

# **MALAYSIA: 2021 BUDGET HIGHLIGHTS**

Resilient As One, Together We Triumph



## EXECUTIVE SUMMARY

Dear Friends,

What a difference a year makes! This time last year, the Malaysian economy was forecasted to remain resilient despite external headwinds with GDP expected to grow at a slightly faster pace of 4.8% in 2020. Nobody could have expected the severe economic impact that the Covid-19 pandemic has had on many nations including Malaysia. Many businesses have been forced to shut down and more than 800,000 people have lost their jobs. Faced with such unprecedented times, the government has provided RM305 billion of assistance under the National Economic Recovery Plan (PENJANA) and the Prihatin Rakyat Economic Stimulus Packages (PRIHATIN). With the continuing movement control restrictions in place, the Gross Domestic Product (GDP) in 2020 is expected to contract by 4.5% with the economy projected to rebound between 6.5% and 7.5% in 2021. This positive outlook hinges on two major factors - the successful containment of the Covid-19 pandemic and sustained recovery in external demand.

Perhaps one of the toughest Budgets in the history of our country, the three integral goals of Malaysia's Budget 2021 focus on ensuring [the Wellbeing of the Rakyat](#); [Business Continuity](#); and [Economic Resilience](#).

With the theme "Resilient As One, Together We Triumph", the Government revenue collection in 2021 is expected to be RM236.9 billion up 4.2% from RM227.3 billion (revised) in 2020. The 2021 Budget allocates a total of RM322.5 billion in expenditure which is an increase from total expenditure allocation of RM314.7 billion in 2019 (revised upwards from the initial budget allocation of RM297.0 billion). Of this, a total of RM236.5 billion is set aside for Operating Expenditure; RM69 billion for Development Expenditure and RM17 billion for the COVID-19 Fund. This will result in an overall deficit of RM84.8 billion.

With that, we shall highlight what the Budget 2021 has to offer to our Rakyat and Corporates.

### KEY TAKEAWAYS

#### EXECUTIVE SUMMARY

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# Goal 1: The Rakyat's Well Being

- ▶ An additional RM1.0 billion will be allocated to stem the third wave of COVID-19. This will be used, amongst others, to purchase personal protective equipment (PPE), reagents and consumables.
- ▶ A one-off payment of RM500 will be accorded to the frontliners in managing the COVID-19 pandemic. This is expected to benefit 100,000 medical staff.
- ▶ To encourage Malaysians to get preventive vaccinations to curb the spread of diseases, the government will expand the scope of tax relief for medical treatment covering vaccination expenses such as pneumococcal, influenza and Covid-19. Tax relief will be given for vaccination costs for self, spouses and children limited to RM1,000.
- ▶ The government will raise the tax relief for personal, spouse and child medical treatment for serious illnesses from RM6,000 to RM8,000. In addition, the tax relief for a full health screening will be increased from RM500 to RM1,000.
- ▶ The tax relief on expenses for medical treatment, special needs and parental care has also been increased from RM5,000 to RM8,000.
- ▶ An allocation of RM24mil will be provided to address mental health issues by strengthening the Mental Health, Terrorism and Injury Prevention Program as well as Substance Abuse Programmes.
- ▶ B40 recipients will be given a RM50 voucher as financial assistance for Perlindungan Tenang Products such as takaful and personal accident insurance. At the same time, the government will also extend the period of stamp duty exemption on all life insurance products, not exceeding RM100, for another five years until year of assessment (YA) 2025.
- ▶ The monthly rate of financial assistance for persons with disabilities (OKU), senior citizens and chronic patients has also been increased.
- ▶ For the year 2021, the Government will replace the Bantuan Sara Hidup (BSH) with the Bantuan Prihatin Rakyat (BPR) with a higher rate of financial assistance. This will benefit 8.1 million individuals earning RM5,000 and below.
- ▶ In addition, RM1.5 billion will be allocated to implement the JARINGAN PRIHATIN Programme for the B40 Group to assess internet services. An estimated 8 million individuals will be eligible to receive a telecommunication credit of RM180.
- ▶ Resident individuals who earn chargeable income of between RM50,001 to RM70,000 are currently subject to income tax of 14%. It is proposed that this will be reduced by 1% and this is expected to benefit 1.4 million taxpayers.
- ▶ Targeted Loan Repayment Assistance (TRA) to B40 borrowers and micro enterprises with loans of up to RM150,000 will be given a moratorium on instalments for a period of 3 months or they may reduce their monthly repayment by 50% for a period of 6 months.
- ▶ The EPF contribution rate for workers will be reduced from 11% to 9% beginning January 2021 for a period of 12 months. Additionally, EPF members who have lost their jobs are allowed to withdraw their EPF savings from the Account 1 up to an amount of RM6,000 (RM500 per month) for a period of 12 months.

