

## Highlights of Budget 2022 - Part I

### Tax Espresso (Special Edition)

30 October 2021



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*"Budget 2022 is the largest ever to-date! This is proposed amidst the most challenging time facing the nation in light of the continuous battle against the COVID-19 pandemic that has adversely impacted our country's healthcare and economic system. Personally, I found it highly encouraging to observe the Government's unwavering resolve in deploying all necessary measures to ensure Malaysia is on the right track towards recovery. As widely predicted, Budget 2022 continues to be expansionary with a record provision of RM332.1 billion. Despite this, the fiscal deficit is expected to shrink to 6% of gross domestic product compared to 6.5% in the preceding year. I am confident that the bold play introduced should provide individuals and businesses with the necessary stimuli to catalyse a robust recovery in the coming year(s)."*



**Yee Wing Peng**  
Chief Executive Officer



# Foreword

Recover, Rebuild, Reform – the 3 main themes of Budget 2022 unveiled on 29th October 2021. Armed with the highest budget allocation in history at RM332.1 billion, Budget 2022 continues to provide targeted cash aids to the needy and financial assistance to selected groups, while development expenditure gets an increase in allocation by almost 22% in comparison to Budget 2021.

Tax collection is expected to increase by 5.9% on the back of a better economic outlook with the government anticipating a 5.5% to 6.5% GDP growth in year 2022. Corporate income tax collection is expected to increase by 8.1% to RM65.5 billion which is higher than pre-pandemic numbers in 2019. This is optimistic but remains challenging as many businesses are still attempting to bounce back post COVID-19. The introduction of the one-off tax on companies that make super profits and taxation on foreign-sourced income may provide some cushion.

From a tax reform perspective, the taxation on foreign-sourced income is a significant overhaul to our taxation system which has been predominantly a territorial tax system. This is in response to global developments such as the Global Minimum Tax and the recent EU inclusion of Malaysia in its “grey list”. More details should be forthcoming in the Finance Bill in this regard. I also hope that special circumstances will be made available for companies to continue to enjoy exemption on such income.

Instead of introducing windfall tax, Budget 2022 proposes a one-off 33% tax on chargeable income above RM100 million. How much tax revenue generated from this measure remains to be seen as more than 90% of total business establishments in Malaysia are SMEs, and as such not many companies will have a chargeable income of more than RM100 million.



ESG is also a priority area and measures introduced in Budget 2022 such as the setting up of the Voluntary Carbon Market will pave the way towards meeting our commitment to make Malaysia a carbon neutral country by 2050.

It is enlightening to note that special attention is given to women empowerment and leadership. It will be mandatory for all public listed companies to have at least one female board member effective from 1 September 2022 for large cap companies, and from 1 June 2023 for the remaining listed companies.

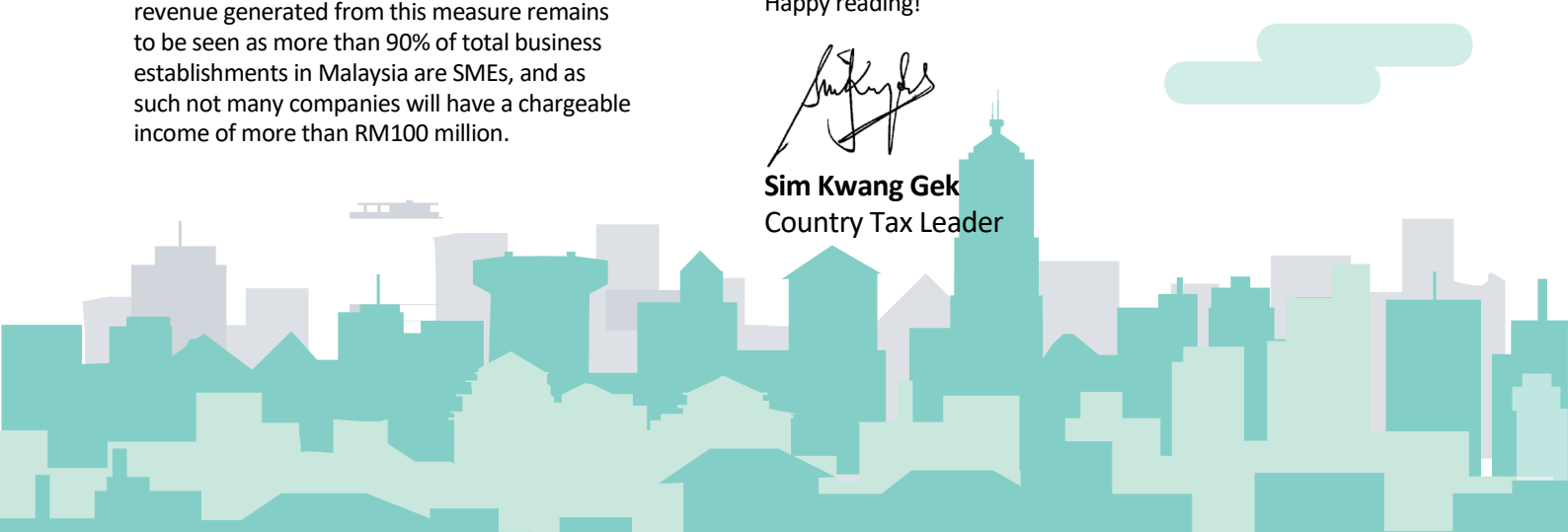
Overall, Budget 2022 places greater emphasis on measures to revive the economy and provides assistance to those affected by the pandemic, together with some measures to boost tax collection. The nation has faced difficult times, but through it all, we have also become more resilient and stronger. In the spirit of Keluarga Malaysia, let's all look forward to a brighter 2022!

Against the above background, we bring you some of the salient tax-centric proposals of Budget 2022.

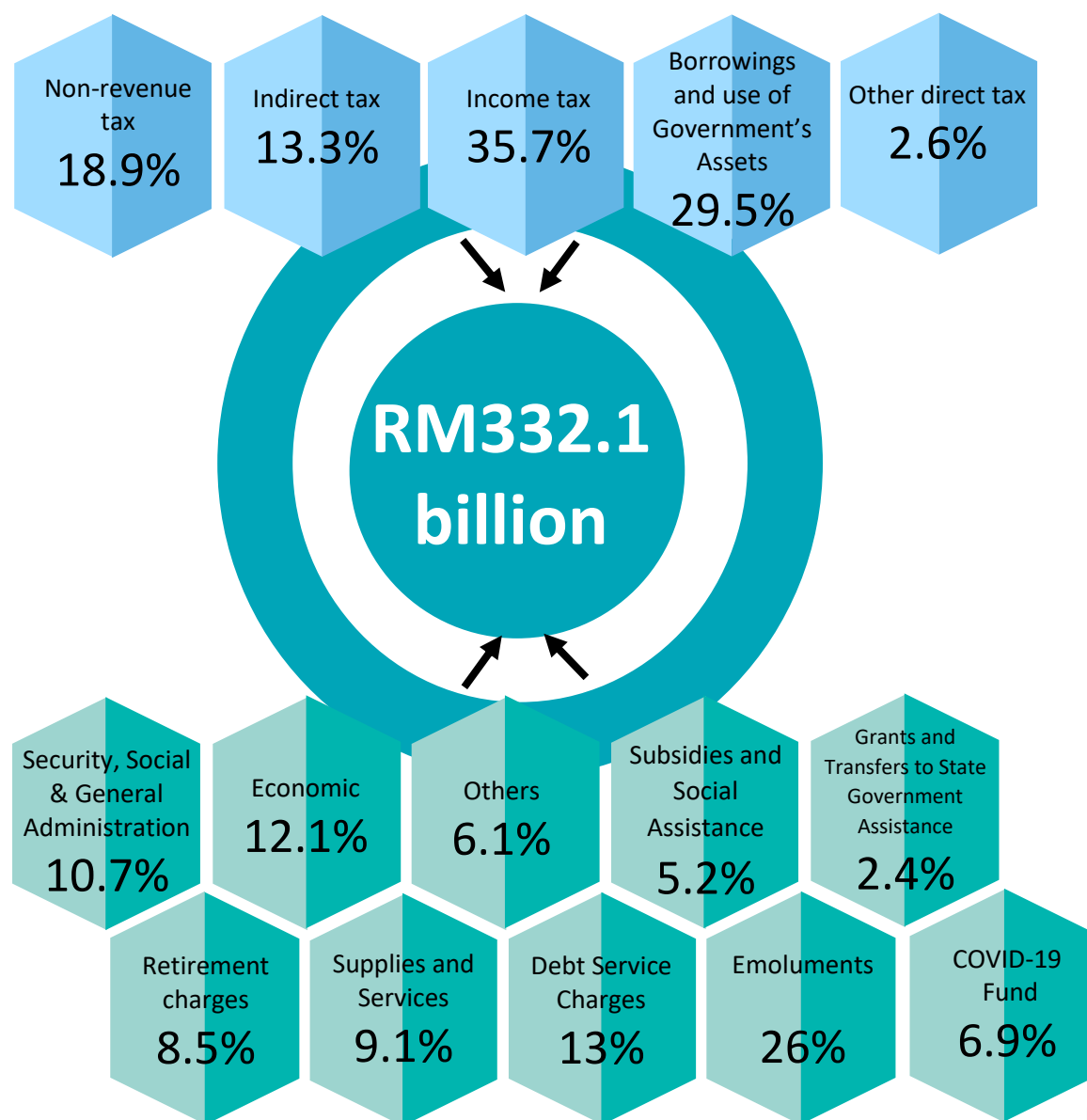
Happy reading!

