

# e-tax news



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## An Overview of the Tax Initiatives Announced by the Government During COVID-19 Pandemic

The Government of Malaysia has continuously announced numerous economic stimulus initiatives for the past few months as listed below to help businesses and “rakyat” to recover from the impact of COVID-19 pandemic. Among the objectives to be achieved are preservation of jobs, safeguarding the people’s welfare, to support businesses including Small and Medium Enterprises (“SME”) sector and to strengthen the national economy.

- Economic Stimulus Package 2020 announced on 27 February 2020;
- “Prihatin Rakyat” Economic Stimulus Package announced on 27 March 2020;
- Additional “Prihatin Rakyat” Economic Stimulus Package for SME sector announced on 6 April 2020; and
- “Pelan Jana Semula Ekonomi Negara” or “PENJANA” announced on 5 June 2020.

We have summarised below the tax initiatives from the above economic stimulus initiatives together with our own commentary as a guidance to businesses.

# 1. Tax initiatives for Small and Medium Enterprise (“SME”)

Tax initiatives	Effective date	PKF's Commentary
<p>Reduction or waiver of rental by landlord</p> <ul style="list-style-type: none"> <li>The claim of tax deduction on reduction or waiver of rental of at least 30% of the gross rental by landlord to tenants who are SME on the condition that the premise rented is use in their business.</li> </ul>	<p>From 30 April 2020 to 30 June 2020 and further extended to 30 September 2020</p>	<p>A Frequently Asked Questions (“FAQ”) has been issued by the Inland Revenue Board (“IRB”) to provide clarity on the claiming of the tax deduction on the reduction or waiver of rental by landlord. It was clarified in the FAQ that the definition of SME follows the National SME definition instead of the definition provided under Income Tax Act, 1967 (“ITA”) which provides greater flexibility.</p> <p>Under the National SME definition, a business can qualify as SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower.</p>
<p>Tax rebate for new SME businesses</p> <ul style="list-style-type: none"> <li>A rebate of up to RM20,000 per year for the first 3 years of assessment is given to SME incorporated and commenced operation between 1 July 2020 to 31 December 2021.</li> </ul>	<p>From 1 July 2020 to 31 December 2021</p>	<p>The rebate given will benefit SMEs in reducing their tax liability as the rebate will be directly set-off against the tax liability for that year of assessment and not as a tax deduction.</p>

## 2. Tax initiatives for businesses

Tax initiatives	Effective date	PKF's Commentary
<p>Accelerated capital allowance ("ACA")</p> <ul style="list-style-type: none"> <li>The claim of ACA at 40% (i.e. annual allowance) on qualifying expenditure incurred by businesses on machinery and equipment including ICT equipment.</li> </ul>	<p>From 1 March 2020 to 31 December 2020 and further extended to 31 December 2021</p>	<p>The claim of ACA is aimed to spur capital investment on digitalisation of business operation.</p>
<p>Special tax deduction on costs of renovation and refurbishment</p> <ul style="list-style-type: none"> <li>The claim of tax deduction up to RM300,000 on the costs of renovation and refurbishment of business premises.</li> </ul>	<p>From 1 March 2020 to 31 December 2020 and further extended to 31 December 2021</p>	<p>Generally, renovation and refurbishment are capital in nature with no tax deduction unless it is eligible to claim industrial building allowance.</p> <p>Businesses should take advantage on this special tax deduction to renovate and refurbishment their business premises.</p>
<p>Deduction or allowance on COVID-19 related expenditure</p> <ul style="list-style-type: none"> <li>Tax deduction or allowance is given for businesses that incurred expenditure such as disposal personal protective equipment, thermal scanner and COVID-19 testing for employees.</li> </ul>	<p>From 5 June 2020 onwards</p>	<p>It is unclear as to why such expenses are given a special tax relief as it is generally allowable for tax deduction or the claim of capital allowance as these expenses were incurred for employees and are wholly and exclusively incurred for the production of income of the businesses.</p>
<p>Further tax deduction on Flexible Working Arrangement ("FWA")</p> <ul style="list-style-type: none"> <li>Further tax deduction is given to employer for implementing FWA or undertake enhancement to the existing FWA.</li> </ul>	<p>From 1 July 2020 and onwards</p>	<p>We may expect more details to be provided on the type of qualifying expenses eligible for further deduction.</p>