## Goal 1: The Rakyat's Well Being (Cont'd)

- ▶ For YA 2020 and 2021, the income tax exemption limit for compensation for loss of employment will be increased from RM10,000 to RM20,000 for every full year of service.
- ▶ For the tourism and retail sector, there will be a target wage subsidy programme that will be extended for another 3 months. The rate will be RM600 per month for workers earning RM4,000 and below and the limit of 200 employees per application will be increased to 500.
- ▶ Individual tax relief of up to RM3,000 a year on the Private Retirement Scheme (PRS) contribution will be extended until YA 2025.
- ▶ Recognising the contributions of women to nation building, RM30 million will be allocated for the setting up of child care centres at government buildings, especially hospitals. A matching grant of another RM20 million has also been allocated to encourage the private sector to set up similar centres.
- ▶ To further assist individual taxpayers with a disabled spouse, it is proposed that the tax relief be increased from RM3,500 to RM5,000.
- ▶ The tax deduction for employing senior citizens will be extended until YA 2025.
- ▶ To provide employment exposure to youths, it is proposed that an incentive of RM1,000 per month for up to 3 months be provided to private employers for each new graduate who participates in the apprenticeship programme.
- ▶ The "lifestyle personal tax relief" has been increased from RM2,500 to RM3,000.
- ▶ GLCs and GLICs will contribute RM150 million to Tabung Cerdik to give laptops to 150,000 students at 500 schools in a pilot project.
- ▶ To ensure stable internet connection in tertiary education institutions, the government has allocated RM50mil to upgrade the Malaysian Research and Education Network (MYREN) access from 500Mbps to 10Gbps.
- ▶ To ensure students at higher learning institutions (IPT) on PTPTN loans are able to follow online classes, the government will work with BSN to provide RM100 million to finance Skim BSN MyRInggit-i COMSIS, a laptop computer loan scheme.
- ▶ To encourage parents to save for the costs of their children's higher education fees, a tax relief of up to RM8,000 under the National Education Savings Scheme (SSPN) net savings will be implemented until assessment year 2022.
- ▶ Full stamp duty exemption on both the instrument of transfer and loan agreement for the purchase of first home worth up to RM500,000 will be given to first time home buyers. This is effective for sale and purchase agreements executed from 2021 to 2025.



