

Malaysia Budget 2022

- Tax snapshots

Friday, 29 October 2021



Highlights

Budget 2022 was announced today, 29 October 2021.

As the nation emerges from the pandemic, the Budget 2022 proposals were formulated to rebuild the economy along major themes of recovery, resilience and reform. Tax proposals include measures aimed at increasing government tax revenues and spurring investment.

Key tax takeaways

- ▶ Existing tax exemption on foreign-sourced income to be removed from 1 January 2022. Malaysian residents will be subject to tax on foreign income remitted into Malaysia.
- ▶ Introduction of a 33% marginal income tax bracket for companies on chargeable income of more than RM100m, for the year of assessment (YA) 2022 only.
- ▶ Companies will be able to carry forward losses for 10 YAs, instead of seven. This will apply retrospectively from YA 2019.
- ▶ Reinvestment allowance (RA) extension for a further two years (YAs 2023 and 2024) on qualifying capital expenditure where the RA and Special RA period have expired.
- ▶ Real property gains tax (RPGT) will revert to 0% for individuals, for disposals in the sixth year and onwards.
- ▶ An indirect tax Special Voluntary Disclosure Program (SVDP) will be introduced, in phases. Penalty remissions of 100% in Phase 1 and 50% in Phase 2 are proposed. Remission of taxes may be considered on a case-by-case basis.
- ▶ Sales tax exemption on CKD (100%) and CBU (50%) passenger cars, including MPVs and SUVs, extended until 30 June 2022.

Read on for more tax snapshots from the Budget 2022 speech

Highlights of selected tax proposals

Individual tax

- ▶ New individual tax relief of up to RM2,500 to be introduced for purchase, installation, leasing and subscription fees for Electronic Vehicle (EV) charging facilities, for YAs 2022 and 2023.
- ▶ Scope of tax relief for medical expenses for serious disease in respect of self, spouse and child to be expanded to include checkup or consultation services in respect of mental health.
- ▶ Scope of tax relief for EPF contribution to be expanded to include voluntary contributions.
- ▶ Tax relief for SOCSO contribution to be expanded to include EIS contributions, with the overall limit increased from RM250 to RM350.
- ▶ Additional tax relief for purchase of mobile phone, computer and tablet of RM2,500 to be extended to YA 2022.
- ▶ Application deadline extended for special tax rate of 15% for five consecutive years for non-Malaysian individuals holding key or C-suite positions in companies relocating their operations to Malaysia. Applications must now be received by the Malaysian Investment Development Authority (MIDA) by 31 December 2022.

The above are effective from YA 2022, unless otherwise stated.

Indirect tax

- ▶ Service tax on brokerage activities for listed shares will be exempted from 1 January 2022.
- ▶ Excise duty to be imposed on premixed drinks with sugar content such as chocolate or cocoa, malt, coffee or tea. Excise duty to also be imposed on liquids or gels containing nicotines for the use of electronic cigarettes and vape. Both will apply from 1 April 2022.
- ▶ Full import duty, excise duty and sales tax exemption on EV sales extended until 30 June 2022.
- ▶ Service tax to be imposed on charges for the delivery of goods, including those from e-commerce operators, from 1 July 2022. Delivery services for food and beverages, and logistics services, to be excluded.
- ▶ Entertainment duty exemption on all entertainment activities including theme parks and cinemas in the Federal Territories, extended until 31 December 2022.
- ▶ Tourism tax exemption extended until 31 December 2022.
- ▶ Sales tax to be imposed on imported low value goods sold online and couriered to customers in Malaysia, from 1 January 2023.

Highlights of selected tax proposals

Corporate tax

- ▶ All businesses will be permitted to revise their income tax estimates in the 11th month of the basis period, until 31 October 2022.
- ▶ Tax deductions of up to RM300,000 on costs of renovation and refurbishment of business premises to be extended until 31 December 2022.
- ▶ Scope of double deductions for companies sponsoring scholarships for students of higher educational institutions to be expanded to all fields of study, and extended to YA 2025.

Tax incentives

- ▶ Tax exemption on all income received by an accredited Social Enterprise, for up to three YAs for applications received by the Ministry of Finance from 1 January 2022 to 31 December 2023.
- ▶ 100% Green Investment Tax Allowance and 70% Green Income Tax Exemption to be extended to include Rainwater Collection and Utilisation System projects. Applications must be received by MIDA from 1 January 2022 to 31 December 2023.
- ▶ Incentives for activities under the Digital Ecosystem Acceleration Scheme (DESAC):
 - ▶ Digital Technology Providers: 0% to 10% income tax rate for up to 10 years (new companies), or 10% for up to 10 years (existing companies).
 - ▶ Digital Infrastructure Providers: Investment Tax Allowance up to 100% on qualifying capital expenditure for up to 10 years.

Applications must be received by MIDA from 30 October 2021 to 31 December 2025.

Stamp duty

- ▶ Stamp duty on contract notes to be increased from 0.1% to 0.15% from 1 January 2022. The existing RM200 cap for each contract note will be removed.
- ▶ Stamp duty exemption for restructuring or rescheduling of a business loan or financing agreements executed between a borrower or customer and a financial institution extended until 31 December 2022.

Highlights of selected tax proposals

Small and medium enterprises (SMEs)

- ▶ Six-months deferment of income tax instalment payments for micro enterprises and SMEs, until 30 June 2022.
- ▶ Extension of stamp duty exemption for various instruments relating to mergers and acquisitions of micro enterprises and SMEs, for applications received by the Ministry of Entrepreneur Development and Cooperatives between 1 July 2021 to 30 June 2022 for documents executed by 31 December 2022.

Other tax proposals

- ▶ Implementation of Tax Identification Numbers for all companies, and individuals above 18 years of age, from year 2022.
- ▶ Introduction of a Tax Compliance Certificate as a pre-condition for government procurements from 1 January 2023.
- ▶ Minimum price thresholds for imposition of palm oil windfall profit levy to be increased from RM2,500 to RM3,500 per tonne for Peninsula Malaysia, and from RM3,000 to RM3,500 per tonne for Sabah and Sarawak.
- ▶ Palm oil windfall profit levy for Sabah and Sarawak to be increased to 3% (from 1.5%) to match the rate applicable to Peninsula Malaysia.

The above has been prepared based on the Budget 2022 speech and the appendices thereto. Details of the tax proposals will be set out in the Finance Bill, which will be released at a later stage. An EY Tax Alert will be issued once the Finance Bill is available.

In the meantime, please see the EY Take 5 business alert dated 29 October 2021, which will include highlights of other Budget 2022 proposals.

Complimentary EY Budget 2022 webinar

Friday, 12 November 2021 | 9:30 a.m. - 12:30 p.m.

Registration:

To register your attendance,
please access
<https://go.ey.com/EYMYBudget>
by 10 November 2021



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