A stylized black ink signature of Sim Kwang Gek.

**Sim Kwang Gek**  
Country Tax Leader



# Budget 2022 Allocation



	2021	2022
Fiscal deficit (% of GDP)	6.5%	6.0%
Federal government revenue	RM221.0 billion	RM234.0 billion
Operating expenditure	RM219.6 billion	RM233.5 billion
Development expenditure	RM62.0 billion	RM75.6 billion
Allocation for COVID-19 fund	RM17 billion	RM23 billion



# Corporate Tax

## Imposition of *Cukai Makmur*

Currently, Small and Medium Enterprise (SME) is subject to income tax at the rate of 17% on the first RM600,000 of chargeable income. The remaining chargeable income is taxed at 24%. Companies other than SMEs are subject to tax at 24%.

### Proposal

It is proposed that a special one-off tax known as *Cukai Makmur* be imposed on companies, generating high income during the COVID-19 pandemic period as follows:

- i. chargeable income up to the first RM100 million is taxed at 24%; and
- ii. the remaining chargeable income is taxed at 33%.

### Effective: Year of Assessment 2022 only

#### Our commentary:

*Instead of windfall tax, a similar concept in the form of the above prosperity tax is imposed on companies that generate high income during this COVID-19 pandemic period. This is in support of the Government's initiative that those prospering in such trying times assist those adversely affected in the spirit of shared National prosperity.*



## Budget commentary

"It is really good to see the Government doing a lot of pump priming. Various corporate tax measures such as *Cukai Makmur*, deferment of instalment, extension on special tax deduction for reduction of rental of business premises, extension of expiry date for tax losses and many more will be panacea to the challenging economy."

**Tan Hooi Beng**  
Deputy Managing Director





### Extension on special tax deduction for reduction of rental of business premises

Currently, a special tax deduction equivalent to the rental reduction amount is given to any taxpayer that provides a reduction of rental on business premises to SMEs of at least 30% from the original rental rate from 1 April 2020 to 30 September 2020. The special tax deduction was subsequently extended to 31 December 2021 and expanded to cover non-SMEs.

#### Proposal

It is proposed that the special tax deduction be further extended to 30 June 2022.

**Effective: January 2022 to June 2022**

### Extension of special tax deduction on costs of renovation and refurbishment of business premises

Currently, special tax deduction is given to a person who incurs costs of renovation and refurbishment of business premises between 1 March 2020 to 31 December 2021. The special deduction is subject to a maximum amount of RM300,000 and does not apply to expenditure which has been given an allowance under Schedule 2 or Schedule 3 of the ITA.

#### Proposal

To encourage business to renovate their business facilities in compliance with SOPs in the new normal such as proper ventilation and social distancing between employees' workstations, it is proposed that the special deduction is extended for another year.

**Effective: 1 January 2022 to 31 December 2022**

### Deferment of income tax instalment payments for MSMEs and revisions in estimated tax payable

#### Proposal

To alleviate the pressures on Micro, Small and Medium Enterprises (MSMEs) and assist businesses to recover from the challenges over the past 2 years, it is proposed that:

- the income tax instalment payments for MSMEs be deferred for six months until 30 June 2022; and
- all businesses are allowed to revise the estimated income tax payable in the 11<sup>th</sup> month before 31 October 2022.

**Effective: To be confirmed**

#### Our commentary:

*In the Economic Stimulus Package 2020, it was announced that only companies in the tourism industry would be allowed a deferment of income tax instalment payments for 6 months beginning 1 April 2020. In view of the prolonged uncertainties arising from the pandemic, allowing MSMEs to defer their instalment payments would be a much welcomed relief.*

### Extension of accelerated capital allowance claim period for the purchase of new locally assembled excursion buses

In Budget 2020, it was proposed that accelerated capital allowance (ACA), made up of 20% initial allowance and 40% annual allowance, be given on expenditure incurred (in years of assessment 2020 and 2021 only) by a Malaysian resident licensed tour operator, for the purchase of new locally assembled excursion buses.

#### Proposal

With the ACA period expiring in year of assessment 2021, it is proposed that the timeframe to claim ACA for the purchase of new locally assembled excursion buses be extended for three years up to the year of assessment 2024.

**Effective: Years of Assessment 2022 to 2024**

#### Our commentary:

*This is a great initiative by the Government to help the tourism industry which has been hit hard by the pandemic. Essentially, the ACA claim will help to ease cash flow concerns of tour operators.*

### Extension of Expiry Date for Accumulated Business Losses

From year of assessment 2019, a time frame is given for the carry forward of unabsorbed business losses to a maximum of seven (7) consecutive years of assessment and, any unutilised business losses will be disregarded.

A transitional provision was introduced to cater for any unabsorbed business losses accumulated up to year of assessment 2018 (where the said losses accumulated prior to and those that have arisen in year of assessment 2018), can only be carried forward up to year of assessment 2025. These losses will be disregarded from year of assessment 2026.

#### Proposal

It is proposed that:

- the time frame to carry forward current year business losses for year of assessment 2019 and subsequent years of assessment be extended from 7 to 10 consecutive years of assessment.
- Unabsorbed business losses accumulated up to year of assessment 2018 can now be carried forward for 10 consecutive years of assessment until year of assessment 2028.

#### Effective: Year of Assessment 2019

#### Our commentary:

*In the midst of an unprecedented crisis, responding to immediate threats is crucial. The proposed extension of expiry date for accumulated business losses sends a strong signal that the Government will support loss-making businesses affected by the pandemic to preserve the unabsorbed business losses for a longer period, pending recovery of the Malaysian economy.*

### Extension of double deduction period for anchor companies under the Vendor Development Programme

Currently, double deductions are given on qualifying expenses incurred by anchor companies to encourage more participation to develop local vendors. To claim for the double deduction on the expenditure incurred on the above activities, the following criteria apply:

- the anchor company must be incorporated under the Companies Act 1965 and is resident in Malaysia
- the anchor company participates in the Vendor Development Programme (“VDP”)
- the anchor company signs a Memorandum of Understanding (“MOU”) with the Ministry of International Trade and Industry (“MITI”)/ Ministry of Entrepreneur Development and Cooperatives (“MEDAC”) under the VDP, from 1 January 2014 to 31 December 2020
- the expenditure must be verified by MITI/ MEDAC before the anchor company claims the deduction
- the qualifying expenditure should not exceed RM300,000 for each year of assessment
- deductions are given for 3 consecutive years of assessment

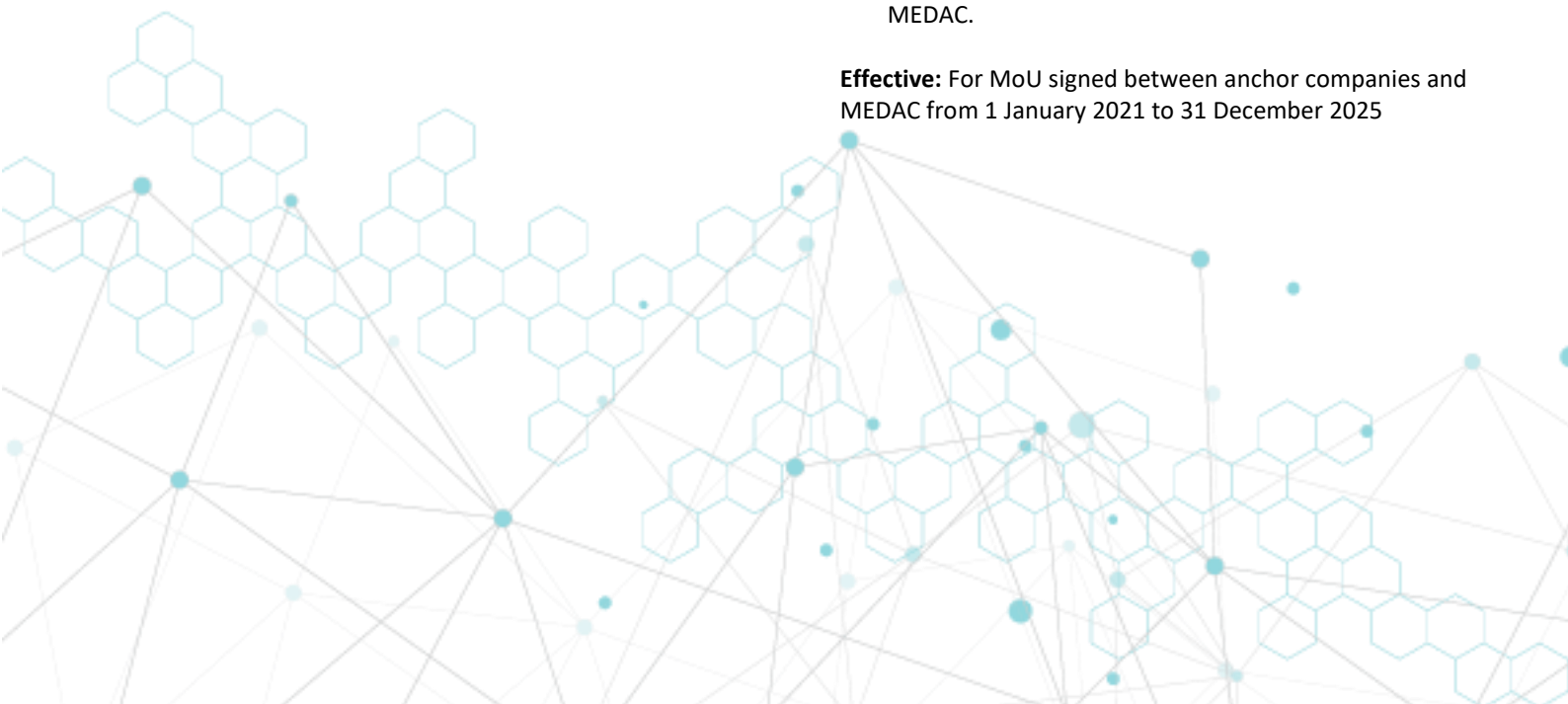
A vendor company refers to a locally incorporated company resident in Malaysia and is a manufacturer or supplier of components, or service provider of the anchor company under the VDP.

