THANNEES
TAX CONSULTING SERVICES

BUDGET 2022

Keluarga Malaysia, Makmur Sejahtera

SUMMARY OF TAX MEASURES ANNOUNCED

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Current Legislation	Proposed Changes	Implications
1. Foreign sourced income received in Malaysia is exempted from tax pursuant to Paragraph 28, Schedule 6	• Resident individuals will be subject to tax on foreign sourced income received in Malaysia from 1 Jan 2022	• Issues surrounding the concept of constructive remittance • Unilateral and bilateral credits will be available under Sections 132 and 133 • Foreign sources of income from dividends, interest, rental, business, etc will be caught within the Malaysian tax net when it is remitted
2. Tax relief on contribution to SOCSO - max RM250	• To expand relief to cover Employment Insurance System (EIS) • Tax relief increased to RM350	• Reduction in chargeable income

A. INDIVIDUALS

Current Legislation	Proposed Changes	Implications
3. Tax relief of max RM1,000 for upskilling/ self enhancement courses (this is part of the existing tertiary education tax relief of RM7,000) for YA2021 and YA2022	• Tax relief is increased to RM2,000 for YAs 2022 and 2023.	• To encourage individual to take up upskill/ self enhancement courses
4. Tax relief of up to RM3,000 for fees paid to child-care centres or kindergarten for YA2021 and YA2022.	• Tax relief to be extended for a further 2 years (YAs 2022 and 2023)	• To relieve the expenditure incurred by working parents
5. Tax relief of up to RM4,000 is given on mandatory contribution to approved scheme (other than private retirement scheme) / contribution under any written law.	Extend scope of tax relief for EPF contribution to cover voluntary contributors including pensionable civil servants, self-employed in the gig economy, etc.	• Encourage individuals to save for retirement

A. INDIVIDUALS

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Current Legislation	Proposed Changes	Implications
6. Tax relief of up to RM8,000 on medical expenses for: • Serious diseases for self, spouse or child and fertility treatment • Complete medical treatment - limited to RM1,000 • Vaccination expenses – limited to RM1,000	Extend scope of relief for complete medical examination expenses to cover examination costs or mental health-related consulting services	• To promote importance of mental health
7. Tax relief up to RM1,000 for expenditure made from 1 March 2020 to 31 December 2021 on domestic tourism.	• To extend the tax relief from 1 January 2022 to 31 December 2022.	• To jump-start the local tourism industry
8. Special tax relief up to RM2,500 for purchase of smartphone, personal computer or tablet made between 1 June 2020 and 31 December 2020	• To extend the tax relief to YA 2022	• To promote the adoption of the digitalisation

A. INDIVIDUALS

Current Legislation	Proposed Changes	Implications
9. Tax relief up to RM3,000 on deferred annuity was given until YA2021.	• In line with the extension for PRS tax relief up to YA2025, the relief for deferred annuity contribution is also extended for another 4 years (YA 2022 to 2025)	• To encourage individual to save for retirement
10. Income tax rate of 0% for up to 15 years for manufacturing and service companies relocating operations to Malaysia. Individual income tax rate of 15% given to non-citizens holding key positions (C Suite) for 5 consecutive years, limited to 5 non-Malaysians employed in each company subject to conditions. Application received by MIDA: 7 November 2020 to 31 December 2021	• To extend the incentive for another year. (i.e. Application received by MIDA up to 31 December 2022)	• To encourage foreign key personnel to work in Malaysia.

A. INDIVIDUALS

Proposed Changes	Implications
11. To exempt the income on the cash prize received from recognised e-sport competition.	• To promote the growth of e-sport
12. Tax relief of up to RM2,500 is given on purchase, installation, leasing and subscription fee for Electronic Vehicle (EV) charging facilities for YAs 2022 and 2023	• To promote the usage of electric vehicle
13. Tax relief on costs associated with the adoption of self - funded booster vaccines	• To promote the vaccination rate in the country

B. BUSINESSES

THANNEES TAX CONSULTING SERVICES

Current Legislation	Proposed Changes	Implications
1. Foreign sourced income received in Malaysia is exempted from tax pursuant to Paragraph 28, Schedule 6	• Resident companies will be subject to tax on foreign sourced income received in Malaysia from 1 Jan 2022	• Issues surrounding the concept of constructive remittance • Unilateral and bilateral credits will be available under Sections 132 and 133 • Foreign sources of income from dividends, interest, rental, business, etc will be caught within the Malaysian tax net when it is remitted
2. Companies other than micro, SMEs are taxed at a flat rate of 24%	• One-off special tax ("Cukai Makmur") at the rate of 33% on chargeable income exceeding RM100 million for YA 2022	• Planning opportunity is to find ways to: i. bring forward the income from YA 2022 to YA 2021 and to defer income from YA 2022 to YA 2023 ii. increase expenditure in YA 2022