## Goal 2: Business Continuity

- ▶ To encourage development in high value-added technology, a RM1 billion fund will be set up to support R&D investment in aerospace as well as electronic clusters such as in Batu Kawan, Penang and Kulim, Kedah industrial parks.
- ▶ In addition, a High Technology Fund worth RM500 million by Bank Negara Malaysia will be launched to enable Malaysia to remain competitive in the global supply chain and protect high skilled jobs.
- ▶ As the Government is committed to making Malaysia as a preferred destination for high-value service activities, the following initiatives will also be implemented:
  - Relaxation of tax incentive conditions for Principal Hub which will be extended until 2022;
  - New tax incentive for establishment of a Global Trading Centre;
  - Limit on the sales value for value-added and additional activities carried out in the Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW) will be increased; and
  - Non-resident individuals holding key positions for strategic new investments by companies relocating to Malaysia under PENJANA incentive package will be taxed at a flat rate of 15% for a period of 5 years.
- ▶ The tax incentive for non-resource-based R&D product commercialisation activities will be reintroduced and tax incentives for commercialisation of R&D product by public research institutions will be extended to private higher education institutions.
- ▶ To battle COVID-19, RM100 million from the proceeds of the Sukuk PRIHATIN will be allocated for the conduct of research relating to infectious diseases covering vaccine development as well as treatment research and diagnostics.
- ▶ Several initiatives will be introduced to encourage the production and purchase of locally made products including a total of RM150 million will be allocated for the SME Digitalisation Grant Scheme and Automation Grant, which will be accompanied by the relaxation of qualifying criteria to facilitate access by SMEs and start-ups which have been in operation for six months.
- ▶ To encourage manufacturers of pharmaceutical products especially COVID-19 vaccines to invest in Malaysia, the Government will provide tax incentives including preferential tax rate of 0% to 10% for 10 years.
- ▶ The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme will be continued with RM20 million to boost the growth of the country's palm oil sector. Furthermore, a matching grant of RM30 million will also be introduced to encourage investments.
- ▶ Training and placements will be provided by the Government for 8,000 employees of airline companies in Malaysia.
- ▶ To ensure the readiness of tourist hotspots, a total of RM50 million will be provided for maintenance and repair of tourism facilities throughout the country. An allocation of RM20 million will be provided to improve the infrastructure and intensify the promotion of Cultural Villages in Terengganu, Melaka, Sarawak and Negeri Sembilan.
- ▶ To help reduce the cashflow burden of still-affected companies, a Human Resource Development Fund (HRDF) levy exemption will be given for six months effective 1 January 2021. This exemption will cover the tourism sector and companies affected by COVID-19.
- ▶ In support of automation and modernisation, additional funds of RM150 million will be provided under the SME Digitalisation Grant Scheme and the Automation Grant.
- ▶ Through Perbadanan Usahawan Nasional Berhad (PUNB), a total of RM230 million will be allocated as financing to SMEs for working capital, upgrading of automation systems and equipment and expenditure related to the implementation of COVID-19 SOP compliance.



## Goal 3: Economic Resilience

- ▶ A sum of RM2.5 billion will be allocated to Class G1 to G4 contractors to carry out small and medium projects nationwide. This will include RM200 million for Federal road maintenance and RM50 million for the maintenance of People's Housing Program housing units.
- ▶ Effective 1 January 2021, the Government will freeze the issuance of new cigarette import licences, tighten the licence renewals as well as imposition of import quotas. Moreover, the transshipment of cigarette exports will be limited to selected ports. Taxes will be imposed on drawbacks on all imported cigarettes for the purpose of transshipment and re-export. The government will also not allow transshipment activities and re-exports of cigarettes using small boats. Lastly, taxes will also be imposed on cigarettes and tobacco products at all duty-free islands.
- ▶ Excise duty of 10% on devices for all types of electronic and non-electronic cigarettes including vape will be imposed effective 1 January 2021. Liquid used in electronic cigarettes will be imposed with an excise duty at a rate of RM0.40 per ml.
- ▶ Several large transport infrastructure development projects such as High-Speed Rail Project will also be continued.
- ▶ Further to the issuance of the Sukuk PRIHATIN, the Government will now issue its first Sustainability Bond in Malaysia for environmental and social initiatives in 2021.



In summary, the Budget 2021 is a comprehensive budget focused on steering Malaysia through the bumpy road to recovery.

This Budget is aligned to the priorities of the Twelfth Malaysia Plan and the SPV2030 to ensure inclusive and meaningful socio-economic development towards a more prosperous and dignified society by 2030.

The following includes a summary of key tax changes affecting taxpayers in Malaysia arising from the 2021 Budget.

Do join us at our Tax Budget Webinar on 18 November 2020 for a more detailed analysis of the implications of Budget 2021 to you and your businesses.

Thank you.



# CORPORATE TAX

## Review of Income Tax Exemption on Sustainable and Responsible Investments (SRI) Sukuk Grant

- It is proposed that the income tax exemption given to recipients of Green SRI sukuk grant be extended for another 5 years from 31 December 2020 and be expanded to include all SRI sukuk and bonds which meet the ASEAN Green, Social and Sustainability Bond Standards approved by Securities Commission.
- This is applicable for applications received by Securities Commission from 1 January 2021 until 31 December 2025.
- The above proposal aims to encourage the issuance of sukuk and bonds that meet green, social and sustainability standards in Malaysia.