#### Proposal

It is proposed that:

- the double deduction on qualifying expenditure be increased from RM300,000 to RM500,000 for each year of assessment; and
- the tax incentive application period be extended for 5 years for anchor companies that have signed an MOU with MEDAC.

**Effective:** For MoU signed between anchor companies and MEDAC from 1 January 2021 to 31 December 2025





### Extension of special reinvestment allowance incentive

Currently, companies engaged in manufacturing and selected agricultural activities which had incurred qualifying capital expenditure for qualifying projects relating to expansion, modernisation, automation and diversification are allowed to claim reinvestment allowance (RA) for a period of 15 consecutive years. Companies are eligible to claim 60% on the qualifying capital expenditure incurred for the qualifying project which can be set off against:

- 70% of the statutory income for each year of assessment; or
- 100% of the statutory income in the relevant year if the company achieves the level of productivity prescribed by the Ministry of Finance.

Under the existing Special Reinvestment Allowance, companies whose RA incentive period has expired will be allowed a special claim of RA on qualifying capital expenditure from years of assessment 2016 to 2018 in the following manner:

- where the RA incentive period ended in year of assessment 2015 or prior year of assessments, a special claim of RA is allowed from years of assessment 2016 to 2018;
- where the RA incentive period ended in year of assessment 2016, a special claim of RA is allowed for years of assessment 2017 and 2018; and
- where the RA incentive period ended in year of assessment 2017, a special claim of RA is allowed for year of assessment 2018.

Subsequently, an additional RA was provided under PENJANA which allows companies for whom the 15-year RA entitlement period has lapsed in the years of assessment 2019 or 2020 or will lapse in year of assessment 2021, to continue till year of assessment 2022.

#### Proposal

It is proposed that the additional RA for year of assessment 2020 to 2022 be extended for another 2 years, till year of assessment 2024 for existing companies in Malaysia, for whom the special RA and additional RA has expired.

**Effective: Qualifying capital expenditure incurred in Years of Assessment 2023 and 2024**

### Expansion of tax incentive for Structured Internship Programme

Currently, double deduction is given on qualifying expenditure such as training cost and allowances incurred by companies that implement the Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad (TalentCorp) for students pursuing full time courses in Bachelor's Degree, Diploma, Vocational [Malaysian Skills Diploma (DKM) Levels 4 and 5 and Malaysian Skills Certificate (SKM) Level 3] in all academic fields. The incentive is applicable until year of assessment 2021.

The above incentive is subject to the satisfaction of the following conditions:

- students are Malaysian citizens;
- students must complete the approved internship program before the end of their final semester;
- minimum internship period of at least 10 weeks; and
- monthly allowance of at least RM500 for each student.

#### Proposal

It is proposed that the incentive be extended for 4 years and expanded to include students pursuing the following:

- Masters Degree;
- Professional Certificate; and
- SKM Levels 1 and 2.

**Effective: Years of assessment 2022 to 2025**



### Extension of tax rebate for establishment of new entities for micro, small and medium enterprises (MSME)

Currently, income tax rebate of up to RM20,000 per year for the first 3 years of assessment is given to a company or limited liability partnership (LLP) established and which commences operations between 1 July 2020 to 31 December 2021. The income tax rebate is subject to compliance with the following conditions:

- i. the company or LLP must be incorporated or registered under the Companies Act 2016 in Malaysia;
- ii. has a paid up capital of RM2.5 million or less at the beginning of the basis period and gross income from a source or sources consisting of a business not exceeding RM50 million for that year of assessment;
- iii. the amount of rebate that the MSME is eligible to claim is equivalent to capital expenditure or operating expenditure incurred in each year of assessment subject to a maximum of RM20,000 per year of assessment;
- iv. unutilised tax rebate in the current year of assessment is not allowed to be carried forward to subsequent year of assessment;
- v. the new entity must use separate plant, equipment and facilities and must not have been transferred from an existing company or its related company; and
- vi. other conditions as may be imposed by the Minister by statutory order.

Failure to comply with the above conditions in a year of assessment will result in the company or LLP not being eligible for the tax rebate for that year of assessment and subsequent years of assessment.

#### Proposal

It is proposed that the establishment and operations period for new MSMEs including MSMEs that perform business activities through an online platform be extended to 31 December 2022.

**Effective: New MSME established and commences operations not later than 31 December 2022**

### Review of tax incentive for scholarship

Currently, companies that provide scholarships to students for any course of study leading to an award of a diploma, or degree (including a degree at Master or Doctorate levels) are eligible for tax deductions under Section 34 (6)(l) of the Income Tax Act 1967.

Effective 2012, double deduction is given to companies which provide scholarships to students for course of study leading to an award of a diploma or degree in higher education institute, technical and vocational study programs for the Malaysian Skills Certificate recognised by the Malaysia Qualifications Agency or the Department of Skills Development and student pursuing studies at Technical and Vocational levels, diploma and Bachelor's Degree in engineering and technology. Double deduction is given on the course fee, education aids and cost of living during the duration of study.

#### Proposal

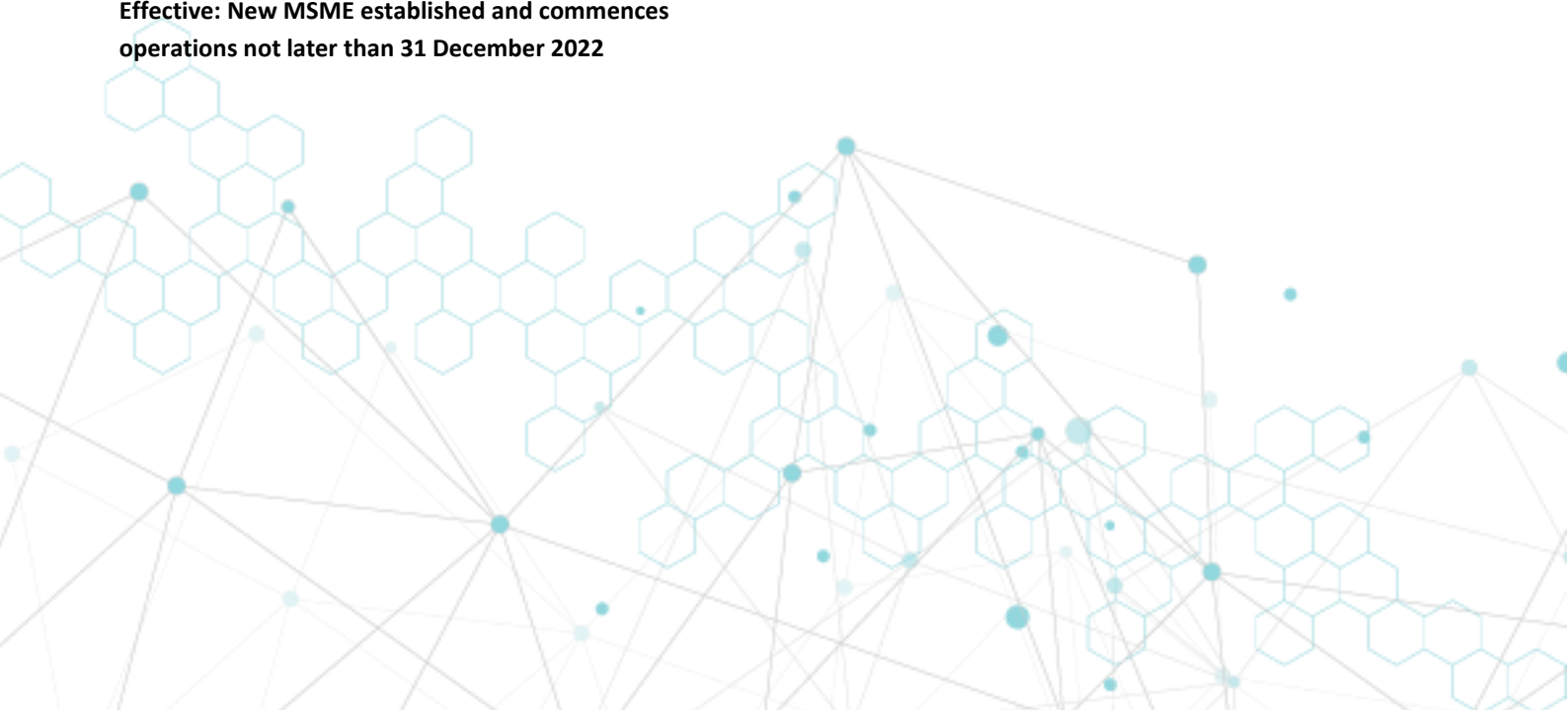
It is proposed that double deduction incentive be reviewed as follows:

- a) the scope of qualifying studies be expanded to all fields of study at the Technical and Vocational, Diploma, Degree including Master and Doctorate; and
- b) the tax incentive be extended for 4 years from the year of assessment 2022 to the year of assessment 2025.