## 2. Tax initiatives for businesses

Tax initiatives	Effective date	PKF's Commentary
<p>Deferment of tax instalment for tourism industry</p> <ul style="list-style-type: none"> <li>• Tourism industry can enjoy further extension on the deferment of payment of monthly tax instalment.</li> </ul>	<p>From 1 April 2020 to 30 September 2020 and further extended to 31 December 2020</p>	<p>The deferment of the monthly tax instalment is given automatically by the IRB based on their database. The deferred instalments are not required to be paid and any balance of tax liability will be payable upon submission of the tax return to the IRB.</p> <p>The deferment of monthly tax instalments has benefited taxpayers with their cash flow position without the risk of under-estimation tax penalty as the estimated tax liability remained unchanged.</p>
<p>Fourth (4th) month revision for corporate taxpayer</p> <ul style="list-style-type: none"> <li>• Corporate taxpayer is given an option to make an early revision in the 4th month of the basis period provided that the instalment falls in the year 2020.</li> <li>• Corporate taxpayer with financial years ending on 30 September 2020 to 31 August 2021 can be benefited from this early revision.</li> </ul>	<p>From March 2020 to December 2020</p>	<p>Corporate taxpayers may take advantage of early revision to alleviate their cashflow position.</p> <p>Further, it is advisable that corporate taxpayers to revisit their financial position and make a subsequent revision in the 6th and / or 9th month of the basis period to ascertain the tax liability to be paid to avoid potential under-estimation penalty.</p>

## 2. Tax initiatives for businesses

Tax initiatives	Effective date	PKF's Commentary									
<p>Donation to COVID-19 Fund</p> <ul style="list-style-type: none"> <li>Tax deduction will be given to those who made contributions and donations in cash or in-kind that will be used to contain the spread of COVID-19 and to help people affected by the outbreak as follows:-</li> </ul> <table border="1" data-bbox="181 770 649 1509"> <thead> <tr> <th data-bbox="181 770 448 911">Name of Fund</th> <th data-bbox="448 770 649 911">Type of contributions and donations</th> </tr> </thead> <tbody> <tr> <td data-bbox="181 911 448 1075" rowspan="2">COVID-19 Fund ("Ministry of Health")</td> <td data-bbox="448 911 649 1010">Equipment or items</td> </tr> <tr> <td data-bbox="448 1010 649 1075">Cash</td> </tr> <tr> <td data-bbox="181 1075 448 1294">COVID-19 Fund ("National Disaster Management, Prime Minister's Department")</td> <td data-bbox="448 1075 649 1294">Cash</td> </tr> <tr> <td data-bbox="181 1294 448 1509">Approved institution / organisation under Section 44(6) of the Act</td> <td data-bbox="448 1294 649 1509">Cash</td> </tr> </tbody> </table>	Name of Fund	Type of contributions and donations	COVID-19 Fund ("Ministry of Health")	Equipment or items	Cash	COVID-19 Fund ("National Disaster Management, Prime Minister's Department")	Cash	Approved institution / organisation under Section 44(6) of the Act	Cash	<p>Donation made from February 2020 until the pandemic is declared over by the Government</p>	<p>In order to recoup the full tax deduction, businesses must ensure that there is sufficient aggregate income of the donor entity to be set-off against the approved donation. In the event that there is insufficient aggregate income in the donor entity, part of the donation that cannot be set-off against the aggregate income will result in a permanent loss to the donor entity.</p>
Name of Fund	Type of contributions and donations										
COVID-19 Fund ("Ministry of Health")	Equipment or items										
	Cash										
COVID-19 Fund ("National Disaster Management, Prime Minister's Department")	Cash										
Approved institution / organisation under Section 44(6) of the Act	Cash										

