



BDO IN MALAYSIA'S HIGHLIGHT

PEMERKASA PACKAGE

BDO

EXECUTIVE SUMMARY

Malaysia is currently in the 5th stage of the 6R Comprehensive Economic Recovery Plan which is ‘Revitalise’. At this stage, the economic recovery strategies are mainly focused on efforts to jump-start the nation’s economy.

In this regard, on 17 March 2021, the Government has announced People and Economic Strategic Empowerment Programme (“PemerKasa”) worth RM20 billion, with a new fiscal injection of RM11 billion.

The PemerKasa will introduce 20 strategic initiatives under 4 main focus areas with the aim of boosting economic growth, supporting businesses and continuing to provide targeted assistance to the people and sectors that are still feeling the effects of COVID-19.

The strategic initiatives under each focus area are as follows:



First Focus Area: Controlling COVID-19 Transmission

1. Increase in Allocation for the COVID-19 Immunisation Programme.
2. No More Comprehensive MCO Implementation.
3. Strict and Transparent Enforcement of COVID-19 SOPs and Regulations.



Third Focus Area: Strengthening Competitiveness of the Nation

10. Strengthening Business Environment.
11. Automation and Digitalisation.
12. Reducing Digital Gap.
13. Promoting Investments and Exports.
14. Promoting Sustainable Financing.



Second Focus Area: Driving Economic Recovery

4. Implementation of Small Projects Nationwide.
5. Continuation of Prihatin Special Grant 3.0.
6. Micro Credit Financing Facilities.
7. Job Retention and Employment Incentives.
8. Revitalising the Tourism and Retail Sectors.
9. Reducing Companies Burden and Empowering Cooperatives.



Fourth Focus Area: Ensuring an Including Agenda

15. Assistance for Loss of Income.
16. Improving the Urban Vulnerable Assistance Program.
17. Prihatin for Women.
18. Prihatin for Disabled Individuals (“OKU”).
19. Prihatin for Youth.
20. Continuation of Subsidies to Reduce the Cost of Living.

The tax initiatives proposed are as follows:

CORPORATE TAX

Special Tax Deduction for Certain Companies Participating in Safe@Work Programme

- ▶ As an incentive for companies to participate in the Safe@Work programme introduced under by the Ministry of International Trade & Industry (“MITI”), the Government has agreed to provide additional tax deductions to manufacturing companies and manufacturing - related service companies on the rental expenses for employees' premises and hostels.
- ▶ The expenditure eligible for this additional tax deduction is limited to RM50,000 for each company registered with MITI and has passed the Safe@Work compliance audit.
- ▶ Companies may register for the Safe@Work programme from 1 April 2021.

Additional Tax Deduction for Expenses in relation to COVID-19 Detection Test Incurred by Employer

- ▶ It is proposed that additional tax deduction be given to the employers for the cost of COVID-19 detection tests incurred for employees up to 31 December 2021.

Deferment of Monthly Income Tax Installment for Specific Industry

- ▶ It is proposed that the deferment of monthly income tax installments from 1 April 2021 to 31 December 2021 be given to companies in the tourism industry and selected industries such as cinemas and spas.

PERSONAL TAX

Expansion of Scope of Income Tax Relief

- ▶ Currently under the PENJANA incentive, a special income tax relief of up to RM1,000 is also given to resident individuals for the following qualifying domestic traveling expenses incurred from 1 March 2020 to 31 August 2020 is extended to 31 December 2021:
 - a) Accommodation expenses at premises registered with the Ministry of Tourism, Arts and Culture Malaysia (“MOTAC”); and
 - b) Entrance fees to tourist attractions.
- ▶ It is proposed that the scope for the incentive be extended to cover the expenses incurred on the purchase of travel packages through travel agencies registered with MOTAC.

TAX INCENTIVES

Additional Fund for the Smart Automation Grant (“SAG”) under Malaysian Investment Development Authority (“MIDA”)

- ▶ It is proposed that an additional RM50 million fund for the SAG under MIDA will be provided so that more Small and Medium Enterprises (“SMEs”) and Intermediate Tier Company or Mid-Tier Companies can improve operating efficiency and manufacturing through high technology.
- ▶ The SAG will be given on a matching basis (1:1) based on eligible expenditures, up to a maximum grant of RM1 million per company.
- ▶ The effective date of application is from 4 December 2020 to 31 December 2021.