## Extension of Period of Double Deduction for Employment of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependants

- It is proposed that the existing double deduction given on the remuneration payable by the employer to the employee who is one of the above persons be extended for another 5 years, from YA 2021 until YA 2025.
- This proposal aims to further encourage employers to provide job opportunities for the above categories of persons.

## Extension of Period of Tax Incentives for Export of Private Healthcare Services

- Currently, providers of private healthcare services enjoy tax exemption on income derived from the export of healthcare services to foreign patients where the services are provided either in Malaysia or from Malaysia.
- The income tax exemption is equivalent to 100% of the value of the increase in exports which can be set off against 70% of the statutory income.
- It is proposed that the existing income tax exemption be extended for another 2 years from YA 2021 until YA 2022.
- This proposal aims to promote the export of private healthcare services in Malaysia as well as to attract high value healthcare travellers to Malaysia.

## Tax Incentive for Investment in Equity Crowdfunding

- It is proposed that individual investors be given income tax exemption on aggregate income equivalent to 50% of the amount of investment made in equity crowdfunding subject to the following conditions:
  - a The eligible amount for tax exemption is limited to RM50,000 for each YA;
  - b The deductible amount is limited to 10% of the aggregate income for each YA. The excess amount will be disregarded;
  - c The investor, investee company and amount of investment made must be verified by Securities Commission;
  - d The investor must not have any family relationship with the investee company;
  - e The investment must be made through an equity crowdfunding platform approved by Securities Commission; and
  - f The investment must not be disposed of either in part or in full within 2 years from the date the investment is made.
- The above proposal is effective for investment made from 1 January 2021 to 31 December 2023.
- This proposal aims to encourage individual investors to invest in equity crowdfunding.

# PERSONAL TAX

## Review of Income Tax Rate for Resident Individual

- To increase the disposable income of the middle income group it is proposed that the income tax rate for resident individuals be reduced by 1% for chargeable income band of RM50,001 to RM70,000 as follows:

Chargeable Income (RM)	Current		Proposal		Tax Savings	
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(RM)	(%)
0 - 5,000	0	-	0	-	0	0
5,001 - 20,000	1	0*	1	0*	0	0
20,001 - 35,000	3	200*	3	200*	0	0
35,001 - 50,000	8	1,800	8	1,800	0	0
50,001 - 70,000	14	4,600	13	4,400	200	4.55
70,001 - 100,000	21	10,900	21	10,700	200	1.87
100,001 - 250,000	24	46,900	24	46,700	200	0.43
250,001 - 400,000	24.5	83,650	24.5	83,450	200	0.24
400,001 - 600,000	25	133,650	25	133,450	200	0.15
600,001 - 1,000,000	26	237,450	26	237,250	200	0.08
1,000,001 - 2,000,000	28	517,450	28	517,250	200	0.04
Above 2,000,000	30		30			

\* After a rebate of RM400 for chargeable income not exceeding RM35,000

- This proposal is effective from YA 2021.

## Income Tax Relief on Expenditure for Medical Treatment, Special Needs and Parental Care

- It is proposed that income tax relief on expenses for medical treatment, special needs and parental care to be increased from RM5,000 to RM8,000.
- This proposal is effective from YA 2021.

## Income Tax Relief for Medical Expenses for Self, Spouse and Child

- It is proposed that the income tax relief for medical expenses for taxpayer, spouse and children with serious diseases to be increased from RM6,000 to RM8,000. In addition, the relief for full medical check-up expenses is to be increased from RM500 to RM1,000.
- The scope of relief for medical expenses is expanded to include vaccination expenses up to RM1,000 for taxpayer, spouse and child. The vaccines eligible for the tax relief are as follows:

Pneumococcal;

Human Papillomavirus (HPV);

Influenza;

Rotavirus;

Varicella;

Meningococcal;

Combination of tetanus-diphtheria-acellular pertussis (Tdap); and

COVID-19

- This proposal is effective from YA 2021.

