

A low-angle, night-time photograph of the Petronas Twin Towers in Kuala Lumpur, Malaysia. The towers are illuminated from within, with many windows glowing yellow. The sky is dark. The towers are symmetrical and rise vertically, connected by a skybridge. The overall mood is professional and modern.

Take 5

for business

Volume 8 Issue 4 - 27 March 2020

COVID-19:
Second Economic
Stimulus Package 2020

The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal bar is positioned above the 'Y'.

Building a better
working world

Perspectives on the second Economic Stimulus Package 2020

To cushion Malaysians from the economic fallout brought about by COVID-19, the Government announced today that the RM20b stimulus package unveiled one month ago will be increased significantly to RM250b. The objectives of the stimulus package are to:

- ▶ Protect the welfare and well-being of the *rakyat*
- ▶ Support businesses

This is the largest sum ever announced for a stimulus package in Malaysia, representing 17% of our GDP. In comparison, the total stimulus package announced by the Singapore Government to date amounts to SGD55b (approx. RM164b), representing 11% of its GDP.

“No one will be left behind”

The measures which have been announced are people-focused and are a result of extensive consultations undertaken by the Government with various stakeholders. The Government has sought to address the immediate needs and concerns of the *rakyat* and to ensure, as the Prime Minister put it, that no one will be left behind. The benefits for the people range from additional allowances for the front-liners heroically treating and protecting the rest of us from the effects of this terrible pandemic, direct one-off financial assistance targeted at the B40 and M40 groups and wage subsidies for individuals. The recognition that the M40 group also requires assistance is very welcomed but is also a solemn reflection of how far-reaching the effects of COVID-19 are.

The Government recognizes that to preserve economic well-being and to mitigate unemployment, it is not just the *rakyat* that need assistance. Businesses, particularly SMEs, must also be given the support they need to weather this storm. Hence, various measures to alleviate cashflow pressures on businesses have been proposed or reiterated. These include tax instalment and EPF contribution deferrals, additional allocations to the Special Relief Facility and micro-credit financing for SMEs. The Government, via Danajamin, will also provide guarantee facilities of up to RM50b for working capital loans.

The RM250b is funded through various means, 10% (i.e. RM25b) of which will be via a direct fiscal injection from the Government. Most of the measures are one-off. Further, the Prime Minister suggested that fiscal consolidation must take place in the medium term in order to achieve fiscal balance for the longer-term sustainability of Malaysia. This may suggest that once the challenges of COVID-19 have been put behind us, tax reform as well as other economic measures may be on the cards.

The aim now will be to ensure that the funds are disbursed and the relevant measures implemented without delay, as the man-on-the-street and businesses need support immediately. The Prime Minister has directed the Ministry of Finance to act quickly, so it looks like there is some light at the end of the tunnel.





<p>Health/insurance support</p>	<ul style="list-style-type: none"> ▶ An RM8m fund to be established by insurance and takaful companies. This is to cover the costs of COVID-19 screening tests of policyholders and medical takaful certificate holders who are instructed by the Ministry of Health to undergo testing at private hospitals or laboratories. ▶ Insurance and takaful companies to offer deferment of insurance premium contributions for 3 months to contributors affected by COVID-19
<p>Utilities support</p>	<ul style="list-style-type: none"> ▶ Free internet from 1 April 2020 until the end of the Movement Control Order (MCO) period
<p>Special allowances and disbursements</p>	<ul style="list-style-type: none"> ▶ The following special allowances will apply from 1 April 2020 until the COVID-19 pandemic ends: <ul style="list-style-type: none"> ▶ RM600 per month (previously RM400 per month) for doctors, nurses and other medical personnel directly involved in the management and containment of the virus ▶ RM200 per month for the army, police, customs, immigration, members of the civil defense and RELA personnel who are directly involved in implementing the MCO ▶ RM25m allocated for food and shelter for senior citizens, children in shelter homes, disabled persons, <i>Orang Asal</i> and the homeless. The Government will work with NGOs and social entrepreneurs to deliver this initiative. ▶ One-off cash disbursement of RM500 per person to civil servants of Grade 56 and below. This includes civil servants serving under contract as well as retired civil servants.
<p>Employees of service contractors</p>	<ul style="list-style-type: none"> ▶ The Government will bear the salaries of employees of contractors involved in the service sector such as cleaning services and supply of cooked food in government agencies and schools, even though these employees are not able to work during the MCO period.



