



e-Alert

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Malaysia COVID-19 Stimulus Package for Short-Term Economic Recovery Plan (PENJANA) valued at RM35.0 billion

On 9 June 2020, the Government of Malaysia announced its latest stimulus package – Short-Term Economic Recovery Plan (PENJANA) valued at RM35.0 billion.

PENJANA provides an array of new and enhanced tax incentives:

■ ATTRACTION FOR FOREIGN INVESTMENTS

- To attract foreign companies to relocate their operations to Malaysia, the Government shall grant:
 - i. Zero percent tax rate for 10 years for companies in the manufacturing sector with investments in fixed assets between RM300 million (USD70million) and RM500 million (USD116million);
 - ii. Zero percent tax rate for 15 years for companies in the manufacturing sector with investment in fixed assets exceeding RM500 million (USD116million);
 - iii. 100% Investment Tax Allowance for 3 years for an EXISTING company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million (USD70million); and
 - vi. Approval of manufacturing license for non-sensitive industries within 2 working days.
- Investors can apply for the above incentives to MIDA from 1 July 2020 to 31 December 2021. To be eligible, businesses must relocate their operations into Malaysia within 1 year of approval.

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■ ESTABLISH NEW BUSINESSES

The Government will provide incentives to encourage the establishment of new businesses and transactions as follows:

- i. Income tax REBATE up to RM20,000.00 (USD4,670) per year for the first 3 years of assessment for newly established Small and Medium-sized Enterprises (SME)* incorporated between 1 July 2020 to 31 December 2021; and
- ii. Stamp duty EXEMPTIONS on any instrument executed for mergers and acquisitions between 1 July 2020 to 30 June 2021.

**[Definition of SME in Malaysia:*

SME is defined according to the Sales turnover and number of full-time employees criteria as follows:

- *For manufacturing sector, the SMEs are defined as firms with sales turnover not exceeding RM50 million OR number of full-time employees not exceeding 200.*
- *For services and other sectors, the SMEs are defined as firms with sales turnover not exceeding RM20 million OR number of full-time employees not exceeding 75.]*

■ ADDITIONAL REINVESTMENT ALLOWANCE (“RA”)

Malaysia offers a Reinvestment Allowance (RA) to existing companies engaged in manufacturing and selected agricultural activities that reinvest for purposes of expansion, automation, modernisation or diversification into any related products within the same industry provided that the companies have been operating for at least 36 months.

The RA given is at the rate of 60% on the qualifying capital expenditure incurred by the company and can be offset against 70% of its statutory income for the year of assessment.

Any unutilised allowance can be carried forward to a maximum of seven (7) consecutive years of assessments and the period commences immediately after the end of the fifteenth (15th) year.

A company can offset the RA against 100% of its statutory income for the year of assessment if the company attains productivity level exceeding the level determined by the Ministry of Finance, Malaysia.

Under PENJANA, there is a Special Reinvestment Allowance for manufacturing and selected agriculture activity, from year of assessment 2020 to year of assessment 2021. However, further clarifications from the Government is required pertaining to the rates and qualifying conditions.

■ **EXPORT DUTY EXEMPTIONS**

Commodity Sectors will be given financial relief through 100% export duty exemption for businesses engaged in Crude Palm Oil, Crude Palm Kernel Oil, and Refined Bleached Deodorized Palm Kernel Oil from 1 July 2020 to 31 December 2020.

■ **REMISSION OF TAX PENALTIES**

- Eligible businesses can receive up to 50% remission of PENALTIES for late Sales and Service Tax ("SST") Payments due and payable from 1 July 2020 to 30 September 2020.
- This is aimed to ease the cashflow of eligible businesses.
- Enhanced incentive provided under the ACCELERATED CAPITAL ALLOWANCE (ACA) Program will now include capital expenditure incurred on ICT equipment.

■ **TAX DEDUCTION ON RENTAL**

- In the previous stimulus package, Landlords are eligible for TAX DEDUCTIONS equivalent to 30% reduction in rental from April to June 2020. Now it has been extended to September 2020.
- This eligibility for landlords apply to rented premises to SME tenants (used for business operations).

■ **TOURISM INCENTIVES**

- Personal income tax relief up to RM1000 incurred on domestic travel between 1 March 2020 to 31 August 2020 (under the PENJANA has now been extended until 31 December 2020).