## Income Tax Relief for Disabled Spouse

- It is proposed that income tax relief for disabled spouse be increased from RM3,500 to RM5,000.
- This proposal is effective from YA 2021.

## PERSONAL TAX (Cont'd)

### Extension of Income Tax Relief Period on Contributions to Private Retirement Scheme (PRS)

- It is proposed that income tax relief up to RM3,000 on contribution to PRS be extended for another 4 years.
- This proposal is effective from YA 2022 to 2025.

### Increase in the Limit of Tax Relief for Lifestyle

- It is proposed that the income tax relief for lifestyle be increased from RM2,500 to RM3,000 (the additional RM500 is allocated for the cost of purchasing sports equipment, entry/rental fees for sports facilities and participation fees in sports competitions).
- The scope of relief is to be expanded to include subscription for electronic newspapers.
- This proposal is effective from YA 2021.

### Extension of Tax Relief Period on Net Savings in the National Education Savings Scheme (SSPN)

- It is proposed that income tax relief up to RM8,000 on net annual savings in SSPN to be extended for another 2 years for YA 2021 and YA 2022.

### Expansion of Scope of Income Tax Relief for Education Expenses

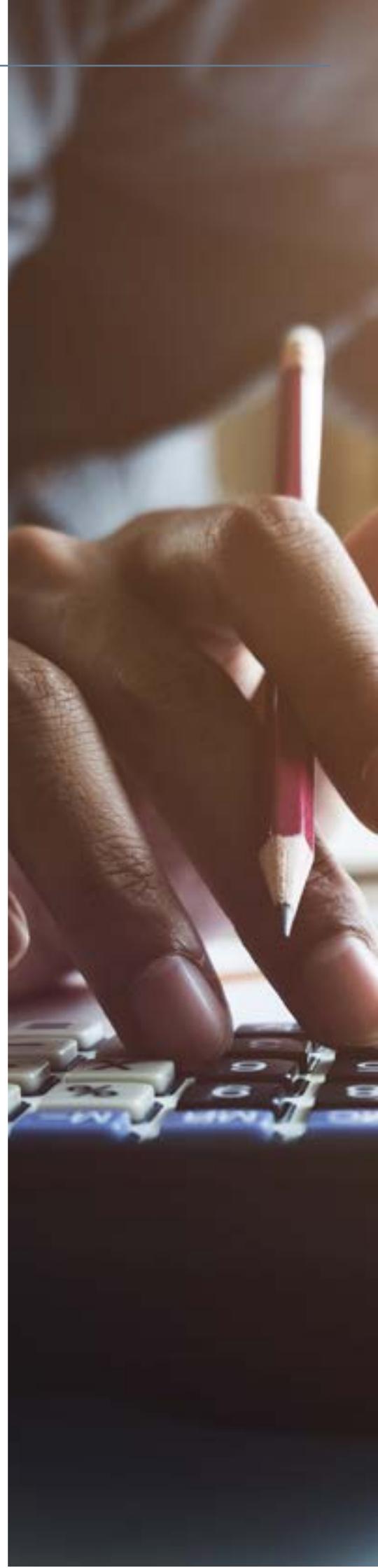
- It is proposed that the scope of income tax relief of RM7,000 be extended to include fees for attending up-skilling and self-enhancement courses in any field of skills recognised by the Department of Skills Development, Ministry of Human Resources (up to RM1,000 for each YA).
- This proposal is effective from YA 2021 to 2022.

### Increase in Income Tax Exemption on Compensation for Loss of Employment

- It is proposed that the income tax exemption for compensation for loss of employment be increased from RM10,000 to RM20,000 for each full year of service with the same employer or companies within the same group.
- This proposal is effective from YA 2020 to 2021.

### Extension of Tax Incentive for Returning Expert Programme (REP)

- It is proposed that application period for REP incentive be extended for another 3 years and revised as follows:
  - flat rate of 15% on employment income for a period of 5 consecutive YA; and
  - exemption on import duty and excise duty for purchase of a CBU vehicle or excise duty exemption for purchase of a CKD vehicle (total duty exemption limited up to RM100,000).
- Application must be reviewed by Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023.



