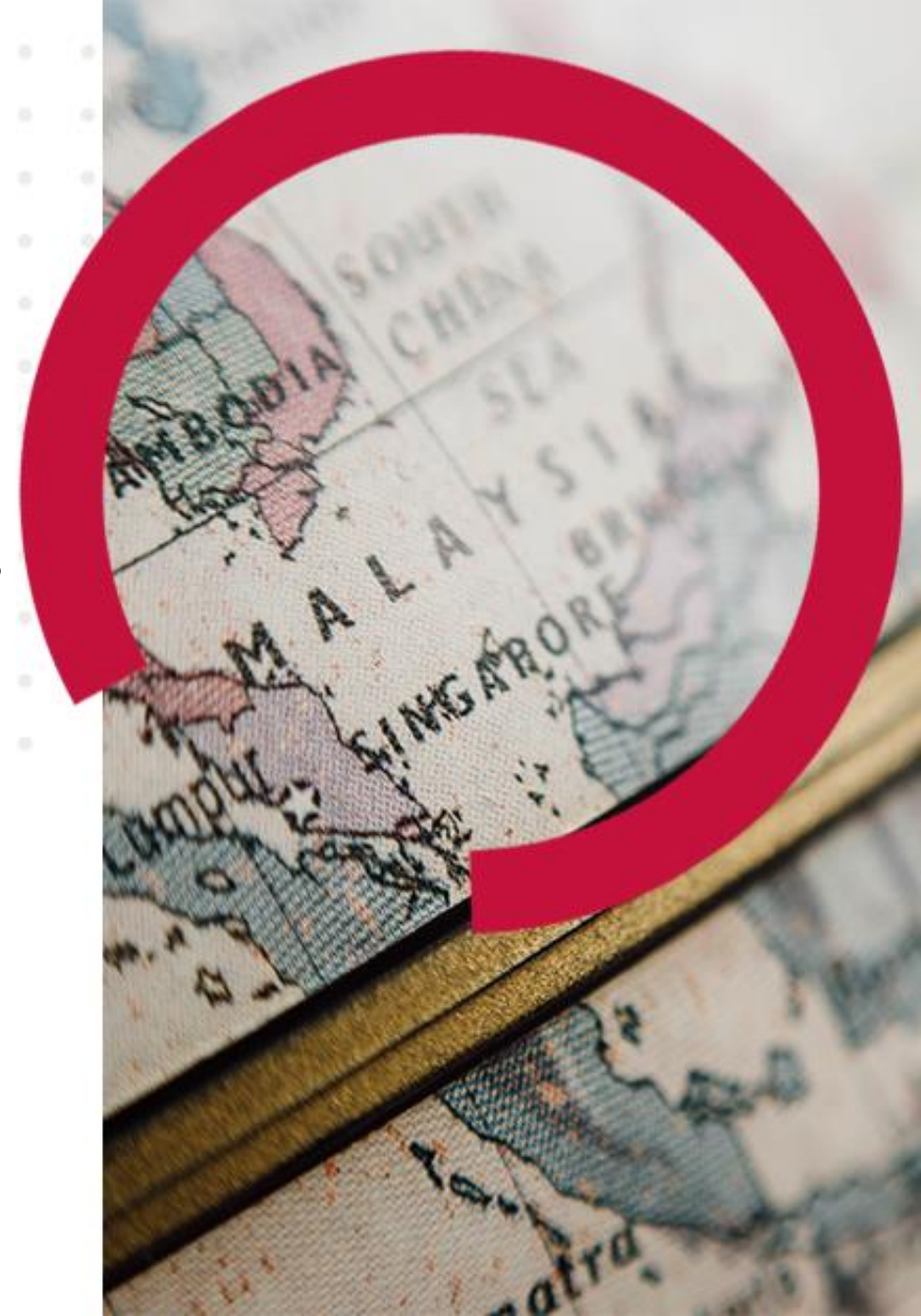


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Malaysia Economic
Stimulus Package
2020



Tun Dr. Mahathir Mohamad announced the ESP on 27th February 2020. The main focus of ESP will be on strategies to address the 3 objectives as stated below:

- 1. Spur up Malaysia's Economic Growth**
- 2. Promote Quality Investment**
- 3. Mitigate the fallout of COVID-19**



Key Highlights from ESP That Relates to Tax Benefits

Tax Relief & Cash Flow Boost for Business & Private Consumption

- Hotels and other accommodation operators will get a tax break from the “6% Service Tax” from 1st March 2020 to 1st August 2020.
- Businesses in the tourism sectors such as hotel operators, airline companies and travel agencies, will have a postponement of 6 months from 1st April 2020 to 30th September 2020 on payment of monthly tax instalments. And to be allowed to revise their profit estimates for 2020 with respect to monthly income tax instalment payments without penalty.
- To exempt Human Resource Development (HRDF) levies for hotels and travel related companies.



- 100% Stamp Duty exemption will be given to loan agreements such as loan restructuring and rescheduling between borrowers and financial institutions, provided that the original loan agreement has been duly stamped.
- Minimum EPF contribution by employees to be reduced by 4% from 11% to 7%, starting from 1st April 2020 to 1st December 2020. By doing so, this will help increase employees “take home pay” and potentially unlock up to RM10 billion worth of private consumption.



Encouraging More Investments

- Starting from 1st April 2020 to 31st December 2020 Government has increased the annual allowances to 40% to incentivize businesses to invest in 2020. This increase of allowances are mainly for qualifying capital expenditure incurred on machinery and equipment that includes ICT equipment.
- There will be an exemption of import duty and sales tax granted to existing port operators on imported or locally purchased equipment and machinery used directly in port operation from 1st April 2020 to 31st March 2023. Nonetheless, the exemption will not be applicable to importation or purchases of spare parts and consumable that are used for maintenance purposes.



- Pre-Commencement expenditure that is incurred by international shipping companies for the purpose of setting up a regional office in Malaysia will be granted a double deduction.
- Government allows a maximum tax deduction of RM 300, 000 to encourage businesses to carry out renovation and refurbishment of their business premises. However, this deduction cannot be claimed as an allowance under Schedule 2 or Schedule 3 of the Income Tax Act.
- Securities Commission Malaysia (SC) and Bursa Malaysia will waive listing fees for 1 year, for companies that seeks to be listed on LEAP or ACE Markets, as well as Main Market but only for companies with market capitalisation of less than RM 500 million.



- To encourage employers to further invest in raising the productivity of human capital during this economic slowdown period, the Government will provide double deduction on expenses incurred on approved tourism-related training. Government will also provide up to RM100 million on a matching grant basis to HRDF to fund an additional 40,000 employees from the tourism and other affected sectors.
- Government will also provide RM 50 million worth of subsidies for short courses in digital skills and highly skilled courses. This incentive is expected to benefit 100,000 Malaysian.



- Retrenched Malaysian workers can rely on the Employment Insurance System (EIS) with a current fund of RM1.1 billion. Furthermore, EIS will also increase its claimable training cost from RM 4, 000 to RM 6, 000 for the affected sectors. A daily training allowance of RM 30 per day will also be provided to trainees under EIS.



Protecting Employees from COVID-19

- Companies that has incurred expenditure in providing employees with disposable personal protective equipment (PPE) for example, face masks and others will be deductible under Section 33 (1) of the Income Tax Act. Expenditure relating to non-disposable PPE for employees can be claimed as capital allowance.
- As sign of appreciation to those that are on the front lines protecting Malaysia from COVID-19. The government has provided a special monthly critical allowance towards government staff that are directly involved in the containment efforts. The allowance includes 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.