**Effective: Years of assessment 2022 to 2025**

#### Our Commentary

*The proposal is a welcome move as it will produce more highly- skilled talents to meet the needs of the job market as well as address the middle income trap issue in Malaysia.*



### Extension of further tax deductions on employees' accommodation expenses (SAFE@WORK)

It was proposed under PEMERKASA that a further tax deduction on rental of employees' accommodation expenses (capped at RM50,000) is given to manufacturing and manufacturing-related service companies that are registered under Safe@Work programme.

#### Proposal

To encourage manufacturing companies and manufacturing-related service companies to comply with Standard Operating Procedures (SOPs), it is proposed that the existing tax incentive be extended for 1 year.

**Effective: 1 January 2022 to 31 December 2022**

#### Our Commentary

*The proposal extends the existing further deduction to 31 December 2022 that is due to expire on 31 December 2021. It is hoped that the Government will consider extending such further deduction to other industries such as construction, plantation, hotel, etc. apart from manufacturing companies to help alleviate the cost of doing business during this challenging period.*

### Extension of tax incentives for organisation of arts activities, culture, sports and recreation in Malaysia

Currently, income tax exemption of 50% is given on statutory income of a company for organising approved arts and cultural activities, international sports and recreational competitions from years of assessment 2020 to 2022.

#### Proposal

It is proposed that the existing tax incentive to be extended for 3 years.

**Effective: Years of assessment 2023 to 2025**

#### Our commentary:

*It is not surprising that the Minister has extended the tax incentive to the tourism sector, as it is one of the worst hit industries due to COVID-19 pandemic. This is one of the key measures the Government introduced aimed at reviving the tourism industry, enabling it to resume operations at maximum capacity.*





# Tax Incentives

## Tax incentive for Digital Ecosystem Acceleration Scheme

### Proposal

To promote the development of a comprehensive digital ecosystem for the country, the following tax incentives have been proposed for activities under the Digital Ecosystem Acceleration Scheme (DESAC):

#### a) Digital Technology Provider

- **New company:** Taxed at the rate ranging from 0% to 10% for 10 years
- **Existing company providing new services or new segments of services:** Taxed at the rate of 10% for 10 years

#### b) Digital Infrastructure Provider

Investment tax allowance of up to 100% on capital expenditure incurred for qualifying activities up to 10 years. The allowance can be set off against up to 100% of statutory income.

**Effective: For applications received by the Malaysian Investment Development Authority from 30 October 2021 to 31 December 2025**

### Our commentary:

*It is unclear what types of activities will be covered under the scheme, and how it will interact with existing tax incentives available for digital initiatives (e.g. Multimedia Super Corridor (MSC) tax incentive, and incentives for companies adopting Industry 4.0 technology and digitalisation). We expect some guidelines to be issued in due course.*



### Budget commentary

“The extension of the initiatives under Budget 2022 will continue to attract foreign investment and give domestic businesses a boost. It is interesting to note that other than such extensions of various existing incentives, the Budget 2022 made no further mention on the tax incentive framework, nor were there any new or major incentives, likely keeping in mind the imminent implementation of global minimum tax that complies with international commitment. We can thus expect further updates on Malaysia's tax incentive framework, ensuring that Malaysia remains a robust and major investment destination.”

**Tham Lih Jiun**

Government Grants & Incentives Leader



## Expansion of the Scope of Tax Incentives for Green Technology

In the 2020 Budget, tax incentives for green technology were updated as follows:

- i. **Green Investment Tax Allowance (GITA)**  
Investment Tax Allowance of 100% on capital expenditure for eligible green activities (extended for 3 years of assessment until year of assessment 2023). This allowance can be offset against 70% of the statutory income.
- ii. **Green Investment Tax Exemption (GITE)**
  - a. Income tax exemption of 70% on statutory income for eligible green service activities (extended for 3 years of assessment until year of assessment 2023); and
  - b. New tax incentives for solar leasing activities introduced with income tax exemption of 70% on statutory income up to 10 years of assessment given to any solar leasing company certified by the Sustainable Energy Development Authority (SEDA).

This tax incentive is for applications received by the Malaysian Investment Development Authority from 1 January 2020 to 31 December 2023.

### Proposal

In support of the Sustainable Development Goals (SDGs) 2030 agenda, it is proposed that the purchase of eligible green assets and green services be extended to Rainwater Harvesting System (RHS) projects.

This project must be approved by the Malaysian Green Technology Corporation (MGTC) to qualify for tax incentives as follows:

- i. **Green Investment Tax Allowance (GITA)**  
Investment Tax Allowance of 100% on capital expenditure for eligible RHS project activities. This allowance can be deducted up to 70% of statutory income; or
- ii. **Green Investment Tax Exemption (GITE)**  
Income tax exemption of 70% on statutory income for eligible RHS project activities.

**Effective: Applications received by the Malaysian Investment Development Authority from 1 January 2022 to 31 December 2023.**





# Individual Tax

## Review of tax relief for Social Security Organisation (SOCSO) contributions

Currently, employees in the private sector are eligible to claim tax relief up to RM250 on their contributions to the social security protection scheme regulated by SOCSO. The employees' contribution to the Employment Insurance System (EIS) does not qualify for this tax relief.

### Proposal

It is proposed that:

- The scope of tax relief for SOCSO contributions be expanded to cover employee contributions through the EIS; and
- The tax relief limit be increased from RM250 to RM350.

**Effective: Year of Assessment 2022**

## Review of individual income tax relief for up-skilling and self-enhancement course fees

Currently, a resident individual taxpayer is eligible to claim income tax relief up to RM1,000 from the total education fees relief of RM7,000 on fees for attending up-skilling and self-enhancement courses in any field recognised by the Department of Skills Development, Ministry of Human Resources. This relief is effective for the years of assessment 2021 to 2022.

### Proposal

It is proposed that:

- The tax relief exemption limit be increased from RM1,000 to RM2,000 effective from the year of assessment 2022; and
- This relief be extended until the year of assessment 2023.

**Effective: Years of Assessment 2022 and 2023**



### Budget commentary

"For the individual taxpayer, Budget 2022 has provided additional amounts to some existing tax reliefs or extended the period to enjoy them.

It is heartening to see the Budget supporting taxpayers, especially during the pandemic, for example reskilling, mental health consultations and purchase of technological devices."

**Ang Weina**

Global Employer Services Leader



### Expansion of scope of tax relief on medical treatment expenses

Currently, a resident individual taxpayer is eligible to claim up to RM8,000 tax relief on medical treatment expenses for serious diseases incurred for self, spouse and child as well as fertility treatment incurred for self and spouse. The scope of qualifying expenses includes up to RM1,000 for complete medical examination and up to RM1,000 for cost of vaccination.

#### Proposal

It is proposed that the scope of qualifying expenses for medical examination be expanded to include expenses incurred for mental health related check-up or consultation services from:

- Psychiatrists registered with the Malaysian Medical Council under the Mental Health Act 2001 (Act 615); or
- Clinical psychologists registered with the Malaysian Allied Health Professions Council under the Allied Health Professions Act 2016 (Act 774); or
- Counsellors registered with the Board of Counselors Malaysia under the Counselors Act 1998 (Act 580).

**Effective: Year of Assessment 2022**

### Extension of scope of tax relief on Employees Provident Fund (EPF) contributions

Currently, a resident individual taxpayer is eligible to claim income tax relief on their mandatory contributions made to approved funds such as the EPF, takaful contributions or life insurance premiums, as indicated below:

Type of contributions	Total relief
Payment of life insurance premium or takaful contributions	Up to RM3,000
Contributions to approved schemes (excluding private retirement schemes) or contributions under any written law	Up to RM4,000
Total	Up to RM7,000

For civil servants who are pensionable officers, they are eligible to claim tax relief up to RM7,000 on their takaful contributions or life insurance premium payments.

#### Proposal

It is proposed that the scope of tax relief for EPF contributions be expanded to cover voluntary contributors including pensionable civil servants.

**Effective: Year of Assessment 2022**

### Extension of special individual income tax relief for domestic tourism expenses

An income tax relief of up to RM1,000 is granted to resident individual taxpayers in respect of the following qualifying expenses incurred for domestic travel:

- Accommodation expenses at premises registered with the Ministry of Tourism, Arts and Culture Malaysia (MOTAC); and
- Entrance fee to tourist attractions.