# TAX INCENTIVES

## Review of Tax Incentives for Companies Relocating Operations to Malaysia and Making New Investments

- It is proposed that the existing tax incentives for companies in the manufacturing sector relocating its operations to Malaysia be revised as follows:

- The application period to MIDA for the manufacturing sector is extended by 1 year to 31 December 2022; and
- The scope of the tax incentives is expanded to companies in selected services sector including companies adapting Industrial Revolution 4.0 and digitalisation technology with investment that contribute to significant multiplier effect in the following services:

provision of technology solution, or more typically technology company which develops technology and provides technology solutions based on substantial scientific or engineering challenges;

provision of infrastructure and technology for cloud computing;

research and development/design and development activities;

medical devices testing laboratory and clinical trials; and

any services or manufacturing related services as determined by the Minister of Finance.

- The tax incentives provided are:
  - For new company:
    - Income tax rate of 0% to 10% for a period up to 10 years.
  - For existing company with new services segment:
    - Income tax rate of 10% for a period up to 10 years.
- The application period to MIDA for the tax incentives for the services sector is from 7 November 2020 until 31 December 2022.
- In addition to the existing relocation tax incentives, it is proposed that individual income tax at a flat rate of 15% be given to non-residents holding key positions/C-Suite positions for a period of 5 consecutive years.
- This special income tax rate is limited to 5 non-resident individuals employed in each company that has been granted the relocation tax incentive.
- Individuals that are approved the flat rate of 15% shall be:
  - receiving a monthly salary of not less than RM25,000; and
  - a Malaysian tax resident for each year of assessment throughout the flat rate tax treatment.
- Applications for this special income tax treatment must be received by MIDA from 7 November 2020 to 31 December 2021.
- These proposals are to spur economic recovery through new investment activities and to create a multiplier effect to the economy.

## Tax Incentives for Companies Manufacturing Pharmaceutical Products Including Vaccines

- It is proposed that manufacturers of pharmaceutical products including vaccines especially COVID-19 vaccine be given the following tax incentives:
  - Income tax rate of 0% up to 10% for the first 10 years; and
  - Income tax rate of 10% for the subsequent period of 10 years.
- Besides the above, strategic investments by such companies may be considered for other facilities including grants, import duty/sales tax exemption for machineries and equipment as well as raw materials.
- Applications for this incentive must be received by MIDA from 7 November 2020 to 31 December 2022.
- This proposal is to encourage the manufacture in Malaysia of such pharmaceutical products.

# TAX INCENTIVES (Cont'd)

## Review and Expansion of Scope of Tax Incentive for Commercialisation of Research and Development (R&D) Findings

- It is proposed that the following tax incentive for commercialisation of R&D findings be given:
  - Tax incentive for the commercialisation of non-resource-based R&D findings be reintroduced; and
  - Tax incentives for the commercialisation of R&D findings by public research institutions including public higher learning institutions be expanded to private higher learning institutions.

*Note: Resource-based and non-resource based activities or products are subject to the list under the Promotion of Investment Act 1986.*

- The tax incentives for a) and b) above are as follows:
  - For investor company:
 

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 Tax deduction equivalent to the amount of investment made in a subsidiary company that commercialises the R&D findings of public research institutions including public higher learning institutions and private higher learning institutions.
  - For subsidiary companies that commercialise R&D findings of public research institutions including public higher learning institutions and private higher learning institutions:
 

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 Income tax exemption of 100% of statutory income for 10 years.
- Applications for this incentive must be received by MIDA from 7 November 2020 until 31 December 2025.
- This proposal is to create a competitive R&D ecosystem and to encourage new R&D activities by public research institutions including public higher education institutions as well as to enhance the role of private higher education institutions in producing high quality researchers and quality R&D.

## Tax Incentive for Global Trading Centre

- To enhance and simplify the tax incentive for trading activities previously covered under the Principal Hub incentives which was subjected to higher eligibility criteria, it is proposed that a new incentive scheme known as Global Trading Centre be introduced.
- A 10% income tax rate for a period of 5 years which is renewable for another 5 years is given under this tax incentive.
- Applications must be received by MIDA from 1 January 2021 until 31 December 2022.