Allocation for Industry4WRD Readiness Assessment (“RA”) Intervention Programme under Ministry of International Trade and Industry (“MITI”)

- ▶ It is proposed that an allocation of RM50 million will be given to the Industry4WRD programme under MITI for the purpose of supporting the Industrial Revolution 4.0.
- ▶ There are two types of incentives available for companies to undertake the Industry4WRD RA:-
 - a) Government-funded Industry4WRD RA for qualified SMEs who are within the following sectors:-
 - Manufacturing sector; or
 - Manufacturing related services.
 - b) Tax deduction on expenditure of Industry4WRD RA fees of up to RM27,000 for all companies who do not enjoy the government-funded Industry4WRD. The rules are provided under the Income Tax (Deduction for Expenditure on Industry4wrD Readiness Assessment) Rule 2020 (“Rules”). [Note]
- ▶ Note: The Rules are deemed to have come into operation from YA 2019 until YA 2021.

INDIRECT TAX

SERVICE TAX & TOURISM TAX

Extension of Service Tax Exemption and Tourism Tax

- ▶ To reduce the burden and support the recovery of the tourism sector which was severely affected by the COVID-19 pandemic, the Government will be extending the current service tax and tourism tax exemption from 30 June 2021 to 31 December 2021.

EXCISE DUTY

100% Excise Duty Exemption for Locally Assembled Motorcycles (150cc and below)

- ▶ As part of the initiative under TEKUN Mobilepreneur program, any qualifying person who purchases locally assembled motorcycles with an engine capacity of 150cc and below will be given 100% excise duty exemption from 1 April 2021 to 31 December 2021.
- ▶ Mobilepreneur is a government initiative that helps youths to operate e-hailing mobile services with a low set up cost.



OTHER AREAS

Extension of Wage Subsidy Programme 3.0

- ▶ The Government will allocate RM700 million to extend the Wage Subsidy Programme (“WSP”) 3.0 for another three months to 30 September 2021 for targeted industries i.e. the tourism sector, wholesale and retail trade sector, as well as other businesses such as such as gymnasium and spa which are not allowed to operate during the Movement Control Order 2.0 (“MCO 2.0”).

Company	WSP 1.0		WSP 2.0
	3 months*	3 months	3 months
Large	RM600	RM600	RM600
Medium	RM800	RM600	RM600
Small	RM1,200	RM600	RM600

* This Programme started from 1 April 2020

Company	WSP 3.0	
Large	RM600	
Medium	Existing employer	Extension 3 months
Small	New application	6 months

- ▶ This initiative is expected to benefit 400,000 employees and 37,000 employers.

Entertainment Tax Exemption on Admission Fees to Entertainment Venues

- ▶ As part of the Government’s initiative to support the recovery of the tourism sector, it is proposed that entertainment tax exemption be given on admission fees to entertainment venues such as theme parks, stage performances, sporting events and competitions as well as cinema screenings in all Federal Territories. The period for this tax exemption has not yet been specified.

Human Resources Development Fund (“HRDF”) Levy Exemption

- ▶ It is proposed that HRDF levy exemption be given for affected companies under tourism and retail sector for the period up to June 2021.

BDO TAX SERVICES SDN BHD (114863-K)

Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur, Malaysia

T: +603 2616 2888
F: +603 2616 2970
E: bdo@bdo.my

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

BEH TOK KOAY

Senior Advisor
E: tkbeh@bdo.my

ONG ENG CHOON

Senior Advisor
E: ongec@bdo.my

LEE BOON HOOI

Executive Director
E: leebh@bdo.my

TAN SIN HUAT

Advisor
E: shtan@bdo.my

DAVID LAI

Executive Director
E: davidlai@bdo.my

WOON YOKE LEE

Executive Director
E: woonyl@bdo.my

ON BEE YEE

Executive Director
E: onby@bdo.my

NG SWEE WENG

Senior Advisor
E: swng@bdo.my

BERNICE TAN

Executive Director
E: bernice.tan@bdo.my

SOH PIN TAU

Executive Director
E: sohpt@bdo.my

CHRISTOPHER LOW

Executive Director
E: chrislow@bdo.my

KOO KIAN MING

Executive Director
E: kookm@bdo.my

YAP MEI SEI

Executive Director
E: yapms@bdo.my

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO Tax Services Sdn Bhd to discuss these matters in the context of your particular circumstances. BDO Tax Services Sdn Bhd, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO Tax Services Sdn Bhd or any of its partners, employees or agents.

BDO Tax Services Sdn Bhd (198401002347 (114863-K)), a Malaysian Limited Liability Company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. Copyright © March 2021 BDO Malaysia. All rights reserved. Published in Malaysia.

www.bdo.my