### 3. Incentives for manufacturing, agricultural and human resources

Tax initiatives	Effective date	PKF's Commentary										
<p>Relocation of foreign companies into Malaysia</p> <ul style="list-style-type: none"> <li>Foreign companies that relocate their business operations into Malaysia in the manufacturing sector will qualify for zero (0%) tax rate as follows: -</li> </ul> <table border="1" data-bbox="180 741 651 1308"> <thead> <tr> <th rowspan="2">Incentives</th> <th colspan="2">Key conditions</th> </tr> <tr> <th>Value of fixed assets investment (*)</th> <th>Commence of operation</th> </tr> </thead> <tbody> <tr> <td>0% tax rate for 10 years</td> <td>RM300 million to RM500 million</td> <td rowspan="2">Must commence operations in Malaysia within one (1) year from the approval date</td> </tr> <tr> <td>0% tax rate for 15 years</td> <td>RM500 million and above</td> </tr> </tbody> </table> <p><i>Note (*): Fixed assets investment must be made within three (3) years.</i></p>	Incentives	Key conditions		Value of fixed assets investment (*)	Commence of operation	0% tax rate for 10 years	RM300 million to RM500 million	Must commence operations in Malaysia within one (1) year from the approval date	0% tax rate for 15 years	RM500 million and above	<p>Application made to MIDA from July 2020 to December 2021</p>	<p>Detailed conditions should be promptly issued by MIDA to provide clarity of the above incentive due to the short window period of the above tax incentive.</p>
Incentives		Key conditions										
	Value of fixed assets investment (*)	Commence of operation										
0% tax rate for 10 years	RM300 million to RM500 million	Must commence operations in Malaysia within one (1) year from the approval date										
0% tax rate for 15 years	RM500 million and above											
<p>Relocation of overseas manufacturing facilities into Malaysia by Malaysian company</p> <ul style="list-style-type: none"> <li>100% investment tax allowance for 5 years for existing company in Malaysia which relocate their overseas manufacturing facilities into Malaysia with fixed assets investment above RM300 million.</li> </ul>	<p>Application made to MIDA from July 2020 to December 2021</p>	<p>This incentive does not incentivise the relocation of overseas manufacturing facilities into Malaysia that does not involve heavy capital investment. Thus, it would be more beneficial if options are available to choose between investment tax allowance (capital intensive operations) or exemption of tax liability (non-capital intensive operations).</p>										

### 3. Incentives for manufacturing, agricultural and human resources

Tax initiatives	Effective date	PKF's Commentary															
<p>Special reinvestment allowance ("RA")</p> <ul style="list-style-type: none"> <li>• Applicable to manufacturing and selected agriculture activity</li> <li>• Special RA will be given to those companies whose RA incentive period has been expired and continue reinvesting in YA 2020 and YA 2021.</li> </ul>	<p>From July 2020 to December 2020</p>	<p>RA is one of the most common and popular tax incentives available to a resident company that embarking on a capital intensive reinvestment to expand, diversify, automate and modernise their existing business operations.</p>															
<p>Incentives for hiring unemployed workers and youths</p> <ul style="list-style-type: none"> <li>• The following incentives have been introduced for business: -</li> </ul> <table border="1" data-bbox="180 1048 651 1912"> <thead> <tr> <th>Category</th> <th>Duration</th> <th>Incentive</th> </tr> </thead> <tbody> <tr> <td>Apprenticeship for school leavers and graduates</td> <td>Up to 6 months</td> <td>RM600 per month</td> </tr> <tr> <td>Unemployed workers below 40 years old</td> <td>Up to 6 months</td> <td>RM800 per month</td> </tr> <tr> <td>Unemployed workers 40 years old and above / disabled persons</td> <td>Up to 6 months</td> <td>RM1,000 per month</td> </tr> <tr> <td>Retrenched employees not covered under the Employment Insurance System (EIS)</td> <td>-</td> <td>Training allowance of up to RM4,000 per individual</td> </tr> </tbody> </table>	Category	Duration	Incentive	Apprenticeship for school leavers and graduates	Up to 6 months	RM600 per month	Unemployed workers below 40 years old	Up to 6 months	RM800 per month	Unemployed workers 40 years old and above / disabled persons	Up to 6 months	RM1,000 per month	Retrenched employees not covered under the Employment Insurance System (EIS)	-	Training allowance of up to RM4,000 per individual	<p>Application open from mid June 2020 to end December 2020</p>	<p>As the above incentive is only applicable for period of six months, excessive conditions for application will make the incentive unattractive. Hence, the relevant authorities should impose minimum requirements on the application to benefit more businesses. The relevant authorities should not impose stringent conditions on similar initiatives previously announced, such as Approved Internship Programme and 1 Malaysia Training Scheme.</p>
Category	Duration	Incentive															
Apprenticeship for school leavers and graduates	Up to 6 months	RM600 per month															
Unemployed workers below 40 years old	Up to 6 months	RM800 per month															
Unemployed workers 40 years old and above / disabled persons	Up to 6 months	RM1,000 per month															
Retrenched employees not covered under the Employment Insurance System (EIS)	-	Training allowance of up to RM4,000 per individual															

