RM4 million for qualifying capital expenditure incurred.	Extended for 3 years until 31 December 2023.	For application received by MIDA until 31 December 2023.
<b>Category 2:</b> Industries other than Category 1	ACA for automation equipment of 100% on the first RM2 million for qualifying capital expenditure incurred.	Extended for 3 years until 31 December 2023.	For application received by MIDA until 31 December 2023.
<b>Category 2:</b> Services sector	ACA for automation equipment of 100% on the first RM2 million for qualifying capital expenditure incurred.	-	For application received by MIDA from 1 January 2020 until 31 December 2023.



# Corporate Tax Incentives

## Extension of tax incentive period for venture capital

To further encourage alternative sources of funding for start-ups companies and to attract more foreign investment to Malaysia, the Government has proposed the following:

Industries	Tax incentives	Proposed extension period	Effective date
Venture Capital Management Corporation (VCMC)	Income tax exemption inclusive of management fees, performance fees and income from the portion of profit (profit sharing) received on investment made by VCC.	Extended for 4 years until 31 December 2026.	For application received by SC by 31 December 2023.
Venture Capital Company (VCC)	<p>Income tax exemption on statutory income from all sources of income excluding interest income from savings or fixed deposits and profits from Shariah-compliant deposits.</p> <p>Exemption is given for a period of 5 YA from the date of first confirmation by SC for investment in VC.</p> <p>VCC must be registered with the SC and needs to invest at least 50% of its funds in the early stage, seed and start-up. The remaining 50% is allowed to be invested at other stages of investment. VCC and VC are not related companies.</p>		
Investment in VCC	Companies or individuals with business income investing into VCC funds created by VCMC are given tax deduction equivalent to the amount of investment made in VCC, limited to a maximum of RM20 million a year.		
Investment in Venture Capital (VC)	Companies or individuals with business income investing in VC are given tax deduction equivalent to the amount of investment in VC.		

# Updates Affecting Individuals

## Review of income tax rate, personal reliefs and deduction for individual taxpayers

		Current	Proposed (Effective from YA 2020)
Tax rate	Resident – Chargeable income exceeding RM2 million	<ul style="list-style-type: none"> <li>Marginal tax rate of 28%.</li> </ul>	<ul style="list-style-type: none"> <li>Marginal tax rate of 30%.</li> </ul>
	Non resident	<ul style="list-style-type: none"> <li>Flat rate of 28%.</li> </ul>	<ul style="list-style-type: none"> <li>Flat rate of 30%.</li> </ul>
Personal reliefs	Medical expenses for serious diseases	<ul style="list-style-type: none"> <li>The tax relief of up to RM6,000 (includes expenses of up to RM500 for full medical check-up).</li> </ul>	<ul style="list-style-type: none"> <li>The scope of income tax relief on medical treatment expenses will be expanded to include the cost of fertility treatment.</li> </ul>
	Fees paid to childcare centres and kindergartens	<ul style="list-style-type: none"> <li>The tax relief of up to RM1,000;</li> <li>Children aged up to 6 years; and</li> <li>Childcare centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education.</li> </ul>	<ul style="list-style-type: none"> <li>The tax relief will be increased from RM1,000 to RM2,000.</li> </ul>
Approved donations/ gifts/ contributions	Tax treatment on donation for charitable, sports activities and projects of national interest	<ul style="list-style-type: none"> <li>Tax deduction of up to 7% of aggregate income, where applicable, made to:               <ol style="list-style-type: none"> <li>institutions or organisations approved under subsection 44(6) of ITA 1967;</li> <li>sports activity approved under subsection 44(11B) of ITA 1967; and/or</li> <li>projects of national interest approved under subsection 44(11C) of ITA 1967.</li> </ol> </li> <li>No specific tax treatment on cash <i>wakaf</i> and endowment contributions under the ITA 1967.</li> </ul>	<ul style="list-style-type: none"> <li>The tax deduction will be increased from 7% to 10% and be expanded to include the following contributions:               <ol style="list-style-type: none"> <li>cash <i>wakaf</i> contribution to state religious authority or body established by the state religious authority to administer <i>wakaf</i>;</li> <li>cash <i>wakaf</i> contribution to public university approved by the state religious authority to receive <i>wakaf</i>; and</li> <li>cash endowment contribution to public university.</li> </ol> </li> </ul>

# Updates Affecting Individuals

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## Extension of women returning to work after career break tax incentive

In its effort to encourage more women who are on a career break to return to work, the Government has proposed that the income tax exemption on employment income for a maximum of 12 consecutive months to women who return to work after a career break be extended for a period of 4 years (i.e. until 31 December 2023).