## Review of Tax Incentive for Principal Hub

- It is proposed that:
  - The application period for Principal Hub incentive for companies undertaking qualifying services activities be extended for another 2 years to 31 December 2022; and
  - The minimum condition of the number of high value job, annual operating expenditure and the number of key post for renewal of the tax incentive for the second 5 years be relaxed.
- This proposal is to further encourage more companies to establish their Principal Hub in Malaysia.

## Review of Tax Incentive Framework

- The Government is currently conducting a comprehensive study of the existing tax incentive structure in order to come up with a competitive, transparent and more attractive tax incentive framework.
- To provide time for the study to be completed, the existing tax incentives that are due to expire at the end of 2020 will be extended to 2022.
- The tax incentives involved includes those for maintenance, repair and overhaul (MRO) activities for aerospace, building and repair of ships, Bionexus status and economic corridor developments (East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor).

## Review of Tax Incentive for Manufacturers of Industrialised Building System ("IBS") Components

- Currently, manufacturers of IBS components are given tax incentives in the form of income tax exemption or Investment Tax Allowance ("ITA") and the percentage of income tax exemption or ITA is based on 2 categories.
- It is proposed that:
  - The current tax incentive application period ending on 31 December 2020 be extended for another 5 years.
  - The 2 categories of the current tax incentive be merged where companies are only required to produce at least 3 basic components of IBS or IBS system that uses at least 3 basic IBS components.
  - ITA of 60% is given on qualifying capital expenditure incurred within 5 years and the allowance can be set off against 70% of the statutory income for each YA.
- The above proposal is for applications received by MIDA from 1 January 2021 to 31 December 2025.
- This proposal aims to encourage technology adaptation in the construction sector through the usage of IBS.

# STAMP DUTY

## Extension of Period of Stamp Duty Exemption to Revive Abandoned Housing Projects

- Currently, full stamp duty exemption is given on the following instruments from 1 January 2013 to 31 December 2020 in respect of abandoned housing projects certified by the Minister of Housing and Local Governance:
  - For the rescuing contractor / developer:
    - loan agreements to finance the revival of the abandoned housing projects; and
    - instruments of transfer of title for land and houses in abandoned housing projects.
  - For the original house purchaser in the abandoned project:
    - loan agreements for additional financing; and
    - instruments of transfer of the houses.
- As the above stamp duty exemption expires on 31 December 2020, it is proposed that it be extended for another 5 years until 31 December 2025.

## Extension of Period of Stamp Duty Exemption for Perlindungan Tenang Products

- Currently, stamp duty exemption is given on the purchase of insurance policies and takaful certificates for Perlindungan Tenang products covering life, fire and flood insurance with an annual premium/contribution value not exceeding RM100 issued from 1 January 2019 to 31 December 2020.
- To encourage more low income groups to have insurance and takaful coverage and as the above stamp duty exemption expires on 31 December 2020, it is proposed that it be extended for another 5 years until 31 December 2025.

## Review of Stamp Duty Exemption for the Purchase of First Residential Home

- Full stamp duty exemption is currently given on the instrument of transfer and loan agreement for the purchase of first residential home priced up to RM300,000 by Malaysian citizens for sales and purchase agreements executed from 1 January 2019 to 31 December 2020.
- In order to increase the first residential home ownership by Malaysian citizens who have yet to own a house, it is proposed that the stamp duty exemption limit be increased from RM300,000 to RM 500,000 and the duration of this exemption be extended for sales and purchase agreements executed from 1 January 2021 to 31 December 2025.

## Extension of Period of Stamp Duty Exemption for Trading of Exchange Traded Funds (ETF)

- Currently, stamp duty exemption is given on contract notes executed for trading of ETF approved by the Securities Commission Malaysia from 1 January 2018 to 31 December 2020.
- As the above stamp duty exemption expires on 31 December 2020, it is proposed that it be extended for another 5 years until 31 December 2025.



