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MALAYSIA NEWSFLASH

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Issue:
March 2020

Latest News on Law, Tax and Business in Malaysia

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Read in this issue:

2020 Economic Stimulus Package

- Financial assistance to businesses
- Digital business
- Promoting Quality Investments
- Assistance for affected individuals
- Tax proposals
- Corporate income tax
- Indirect tax
- Personal income tax

2020 Economic Stimulus Package

The Economic Stimulus Package was announced on 27 February 2020, focusing on strategies to mitigate the impact of the COVID-19 virus outbreak, spur economic growth, and promote quality investments.

FINANCIAL ASSISTANCE TO BUSINESSES

- 15 per cent discount in monthly electricity bills for hotels, travel agencies, airlines, shopping malls, conventions and exhibitions centers;
- Exemption of Human Resource Development Fund ("HRDF") levies for hotels and travel related companies;
- Matching grant of RM 100 million to HRDF to fund an additional 40,000 employees from tourism and other affected sectors;
- Subsidy of RM 50 million for short courses in digital skills and highly skilled courses;
- Special Relief facility of RM 2 billion, particularly as working capital to Small and Medium Enterprises ("SMEs") at an interest rate of 3.75 per cent;
- Microcredit facility of RM 200 million to affected businesses at an interest rate of 4 per cent;
- Allocation of RM 150 million by the Ministry of Health to purchase the relevant equipment, medicine and consumables for a containment of the outbreak;
- Agrofood facility of RM 1 billion provided at an interest rate of 3.75 per cent to promote food production activities;
- Allocation of RM 10 million to the Federal Agricultural Marketing Authority to provide food storage facilities to help reduce food prices.

DIGITAL BUSINESS

- Grants of RM 1,000 to 10,000 local entrepreneurs to promote the sale of their products on e-commerce platforms;
- Allocation of RM 20 million to the Malaysian Digital Economy Corporation ("MDEC") for the Perkhidmatan e-Dagang Setempat (PeDAS) programme to transform the Pusat Internet Desa platform into e-commerce hubs;
- SME Automation and Digitalization Facility of RM 300 million at an interest rate of 3.75 per cent.

PROMOTING QUALITY INVESTMENTS

- The Ministry of Energy, Science, Technology, Environment and Climate Change ("MESTECC") will open for bids quota of 1,400 MW for solar power generation, which is expected to generate RM 5 billion in private investments and 25,000 jobs;
- The Malaysian Communications and Multimedia Commission ("MCMC") will implement up to RM3 billion on works related to the National Fiberization and Connectivity Plan ("NFCP");
- A fund of RM 500 million to be co-invested with private investors on a ratio of at least 1 to 3, i.e. total funds adding up to RM 2 billion for investment in early-stage and growth-stage Malaysian companies;
- Waiver of the listing fees by Securities Commission and Bursa Malaysia for one year for companies seeking listing on Leading Entrepreneur Accelerator Platform ("LEAP") or Access, Certainty, Efficiency ("ACE") markets, as well as companies with a market capitalization of less than RM 500 million seeking listing on the Main Market.

ASSISTANCE FOR AFFECTED INDIVIDUALS

- Employees may opt to reduce their Minimum Employees Provident Fund ("EPF") contribution by employees from 11 per cent to 7 per cent [*Effective from 1 April 2020 to 31 December 2020*];
- One-off payment of RM 600 to taxi drivers, tourist bus drivers, tourist guides and registered trishaw drivers;
- Government staff directly involved in the containment efforts will be eligible for a special monthly critical allowance of RM 400 for medical doctors and other medical personnel, as well as RM 200 for immigration and related front line staff commencing from February 2020 until the end of the pandemic;
- Training expenses claimable from Employment Insurance System ("EIS") is increased from RM 4,000 to RM 6,000 for the affected sectors. Daily allowance of RM 30 per day will also be given to trainees under EIS;
- Allocation of RM 500 million for digital vouchers of up to RM 100 for each Malaysian individual for domestic tourism, i.e. flights, rails and hotel accommodation.

TAX PROPOSALS

TAX ADMINISTRATION

- Businesses in the tourism industry (e.g. travel agencies, hoteliers, and airlines) will be granted a deferment of their monthly income tax installments for six months from April to September 2020.
- Other businesses affected by the current economic developments will be allowed to revise their monthly tax instalments earlier, i.e. in the third month of the instalment schedule, provided that the third month of the instalment payment schedule is in the year 2020.

CORPORATE INCOME TAX

- Accelerated capital allowances at the rate of 20 per cent initial allowance and an annual allowance of 40 per cent will be granted on expenses incurred on machinery and equipment, including information and communications technology ("ICT") [Effective from 1 March 2020 to 31 December 2020];
- A special tax deduction of up to RM 300,000 will be granted for expenses incurred for renovation and refurbishment purposes [Effective from 1 March 2020 to 31 December 2020];
- Double deduction on expenses incurred on approved tourism related training;
- Double deduction for pre-commencement expenditure incurred by international shipping companies to set up a regional office in Malaysia [Effective for applications submitted to MIDA by 31 December 2021].

INDIRECT TAX

- Service tax exemption will be granted to hotels [Effective from 1 March 2020 to 31 August 2020];
- An import duty and sales tax exemption will be granted for the importation or local purchase of machinery and equipment used in port operations for a period of 3 years effective as of 1 April 2020.

PERSONAL INCOME TAX

- Tax relief of up to RM 1,000 on expenditure related to domestic tourism such as accommodation fees and entrance fees [Effective from 1 March 2020 to 31 August 2020].

We hope that this comprehensive review has provided you with a more thorough insight on what is to come, and its implications on you and your business in Malaysia.

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Imprint

Malaysia News Flash, Issue March 2020

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