B. BUSINESSES

Current Legislation	Proposed Changes	Implications
3. Income of Social Enterprise (SE) including cash contributions received is subject to income tax	• Tax exemption on all income for up to 3 YAs subject to the validity period of the SE Accreditation	• Encourage more SE Accreditation • Assist SE to raise more funds
4. Effective YA 2019, unabsorbed business losses are allowed to be carried forward for a period of 7 consecutive Yas Unabsorbed business losses up to YA 2018 can be carried forward up to YA 2025	• Period is extended to a period of 10 consecutive YAs • Unabsorbed business losses up to YA 2018 can be carried forward up to YA 2028	• Supports the recovery of business that suffered losses due to Covid-19 • Companies need to monitor unabsorbed business losses carried forward for each YA
5. Rental reduction / relief (shall be at least 30%) to tenants of business premises is given a special tax deduction equivalent to the amount of rental reduction until December 2021	• The special deduction be extended for another 6 months for rental deduction in January 2022 until June 2022	• Reduces companies operating cost

B. BUSINESSES

Current Legislation	Proposed Changes	Implications
6. Anchor companies that develop local vendors under Vendor Development Program (VDP) and has signed a MoU with MITI / MEDAC are given a double tax deduction on selected operating expenses The eligible operating expenses must be certified by MITI/MEDAC before claiming a deduction The deduction is limited to RM300,000 per YA and is given for 3 consecutive YAs	• The limit of deduction is increased to RM500,000 per YA • Period extended for 5 years (for MoU signed between the anchor company and MEDAC from 1 January 2021 to 31 December 2025)	• Encourage more anchor companies to participate in the VDP
7. Companies that provide scholarships to students of local higher educational institutions are eligible for double tax deduction for selected study programmes	• Scope of qualifying studies be expanded to **all fields** of study at the Technical and Vocational, Diploma, Degree, including Masters and PhD • Extended for 4 years from YA 2022 to YA 2025	• Encourage companies to carry out CSR • Encourage students to continue / further their studies

B. BUSINESSES

Current Legislation	Proposed Changes	Implications
8. 50% tax exemption on statutory income to the organisers (from YA 2020 to YA 2022) of the following approved activities: i. arts and cultural activities approved by the Ministry of Tourism, Arts and Culture Malaysia; and ii. international standard sports and recreational competitions approved by the Ministry of Youth and Sports	• Extended for 3 years (from YA 2023 to YA 2025)	• Assist and support arts, cultural, sports and recreation activities in Malaysia affected by the COVID-19 pandemic
9. Income tax rebate up to RM20,000 for each YA for the first 3 YAs for newly established and operating micro, SMEs from 1 July 2020 to 31 December 2021	• Extended establishment and operational period to 31 December 2022.	• Rebate is given as an offset against the tax payable • Promotes the establishments of new micro, SMEs • Supports the growth of micro, SMEs

B. BUSINESSES

Current Legislation	Proposed Changes	Implications
10. Tax deduction of up to RM300,000 on eligible cost of renovation and refurbishment of business premises incurred from 1 March 2020 to 31 December 2021	• Extended until 31 December 2022	• Instead of claiming capital allowances over a period of time, tax deduction can be made immediately
11. Further tax deduction under Safe@Work programme to manufacturing and manufacturing-related service companies on rental expenses of employees accommodation, limited to RM50,000 from 1 January 2021 to 31 December 2021.	• Extended until 31 December 2022	• Encourages compliance with SOPs under the National Recovery Plan and Safe@Work programme • Reduces tax burden

B. BUSINESSES

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Proposed Changes	Implications
12. Deferment of monthly tax instalment payments for micro, SMEs for 6 months until 30 June 2022	• Improves cash flows • Supports the recovery of micro, SMEs that suffered due to Covid-19
13. Special tax estimate revision in the 11th month of the basis period for all businesses before 31 October 2022	• Enable companies to estimate their taxes accurately • Improves the companies cash flow by avoiding paying additional taxes upfront / mitigating under declaration of taxes plus penalties

