



Taxavvy

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Rakyat and Economic Strategic Empowerment Programme (PEMERKASA) - Tax measures

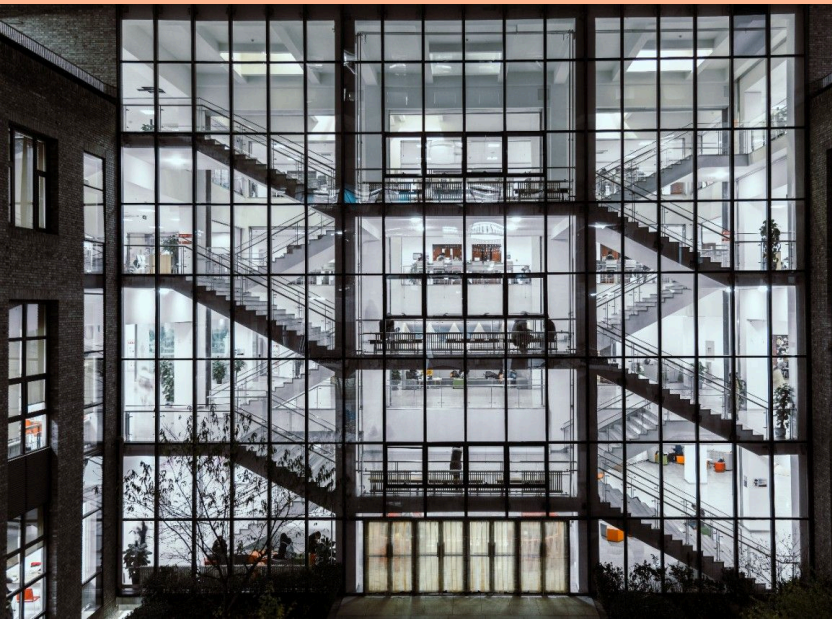


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PEMERKASA Stimulus Package

PEMERKASA has been announced by the Prime Minister on 17 March 2021. Valued at RM20 billion, PEMERKASA's objectives are:

- Controlling COVID-19 pandemic
- Steering economic recovery
- Strengthening the country's competitiveness
- Ensuring inclusivity



Key tax related measures from PEMERKASA

The following measures were announced by the Prime Minister:

Controlling COVID-19 pandemic

- Further deduction for rental expense on premises and hostel for employees
- Further tax deduction for employers on expenditure incurred on COVID-19 screening and detection testing

Stimulating tourism and retail industries

- Deferral of tax instalment payment for tourism sector
- Extension of tax incentive for tour operators
- Personal income tax relief for tour and travel packages
- Human Resources Development Fund levy exemption
- Extension of service tax and tourism tax exemptions
- Exemption of entertainment duty in Federal Territories

Supporting employment

- PENJANAKerjaya for apprenticeship
- Extension of Wage Subsidy Programme 3.0

Others

- Excise duty exemption for motorcycles

Controlling COVID-19 pandemic

Further deduction for rental expense on premises and hostel for employees

Under PEMERKASA, a further tax deduction for rental expense on premises and hostel for employees will be given to manufacturing companies and service companies related to manufacturing that participate in the Safe@Work initiative under the Ministry of International Trade and Industry (MITI) in relation to Standard Operating Procedures on preventive measures and case management through the creation of Safe Work Bubble

The qualifying expenditure is restricted to RM50,000 for each company registered with MITI for the Safe@Work initiative which has complied with the Safe@Work audit requirement. Registration for Safe@Work initiative with MITI commences from 1 April 2021.

FAQs on Safe@Work is available on MITI's website www.miti.gov.my (Information related to Safe@Work > FAQs)

Further tax deduction for employers on expenditure incurred on COVID-19 screening and detection testing

Expenses incurred by employers on COVID-19 screening and detection testing of its employees up to 31 December 2021 are eligible for double deduction.

Comment: The announcement is silent on the commencement date for incurrence of the expenses which will fall under the scope of the further deduction.