In March 2021, as introduced under the PEMERKASA initiatives, the scope of qualifying expenses was expanded to include tourism packages purchased through local agents registered with MOTAC, including:

- Local tour guide service fees;
- Purchase of local handicraft products;
- Food and drinks; and
- Transportation, including hop-on hop-off.

This relief is only applicable for expenses incurred between 1 March 2020 to 31 December 2021.

#### Proposal

It is proposed that the period of relief be extended to expenses incurred up to 31 December 2022.

**Effective: Year of Assessment 2022**

### Extension of individual income tax relief for payments to childcare centre or kindergarten

A resident individual taxpayer who enrolls his/her child aged up to six years old to a child care center registered with Director General of Social Welfare under the Child Care Centre Act 1984 or a kindergarten registered under the Education Act 1996 is eligible to claim a tax relief of up to RM3,000. This enhanced relief is only applicable for the years of assessment 2020 and 2021.

#### Proposal

It is proposed that this tax relief be extended for another 2 years.

**Effective: Years of Assessment 2022 and 2023**

### Extension of special individual income tax relief for purchase of mobile phones, computers and tablets

A resident individual taxpayer is eligible to claim a special individual tax relief of up to RM2,500 for the purchase of personal computer, smartphone or tablet for the personal use of the taxpayer, spouse or child for purchases made between 1 June 2020 to 31 December 2020. This relief is in addition to the lifestyle relief of up to RM2,500 which already provides for the purchase of a personal computer, smartphone or tablet among other purchases or payment.

This special tax relief was extended until the year of assessment 2021 under the PERMAI stimulus package.

#### Proposal

It is proposed that this special tax relief be extended for another 1 year for purchases made between 1 January 2022 and 31 December 2022.

**Effective: Year of Assessment 2022**

### Extension of individual income tax relief for premium paid for deferred annuity

Currently, a resident individual taxpayer is eligible to claim up to RM3,000 on premium payments for deferred annuity and contributions to the Private Retirement Scheme (PRS) from the year of assessment 2012 to 2021.

It was announced in the 2021 Budget that the income tax relief on contributions to PRS was to be extended until the year of assessment 2025. No extension was given for tax relief on premiums paid for deferred annuity.

#### Proposal

It is proposed that the tax relief for deferred annuity premium payments be aligned to PRS contributions and extended for 4 years.

**Effective: Years of Assessment 2022 to 2025**

### Individual income tax relief in relation to the cost of installation, rental, purchase costs or subscription fees for charging facilities of Electric Vehicles (EV)

#### Proposal

To support the development of the local EV industry, it is proposed that a resident individual taxpayer be eligible to claim up to RM2,500 income tax relief for expenses related to the cost of installation, rental, purchasing including hire-purchase of equipment or EV charging facilities subscription fees. EV include passenger vehicles (including SUVs and MPVs), commercial vehicles and motorcycles.

**Effective: Years of Assessment 2022 and 2023**

### Extension of special income tax rate for non-citizen individuals holding primary positions in companies that make strategic new investments

Currently, under the PENJANA stimulus package, manufacturing and service companies that relocate their operations to Malaysia are eligible to a tax incentive of 0% income tax rate for up to 15 years.

In addition to the above, non-citizens holding key positions (C-suite) are taxed at a flat rate of 15% for 5 consecutive years.

This tax incentive is limited to 5 non-citizen individuals working in each company under the following conditions:-

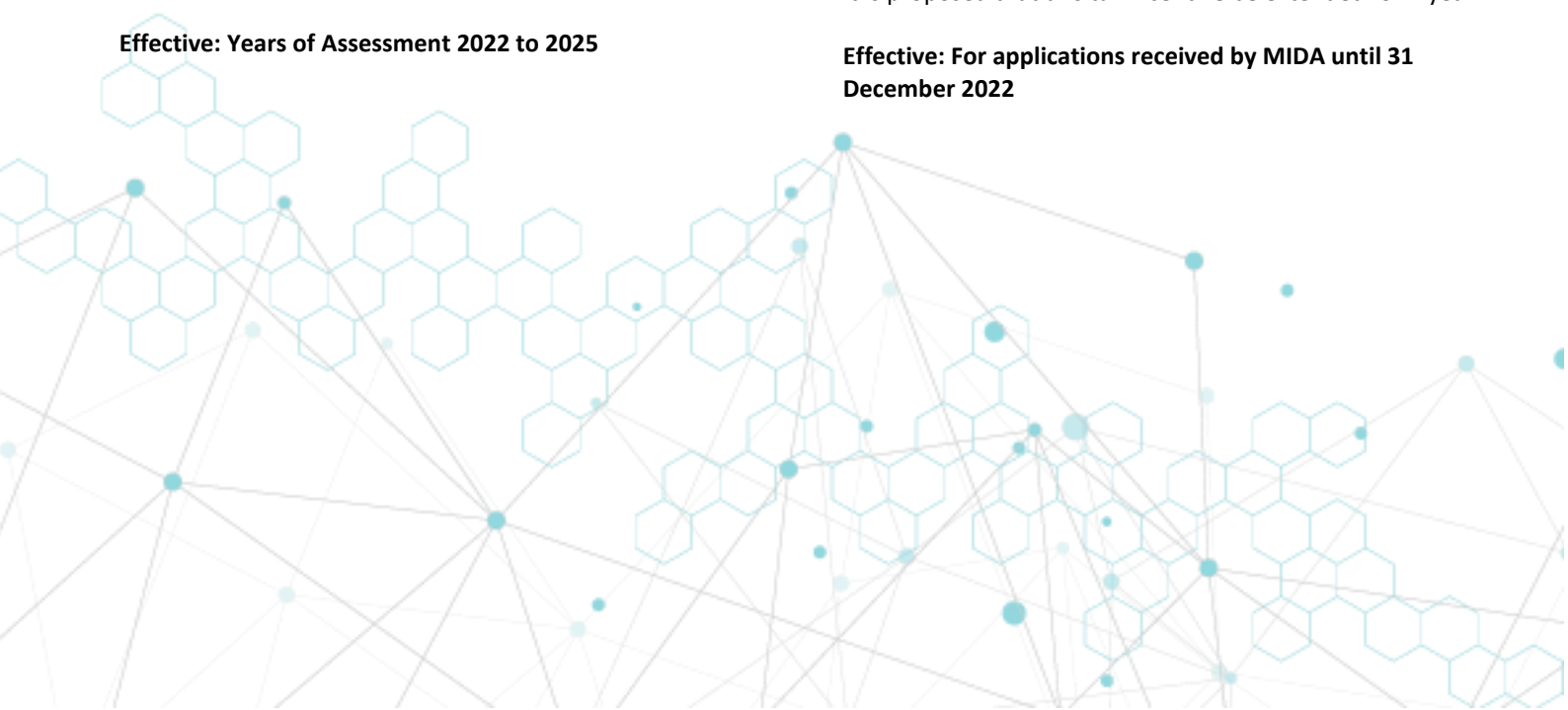
- (i) The individual receives a monthly salary of not less than RM25,000; and
- (ii) The individual is a tax resident in Malaysia for each year of assessment during which the 15% flat income tax rate applies.

This tax incentive is granted via applications with the Malaysian Investment Development Authority (MIDA) from 7 November 2020 to 31 December 2021.

#### Proposal

It is proposed that this tax incentive be extended for 1 year.

**Effective: For applications received by MIDA until 31 December 2022**



**Income tax exemption on eligible e-sports tournament prize money****Proposal**

It is proposed that eligible e-sports tournament prize money be exempted from income tax.

**Effective: To be confirmed**

**Extension of reduction of minimum employee contribution rate to Employees Provident Fund (EPF)****Proposal**

The Government proposes to extend the period for the reduced minimum employee EPF contribution rate (from 11% to 9%) up to June 2022.

**Effective: Until June 2022**

**Individual income tax relief for self-funded booster vaccination****Proposal**

The Government proposes to provide an individual tax relief on costs incurred in relation to the self-funded booster vaccination.

**Effective: Year of Assessment 2022**





# Real Property Gains Tax

## Changes in real property gain tax (RPGT) rates for citizens, permanent residents and other than companies

Currently, gains from the disposal of real properties or shares in real property companies by taxpayers under Part I of Schedule 5 to Real Property Gains Tax Act 1976 (such as citizens, permanent residents, other than companies, etc.) are taxed under Real Property Gains Tax Act 1976 at the rate between 5% to 30% depending on the holding period of the real properties and shares in real property companies as follows:

Date of disposal	Rate of RPGT
Disposal within 3 years after the date of acquisition	30%
Disposal in the 4th year after the date of acquisition	20%
Disposal in the 5th year after the date of acquisition	15%
Disposal in the 6th year after the date of acquisition or thereafter	5%

### Proposal

It is proposed that the RPGT rate under Part I of Schedule 5 for disposal in the 6th year after the date of acquisition or thereafter be reduced from 5% to 0%.