C. INCENTIVES

Current Legislation	Proposed Changes	Implications
1. There is no existing tax incentive for Digital Technology Provider & Digital Infrastructure Provider. However, there are incentives given for the following: i. Companies undertaking activities approved under MSC is given tax incentive w.e.f 1 January 2019 ii. Companies that relocate their business or manufacturing activities from overseas into Malaysia and service sectors including companies that adapting Industrial Revolution 4.0 and digitalisation technology with investment. For application received by MIDA from 7 November 2020 to 31 December 2022.	• Tax incentive for activities under the Digital Ecosystem Acceleration Scheme for the following companies: <u>Digital Technology Provider</u> a. New companies - Tax rate between 0% to 10% for 10 years b. Existing companies that provides new diversified services or new services segments - 10% tax rate for 10 years <u>Digital Infrastructure Provider</u> Tax exemption of up to 100% of statutory income for each year of assessment from ITA computed at 100% on QE incurred on qualifying activities for 10 years For application received by MIDA from 30 October until 31 December 2025	• To encourage more providers of digital technology and digital infrastructure by reducing the corporate tax rate

C. INCENTIVES

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Current Legislation	Proposed Changes	Implications
2. Double deduction on qualifying expenses incurred by companies implement Structured Internship Programme (SIP) that is approved by TalentCorp Malaysia	• Double deduction is extended for another 4 years (YA2022 to YA2025) and to expand to include students pursuing: i. Master's Degree; ii. Professional certificates; and iii. SKM Level 1 and Level 2	• To incentivize and encourage companies to undertake SIP • Reduce tax payable
3. Tax incentives for green technology are as follows: i. Green Investment Tax Allowance (GITA); and ii. Green Income Tax Exemption (GITE).	To expand the scope of GITA and GITE as follows: i. GITA - 100% investment tax allowance on capital expenditure for qualifying Rainwater Harvesting System (RHS) activities. Can be set-off against 70% of statutory income; or ii. GITE - Income tax exemption of 70% of statutory income for qualifying RHS services activities.	To encourage and incentivize companies to undertake RHS projects

C. INCENTIVES

Current Legislation	Proposed Changes	Implications
4. Accelerated Capital Allowances for Tourism Vehicles: i. Initial Allowance 20%; and ii. Annual Allowance 40%. to be fully claimed within 2 years from YA 2020 until YA 2021	• Extended for another 3 years (from YA 2022 to YA 2024)	• To boost the tourism industry • Reduce tax burdens by accelerating the capital allowance claim
5. Companies (manufacturing & selected agricultural activities) can enjoy 15 consecutive years of Reinvestment Allowance (RA) After the 15 consecutive years, Special RA was given from YA2016 to YA2018. Under PENJANA, Additional RA is given to a company from YA2020 until the YA2022.	• Additional RA under PENJANA extended for 2 years up to YA 2024	• Incentive to be enjoyed for a further 2 years

D. STAMP DUTY

Current Legislation	Proposed Changes	Implications
6. Fundraising by MSMEs through P2P financing platform is subjected to stamp duty on the loan/financing agreement at the rate between 0.05% to 0.50%.	• 100% stamp duty exemption for 5 years (YA2022 to YA2026) on such agreements	• Facilitate MSMEs access to alternative financing • Reduce financing cost
7. Trading of listed shares on Bursa Malaysia is charged stamp duty on contract notes at the rate of 0.1% equivalent to RM1.00 for every RM1,000 and part thereof subject to a cap of RM200 for each contract note.	1. The rate of stamp duty on contract notes be increased to 0.15%, i.e., RM1.50 for every RM1,000; and 2. Stamp duty limit of RM200 for each related contract note be abolished	• No stamp duty limit for contract note • Higher stamp duty charges to trade on Bursa Malaysia

D. STAMP DUTY

Current Legislation	Proposed Changes	Implications
8. 100% stamp duty exemption on restructuring or rescheduling loan/financing agreement between borrowers and financial institutions executed from 1 March 2020 to 31 December 2021	• Extended until 31 December 2022	• Reduce cost of borrowing
9. MSMEs that carry out merger or acquisition scheme is given stamp duty exemption on instruments executed from 1 July 2020 to 31 December 2021	• Extended until 31 December 2022	• To support MSMEs against the economic downturn

E. RPGT

Current Legislation	Proposed Changes	Implications
1. Gains from the disposal of chargeable assets (i.e., real property or shares in a real property company) are taxed at 5% from the 6th year onwards. Applies to individual citizen, permanent resident and other than companies.	• Zero% RPGT rate on disposal of chargeable assets from the 6th year onwards • Applies to individual citizen, permanent resident and other than companies.	• To ease financial burden of individual citizen and permanent citizen

