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## EY Tax Alert (Special Edition)

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# Additional stimulus measures announced, mainly for SMEs


### Coverage of this Alert

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Small and medium enterprises (SMEs) are the backbone of the Malaysian economy, contributing almost 40% of the nation's Gross Domestic Product (GDP) and employing two-thirds of the Malaysian workforce. Further to the announcements on 27 February 2020 and 27 March 2020 of the Economic Stimulus Packages (ESPs) totaling RM250 billion, various interest groups had requested the Government to provide additional support in certain areas, especially to the SMEs.

The Government has considered the feedback and announced today an additional RM10 billion stimulus package to support businesses, particularly the SMEs. In this alert, we discuss some of the key measures proposed in today's additional stimulus package.

Further, in recognition of the importance of startups to spur the use of technology and develop human capital towards achieving Industry 4.0, the Government announced that it would evaluate initiatives to stimulate startups during these difficult times. Further announcements on this are expected in due course.



On 1 April 2020, a Special Cabinet Committee (Committee), co-chaired by Senior Minister and Minister of International Trade & Industry (MITI), YB Dato' Seri Mohamed Azmin Ali, and Senior Minister and Minister of Defence, YB Dato' Sri Ismail Sabri Yaakob, was established. The objective of the Committee is to develop strategic measures to safeguard Malaysia's economy and labour market, which have been impacted by COVID-19, whilst striking a balance amongst the nation's economic priorities and ensuring effective enforcement of the Movement Control Order (MCO). It is expected that this Committee will continue to look into the effectiveness of the various stimulus packages.

## Enhanced Wage Subsidy Programme

### *Previous announcement*

On 27 March 2020, as part of the second Economic Stimulus Package 2020, RM5.9 billion was allocated for the Wage Subsidy Programme (WSP). At that time, it was proposed that the Government would subsidize wages of RM600 per month per employee (up to a maximum of 100 employees per organization) for three (3) months. Only businesses that faced a reduction in income of more than 50% since January 2020 would be eligible and the subsidy would apply in respect of employees with a monthly salary of RM4,000 and below. The employees should be retained and not be directed to take no-pay leave or suffer pay-cuts for at least three (3) months from the end of the period the subsidy is paid (i.e. total of at least six (6) months from the beginning of the subsidy period).

### *Today's announcement*

The WSP has been significantly enhanced. The allocation for the WSP has been increased by RM7.9 billion, to RM13.8 billion. The Government has now introduced a tiered WSP and the subsidies will apply as follows:

Total number of employees of the company	Subsidy	Maximum number of eligible employees
More than 200 employees	RM 600	200
76 to 200 employees	RM 800	-
75 or fewer employees	RM1,200	-

The requirement for businesses to demonstrate that they have a reduction in income of at least 50% was not mentioned in today's announcement and it is not clear whether this will still apply. Further, it is possible that the WSP may not be restricted only to SMEs. It is expected that further clarification will be forthcoming on these two points.

However, employees must continue to be retained and must not suffer pay cuts or be required to take no pay leave for at least six (6) months from the beginning of the subsidy period.

The enhanced WSP is a welcomed move and is expected to benefit approximately 4.8 million employees (compared to 3.3 million employees previously).

To reiterate, the WSP is paid to employers, and not paid to employees. The aim of the WSP is to alleviate the cash-flow burden of employers and to incentivize them to retain employees during these difficult times. It is to be noted that the employer cannot claim WSP in respect of an employee if that employee receives financial assistance under the Employee Retention Programme (ERP)<sup>1</sup>.