The above is effective for application received by Talent Corporation Malaysia Berhad from 1 January 2020 until 31 December 2023.

## Income tax rebate for departure levy imposed on outbound air passenger performing umrah and pilgrimage to holy places

Currently, departure levy for outbound air passengers performing Hajj is borne by Lembaga Tabung Haji while departure levy for outbound air passengers performing umrah and pilgrimage to holy places is borne by themselves.

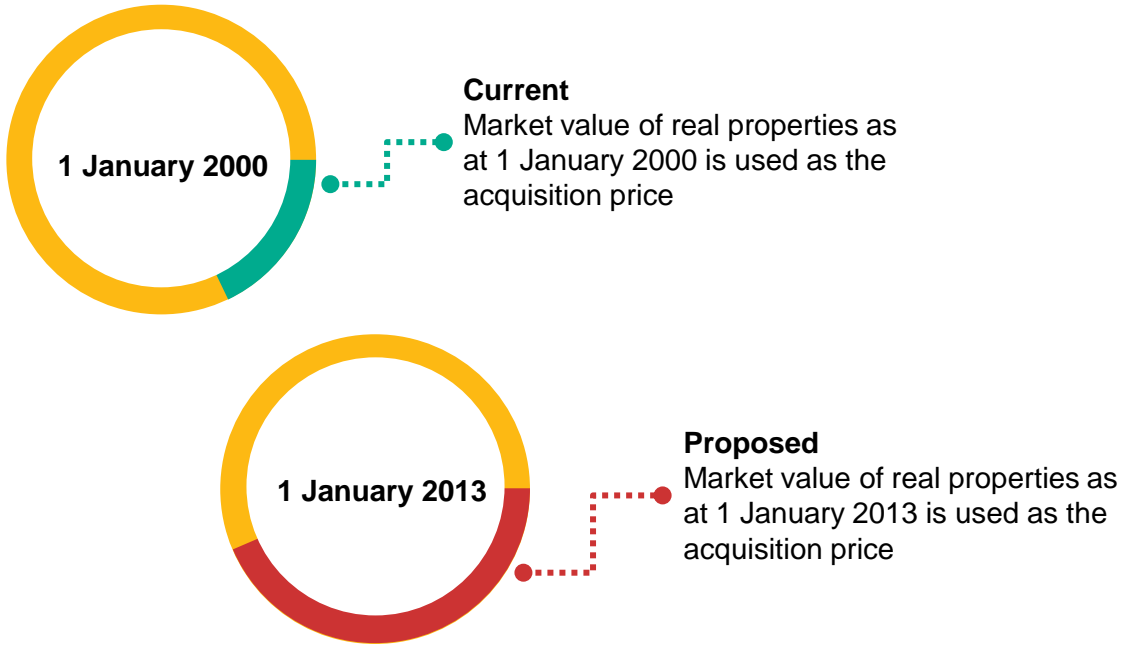
In view that umrah and pilgrimage to holy places are performed for religious purposes, the Government has proposed that an income tax rebate equivalent to the amount of levy paid by the individual be given, subject to the following conditions:

- i. Can be claimed twice in a lifetime; and
- ii. Must be claimed together with proof of boarding pass and an umrah visa or confirmation letter on pilgrimage to holy place from religious body recognised by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Department of National Unity and Integration, Prime Minister's Department.

# Updates on Real Property Gains Tax

## Review of Real Property Gains Tax treatment

As a response to the public view regarding the imposition of real property gains tax at the rate of 5% on gains derived from disposal of real properties by Malaysian citizens and permanent residents held for more than 5 years from the acquisition date, it is proposed that the acquisition price for real properties acquired prior to year 2013 be determined as follows:



The above will be effective for the disposal of real properties made from 12 October 2019.