- Business in tourism industry (airlines, hotel operators, travel agencies, etc) can defer income tax instalment from 1 April to 30 September 2020 (under the PENJANA has now been extended from 1 October to 31 December 2020).
- Service Tax EXEMPTION for hotels until 30 June 2021.

■ **PROPERTY INCENTIVES**

- Domestic Property Market: - reintroduction of the Home Ownership Campaign (HOC)
 - i. Instruments of transfer & loan agreements for purchase of residential homes valued between RM300,000 to RM2.5million will be EXEMPT from Stamp Duty.
 - ii. Exemption of Stamp Duty Transfer limited to first RM1.0million.
 - iii. Full Stamp Duty Exemption for loan agreements.
 - iv. Eligible for SPAs executed between 1 June 2020 to 31 May 2021.
 - v. Developers under the HOC program must give up to 10% discount on the purchase price of the property.
- Exemption RPGT : a full exemption from RPGT for disposal of residential property from 1 June 2020 to 31 December 2021 but limited to 3 residential properties.
- 70% margin of housing loan for 3rd residential property valued at RM600,000 and above will be lifted. However the quantum and how much is not disclosed.

■ **CAR PURCHASE**

- Full Sales Tax Exemption on locally assembled cars
- 50% Sales Tax Exemption on Imported cars

■ COVID EXPENSES

To encourage businesses to adhere to new health protocols/Standard Operating Procedures ("SOP"), there is a TAX DEDUCTION for expenses for prevention of COVID-19 (including cost of protective equipment and screening tests)

■ FLEXI WORK ARRANGEMENT INCENTIVES

- Employers who implement flexible work arrangements (like work from home policies) are eligible for further tax deductions from 1 July 2020
- Employees who receive smartphones, tablets and notebooks from Employer are eligible for INDIVIDUAL INCOME TAX EXEMPTION up to RM5000 (from 1 July 2020)
- Employees who purchase smartphones, tablets and notebooks can receive INCOME TAX RELIEF up to RM2,500 (from 1 June 2020).

■ FINANCING MEASURES AND SUBSIDIES FOR BUSINESS

- Wage Subsidy Program
 - i. Extended further until September 2020 : Employers receive RM600 per employee (up to max 200), for workers earning below RM4000 & Employers can implement REDUCED WORK WEEKS & RECEIVE SUBSIDIES for workers on Unpaid Leave.
 - ii. PENJANA Microfinancing: - Eligible micro enterprises can apply up to RM50,000 financing. To assist women entrepreneurs.
 - iii. Digitalization of SMEs:- Government encouraging and supporting SMEs to digitalize their operations / automate their business through 3 GRANTS:
 - SME Digitalization Matching Grant – in cooperation with telco companies
 - SME Technology Transformation Fund – loan applications commence in July 2020
 - Smart Automation Grant – maximum of RM1.0million financing

- iv. PENJANA Tourism Financing:- (more details to be updated in July 2020 – worth RM1billion)
- v. BUMIPUTERA Relief Financing:- for Bumiputera entrepreneurs / Bumi-owned business in the form of Working Capital, Operational Expenditure; System Automation; Expenditure to implement COVID-19 health protocols; and Financing amount of RM50,000 to RM1.0million at 3.5% interest rate up to 5 years. (also through Majlis Amanah Rakyat (MARA) – Bumiputera entrepreneurs can receive up to RM1.0million at 3.5% interest rate for financial aid)
- vi. SME Go-Scheme Liquidity Support:- by SME Bank – provide liquidity support to G2 & G3 contractors awarded projects under the previous 2 stimulus packages (without deposits/collateral).
- vii. PENJANA Mirco-Credit Financing (Agriculture): - for agriculture and food supply industries (AGROPRENEURS), the financing scheme of up to RM50,000 made available at 3.5% interest rate per year for 5 years
- viii. HIRE LOCALS:- to encourage local companies to hire unemployed locals.
 - Fresh grads and school leavers can receive RM600 per month for apprenticeships up to 6 months
 - Hire employee below 40 years with disability - employers can receive RM800 for up to 6 months & above 40 years with disability – RM1000 for up to 6 months



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