



## Tax Espresso – Special Alert PEMERKASA – Tax-related measures

On 17 March 2021, Prime Minister Tan Sri Dato' Haji Muhyiddin Yassin announced the Program Strategik Memperkasa Rakyat Dan Ekonomi (PEMERKASA), valued at RM20 billion. The 5 key focus of PEMERKASA are:

- i) Controlling the spread of COVID-19;

- ii) Driving economic recovery;
- iii) Strengthening the country's competitiveness;
- iv) Implementing the community inclusive agenda; and
- v) Transforming the economy.

Among the 20 strategic initiatives announced under PEMERKASA are tax-related measures as summarised below:

**1. Additional tax deduction on rental expenses of premises and hostels provided as living accommodation for employees by manufacturing companies and service companies related to manufacturing**

The Ministry of International Trade and Industry (MITI) will launch the *Safe@Work* program which will require employers to provide conducive workplaces and living accommodation for their employees. Employers that participate in this *Safe@Work* program will be allowed to operate in a way whereby its close-contact workers will be isolated from the local community and other workers, by placing them in a "safe work bubble" until all close-contact workers are verified to be COVID-19-free.

In order to encourage manufacturing companies and service companies related to manufacturing to participate in *Safe@Work* program voluntarily, rental expenses incurred on premises and hostels provided as living accommodation for employees by the manufacturing companies and service companies related to manufacturing will be given an additional tax deduction (capped at RM50,000 per company)\*. For this purpose, such companies are required to register with MITI and pass the *Safe@Work* compliance audit, registration starts from 1 April 2021.

*\* The relevant period for the additional tax deduction is not announced in the PEMERKASA speech text. We expect further details to be provided by the authorities.*

**2. Extension of tax initiatives for tourism industry and other selected industries**

- Deferment of payment of monthly income tax instalment from 1 April 2021 to 31 December 2021 to companies in the tourism industry and selected industries such as cinema operators and spa operators;
- Extending tourism tax and service tax exemptions on accommodation provided by hotel operators until 31 December 2021;

- Extending tax incentives to tour operators until the year of assessment 2022;
- Exemption from entertainment duty 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\*;
- Expanding the scope of special individual income tax relief up to RM1,000 to cover expenses of travel package purchased through travel agents registered with the Ministry of Tourism, Arts and Culture (MOTAC); and
- Exemption from Human Resource Development Fund (HRDF) levy for affected companies in the tourism and retail sector up to June 2021.

*\* Further clarification is required on the relevant period for the exemption of entertainment duty as it is not announced in the PEMERKASA speech text.*

### **3. Additional tax deduction on COVID-19 detection tests borne by employers**

As a measure to encourage employers to increase screening of employees to support the government's efforts to curb the spread of COVID-19, as announced earlier under PERMAI, employers who conduct COVID-19 detection tests for their employees are allowed additional tax deduction on the cost of COVID-19 detection tests incurred up to 31 December 2021.

### **4. 100% excise duty exemption on locally assembled motorcycles with an engine capacity of 150cc and below**

Motorcycles with an engine capacity of 150cc and below purchased under the TEKUN Mobilepreneur Program will be fully exempted from excise duty, commencing from 1 April 2021 to 31 December 2021.

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