**Effective: For disposal of real properties and shares in real property companies from 1 January 2022**

### Our commentary:

*The above amendment is only applicable to taxpayers under Part I of Schedule 5 to Real Property Gains Tax Act 1976 which excludes companies, non-citizens and non-permanent residents. It aims to ease the financial burdens of Malaysian citizens and permanent residents. This was also the applicable tax rate prior to 1 January 2019.*



### Budget commentary

“COVID-19 has clearly rattled the real estate sector. While the Government is responding to immediate threats by providing reliefs to various sectors to weather through the storm, the removal of 5% real property gains tax for Malaysia citizens and Malaysia permanent residents’ gains arising from the disposal of property or real property company shares (in the 6th year onwards) is a great initiative by the Government to spur the real estate sector, in particular the secondary / resale property market.”

**Chia Swee How**  
Real Estate Tax Leader



## Stamp Duty

### Stamp duty exemption on loan / financing agreements for Peer-to-Peer (P2P) financing

Currently, loan / financing agreements for each successful funding raised by Small and Medium Enterprises (SMEs) through P2P platforms is subject to stamp duty at a rate between 0.05% to 0.5%. Under the Stamp Act 1949, "SME" means:

- (a) in relation to manufacturing, an enterprise with sales turnover not exceeding RM50 million or full-time employees not exceeding 200 people; or
- (b) in relation to services and other sectors, an enterprise with sales turnover not exceeding RM20 million or full-time employees not exceeding 75 people.

#### Proposal

It is proposed that 100% stamp duty exemption be given for 5 years on P2P loan/financing agreements made between SMEs and investors. This exemption is only given for P2P financing made through P2P platforms registered and recognised by the Securities Commission.

**Effective: P2P loan/financing agreements executed from 1 January 2022 to 31 December 2026**

#### Our commentary:

*This is aimed to encourage SMEs to increase their business capital and to reduce their cost of financing through P2P alternative financing.*

### Extension of stamp duty exemption on qualifying loan restructuring and rescheduling agreements

Currently, pursuant to Stamp Duty (Exemption) (No. 2) Order 2020 and Stamp Duty (Exemption) (No. 11) Order 2021, an instrument of loan or a financing agreement between a borrower or customer and a financial institution relating to the restructuring or the rescheduling of a loan or financing executed from 1 March 2020 to 31 December 2020 and from 1 July 2021 to 31 December 2021, is, on application, exempted from stamp duty, provided that:

- a) the existing instrument of loan or financing agreement has been duly stamped under item 22 or 27 of the First Schedule to the Stamp Act 1949; and
- b) the instrument of loan or financing agreement (executed from 1 July 2021 to 31 December 2021) relating to the restructuring or rescheduling of a loan or financing does not contain the element of additional value to the original amount of loan or financing under the existing instrument of loan or financing agreement.

#### Proposal

It is proposed that this stamp duty exemption be extended for another one year.

**Effective: For the above agreements executed from 1 January 2022 to 31 December 2022**

#### Our commentary:

*The extension of the exemption is welcomed as it would alleviate part of the burden of businesses still struggling with the impact of the pandemic shutdowns.*



### Review of stamp duty treatment on insurance policies or takaful certificate with small annual premium/ contribution value

Currently, stamp duty exemption is given on any insurance policies or takaful certificates for “*Perlindungan Tenang*” Products issued by a licensed insurer or a licensed takaful operator from 1 January 2019 to 31 December 2025 with an annual premium or annual takaful contribution not exceeding RM100.

#### Proposal

It is proposed that the above stamp duty treatment be revised as follows:

- the annual premium or annual takaful contribution eligible for stamp duty exemption be increased from RM100 to RM150;
- stamp duty exemption be given to individuals for the purchase of other insurance policies or takaful certificates with an annual premium or annual takaful contribution not exceeding RM150; and
- stamp duty exemption be given to SMEs for the purchase of insurance policies or takaful certificates with an annual premium or annual takaful contribution not exceeding RM250.

Insurance policies or takaful certificates eligible for stamp duty exemption are as follows:

- Fire insurance;
- Fire business interruption insurance;
- Personal accident insurance;
- Travel insurance;
- Liability insurance; and
- Engineering insurance.

**Effective: Insurance policies or takaful certificates issued from 1 January 2022 to 31 December 2025**

#### Our commentary:

*The above is in line with the Government’s effort to increase access to insurance and takaful products for the low-income group (B40) and SMEs with a lower cost.*

### Review of stamp duty on contract notes relating to trading of listed shares

Currently, contract notes relating to the sale of any shares, stock or marketable securities listed on Bursa Malaysia is subject to stamp duty at the rate of 0.1% (i.e. RM1 for every RM1,000 or fractional part of RM1,000).

However, pursuant to the Stamp Duty (Remission) Order 2003, stamp duty in excess of RM200 is remitted for all instruments of contract notes relating to the sale of any shares, stock or marketable securities listed on Bursa Malaysia.

#### Proposal

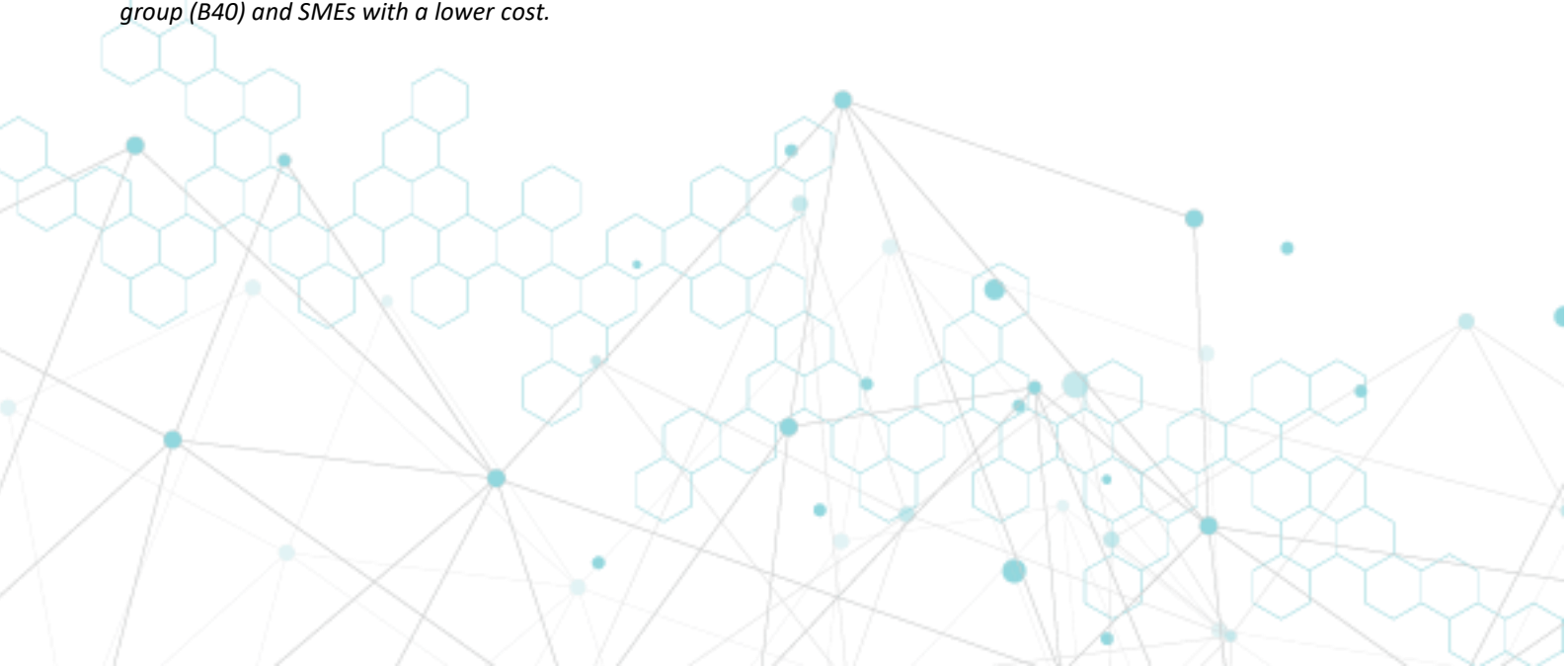
It is proposed that in relation to shares, stock and marketable securities traded on Bursa Malaysia:

- The stamp duty rate on contract notes be increased to 0.15% (i.e. RM1.50 for every RM1,000); and
- The remission of stamp duty in excess of RM200 be abolished.

**Effective: 1 January 2022**

#### Our commentary:

*Removing the cap on stamp duty relating to contract notes would generally increase the cost of shares and securities trading but it would also ensure that the duty is imposed proportionate to the transaction value. Although the above proposal is aimed at providing equal tax treatment, such removal of the stamp duty limit could stifle the growth of capital markets in Malaysia moving forward. This could be seen as an alternative to implementing capital gains tax instead.*





### Extension of stamp duty exemption on instruments executed for mergers and acquisitions (“M&A”)

Currently, pursuant to Stamp Duty (Exemption) (No. 3) Order 2021, stamp duty exemption is given on instruments in relation to an approved M&A executed by SMEs.

The stamp duty exemption is effective for instruments executed for M&A approved by the Ministry of Entrepreneur Development and Cooperatives (MEDAC) from 1 July 2020 to 30 June 2021, and the instruments are executed from 1 July 2020 to 31 December 2021.

