

Take 5

for business

Volume 8 Issue 2 - 27 February 2020

Economic Stimulus Package 2020

Mitigating economic risks from
Covid-19 outbreak

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right.

Building a better
working world

Perspectives on the Economic Stimulus Package 2020

The Economic Stimulus Package 2020 is Malaysia's response to the Covid-19 outbreak. This RM20b economic stimulus package is anchored on three strategies:

Strategy 1: Mitigating impact of Covid-19

- ▶ Ease cashflow of businesses
- ▶ Assist affected individuals
- ▶ Stimulate demand for domestic "travel and tourism" sector

Strategy 2: Catalyzing rakyat-centric economic growth

Strategy 3: Promoting quality investment

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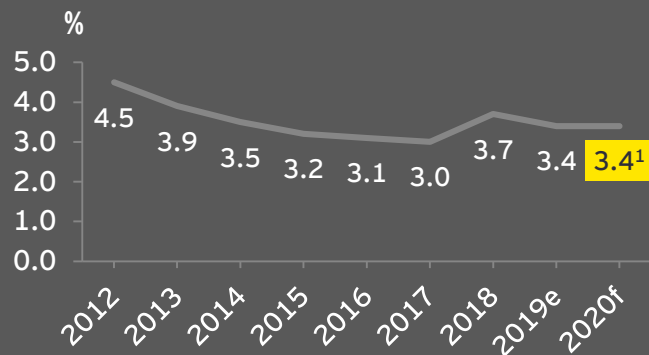
Notably, the measures are not mainly reliant on Government spending. Private sector support from GLCs such as Tenaga Nasional Bhd and Malaysia Airports Holdings Bhd will play a significant role.

Increased spending by individuals from additional disposable income, arising in particular from the reduced EPF contribution, is expected to unlock some RM10b to shore up domestic consumption. Importantly, this will not strain the budget deficit position.

Malaysia's 2009 stimulus package resulted in a budget deficit increase from 4.8% to 7.6%. In comparison, the 2020 package is expected to increase the fiscal deficit by 0.2 percentage point, to 3.4%.

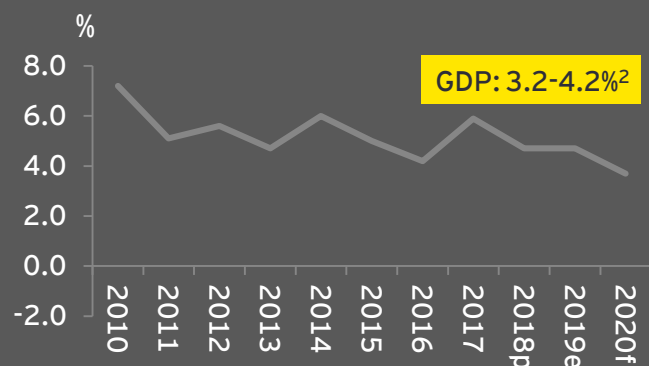
On balance, these proposed measures should provide a much-needed boost to the economy in these challenging times, while safeguarding the fiscal position of the country.