F. SALES/SERVICE TAX

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Current Legislation	Proposed Changes	Implications
1. Under PENJANA, sales tax exemption has been granted for passenger vehicles (including SUVs and MPVs) from 15 June 2020 to 30 June 2021 as follows: i. 100% sales tax exemption on Completed Knocked-Down (CKD);and ii. 50% sales tax exemption on Completely Built-Up (CBU) imports, new and used. iii. This sales tax exemption has been extended under PEMERKASA+ for 6 months from 1 July 2021 to 31 December 2021	• Exemption on passenger vehicles extended for 6 months up to 30/6/2022. i. 100% exemption - CKD assembled in Malaysia ii. 50% exemption - CBU imported vehicles	• Supports the recovery of business due to Covid-19 • Encourage purchase of passenger vehicles

F. SALES/SERVICE TAX

Current Legislation	Proposed Changes	Implications
2. Sales tax exemption is given on locally assembled vehicles including EVs as follows: i. import duty exemption on Completely-Knocked-Down components (CKD); and ii. partial exemption of excise duty and sales tax on vehicles CKD. Sales Tax Rates are as follows: - Passenger vehicle including SUV & MPV -10% - Motorcycles vehicle - Nil - Commercial vehicle - 10% This exemption is subject to evaluation by Automotive Business Development Committee (ABDC).	• 100% sales tax exemption on CKD Electric Vehicles from 1 January 2022 to 31 December 2025.	• Purchase of CKD Electric Vehicles will effectively be tax free • Encourage the purchase of locally assembled EVs • Alleviate tax burden

F. SALES/SERVICE TAX

Current Legislation	Proposed Changes	Implications
3. Any Voluntary Disclosures are subject to various penalties such as late payment penalties up to 40%, based on tax underpayment	• Proposed a Royal Malaysian Customs Department Special Voluntary Disclosure Program by stages with a remission initiative as follows: - Phase 1: 100% remission of penalty - Phase 2: 50% remission of penalty Tax remissions will also be given consideration in certain cases.	• An avenue to avoid confrontational audits. This approach will result in amicable settlements • An opportunity for taxpayers to review their indirect position and make good any tax underpayment • An opportunity to apply for tax and penalty remission under genuine circumstances • Encourage taxpayers who have inadvertently under reported their indirect taxes to come forward
4. Brokerage service providers and underwriting services related to the trading of listed stocks, is subject to service tax under Group I, First Schedule, Service Tax Regulations 2018	i. Recipient of brokerage services, related to stock trading listed on Bursa Malaysia is exempted from payment of service tax ii. Stock trading brokerage service provider is exempt from charging service tax Effective from 1/1/2022.	• The intention is to make Malaysia a trading hub, favored by local and foreign investors.

F. SALES/SERVICE TAX

Current Legislation	Proposed Changes	Implications
5. Delivery service for documents and parcels not exceeding 30 kilograms by a service provider licensed under the Section 10, the Postal Services Act 2012 is subject to service tax at under Group I, First Schedule, Service Tax Regulations 2018. While the provision of delivery services by service providers not licensed under the Postal Services Act 2012 is not subject to service tax.	• Proposed delivery services provided by any service provider including E-Commerce platforms is subject to service tax, except food & beverage delivery services and logistics services.	• Companies will need to differentiate various delivery services and logistics services. • Essentially, logistics service provide might be required to produce relevant licenses. Failure to produce the relevant supporting may cause taxpayers to fall under this category of taxable services. • Segregation difficulties may be an issue for service providers, providing both delivery of goods and delivery of food & beverages. Failure will cause both delivery services to be taxable.

F. SALES/SERVICE TAX

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Current Legislation	Proposed Changes	Implications
6. Sales tax exempted on goods imported using air courier services through designated airports not exceeding RM500 in value per consignment (except cigarettes, tobacco and intoxicating beverages). The exemption granted is based on the provisions under Item 24, Schedule A, Sales Tax Order (Persons Exempt From Payment Tax) 2018.	• Proposed goods imported worth not more than RM500 (Low Value Goods - LVG), sold by dealers online and delivered via air courier service to persons in Malaysia is subject to sales tax. • With the imposition of sales tax on the LVG, exemption under Item 24, Schedule A, Sales Tax Order (Persons Who Exempted From Payment Of Tax) 2018 is canceled. • The imposition of sales tax on LVG will be implemented through provisions of new legislation in the Sales Tax Act 2018. Under this provision, dealers either from Malaysia or outside Malaysia who sell LVG to consumers in Malaysia need to register and charge sales tax.	• Increases tax burden • Increase in purchase cost of LVG. • Discourage the purchase of imported LVG