The above exemption is only applicable to the following instruments:

- contract or agreement for the sale or leasing of property (land, buildings, machinery and equipment);
- instrument of transfer and memorandum of understanding;
- loan or financing agreement; and
- first leasing agreement.

#### Proposal

It is proposed that this stamp duty exemption be extended for another one year.

**Effective: For M&A applications received by MEDAC from 1 July 2021 to 30 June 2022 and instruments executed no later than 31 December 2022**

#### Our commentary:

*Extending this exemption will facilitate the continued efforts under the PENJANA initiatives given the prolonged impact of the pandemic. However, such exemption should equally be provided to non-SMEs to help all businesses that need to restructure, to be more competitive and agile in the current landscape.*





# Petroleum Income Tax

## Tax incentives for late-life-assets (LLA) project for upstream petroleum industry

Currently, there are no tax incentives for LLA project for upstream petroleum industry.

LLA is a project operated in a brownfield that has remaining economic lifespan of not more than 10 years from the year the contract is awarded. It involves high field abandonment cost which is a challenge faced by Malaysia to attract investors to venture into such activities.

To attract oil and gas companies to invest and venture into LLA, the following tax incentives are proposed:

- i. petroleum income tax rate at 25%;
- ii. accelerated Capital Allowance within 2 years;
- iii. losses from decommissioning activities are allowed to be carried back and set-off against the income for 2 consecutive immediate preceding years of assessment. Any unabsorbed carry back losses will be disregarded; and
- iv. export duty exemption on petroleum products.

**Effective: LLA Production Sharing Contracts awarded between 1 January 2020 and 31 December 2029**



## Budget commentary

“There are limited tax incentives for upstream petroleum operations / production sharing contracts (PSC) in Malaysia. The Government introduced certain tax incentives effective 30 November 2010 to encourage investments in stranded fields and fields with high risk operation and requiring substantial capital investments, such as marginal field tax incentives and investment tax allowance for deep water PSCs, High CO<sub>2</sub> fields, HPHT fields, EOR, etc.

The Government is now proposing to extend and enhance some of these incentives to LLA, notably carry back losses from decommissioning activities.”

**Toh Hong Peir**  
Oil, Gas and Chemicals Sector Leader





# Indirect Tax

## Special Voluntary Disclosure Programme (“SVDP”)

### Proposal

The Royal Malaysian Customs Department (“RMCD”) will introduce a SVDP. The Programme is proposed to be introduced in phases, with a 100% penalty remission proposed for the first phase, and a 50% penalty remission for the second phase. Tax remissions will also be considered for specific cases.

### Effective: To be announced

### Our commentary:

*No further details were made available in the Budget announcement, including what taxes the SVDP would cover. Although certain to cover Sales Tax and Service Tax, we would need to see if it also covers the legacy GST and also other duties and taxes administered by RMCD such as customs duties and excise duties.*

*Other important details that may impact the success of the program would include the level of scrutiny that would be undertaken and whether it would escalate to full scale audits by RMCD.*

*Businesses generally try to do their best to stay on top of compliance requirements, but as indirect taxes are imposed on a transactional basis, it is possible to get something wrong and for that error to be compounded across multiple transactions before it is discovered.*

*The announcement of the SVDP should encourage greater compliance among businesses.*



### Budget commentary

“There are proposals to spur sectors that are hard hit by the pandemic, and a measured broadening of the tax base. The SVDP should encourage businesses towards a culture of self-compliance, which augurs well for the next phase of fiscal reforms. It is a well thought through, targeted and balanced Budget from an indirect tax perspective.”

**Tan Eng Yew**  
Indirect Tax Leader



### Tax incentive to support the development of electric vehicles industry

Currently, electric vehicles (“EV”) consisting of passenger vehicles (including SUV and MPV), commercial vehicles and motorcycles are subject to the following duties and taxes:

Type of duty/Tax	Passenger vehicles (including SUV and MPV)	Motorcycles	Commercial vehicles
Import duty (Completely Built-Up – CBU)	30%	30%	30%
Excise duty	10%	10%	Nil
Sales tax	10%	Nil	10%

The following tax exemptions are granted on locally assembled vehicles including EVs as follows:

- Import duty exemption on imported Completely-Knocked Down (“CKD”) components; and
- Partial excise duty and sales tax exemption on CKD vehicles.

#### Proposal

To support the development of the local EV industry and encourage domestic demand of EV (consistent with the Low Carbon Mobility Blueprint, EV Roadmap and the National Automotive Policy 2020), it is proposed that the following tax incentives be granted on EV including passenger vehicles (including SUV and MPV), commercial vehicles and electric motorcycles

Tax incentive	Incentive Period
100% import duty exemption on imported components for locally assembled EV	1 January 2022 to 31 December 2025
100% excise duty and sales tax exemption for CKD type EV	
100% import duty and excise duty exemption on imported CBU type EV	1 January 2022 to 31 December 2023

**Effective: 1 January 2022**

### Extension of Tourism Tax exemption

Tourists who stay in accommodation premises registered under the Tourism Tax Act 2017 are required to pay Tourism Tax at a fixed rate of RM10 per night per room.

An exemption from paying and collecting tourism tax for the period from 1 July 2020 to 31 December 2021 was provided under the earlier announced PENJANA and subsequently PEMERKASA.

#### Proposal

It has been proposed that tourism tax exemption period be extended till 31 December 2022. This measure is to encourage the recovery efforts in the domestic tourism sector, in line with the country’s recovery plan and to attract foreign tourists. The proposal is consistent with the Government’s policy measures to reactivate the domestic tourism industry.

**Effective: 1 January 2022 until 31 December 2022**

### Extension of Entertainments Duty exemption

Entertainments duty exemption is granted on the admission charges for entertainment outlets via the Strategic Programme to Empower the People and Economy (PEMERKASA). The entertainment outlets include theme parks, stage performances, sports events & competitions and cinemas in the Federal Territories of Kuala Lumpur, Labuan and Putrajaya.

The exemption is applicable for the period from 1 April 2021 to 31 December 2021.

#### Proposal

It is proposed that the exemption be extended to cover the period from 1 January 2022 to 31 December 2022.

**Effective: 1 January 2022 to 31 December 2022**

### Extension of Sales Tax exemption on passenger cars

Currently, sales tax exemption is granted on passenger cars (including SUV and MPV) under the PENJANA, and extended under the PEMERKASA+ programs. The rates of sales tax exemption are as follows:

- 100% on Completely Knocked-Down (“CKD”) cars; and
- 50% on imported new and used Completely Built-Up (“CBU”) cars.

The exemption is effective from 15 June 2020 and extended until 31 December 2021.

#### Proposal

To spur the automotive sector, it is proposed that the existing sales tax exemption above be extended by 6 months.

**Effective: 1 January 2022 until 30 June 2022**

### Imposition of Sales Tax on low value goods

Currently, sales tax exemption is granted on all goods (excluding cigarettes, tobacco and intoxicating liquor) imported using air courier service with the following conditions:

- the goods are imported through the listed international airports; and
- the goods are of a total value not exceeding RM500 per consignment (“Low Value Goods” or “LVG”).

#### Proposal

It is proposed that:

- a) sales tax be imposed on the imported LVG sold by online merchants and shipped to consumers in Malaysia through air courier service;
- b) the sales tax exemption provided under Item 24, Schedule A to the Sales Tax (Persons Exempted from Payment of Tax) Order 2018 be revoked; and
- c) the local trader and/or foreign sellers who sell such LVG to consumers in Malaysia be registered for sales tax.

**Effective: 1 January 2023**

#### Our commentary:

*Malaysia’s move to apply sales tax on LVG is in line with similar developments in the European Union, Australia, New Zealand and Singapore, albeit under a GST / VAT system. The imposition of sales tax on LVG sold by online merchants would level the playing field between local and foreign sellers.*

*Further details are needed on how the sales tax on LVG would be administered, in particular how foreign sellers are to be registered and the method for collection and payment of the tax.*





### Service Tax on goods delivery services

Currently, express delivery services for documents and parcels not exceeding 30kg by a licensed service provider under Section 10 of the Postal Services Act 2012 are subject to service tax under Group I, First Schedule of the Service Tax Regulations 2018.

Delivery services by service providers who are not licensed under the Postal Services Act 2012 are not subject to service tax.

#### Proposal

To streamline the service tax treatment of courier and delivery services, it is proposed that service tax is to be charged on all delivery services for goods, by any service provider including e-Commerce platforms. The delivery of food and beverages as well as logistics services, however, will be excluded from service tax.

**Effective: 1 July 2022**

#### Our commentary:

*The change is intended to ensure equal treatment for all goods delivery services. It is not yet clear what thresholds will be set for registration; however, it is hoped that a sufficiently high threshold be set (RM 500,000 and above) to ensure that smaller service providers are not brought into the net and imposed with this additional compliance burden.*

### Service Tax exemption on brokerage services related to stock trading

Currently, services related to financial services for the use or provision of brokerage services and underwriting services is subject to service tax under Group I in the First Schedule in the Service Tax Regulations 2018.