Budget deficit



¹ Previous estimate at 3.2%

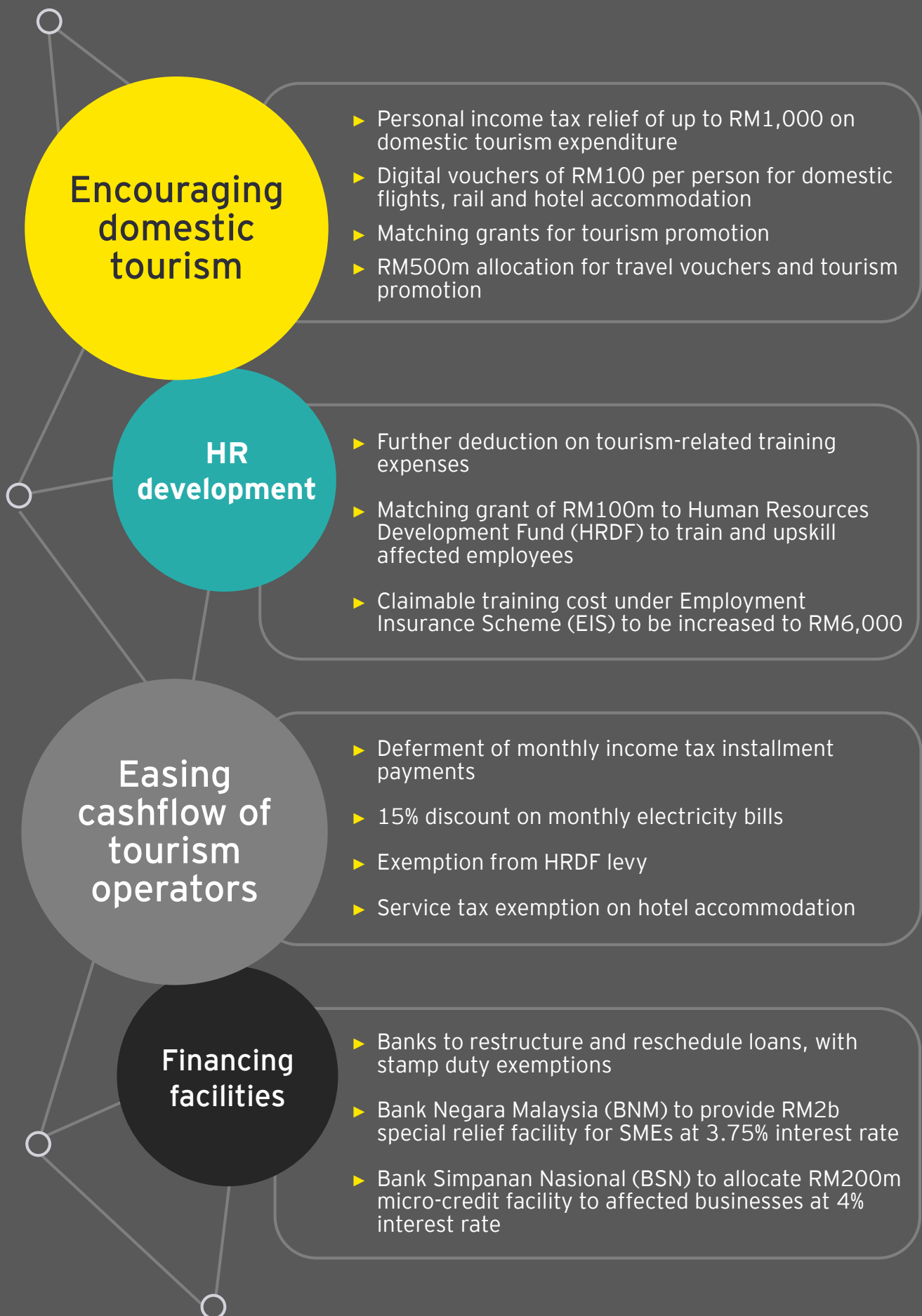
Real GDP



² Estimate for 2020

Amarjeet Singh

EY Asean and Malaysia Tax Leader



Tax-related measures

Key personal tax proposal

Tax relief for domestic travel expenditure

- ▶ It is proposed that a 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.

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 March 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 refurbishing business premises, where such costs are incurred between 1 March 2020 and 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 2021.

Tax-related measures

Key indirect tax proposals

Boosting domestic tourism

- ▶ 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 said premises, and will take effect from 1 March to 31 August 2020.
- ▶ 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

Incentives for port operators and manufacturers

- ▶ 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 and 31 March 2023.
- ▶ The scope of value-added activities which can be performed within a Licensed Manufacturing Warehouse (LMW) or Free Industrial Zone (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.