G. CUSTOMS

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Current Legislation	Proposed Changes	Implications
1. All types of electronic and non - electronic cigarette devices including vape charged at an ad valorem rate of 10% Nicotine -free liquids or gels used in electronic cigarettes including vape is charged at RM0.40 per milliliter.	• Imposition of excise duty on Nicotine gel / liquid at RM1.20 per milliliter • Increase of excise duty on Gel / liquid without nicotine from RM0.40 to RM1.20 per milliliter *effective 1 Jan 2022*	• Additional Excise Duty compliance cost • Increase in pricing or lower margins related to nicotine or non-nicotine gel or liquid products
2. Export duty exemption on petroleum products exported for Medan Marginal project	• Export duty exemption on petroleum products for oil and gas companies investing and operating Late Life Asset (LLA) projects. Production sharing contracts (PSC) given from 1/1/2020 - 31/12/2029 are eligible for the exemption.	• Oil and Gas companies investing and operating PSC, LLA projects can enjoy this exemption to ensure petroleum products are price competitive when exported overseas
3. Tax exemption on tourism tax given from 1 July 2020 to 31 December 2021 under the PENJANA and PEMERKASA announcements.	• Extension of tourist tax exemption for another year, this exemption is effective 1/1/2022 - 31/12/2022	• This is to promote tourism in Malaysia with anticipation of foreign tourists visiting Malaysia in 2022.

G. CUSTOMS

Current Legislation	Proposed Changes	Implications
4. Import Duty exemption on electric vehicles (EV) • Passenger vehicle including SUV & MPV -30% • Motorcycles vehicle - 30% • Commercial vehicle - 30%	• 100% import duty exemption on components for local assembly of Electric Vehicles effective from 1 January 22 to 31 December 2025. • 100% import duty exemption on imported CBU Electric Vehicles from 1 January 2022 to 31 December 2023.	• Purchase of Electric Vehicles will effectively be tax free.
5. Excise Duty exemption on electric vehicles (EV) • Passenger vehicle including SUV & MPV -10% • Motorcycles vehicle - 10% • Commercial vehicle - Nil	• 100% excise duty exemption on CKD Electric Vehicles effective from 1/1/2022 - 31/12/2025. • 100% excise duty exemption on imported CBU Electric Vehicles effective from 1/1/2022 - 31/12/2023.	• Purchase of Electric Vehicles will effectively be tax free.

G. CUSTOMS

Current Legislation	Proposed Changes	Implications
6. Effective 1 July 2019, sweetened beverages ready for consumption is subject to excise duty at RM0.40 per liter as follows: i. Carbonated beverages which contains added sugar or other sweeteners or flavours, including other non-alcoholic beverages (sugar level >5g/100ml). ii. Milk-based beverage contains lactose (flavoured milk), not including soymilk beverage products (sugar level > 7g/100ml). iii. Fruit juices and vegetable juices either contains added sugar or no, or contain other sweeteners (sugar level > 12g/100ml).	• Imposition of excise duty to include the following if sugar level exceeds >33.3g/100g 1. Instant chocolate, cocoa powder (HS code 18.06) 2. Instant mixed malt powder (HS code 19.01) 3. Instant coffee / tea powder (HS code 21.01) **Excise duty of RM0.47 per 100g** effective 1 April 2022	• Additional Excise Duty compliance cost • Increase in pricing or lower margins related to this premixed sweetened powder-based beverage products

H. OTHERS

Proposed Changes
1. From 1 January 2023, a tax compliance certificate issued from the Inland Revenue Board will be one of the conditions for companies to participate in government procurements
2. From YA 2022 tax identification number (TIN) will be implemented from YA 2022

H. OTHERS

Current Legislation	Proposed Changes	Implications
3. Entertainment duty exemption on entrance fee for theme parks, stage show, sports event and competition and film presentations at WP Kuala Lumpur, Labuan and Putrajaya from 1 April 2021 to 31 December 2021	• Extension of entertainment duty exemption for another year	• This measure is proposed to encourage spending and revival of the economy.
4. Windfall profits levy is imposed on palm oil production based on the threshold value of crude palm oil at the following rate: • Peninsular Malaysia: 3% on RM2,500/metric ton • Sabah and Sarawak: 1.5% on RM3,000/metric ton	• Windfall profits levy is to be revised as follows: • Peninsular Malaysia : 3% on RM3,000/metric ton • Sabah & Sarawak: 3% on RM3,500/metric ton	• Palm oil-based product, producers and manufacturers will have a higher cost of doing business. Essentially, this additional cost will be passed on to the next tier in the supply chain. • Considering that this is a regulated industry, this will become a cost of doing business.

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