#### Proposal

To continue to ensure stock market activity in Malaysia remains competitive, the following is proposed:

- i. recipients of stock trading related brokerage services will be exempt from paying service tax;
- ii. a brokerage services provider will be exempt from charging service tax; and
- iii. the exemptions mentioned under items (i) and (ii) are applicable to services relating to the trading of shares listed on Bursa Malaysia.

**Effective: 1 January 2022**

#### Our commentary:

*Current service tax registrants that are licensed securities brokers will need to review their registration as a consequence. While brokerage services would cease to be taxable, these businesses could still have existing registration requirements under other taxable service categories, such as management or consultancy services.*





### Excise Duty on pre-mixed preparation products

Currently, beverages in ready- to-drink form are subject to excise duty at the rate of 40 cents/ltr, if they exceed certain threshold values of sugar content.

It is now proposed that excise duty will be levied on the following pre-mixed preparation products at the rate of 0.47 cents/100g, exceeding threshold values of sugar content, as per the table below:

Tariff	Product description		Sugar content
	As per Appendix to Budget Speech	As per Harmonized System (HS) Tariff	
18.06	Preparation of chocolate or cocoa mixture	Chocolate and other food preparations containing cocoa	>33.3g/100g
19.01	Preparation of mixed malt	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included.	>33.3g/100g

Tariff	Product description		Sugar content
	As per Appendix to Budget Speech	As per Harmonized System (HS) Tariff	
21.01	Preparation of pre-mixed coffee and mixed tea	Extracts, essences and concentrates, of coffee, tea or maté, and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof.	>33.3g/100g

**Effective: 1 April 2022**

#### Our commentary:

*The Government had introduced excise duty on sugary beverage products effective 1 July 2019, as part of its measures to address health issues like diabetes, obesity etc. It has now extended the scope of excise duty to cover pre-mixed preparation products containing sugar, for similar reasons.*

### Excise Duty on liquid or gel products used in electronic cigarettes and vape

Pursuant to the 2021 Budget proposal, excise duty of 10% was levied effective 1 January 2021 on devices for all types of electronic and non-electronic cigarettes including vape. Nicotine-free liquids or gels used in electronic cigarettes including vape were levied with an excise duty at the rate of 40 cents/ml.

#### Proposal

To ensure an equal tax treatment for all tobacco-related products, it is proposed that:

- Excise Duty be levied on liquids or gels containing nicotine, used in electronic cigarettes and vape at RM1.20/ml; and
- Excise Duty be increased to RM1.20/ml for nicotine-free liquids or gels used in electronic cigarettes and vape.

**Effective: 1 January 2022**

#### Our commentary:

*The Government's proposal to impose excise duty on liquids and gels containing nicotine for use in electronic cigarettes and vape would be in line with the 'sin tax' nature of excise duty.*

### Revision on Windfall Profit Levy

The windfall profit levy has been imposed on the production of palm oil since 15 July 2008. The levy is applicable when the price exceeds the stipulated thresholds. The current price thresholds and rates of levy are as follows:

Location	Threshold CPO price (RM/metric tonne)	Levy rate (%)
Peninsular Malaysia	RM2,500	3.0
Sabah and Sarawak	RM3,000	1.5

#### Proposal

To help sustain the local palm oil industry, it is proposed that the threshold prices of CPO for the imposition of windfall profit levy and the rate of the levy be revised as follows:

Location	Threshold CPO price (RM/metric tonne)	Levy rate (%)
Peninsular Malaysia	RM3,000	3.0
Sabah and Sarawak	RM3,500	3.0

**Effective: 1 January 2022**





### Introduction of Tax Compliance Certification by the Inland Revenue Board (IRB)

#### Proposal

It has been proposed by the Honourable Finance Minister that Tax Compliance Certification would be a pre-requisite for taxpayers to participate in Government procurement/tender.

**Effective: 1 January 2023**

#### Our commentary:

*The concept of a tax compliance certification is not new and it has been adopted in other countries such as the United States of America, the United Kingdom, South Africa and Cambodia to varying degrees and purpose. The method of certification is not yet known but it is anticipated that the taxpayer can make an application to the IRB for certification (similar to the issuance of a certificate of tax residence) and the IRB will certify that the taxpayer has complied with all their tax obligations as at the date of certification. Making this a pre-requisite for Government procurement is likely a form of check and balance to ensure that the Government only does business with parties that are responsible taxpayers. An area of concern is if ongoing disputes with the IRB would influence the issuance of this certification for the taxpayer.*

### Introduction of Tax Identification Number (TIN)

Currently, taxpayers have different types of reference numbers depending on the type of tax they are registered for (i.e. indirect taxes, income taxes etc.).

#### Proposal

It is proposed that a “Tax Identification Number” or TIN will be used in future to widen the tax base.

**Effective: Year 2022**

#### Our commentary:

*The TIN is anticipated to be a standardised number for the tax authorities (e.g. IRB and the Royal Malaysian Customs Department) to apply a uniform method of identification of taxpayers in Malaysia. It is expected that the TIN would be assigned automatically to taxpayers so that they could fulfil the tax obligations on time.*

### Tax deduction to employers for self-funded booster vaccination

#### Proposal

It is proposed that tax deduction would be granted to employers on costs incurred in relation to self-funded booster vaccination.

**Effective: It is mentioned in the Budget speech that this would apply to year 2022. However, it is not clear if this is referring to the calendar year 2022 or year of assessment 2022.**

#### Our commentary:

*Clearly, this measure is to encourage employers to provide COVID-19 booster shots to their employees so that the latter could work in a safe environment.*

*At this juncture, it is not clear if single or double deduction will be accorded to the employer.*

### Tax on foreign sourced income received in Malaysia

Save for companies that are in the business of banking, insurance or sea or air transport, which are taxed on a worldwide basis, Malaysia adopts a territorial based taxation system where only income derived from Malaysia would be subject to Malaysian income tax.

#### Proposal

To provide equal tax treatment for income sourced from Malaysia and outside Malaysia, and in line with Malaysia's commitment to comply with the international tax standards, it is proposed that income tax be levied on Malaysian resident in respect of income derived from outside Malaysia and received in Malaysia.

**Effective: 1 January 2022**

#### Our commentary:

*While the proposed amendment may widen the tax base, it may at the same time discourage Malaysian residents to repatriate funds back to Malaysia for reinvestment. As a result, this may slow down Malaysia's economic recovery process.*

*This may also discourage foreign investors to use Malaysian company as the holding company/cash-pooling company for their group as the proposed change may cause Malaysia to be less competitive as compared to other neighboring countries (e.g. Singapore), from tax perspective.*

### Income Tax Exemption for Social Enterprise

Currently, cash contributions to Social Enterprise accredited by the Ministry of Entrepreneur Development and Cooperatives are given income tax deduction of up to 10% of aggregate income under Subsection 44 (11C) of the Income Tax Act 1967. However, the income of Social Enterprise such as contributions received is subject to income tax.

#### Proposal

To ensure that Social Enterprise could continue to grow and help their targeted group, it is proposed that all income of Social Enterprise be exempted for a period of up to 3 years of assessment subject to the validity period of Social Enterprise Accreditation.

Meanwhile, it is also proposed that a Joint Accreditation Committee comprising Yayasan Hasanah and the Ministry of Entrepreneur Development and Cooperatives be established to review the accreditation applications.

#### Effective:

- i. for tax exemption applications received by the Ministry of Finance from **1 January 2022 to 31 December 2023**.
- ii. for accreditation applications received by Yayasan Hasanah from **1 January 2022 to 31 December 2023**.

#### Our commentary:

*Social Enterprise in Malaysia continue to provide assistance to the vulnerable despite having their income streams heavily impacted by the COVID-19 pandemic in the last 2 years. The proposed income tax exemption will definitely ease the cash flow of Social Enterprise in Malaysia.*

*At this juncture, it is not clear if there are any conditions to be fulfilled to be eligible for the income tax exemption. We expect that some guidelines would be issued by the authority in due course.*



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## Deloitte Malaysia makes its mark at the International Tax Review Asia Tax Awards 2021

In the recently announced International Tax Review (ITR) Asia Tax Awards 2021, Deloitte Malaysia has won two ITR awards.

For the fourth time in the last 5 years, we have been named the coveted **Malaysia Tax Firm of the Year**. We were also recognised as the **Malaysia Transfer Pricing Firm of the Year for 2 consecutive years**. These achievements showcase the strengths of Deloitte's long-standing capabilities in the areas of Tax and Transfer Pricing. The standard of excellence consistently attained by our Tax practice is made possible with formidable support of the entire Firm where everyone across all businesses work collaboratively.

The ITR Asia Tax Awards identifies tax professionals and firms who have demonstrated exceptional track record in the Asia-Pacific (APAC) region. Winners undergo a thorough judging process combining input from tax practitioners, who judge based on the firm's best work. These criteria include the level of innovation demonstrated in solving tax issues, project complexity, as well as the overall impact on clients.

We are humbled and grateful to receive such recognition. Thank you for the trust and confidence you place in us as your advisors and partners. We look forward to continuing this partnership with you, especially during this challenging period.

As part of a series of celebration for our recent recognition, we are bringing you a 1.5-day webinar. Join us at our 47th TaxMax and listen in as our experts share insights into Budget 2022, as we discuss how we can bounce back and thrive post pandemic.

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