Non tax-related measures

Sectors	Measures
Tourism	<ul style="list-style-type: none"> ▶ RM500m allocated for travel discount vouchers, <i>Galakan Melancong Malaysia</i> matching grant, and tourism promotion <p>From April to September 2020:</p> <ul style="list-style-type: none"> ▶ 15% discount on monthly electricity bills for hotels, travel agencies, airlines, shopping malls and convention and exhibition centres ▶ Exemption of HRDF levies for hotels and travel-related companies
Education and training	<ul style="list-style-type: none"> ▶ RM100m allocated to HRDF for matching grants for affected sectors including hotels, tourism and retail, electrical and electronic and automotive manufacturing. This is expected to benefit an additional 40,000 employees. ▶ RM50m allocated as subsidy to finance short courses, especially to boost digital skills
Infrastructure	<ul style="list-style-type: none"> ▶ RM2b allocated to federal, state, and local governments for small-scale projects including: <ul style="list-style-type: none"> ▶ RM350m for public infrastructure maintenance, basic infrastructure and Rural Basic Infrastructure Projects ▶ RM250m and RM50m respectively allocated for federal road maintenance jobs and slope maintenance ▶ RM100m allocated for improvement of school cleanliness and promotion of health and personal hygiene of students ▶ RM100m allocated for school hostel facilities ▶ RM150m allocated for maintenance of local public infrastructure and upkeep of tourist sites ▶ RM200m allocated for repair and maintenance of housing and public amenities in Federal Land Development Authority (FELDA) areas ▶ RM150m allocated for repair of rural connection roads and maintenance of rural infrastructure for alternative water and electricity supply ▶ RM100m allocated for repair and maintenance of low-cost flats ▶ RM50m allocated for refurbishment of business premises for <i>Bumiputera</i> entrepreneurs, via Majlis Amanah Rakyat (MARA) ▶ RM50m allocated for repair and maintenance of jetties, irrigation feeder/plantation roads and Malaysian Quarantine and Inspection Services (MAQIS) equipment ▶ RM50m allocated to maintain retention ponds, bunds, riverbanks and rivers ▶ RM50m allocated for maintenance of Armed Forces Family Housing/ government quarters and government buildings ▶ RM75m allocated to organize sports events and maintain sports facilities ▶ RM185m allocated for Mesra Rakyat Projects

Non tax-related measures

Sectors	Measures
Healthcare	<ul style="list-style-type: none"> ▶ RM150m allocated to the Ministry of Health to purchase thermal scanners and other related equipment/consumables
Financial services and capital markets	<ul style="list-style-type: none"> ▶ RM500m of co-investment through Government Linked Investment Companies, with at least RM1.5b of private funds ▶ Waiver of listing fee for companies seeking listing on LEAP or ACE Market. Waiver also applies to companies with market capitalisation of less than RM500m seeking listing on the Main Market by Securities Commission and Bursa Malaysia. This waiver is for a period of 12 months.
SMEs	<ul style="list-style-type: none"> ▶ RM2b Special Relief facility from BNM as working capital loans at 3.75% per annum ▶ 80% guarantee on loans provided by Government to banks via Syarikat Jaminan Pembiayaan Perniagaan (SJPP) at a concessionary fee of 0.5% per annum ▶ RM200m micro credit scheme by BSN for companies in tourism and other affected sectors at 4.0% per annum. Repayments to commence six months after disbursement of the loan. ▶ RM1b fund allocated by BNM for SMEs involved in food production <ul style="list-style-type: none"> ▶ Limited to RM5m per SME at 3.75% per annum, for a maximum tenure of 8 years ▶ RM300m allocated to establish SME Automation & Digitalization Facility by BNM <ul style="list-style-type: none"> ▶ Limited to RM3m per SME at 3.75% per annum, for a maximum tenure of 10 years
Employee matters	<ul style="list-style-type: none"> ▶ RM1.1b allocated to EIS fund to assist retrenched workers: <ul style="list-style-type: none"> ▶ Waiver of minimum requirement of 3 months contribution ▶ Increased training fee ceiling to RM6,000 ▶ RM30 training allowance per day ▶ From April to December 2020: <ul style="list-style-type: none"> ▶ Reduction of EPF minimum contribution from 11% to 7%. Employees can elect to maintain current contribution rate.

EY contacts



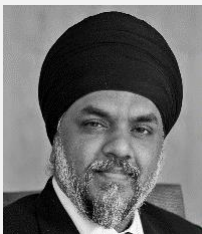
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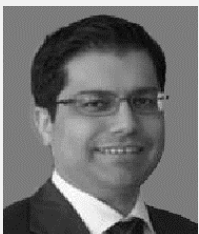
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