

Economic Stimulus Package 2020

**“Bolstering Confidence, Stimulating Growth & Protecting
Jobs”**

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Malaysia recorded economic growth of 4.3% in 2019, its weakest since 2009. The combined effects of the economic slowdown, coupled with the US-China tariff wars, depressed economic growth and trade performance for over a year. The outbreak of the COVID-19 epidemic in China will significantly impact the global supply chain in several key sectors for Malaysia, namely, manufacturing, trade, tourism and key investments from China, and further weaken our domestic economy.

The Government has announced a RM20 billion fiscal stimulus package as a ‘stop-gap’ measure to aid the economy and Malaysians in this time of stress and uncertainty. Some of these measures are short-term but there are also some that could assist in the medium term. As much as it is a welcome move by the Government, it is left to be seen in the next 6 months to a year whether the package was sufficient to avoid potential further shrinkage of the economy and job-loss. The question of how these measures will be financed is inevitable, given the current fiscal deficit of 3.2%. This deficit is expected to increase by a modest 0.2% to 3.4% as a result of this stimulus package, and to my mind is worthwhile given the anticipated boost to GDP growth of something closer to 4.2% expected to be achieved by virtue of the stimulus. The thrust of this lies in the fact that the RM20 billion will mainly be contributed by the reduction in the EPF employee contribution rate and Bank Negara soft-loans funding to SME’s and targeted sectors.

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We laud the Government’s efforts, and pray for the victims of the COVID-19 outbreak.

*Anand Chelliah
Managing Partner & Asia Pacific Leader, Tax Services*

Key personal tax proposal

Tax relief for domestic travel expenditure

- ❖ *It is proposed that tax relief of up to RM1,000 be given to resident individuals for qualifying domestic travel expenses incurred from 1 March 2020 to 31 August 2020*

Key corporate tax proposals

Deferment of instalment tax payments

- ❖ *It is proposed that businesses in the tourism sector be allowed to defer their monthly income tax instalment payments due from 1 April 2020 to 30 September 2020.*
- ❖ *The application for this deferment is to be submitted to the Inland Revenue Board (IRB)*

Revision of estimate of tax payable

- ❖ *It is proposed that businesses be allowed to revise their estimate of tax payable in the third month of instalments (in addition to the sixth and/or ninth month revisions as prescribed by law), where the third instalment falls in 2020*
- ❖ *The application for this revision is to be submitted to the IRB from 1 March 2020.*

Key corporate tax proposals

Accelerated capital allowance (ACA) for the purchase of machinery and equipment

- ❖ *It is proposed that ACA (20% initial allowance and 40% annual allowance) be given on qualifying capital expenditure for the purchase of machinery and equipment (including information and communications technology (ICT) equipment) incurred from 1 April 2020 to 31 December 2020.*

Deduction for cost of renovation and refurbishment

- ❖ *It is proposed that a tax deduction of up to RM300,000 be given on costs for renovating and refurbishment business premises, where such costs are incurred between 1 April 2020 to 31 December 2020.*

Double deduction for the establishment of regional operations by international shipping companies

- ❖ *It is proposed that international shipping companies that establish regional operations in Malaysia be given a double deduction on pre-commencement expenditure.*
- ❖ *The application for the double deduction must be received by the Malaysian Investment Development Authority (MIDA) not later than 31 December 2020.*

Key indirect tax proposals

Service Tax exemption

- ❖ *Operators of hotel premises will be exempted from charging 6% service tax on accommodation and other taxable services within those premises. This exemption also covers the sale of tobacco, alcohol and non-alcoholic beverages in the said premises, and will take effect from 1 March 2020 to 31 August 2020.*

Review on condition for purchase of duty free goods for persons entering Malaysia

- ❖ *Effective 1 April 2020, the conditions for purchase of duty-free goods at international airports will be relaxed as follows:*
 - ✓ *Reduction of eligibility period for the purchase of duty-free goods from 72 to 48 hours; and*
 - ✓ *Increase in the allowable threshold from RM500 to RM1,000 for goods other than those already eligible for tax exemption under specified limits.*

Key indirect tax proposals

Import duty and sales tax exemption on equipment and machineries for port operation

- ❖ *Import duty and/or sales tax exemption will be granted on the import or domestic purchase of machinery and equipment to be used in port operations. Applications must be received by the Ministry of Finance (MOF) between 1 April 2020 to 31 March 2023.*

Value added activities carried out in Licensed Manufacturing Warehouse (LMW) and Free Industrial Zone (FIZ)

- ❖ *The scope of value added activities which can be performed within a LMW and FIZ will be expanded to include Supply Chain Management, Strategic Procurement Operation and Total Support Solutions.*
- ❖ *The approval process for value-added activities performed by manufacturers with LMW status or located within an FIZ will no longer require approval from MOF/Royal Malaysian Customs Department (RMCD) headquarters. Approvals will be given at the RMCD State/Zone level.*

Other Significant Measures

Key initiatives

Enhancing consumption / assisting the Rakyat

- ❖ *The minimum Employees Provident Fund (EPF) contribution by employees will be reduced by 4% from 11% to 7%, effective 1 April 2020, until 31 December 2020 (employees can elect to maintain current contribution rate)*
- ❖ *Payment of RM200 to all Bantuan Sara Hidup (BSH) recipients scheduled for May 2020 will be brought forward to March 2020*

Financing facilities

- ❖ *Bank Negara Malaysia (BNM) to provide RM2b special relief facility for SMEs at 3.75% interest rate*
- ❖ *Bank Simpanan Nasional (BSN) to allocate RM200m micro-credit facility to affected businesses at 4% interest rate*
- ❖ *Banks encouraged to restructure and reschedule loans*

Government servants impacted by COVID-19

- ❖ *Government staff eligible for special monthly critical allowance of RM400 for medical doctors and other medical personnel, as well as RM200 for immigration and related front line staff commencing February 2020 until the end of pandemic*

Other Significant Measures

Key initiatives

Tourism and Travel

- ❖ *15% discount on monthly electricity bills for hotels, travel agencies, airlines, shopping malls, convention and exhibition centres*
- ❖ *Malaysia Airport Holdings Berhad (MAHB) to provide rebates on rental for premises at the airport as well as landing and parking charges*
- ❖ *One-off payment of RM600 each to be given to all taxi drivers, tourism bus drivers, tourist guides and registered trishaw drivers*
- ❖ *Double deduction on expenses incurred on approved tourism-related training*
- ❖ *Digital vouchers of RM100 per person for domestic flights, rail and hotel accommodation*

Boosting investment

- ❖ *The Government is committed to sustaining public investment and expedite in 2020 the tenders and implementation of development expenditure projects*
- ❖ *Waiving of listing fees by Securities Commission and Bursa Malaysia for 1 year, for companies seeking listing on Leading Entrepreneur Accelerator Platform (LEAP) or Access, Certainty, Efficiency (ACE) markets, as well as companies with market capitalization of less than RM500 million seeking listing on the Main Market*

DISCLAIMER



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