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PERMAI Assistance Package

Coverage of this Alert

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On 18 January 2021, the Prime Minister unveiled the Perlindungan Ekonomi & Rakyat Malaysia (PERMAI) Assistance Package, valued at RM15 billion. This follows the announcement of several economic stimulus packages last year which were discussed in our earlier alerts (see *Take 5: Economic Stimulus Package 2020*, *Take 5: COVID-19: Second Economic Stimulus Package 2020*, *Special Tax Alert No. 6/2020* and *Take 5: COVID-19: Short-term Economic Recovery Plan*), and focuses on improving and accelerating the existing initiatives. The objectives of the Package are to:

- ▶ Combat the COVID-19 outbreak
- ▶ Safeguard the welfare of the people, and
- ▶ Support business continuity

The key tax measures are highlighted below.

Further extension of special deduction on rental discounts given to tenants

As highlighted in earlier tax alerts, it was proposed that a special deduction be given to property owners who provide at least 30% rental discounts to small and medium enterprises (SMEs) from 1 April 2020 to 31 March 2021 (see *Special Tax Alerts No. 6/2020*, *No. 9/2020*, *Take 5: COVID-19: Short-term Economic Recovery Plan* and *Tax Alert No. 22/2020*). It has now been announced that the special deduction will be expanded to include non-SMEs. In addition, the special deduction will also be extended for another three months, until 30 June 2021.

The authorities had previously issued guidelines on the special deductions for SMEs (see *Special Tax Alert No. 9/2020*). It is unclear at this time whether these existing guidelines will also apply to the tax deduction on rental discounts given to non-SMEs, or whether separate guidelines will be issued.

Extension of personal tax reliefs

Tax relief	Current	Proposed in PERMAI
Medical expenses for serious diseases for self, spouse and child	<p>RM8,000 (including vaccination expenses and full medical check-up, up to RM1,000 each)</p> <p>In Budget 2021, the scope of the tax relief was expanded to include expenses on certain vaccinations (including COVID-19) for self, spouse and child.</p>	The scope of the medical check-up relief of RM1,000 is expanded to include COVID-19 screening tests.
Special tax relief for purchase of handphones, computers or tablets	Special tax relief of up to RM2,500 for purchase of handphones, computers or tablets from 1 June 2020 to 31 December 2020	The relief is extended to also cover purchases made between 1 January 2021 and 31 December 2021. It is not clear at this stage whether individuals who claim the relief in the year of assessment (YA) 2020 for purchases in 2020, will also be eligible to claim relief in YA2021 for new purchases in 2021.

Enhancement of Wage Subsidy Programme 3.0

The Wage Subsidy Programme (WSP) was introduced to help alleviate some of the financial burden of employers who did not retrench or reduce wages of employees earning RM4,000 and below, despite the economic hardship brought on by the COVID-19 pandemic. A summary of the WSPs announced previously is set out below:

Type	Applicable period	Sector(s)	Number of eligible employees (maximum per company)	Subsidy period
WSP 1.0	1 April 2020 to 30 September 2020	All sectors	200	6 months
WSP 2.0	1 October 2020 to 31 December 2020	All sectors	200	<ul style="list-style-type: none">▶ 3 additional months for existing WSP recipients▶ 6 months for new applicants
WSP 3.0 (Budget 2021)	1 January 2021 to 30 June 2021	Tourism and retail sectors only	500	<ul style="list-style-type: none">▶ 3 additional months for existing WSP recipients▶ 6 months for new applicants

The WSP 3.0 announced in Budget 2021 is now enhanced to cover all employers operating in the Movement Control Order (MCO) states across all sectors for a period of one month. The eligible employers will receive a wage subsidy of RM600 per employee, for each of their employees earning less than RM4,000.

Extension of sales tax exemption on passenger cars

On 5 June 2020, the Prime Minister of Malaysia announced a Short-Term Economic Recovery Plan. To promote the growth of the automotive industry in Malaysia and to provide financial relief to car buyers, a sales tax exemption on the sale of locally-assembled passenger cars and the importation of passenger cars into Malaysia was announced as part of this Plan. The sales tax exemption provided is as follows:

- ▶ **100% sales tax exemption** on the sale of locally-assembled passenger cars
- ▶ **50% sales tax exemption** on imported passenger cars

The above sales tax exemption is extended to 30 June 2021 under the PERMAI Assistance Package, in line with the media announcement released by the Ministry of Finance (MOF) dated 29 December 2020.

Reduction of ownership period to enjoy excise duty and sales tax exemption on budget taxis

Currently, the Government provides 100% excise duty and sales tax exemption for the transfer, disposal and private use of budget taxis. This is on condition that the vehicle is owned for seven years.

Under the PERMAI Assistance Package, the ownership period has been reduced to five years, effective from 1 January to 31 December 2021.

HRDF levy exemption

In Budget 2021, the Human Resource Development Fund (HRDF) levy is exempted for six months, effective 1 January 2021. The exemption was only available to companies in the tourism sector and affected by the COVID-19 crisis.

It is now proposed that the HRDF levy exemption be available to companies that are unable to operate during the MCO and Conditional Movement Control Order (CMCO) periods. However, it is not clear at this stage whether the exemption will also be for a period of six months.

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