Income support

B40 category

- ▶ One-off cash disbursements of:
 - ▶ RM1,600 per household for households earning RM4,000 and below a month
 - ▶ RM800 per person for singles aged 21 and above earning RM2,000 and below a month
 - ▶ RM500 per person for singles aged 21 and above earning RM2,001-RM4,000 a month
- ▶ Remaining cash disbursements of RM3.2b under the *Bantuan Sara Hidup* programme will be paid out in July 2020.
- ▶ Rental exemption under *Program Perumahan Rakyat* (PPR) and public housing to be extended to six months, from one month previously. This exemption will also apply to property rented out by *Dewan Bandaraya* Kuala Lumpur. The Prime Minister also urged State Governments to provide a similar rental exemption.
- ▶ Financing repayments due between April and September 2020 in respect of Rent-To-Own (RTO) units will be deferred.
- ▶ In addition to hospitalized patients, patients under investigation (PUI) for COVID-19 are also eligible to claim RM50 per day for a maximum of 14 days, under the *mySalam* scheme.
- ▶ Islamic financial institutions and State Islamic Religious Councils will provide seed capital to micro-entrepreneurs suffering loss of income.

M40 category

- ▶ One-off cash disbursements of RM1,000 per household, for households earning between RM4,001-RM8,000 a month

Others

- ▶ One-off cash disbursements of RM200 per person for students pursuing higher education
- ▶ One-off cash disbursements of RM500 per person for e-hailing drivers
- ▶ Deferral of loan repayments to the Skills Development Fund Corporation (PTPK) for the period 1 April 2020 to 30 September 2020



Businesses

- ▶ The Employees Provident Fund (EPF) will introduce the Employer Advisory Services program on 15 April 2020. Through this program, EPF will assist employers to evaluate payment deferment options, as well as restructure and reschedule employers' EPF contributions.
- ▶ 6 months exemption on levy payments to the Human Resource Development Fund (HRDF), commencing April 2020
- ▶ The Government, via Danajamin, will provide guarantee facilities of up to RM50b for working capital loans. The guarantee will be limited to 80% of the loan amount.
- ▶ Under a Wage Subsidy Program, the Government will subsidize wages of RM600 per month per employee for 3 months. Businesses that have faced a reduction in income of more than 50% since January 2020 will be eligible and the subsidy will apply in respect of employees with a monthly salary of less than RM4,000. The employees should be retained for at least 3 months from the beginning of the Program and should not be directed to take no-pay leave or suffer pay-cuts within this 3-month period.
- ▶ Tiered discounts of between 15% to 50% will be provided on electricity bills for monthly consumption of up to 600 kilowatts.
- ▶ 6 months rental exemption will be provided to tenants of premises owned by the Federal Government. The Prime Minister also urged State Governments, local authorities and Government-Linked Companies (GLCs) to provide a similar rental exemption.

Small and medium-sized enterprises (SMEs)

- ▶ The Special Relief Facility fund will be increased from RM2b to RM5b. Further, the interest rate on borrowings from the Facility will be reduced from 3.75% to 3.5%.
- ▶ RM1b increase to RM6.8b in the All Economic Sectors (AES) facility to improve SMEs' access to financing
- ▶ The funds available under the Micro Credit Scheme will be increased by RM500m, to RM700m. The Scheme will be managed by Bank Simpanan Nasional (BSN) and loans will be provided at the interest rate of 2%, without collateral.
- ▶ Under the Credit Guarantee Corporation's *BizMula-i* and *BizWanita-i* schemes, SMEs which have been in operation for less than 4 years are eligible for financing of up to RM300,000.
- ▶ Syarikat Jaminan Pembiayaan Perniagaan (SJPP) will:
 - ▶ Provide RM5b guarantee facilities; and
 - ▶ Increase guarantee rate from 70% to 80% for SMEs experiencing difficulties obtaining financing facilities
- ▶ Commencing 1 April 2020, Bank Negara Malaysia (BNM)'s 6 months moratorium will cover borrowings from TEKUN, MARA, co-operatives and government agencies providing financing to SMEs.