## 4. Tax Reliefs and Tax-exempt Benefits for Individuals

Tax initiatives	Effective date	PKF's Commentary
<p>Relief on domestic travelling expenses</p> <ul style="list-style-type: none"> <li>• Personal income tax relief of up to RM1,000 given to resident individuals for the following expenses: -               <ul style="list-style-type: none"> <li>◦ Accommodation fees paid for tourist accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia ("MOTAC"); and</li> <li>◦ Entrance fees paid for tourist attractions.</li> </ul> </li> </ul>	<p>Domestic travel period between 1 March 2020 to 31 August 2020 and further extended to 31 December 2021</p>	<p>Individuals wish to claim such relief must maintain relevant receipts and supporting documents for future tax audit purposes. Do note that the relief is given to accommodation premises registered with MOTAC and do ensure the relevant accommodation (especially Airbnb and homestay) is registered with MOTAC before claiming the said relief.</p>
<p>Child care subsidy</p> <ul style="list-style-type: none"> <li>• Increase in income tax relief for parents on childcare services expenses from RM2,000 to RM3,000</li> </ul>	<p>For YA 2020 and YA 2021</p>	<p>This tax relief can be claimed by either parent of the children who enrol their children up to 6 years of age, in child care centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education.</p> <p>The claim of tax relief by individual taxpayer will only be beneficial provided that the individual taxpayer has aggregate income to set-off against the tax relief. As such, to maximise the claim of tax relief, it should be claimed by the individual that has sufficient aggregate income.</p>



## 4. Tax Reliefs and Tax-exempt Benefits for Individuals

Tax initiatives	Effective date	PKF's Commentary
<p>Special tax relief</p> <ul style="list-style-type: none"> <li>Special personal income tax relief up to RM2,500 on the purchase of handphone, notebook and tablet.</li> </ul>	<p>From 1 June 2020 onwards</p>	<p>Currently, purchase of handphone, notebook or tablet is cover under lifestyle relief which capped at RM2,500 and the relief also include purchase of books, sports equipment, broadband internet subscription, gym membership, etc.</p> <p>In addition to the existing lifestyle relief, a further relief up to RM2,500 for the purchase of handphone, notebook and tablet offers greater flexibility for taxpayer to maximise the claim.</p>
<p>Income tax exemption</p> <ul style="list-style-type: none"> <li>Tax exemption of up to RM5,000 for individual taxpayers who receive handphone, notebook or tablet from their employers.</li> </ul>	<p>From 1 July 2020 onwards</p>	<p>Due to the current adverse economic situations, employers may opt to remunerate their employees through tax efficient remuneration package by incorporating tax exempt benefits into their employees' remuneration package.</p> <p>Proper planning and execution must be addressed before embarking on any tax efficient remuneration package scheme.</p>