Stimulating tourism and retail industries

Deferment of tax instalment payment for tourism sector

Previously, deferment of tax instalment payments for the tourism sector was provided under the Economic Stimulus Package as follows:

Qualifying taxpayer	Resident companies including SMEs, LLPs, co-operative societies, trust bodies, unit trusts, property trusts, business trusts, REITs and PTFs which are in the tourism industry.
Instalments covered under the deferment programme	Instalments due within the months of April 2020 to September 2020 for any year of assessment (YA).
Deferment granted automatically by Inland Revenue Board	Granted based on information in the YA 2018 tax return (i.e. based on business code for tourism industry). Taxpayers were notified of the deferment via their registered email.
Settlement of deferred instalments	The deferred tax instalments are to be settled upon submission of the income tax return, together with any balance of tax payable. The 10% tax increase for late payment of tax instalment is not applicable to instalments covered under the deferment programme.

Under PEMERKASA, it is announced that deferment of tax instalment payments due during the period of 1 April 2021 to 31 December 2021 will be given to companies in the tourism sector and selected businesses such as cinemas and spas.

Comment: At this stage, it is unclear whether the same conditions, mechanism of granting the deferment including the due date for the deferred instalments previously will similarly apply.

Stimulating tourism and retail industries (con't)

Extension of tax incentive for tour operators

Tour operators were eligible for tax exemption on statutory income derived from domestic and group inclusive tours. The exemptions were given up to YA 2020.

It is announced that tax incentives for tour operators will be extended up to YA 2022.

Personal income tax relief for tour and travel packages

The scope of personal reliefs is expanded to include a relief of up to RM1,000 for the purchase of tour and travel packages through travel agents registered with the Ministry of Tourism, Arts and Culture.

Comment: Currently, a relief of up to RM1,000 is given for amount expended on hotel accommodation and entrance fee to tourist attraction from 1 March 2020 to 31 December 2021. It is unclear whether the objective of the PEMERKASA announcement is to expand the scope of expenses covered under this relief or it is an additional relief of RM1,000. The announcement did not state the qualifying period for the tax relief.

Human Resources Development Fund (HRDF) levy exemption

Under PERMAI, it was announced that companies which are unable to operate during the MCO and Conditional MCO periods are exempted from HRDF levy.

It is now announced that this exemption will be given up to June 2021 for the affected companies in the tourism and retail sectors.

Extension of service tax and tourism tax exemptions

Currently, the following are given until 30 June 2021:

- Exemption for hotel and other accommodation operators from charging service tax on their accommodation and related services provided.
- Exemption for operators of accommodation premises from charging tourism tax on tourists who stay at their accommodation premises.

The above exemptions will be extended for 6 months until 31 December 2021.

Exemption of entertainment duty in Federal Territories

Entertainment premises (such as theme parks, performance stages, sport & competition events and cinemas) in the Federal Territories will be exempted from paying entertainment duty on the admission fees. The period of exemption is, however, not specified.

Supporting employment

PenjanaKerjaya for apprenticeship

Under PenjanaKerjaya 2.0 as announced in Budget 2021, private employers are given incentives of RM1,000 for the hiring of graduates under apprenticeship programme. Some of the conditions include:

- Employees are school leavers / graduates (18 - 30 years old) who are unemployed and have no permanent employment
- Minimum salary of RM1,200
- Minimum service contract duration of 3 months
- Employers must register all vacancies on MYFutureJobs (www.myfuturejobs.gov.my)

In view of the feedback from employers that the existing apprenticeship period of 3 months is too short, the Prime Minister has announced a 6-month extension of the apprenticeship programme where apprentices under the programme will be given RM800 for the apprenticeship period of 6 months.

Extension of Wage Subsidy Programme 3.0 (WSP 3.0)

It was announced under Budget 2021 and PERMAI:

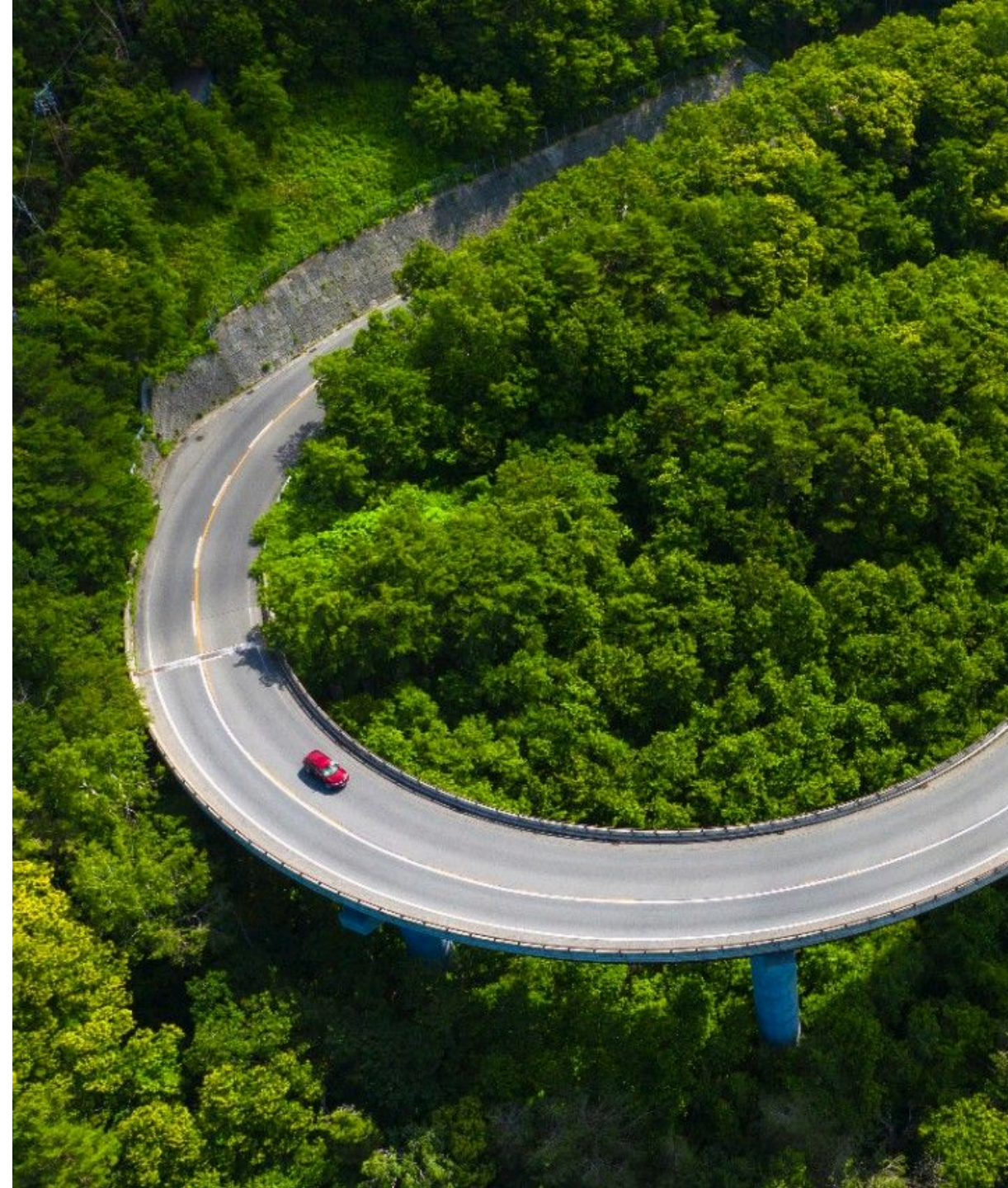
- Budget 2021 - A targeted wage subsidy for the tourism and retail sectors of RM600 will be given to employees earning RM4,000 or less per month, subject to a maximum of 500 employees, for a period of 3 months, and
- PERMAI - WSP 3.0 was extended to employers of any sector which operate in the MCO states with a wage subsidy of RM600 per employee who earns RM4,000 or less per month subject to a maximum number of 500 employees, for a period of 1 month.

Under PEMERKASA, it is announced that WSP 3.0 is extended for another 3 months in a more targeted manner, especially for the tourism, wholesale and retail traders, and other business sectors which were closed during the MCO, such as gymnasiums and spas.

Others

Exemption of excise duty on motorcycles (150cc and below)

Locally assembled motorcycles with engine capacity of 150cc and below will be fully exempted from excise duty during the period from 1 April 2021 to 31 December 2021.



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