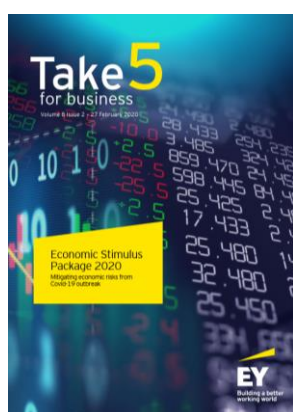
Deferment of instalment payments for SMEs	<ul style="list-style-type: none">▶ It is proposed that SMEs be allowed to defer their monthly income tax instalment payments due between 1 April 2020 and 30 June 2020.▶ As a reminder, the first Economic Stimulus Package provided that businesses in the tourism sector¹ are allowed to defer their monthly income tax instalment payments which are due between 1 April 2020 and 30 September 2020. Hence, an SME operating in this sector should enjoy the longer concession.
Taxation of banking institutions' interest income	<ul style="list-style-type: none">▶ BNM has announced the following:<ul style="list-style-type: none">▶ Banking institutions will grant an automatic six-month moratorium (deferment) on loan repayments for individuals and SMEs effective 1 April 2020. This only applies to performing loans denominated in Ringgit.▶ Upon application, credit card balances with banking institutions can be converted into a 3-year term loan with a reduced interest rate.▶ Banking institutions will also consider requests from corporations which are not SMEs to defer or restructure their loan repayments.▶ It is proposed that the interest income or profits accrued by the banking institutions during the moratorium period be taxed only when received.
Withdrawal of funds from Private Retirement Scheme (PRS) without penalties	<ul style="list-style-type: none">▶ It is proposed that withdrawals of funds from Sub-Account B of a PRS be permitted up to a maximum amount of RM1,500, without the imposition of the 8% tax penalty.▶ The withdrawals can be made between April 2020 and December 2020.

¹In a media release dated 9 March 2020, the Inland Revenue Board (IRB) clarified that for this purpose, "tourism sector" refers to companies operating tour agencies, hotels and airlines.

Other measures

Ministry of Health (MOH)	<ul style="list-style-type: none">▶ Additional RM1b allocated for the purchase of equipment and services to combat COVID-19. This includes obtaining the services of specialists from the private sector.
Food security	<ul style="list-style-type: none">▶ RM1b allocated to Dana Jaminan Makanan▶ RM100m allocated to set up food storage and distribution centers▶ RM64.4m allocated to farmers and fishermen associations that are able to accelerate agri-food projects and are able to produce food within the next three to six months
Public infrastructure	<ul style="list-style-type: none">▶ RM2b allocated to improve roads, upgrade schools in Sabah and Sarawak, maintain houses of worship and police stations, and upgrade tourism facilities. This will benefit contractors within the G1 to G4 classes.

Further references:



https://assets.ey.com/content/dam/ey-sites/ey.com/en_my/topics/tax/take-5-business-alerts/ey-take5-economic-stimulus-package-2020.pdf

EY Daily Tracker

How nations are responding to COVID-19 with economic stimulus

Access the latest EY tracker on global economic and state aid measures:

https://www.ey.com/en_gl/tax/how-covid-19-is-causing-governments-to-adopt-economic-stimulus-

EY contacts



Dato' Abdul Rauf Rashid

EY Asean Assurance Leader
Malaysia Managing Partner
Ernst & Young PLT

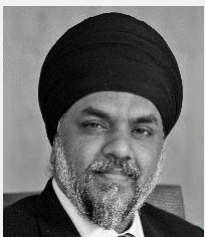
Tel: +603 7495 8728
abdul-rauf.rashid@my.ey.com



Yeo Eng Ping

EY Asia-Pacific Tax Leader

Tel: +603 7495 8288
eng-ping.yeo@my.ey.com



Amarjeet Singh

EY Asean Tax Leader
Malaysia Tax Managing Partner
Ernst & Young Tax Consultants Sdn Bhd

Tel: +603 7495 8383
amarjeet.singh@my.ey.com



Anil Kumar Puri

Partner, International Tax and
Transaction Services
Ernst & Young Tax Consultants Sdn. Bhd.

Tel: +603 7495 8413
anil-kumar.puri@my.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

©2020 Ernst & Young Advisory Services Sdn Bhd
All Rights Reserved.

APAC no. 07002075

EDNone

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/en_my