## 5. Remission of penalty on sales tax and service tax, tax exemption on stamp duty and real property gains tax

Tax initiatives	Effective date	PKF's Commentary
Remission of late payment penalty <ul style="list-style-type: none"> <li>50% remission of penalty for late payment of Sales Tax and Service Tax ("SST").</li> </ul>	SST due and payable from 1 July 2020 to 30 September 2020	This will ease financial stress on businesses who have failed to comply with their obligations due to the current economic climate.
Sales tax exemption on passenger cars <ul style="list-style-type: none"> <li>Full sales tax exemption for purchase of locally assembled cars</li> <li>50% sales tax exemption for purchase of imported cars</li> </ul>	From mid June 2020 to end December 2020	This initiative will boost the automotive industry and provide financial relief for car buyers. However, the exemption is only for sales tax and does not cover excise duty for imported cars.
Tourism tax exemption for hotels	From 1 July 2020 to 30 June 2021	The exemption of both tourism tax and service tax for hotels is aligned to the personal income tax relief of RM1,000 given to resident individuals as mentioned earlier to encourage domestic tourism activities during this period.
Service tax exemption for hotels	From 1 March 2020 to 31 August 2020 and further extended to 30 June 2021	
Real Property Gains Tax ("RPGT") exemption for disposal of residential property <ul style="list-style-type: none"> <li>Gains arising from disposal of residential property by Malaysian citizens will be exempted from RPGT</li> <li>The exemption is given up to three (3) residential properties per individual</li> </ul>	Disposal from 1 June 2020 to 31 December 2021	The existing RPGT rates for Malaysian citizens range from 5% to 30% depending on the holding period.  This measure will help to stimulate the property sector and provide financial relief to Malaysian citizens who dispose of their residential houses during this period.

## 5. Remission of penalty on sales tax and service tax, tax exemption on stamp duty and real property gains tax

Tax initiatives	Effective date	PKF's Commentary
<p>Stamp Duty ("SD") exemption on acquisition of residential property</p> <ul style="list-style-type: none"> <li>The SD exemption is given for residential properties valued between RM300,000 to RM2,500,000 (subject to at least 10% discount provided by the developer) as follows: -               <ul style="list-style-type: none"> <li>- Instrument of transfer: on the first RM1,000,000 of the residential property value</li> <li>- Loan agreement: full exemption</li> </ul> </li> </ul>	<p>Sales and purchase agreement ("SPA") signed between 1 June 2020 and 31 May 2021</p>	<p>The incentive will help ease the challenges faced by property developers during this difficult time and also to provide financial relief to potential buyers.</p>
<p>SD exemption for SMEs on instruments executed for Mergers and Acquisition ("M&amp;A")</p>	<p>M&amp;A completed between 1 July 2020 to 30 Jun 2021</p>	<p>Under Stamp Act 1949, the SMEs is defined as below:-</p> <ul style="list-style-type: none"> <li>in relation to the manufacturing, manufacturing related services and agro-based industries sectors               <ul style="list-style-type: none"> <li>- full time employees not exceeding 150 people or annual turnover not exceeding RM25 million ringgit</li> </ul> </li> <li>in relation to the services, primary agriculture, and information and communication technology sectors               <ul style="list-style-type: none"> <li>- full-time employees not exceeding 50 people or annual turnover not exceeding RM5 million ringgit</li> </ul> </li> </ul>

## 6. Extended statutory filing deadline

Type of submission	Existing e-Filing Dealine	New e-Filing Deadline
<b>Individuals, Partnerships, Associations, Deceased Person's estate and Hindu Joint Families- Tax return for Year of Assessment 2019</b>		
- Form BE	30 April 2020	30 June 2020
- Form B - Form P	30 June 2020	31 August 2020
- Form BT - Form M - Form MT - Form TF - Form TP - Form TJ	30 April 2020 (with no business income)  30 June 2020 (with business income)	30 June 2020 (with no business income)  31 August 2020 (with business income)
<b>Companies, Co-operative Societies, Limited Liability Partnership, Trust Bodies- Tax Return for Year of Assessment 2019 (for the financial year end from 1 September 2019 until 31 December 2019)</b>		
- Form C - Form CS - Form PT - Form TA - Form TC - Form TR - Form TN	within seven (7) months from the date following the close of the accounting period	3 months grace period from the statutory due date of submission
<b>Companies, Co-operative Societies, Limited Liability Partnership, Trust Bodies- Tax Return for Year of Assessment 2020 (for the financial year end from 31 January 2020 until 31 March 2020)</b>		
- Form C - Form CS - Form PT - Form TA - Form TC - Form TR - Form TN	within seven (7) months from the date following the close of the accounting period	2 months grace period from the statutory due date of submission

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