PELAN JANA SEMULA EKONOMI NEGARA "PENJANA"

SUMMARY OF TAX RELIEFS PROVIDED BY THE GOVERNMENT OF MALAYSIA IN RELATION TO COVID-19 PANDEMIC AND SUBSEQUENT MCO

On 5 June 2020, the Government of Malaysia announced a RM35 billion stimulus package titled "Pelan Jana Semula Ekonomi Negara" or "PENJANA" which is aimed at helping businesses recover from the impact of the COVID-19 pandemic and the resulting lockdown under the Movement Control Order (MCO). Among the measures introduced are several tax incentives which are listed below.

1 TAX INCENTIVES TO ACCOMMODATE FLEXIBLE WORK ARRANGEMENT

Beneficiary : All employers who employ employees working from home and those employees.

Effective from : Beginning June 2020

Both employers and employees will benefit from the following:

1. Further tax deduction for employers which implement Flexible Work Arrangements (FWAs) or undertake enhancement of their existing FWAs (effective 1st July 2020). Individual income tax exemption of up to RM5,000 to employees who receive a handphone, notebook & tablet from their employer (effective 1st July 2020).

2. Special individual income tax relief of up to RM2,500 on the purchase of handphone, notebook & tablet (effective 1st June 2020).

2 CHILD CARE SUBSIDY FOR PARENTS

Beneficiary : Approximately 5,000 households

Effective from : June 2020

The following tax incentives are given to ease the transition to the new normal of working-from-home:

1. Increase in income tax relief for parents on childcare services expenses, from RM2,000 to RM3,000 for Year of Assessment (YA) 2020 and 2021

3 TAX RELIEF FOR COVID-19 RELATED EXPENSES

Beneficiary : All businesses

Effective from : Immediately

An extension of the period and expansion of the scope of expenses allowed as tax deduction or capital allowance for COVID-19's prevention, including:

1. Covid-19 testing
2. Purchase of PPE and thermal scanners

4 FINANCIAL STRESS SUPPORT FOR BUSINESSES

Beneficiary : All businesses

Effective from : March 2020

The government hopes to ease financial stress of business through:

1. 50% remission of penalty for late payment of sales tax & service tax due and payable from 1st July 2020 to 30th September 2020.

2. Extension of special tax deduction for renovation and refurbishment of business premises to 31st December 2021.

3. Extension of Accelerated Capital Allowance on eligible capital expenses including ICT equipment to 31st December 2021.

4. Extension of special deduction equivalent to 30% reduction in rental for SMEs to 30th September 2020.

5 TO ENCOURAGE SET UP OF NEW BUSINESSES

Beneficiary : New businesses and SMEs involved in mergers and acquisitions

Effective from : July 2020

To encourage the establishment of new businesses and transactions such as mergers and acquisitions, financial relief will be provided in the form of:

1. Income tax rebate up to RM20,000 per year for 3 years of assessment for newly established SMEs between 1st July 2020 to 31st December 2021.

2. Stamp duty exemption for SMEs on any instruments executed for Mergers and Acquisitions (M&A), for the period between 1st July 2020 to 30th June 2021.

6 DIGITALISATION OF GOVERNMENT SERVICE DELIVERY

Beneficiary : Public

Effective from : June 2020

Accelerate the digitalisation of government services to reduce face-to-face transactions including, but not limited to:

1. Stamp assessment & stamp duties.

7 TAX INCENTIVES FOR PURCHASE OF PASSENGER CARS

Beneficiary : Automotive Sector and Consumer

Effective from : Mid June to end December 2020

Tax exemption for purchase of passenger cars:

1. Full sales tax exemption on locally assembled cars
2. 50% sales tax exemption on imported cars

8 INCENTIVES FOR GROWTH IN PROPERTY SECTOR

Beneficiary : Homeowners and prospective homebuyers

Effective from : June 2020

To stimulate the property market and provide financial relief to home buyers, the following tax exemptions will be given for purchase of properties under the reintroduction of the Home Ownership Campaign (HOC) : -

1. Stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 to RM2.5 million subject to at least 10% discounts provided by the developer. The exemption on the instrument of transfer is limited to the first RM1 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between 1st June 2020 to 31st May 2021.

2. RPGT exemption for disposal of residential homes from 1st June 2020 to 31st December 2021. (This exemption is limited to the disposal of three units of residential homes per individual)

3. In addition, the current 70% margin of financing limit applicable for the third housing loan onwards for property valued at RM600,000 and above, will be uplifted during the period of the HOC, subject to internal risk management practices of financial institutions.

9 INCENTIVES TO REGENERATE TOURISM SECTOR

Beneficiary : Tourism sector

Effective from : July 2020

Tax incentives for the tourism sector:

1. Tourism tax exemption from 1st July 2020 to 30th June 2021.

2. Extension of service tax exemption for hotels to 30th June 2021.

3. Extension of period for income tax relief of RM1,000 for tourism expenses to 31st December 2021.

4. Extension of period for deferment of tax instalment payment for tourism industry to 31st December 2020.

10 INCENTIVE TO ENCOURAGE INVESTMENT IN MALAYSIA AS ATTRACTIVE DESTINATION FOR BUSINESSES

Beneficiary : Foreign Investor

Effective from : July 2020 to December 2021

Tax incentives for company relocating to Malaysia:

1. 0% tax rate for 10 years for new investment in manufacturing sectors with capital investment between RM300 - RM500 million.

2. 0% tax rate for 15 years for new investment in manufacturing sectors with capital investment above RM500 million.

3. 100% Investment Tax Allowance for 3 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million.

4. Special Reinvestment Allowance for manufacturing and selected agriculture activity, from YA 2020 to YA 2021.

11 COMMODITY SECTOR SUPPORT

Beneficiary : Commodity sector

Effective from : July 2020

100% export duty exemption from 1 July 2020 to 31 December 2020 for the following commodities:

1. Crude Palm Oil

2. Crude Palm Kernel Oil

3. Refined Bleached Deodorized Palm Kernel Oil

For more information on the abovementioned tax incentives, please visit the following websites :-

1. *Inland Revenue Board of Malaysia at www.hasil.gov.my*
2. *Royal Malaysian Customs Department at www.customs.gov.my*

FOR MORE INSIGHT INTO THIS AREA OF LAW, PLEASE CONTACT OUR PARTNER IN THE TAX PRACTICE GROUP

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