### **Crowe's comment:**

*Based on the above proposal, the Malaysian citizens and permanent residents are likely to see a significantly lower chargeable gain arising from the disposal of real properties held for more than 5 years as the market value of real properties as at 1 January 2013 are higher due to the bull run in the real property market as compared to the market value of real properties as at 1 January 2000.*

# Updates on Stamp Duty

## Stamp duty exemption on Rent-To-Own (RTO) Scheme

In order to assist Malaysians in obtaining financing facilities from financial institutions for the purpose of first home ownership under the RTO scheme managed by the National Housing Department (NHD) under the Ministry of Housing and Local Government (MHLG), the following measure is proposed:

Instruments	Current stamp duty	Proposed stamp duty	Effective date
Transfer of residential home from housing developer to financial institution.	Ad valorem rate	Full exemption for transfer of first residential home priced up to RM500,000.	For SPA executed from 1 January 2020 to 31 December 2022.
Transfer of residential home from financial institution to buyer.	Ad valorem rate		For rental agreement executed from 1 January 2020 to 31 December 2022.

The above stamp duty exemption is subject to:

- Financial institutions regulated by BNM that provide home financing under this RTO scheme must obtain approval from BNM; and
- Housing developers collaborating with financial institutions that provide RTO scheme must be registered with NHD and MHLG.

## Review of certain provisions for stamp duty

The Government has proposed to review the following provisions for stamp duty:

	Current position	Proposed position	Effective date
Transfer of property between parents and children and vice versa by way of love and affection	Stamp duty at ad valorem rate (1% to 4%) with remission of 50% is given to Malaysian citizen and non-citizen.	Stamp duty at ad valorem rate (1% to 4%) with remission of 50% is now restricted to Malaysian citizen only.	For instrument of real property transfer executed from 1 January 2020.
Foreign currency loan agreement	Stamp duty at ad valorem rate (RM5 for every RM1,000) with maximum amount of stamp duty of RM500.	Stamp duty at ad valorem rate (RM5 for every RM1,000) with maximum amount of stamp duty of RM2,000.	For loan agreement executed from 1 January 2020.

# Changes and Updates to Sales and Service Tax

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## Approved Major Exporter Scheme

Trading companies or manufacturers of non-taxable goods that have export sales of at least 80% from its annual sales would be given the option to apply for this new Sales Tax exemption scheme.

Approved participants under this scheme would be eligible for full Sales Tax exemption on the importation or purchase of raw materials, components and packaging materials. These participants would only be required to pay for the Sales Tax on the portion of goods not exported out of Malaysia (i.e. using a prescribed formula) or the waste or refuse disposed in Malaysia. This scheme would take effect from 1 January 2020.

## Training and coaching services for disabled persons

From 1 January 2020, training and coaching services provided to disabled persons would be exempted from Service Tax, if such services are provided by:

- Centres registered with Ministry of Health Malaysia or Department of Social Welfare; or
- Centres endorsed by any national association for disabled persons registered with Registrar of Societies Malaysia.

## Extension of the Service Tax group relief to a company which provides services to non-group companies or third parties

Service Tax group relief is available to a company (“service provider company”) that provides taxable professional services solely to its group companies. The conditions for this group relief would be improved to include taxable professional services provided by the said service provider company to third parties or to a company which is not within the same group of companies as the service provider company. This proposed change would take effect from 1 January 2020.

However, this relief is only applicable if the value of services provided by the said service provider company does not exceed 5% of the total value of services provided by that service provider company within a period of 12 months.

# Other Initiatives

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## Review of existing incentive framework

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The Government has proposed that the following incentive framework be reviewed:

- Promotion of Investments Act 1986
- Special Incentive Package
- Other incentives under the ITA 1967

The new framework is expected to be ready by 1 January 2021.



## Customised Packaged Investment Incentives

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As part of the strategic push to attract targeted Fortune 500 companies and global unicorns in high technology, manufacturing, creative and new economic sectors and to transform Malaysia's best and most promising export-oriented businesses, the Government has proposed to introduce customised packaged investment incentives annually over a 5 year period.



## Tax Appeal Tribunal

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In order to improve the efficiency of management of tax appeals, the Government has proposed that the Special Commissioner of Income Tax (SCIT) and Customs Appeal Tribunal be merged into the Tax Appeal Tribunal. This Tax Appeal Tribunal is expected to be in operation in 2021.



## Tax Identification Number (TIN)

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With effect from January 2021, the Government has proposed that Malaysian individuals above the age of 18 and corporate entities be assigned with a Tax Identification Number.

# 2020 Budget Tax Conference



## Malaysia Tax Budget 2020

Is it normal, exceptional  
or *phenomenal*?

[Find out more](#)

Penang  
30 October 2019

Johor Bahru  
31 October 2019

Kuala Lumpur  
22 October 2019

Kuching  
28 October 2019

**Register now while seats last!**





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