## Financial assistance initiatives

Initiatives	
<b>Prihatin Special Grant</b>	<ul style="list-style-type: none"> <li>▶ The Government has allocated RM2.1 billion to fund the “Prihatin Special Grant”.</li> <li>▶ Under this initiative, a special grant of RM3,000 will be provided to each qualifying micro SME.</li> <li>▶ The Government will obtain the list of qualifying SMEs from the local authorities and the Companies Commission of Malaysia (SSM).</li> <li>▶ All micro SMEs are required to register with the Inland Revenue Board (IRB) to be eligible for this special grant.</li> </ul>
<b>Micro Credit Scheme</b>	<ul style="list-style-type: none"> <li>▶ Previously, additional funding of RM500 million was allocated to the Micro Credit Scheme for soft loans. The Scheme is administered by Bank Simpanan Nasional. It was previously announced that the soft loans would have an interest rate of 2%, without collateral. <b>The interest rate of 2% will now be abolished.</b></li> <li>▶ The Micro Credit Scheme for micro businesses will be extended to TEKUN Nasional, with a maximum loan limit of RM10,000 per company, at a 0% interest rate.</li> <li>▶ Applicants can only choose one of the two options above.</li> </ul>
<b>IMSME.COM.MY - application for financial assistance provided by Credit Guarantee Corporation (CGC) and supported by Bank Negara Malaysia</b>	<ul style="list-style-type: none"> <li>▶ SMEs may refer to IMSME.COM.MY (a business financing referral platform) to apply for loans and schemes proposed under the ESPs. This would be an alternative to loans provided by banking institutions.</li> <li>▶ The portal also provides access to myKNP, a financing advisory service for SMEs.</li> </ul>

<sup>1</sup> The ERP is a form of financial assistance of RM600 per month per employee for a maximum period of six (6) months, for employees who have been requested to take no-pay leave. The Programme applies to private sector employees who fulfill relevant conditions. The period of assistance will be between one (1) to six (6) months, depending on the period of the No-Pay Leave notice issued by the employer.

## Rental exemptions or discounts for SMEs and further tax deduction for participating owners

SMEs who are renting properties owned by Government-Linked Companies (GLCs) such as MARA, PETRONAS, PNB, PLUS, UDA and several other State Government-owned companies will enjoy rental exemptions or discounts.

To encourage the private sector to join this initiative, it has been proposed that a further tax deduction be given to property owners who rent their properties to SMEs. Property owners must reduce rent by at least 30% of the original rental amount to be eligible for the further deduction. The amount of further deduction is equivalent to the reduction in rental from April 2020 to June 2020.

Further deductions or double deductions are usually provided in respect of certain expenses incurred, as opposed to being provided in respect of revenue foregone. It is likely that a Gazette Order will be issued to set out the details of this particular "further deduction".

## Other initiatives (for all qualifying businesses)

- ▶ The foreign worker levy will be reduced by 25% for work permits that expire between 1 April 2020 and 31 December 2020. This will not apply to work permits for domestic helpers.
- ▶ Extended deadlines from the SSM:
  - a) The deadline to submit statutory documents to SSM will be extended automatically by 30 days from the end date of the MCO.
  - b) The deadline to file financial statements will be extended such that the deadline is three months from the end date of the MCO. This is applicable to companies with financial periods ending between 30 September 2019 and 31 December 2019. An application for this extension will need to be submitted to the SSM (i.e. it is not automatic). No late filing fee will be charged for submissions by the extended deadline.

**Other EY publications related to the Government's response to the COVID-19 pandemic and the Movement Control Order:**

- ▶ EY Take 5 [dated 27 March 2020](#): COVID-19: Second Economic Stimulus Package 2020
- ▶ Special Tax Alert No. 5/2020 - IRB's response to the extended Movement Control Order
- ▶ Special Tax Alert No. 4/2020 - IRB's further response to the Movement Control Order (Updates)
- ▶ Special Tax Alert No. 3/2020 - IRB's further response to the Movement Control Order
- ▶ Special Tax Alert No. 2/2020 - Operations of the Royal Malaysian Customs Department (RMCD) during the enforcement period of the Movement Control Order
- ▶ Special Tax Alert No. 1/2020 - IRB's response to the Movement Control Order
- ▶ EY Take 5 dated 27 February 2020: Economic Stimulus Package 2020

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

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