# INDIRECT TAX

## a SALES TAX

### Sales Tax Exemption for Purchase of Bus

- It is proposed that sales tax exemption for the purchase of locally assembled bus including air conditioner will be extended for a period of 2 years effective from 1 January 2021 to 31 December 2022.
- This proposal aims to reduce the burden of bus operators.

### Imposition of Sales Tax on the Importation of Cigarettes with Drawback Facilities for Re-export

- It is proposed that sales tax shall be imposed on imported cigarettes for transshipment with refund or drawback facility be given for re-exportation with effect from 1 January 2021.

### Imposition of Sales Tax on Cigarette and Tobacco Product in all Duty Free Islands and any Free Zones

- It is proposed that cigarettes and tobacco products will be considered as taxable goods and be subject to sales tax in all duty free islands and any free zones that have been permitted retail sale of duty free cigarettes with effect from 1 January 2021.

## b TOURISM TAX

- It is proposed that the imposition of tourism tax be extended to accommodation premises booked through online platform providers with effect from 1 July 2021.
- This proposal aims to ensure a level playing field for bookings made directly with the registered accommodation premises operators and via online platform providers.

## c EXCISE DUTY

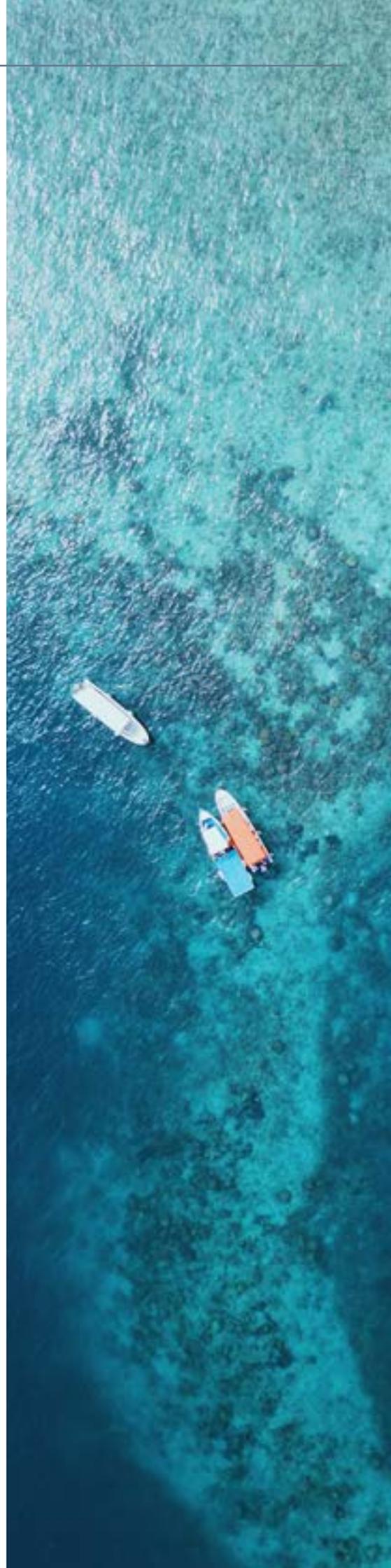
### Imposition of Excise Duty for all types of Electronic and Non-electronic Cigarette Devices including Vape

- It is proposed that excise duty be imposed with effect from 1 January 2021 as follows:
  - For all types of electronic and non-electronic cigarette devices including vape at ad valorem rate of 10% ; and
  - For liquid or gel used in electronic cigarettes including vape at a rate of RM0.40 per milliliter.
- This is to ensure equal tax treatment on all types of cigarette and tobacco products.

## d FREE INDUSTRIAL ZONE ("FIZ") / LICENSED MANUFACTURING WAREHOUSE ("LMW")

### Increase of Sales Limit for Value-added and Additional Activities Carried Out in the FIZ and LMW

- It is proposed that the current 10% limit on the value-added and additional activities be increased to 40% of the company's annual sales value.
- The above rules would apply for new applications for FIZ and LMW and the applications to increase the sales value limit can be submitted to the Royal Malaysian Customs Department from 7 November 2020 onwards.
- This proposal is to enhance the company's competitiveness and to meet the global trade dynamics.



For further information, we welcome you to speak to any of our tax specialists below:

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