

Tax Whiz

Tax highlights from your advisers

18 March 2021

Strategic Programme to Empower the People and Economy (“PEMERKASA”)

Our honorable Prime Minister, Tan Sri Dato’ Muhyiddin Yassin, has unveiled the PEMERKASA package worth RM20 billion on 17 March 2021. The PEMERKASA package focuses on 20 strategic initiatives to boost economic growth, support business, and to continue to provide targeted assistance to the people and sectors that are still affected by the COVID-19 pandemic. Some of the key non-tax measures announced to help businesses are:

A diagram consisting of three stylized, interlocking shapes in purple, blue, and teal. Each shape contains text describing a key non-tax measure from the PEMERKASA package. The purple shape is at the top right, the blue shape is on the left, and the teal shape is at the bottom right.

3-month extension of wage subsidies to sectors affected by Movement Control Order, especially tourism, wholesale and retail trade as well as other businesses such as gymnasium centre and spa

12-month waiver of fees in relation to listing on Main Market, Leading Entrepreneur Accelerator Platform (LEAP) Market or Access, Certainty, Efficiency (ACE) Market and rebate in respect of annual listing fees in year 2021 for listed companies reporting losses based on their quarterly reports

10% electricity bill discount for another 3 months up to 30 June 2021 for hoteliers, theme parks, convention centres, shopping malls, local airline offices and tour and travel agencies

The following are the proposed tax measures in the PEMERKASA package which are subject to the relevant Exemption Order or Rules.

INCOME TAX

1 Additional Tax Deduction for Companies Participating in Safe@Work Initiative

An additional tax deduction of up to RM50,000 will be given to qualifying companies in manufacturing and its related services sector on expenses incurred in relation to the rental of employees' premises and hostel facilities. Based on the Frequently Asked Questions ("FAQs") issued by the Ministry of International Trade and Industry ("MITI"), hostel facilities include monitoring devices, ventilation and other basic necessities.

In order to qualify for the tax deduction, the company must register with the MITI and have passed the Safe@Work compliance audit. Registration can be made from 1 April 2021. For further details on the Safe@Work Initiative, please refer to the FAQs issued by the MITI (click [here](#) for the link).

2 Further Tax Deduction on COVID-19 Screening Expenses Incurred by Employers

Employers who incurred expenses for screening their employees for COVID-19 will be given a further tax deduction on the COVID-19 screening expenses incurred up to 31 December 2021.

We expect that conditions will be set to enable taxpayers to enjoy the further tax deduction.

3 Extension of Period of Tax Incentives for Tour Operators

Currently, qualifying tour operators providing group inclusive tour packages for inbound tourists or domestic tour packages for local tourists in Malaysia are eligible for a tax exemption on statutory income until Year of Assessment ("YA") 2020, subject to meeting the prescribed conditions.

The above tax incentives will be extended to YA 2022.

4 Deferment of Tax Instalment Payments for Tourism Industry

Companies in the tourism sector were given a deferment of their monthly tax instalment payments from 1 April 2020 to 31 December 2020 under the packages announced earlier.

The said deferment will now be given for the period from 1 April 2021 to 31 December 2021 and be extended to selected industries such as cinemas and spas.

5 Special Personal Income Tax Relief on Domestic Travel

Currently, a special personal income tax relief is given on the following expenses incurred for local travelling from 1 March 2020 to 31 December 2021:

- (a) Payment for accommodation at premises registered under the Tourism Industry Act 1992; and
- (b) Entrance fees to tourist attractions.

The special relief will be extended to cover the purchase of tourism packages bought from travel agents registered under the Ministry of Tourism, Arts and Culture.

INDIRECT TAX

1 Extension of Service Tax and Tourism Tax Exemption for Hotels and Other Similar Establishments

Currently, the provision of accommodation services and related services provided by accommodation premise operators including hotels, inns, lodging houses, service apartments, homestays and any other similar establishments (prescribed to be taxable under Group A, First Schedule of the Service Tax Regulations 2018) are exempted from charging Service Tax on taxable services provided from 1 March 2020 to 30 June 2021.

It was announced that the above exemption for hotel operators will be extended to 31 December 2021. It is hoped that hotel operators include other operators of similar establishments under Group A, First Schedule of the Service Tax Regulations 2018. It is envisaged that further details will be released by the Royal Malaysian Customs Department ("RMCD").

A similar extension is given for hotel operators to be exempted from charging Tourism Tax until 31 December 2021. With the recent expansion of the Tourism Tax to Digital Platform Service Providers to be effective 1 July 2021, it is hoped that the same Tourism Tax exemption be given to bookings made online.

2 Entertainments Duty Exemption

To support the entertainment industry which is hard-hit by the COVID-19 pandemic, Entertainments Duty exemption will be given on admission tickets to entertainment centres such as theme parks, stage performances, sports events and competitions as well as cinemas in the Federal Territories (i.e. Kuala Lumpur, Putrajaya and Labuan). The effective period has not been announced.

3 Excise Duty Exemption for Locally Assembled Motorcycles

To complement the TEKUN Mobilepreneur initiative, there will be a 100% Excise Duty exemption for locally assembled motorcycles with a 150cc engine capacity and below from 1 April 2021 to 31 December 2021.

It is expected that there will be conditions to qualify for the Excise Duty exemption. Manufacturers and distributors need to keep a look out for further details on this as well as to ensure that they have proper planning of stock and pricing during the exemption period.

4 Authorised Economic Operator ("AEO")

To stimulate domestic reinvestment, the Government will expand the national AEO program which provides green lane facilities to qualifying companies for import and export and to shorten the application processing time for investment.

A similar announcement was made in the 2021 budget and it is envisaged that further details will be released by the RMCD soon.

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