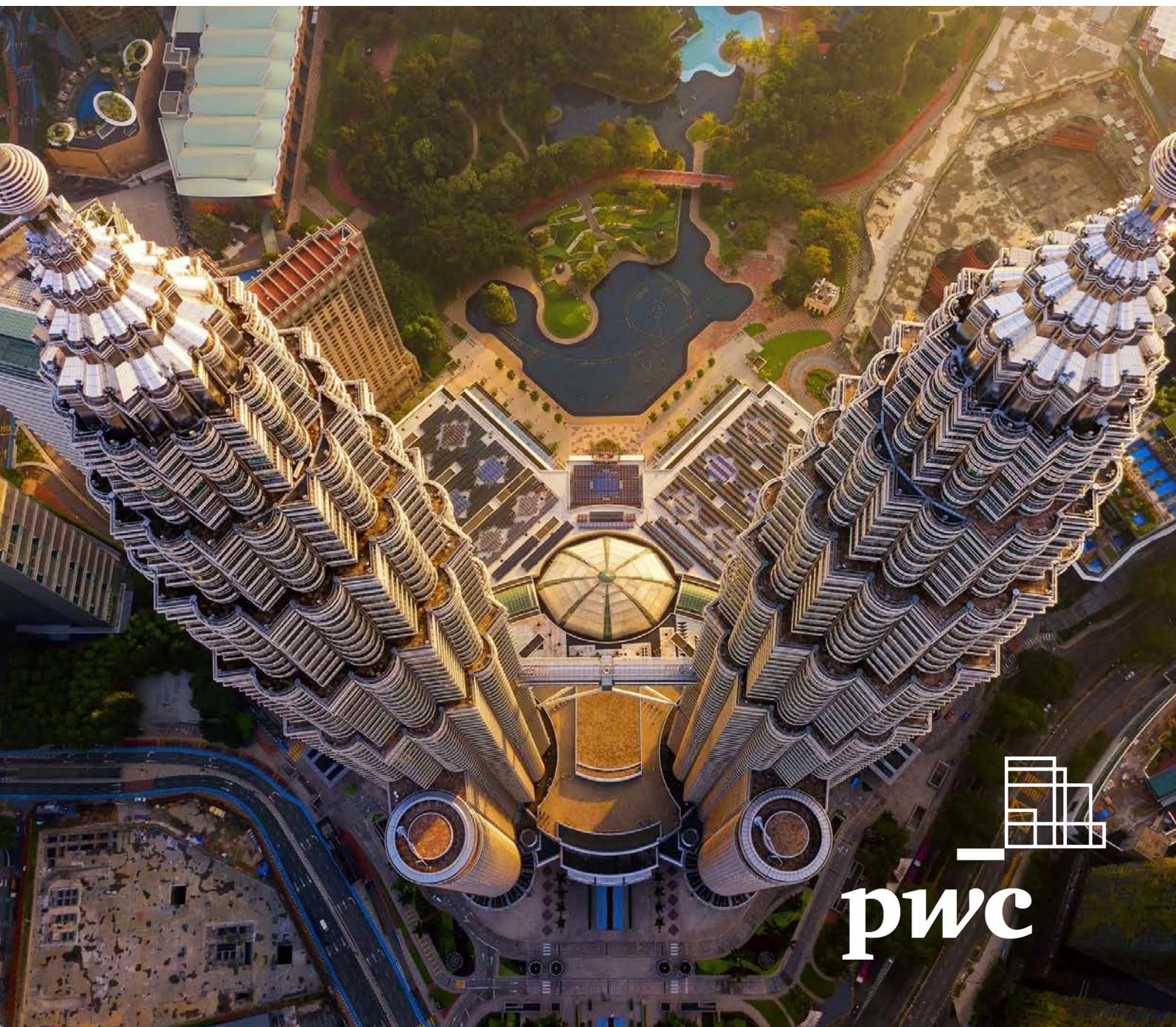
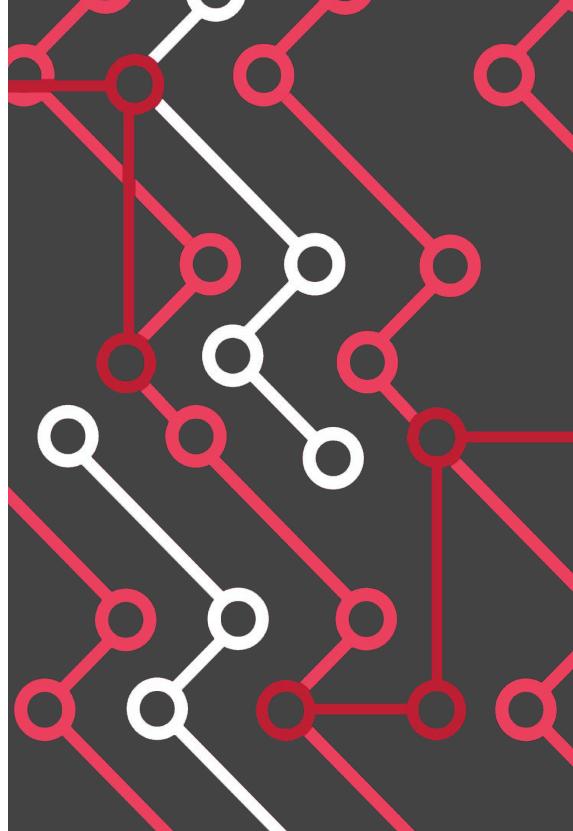


Centre Stage: Budget 2021 Overview



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1 Economic outlook 2021

- Page 5

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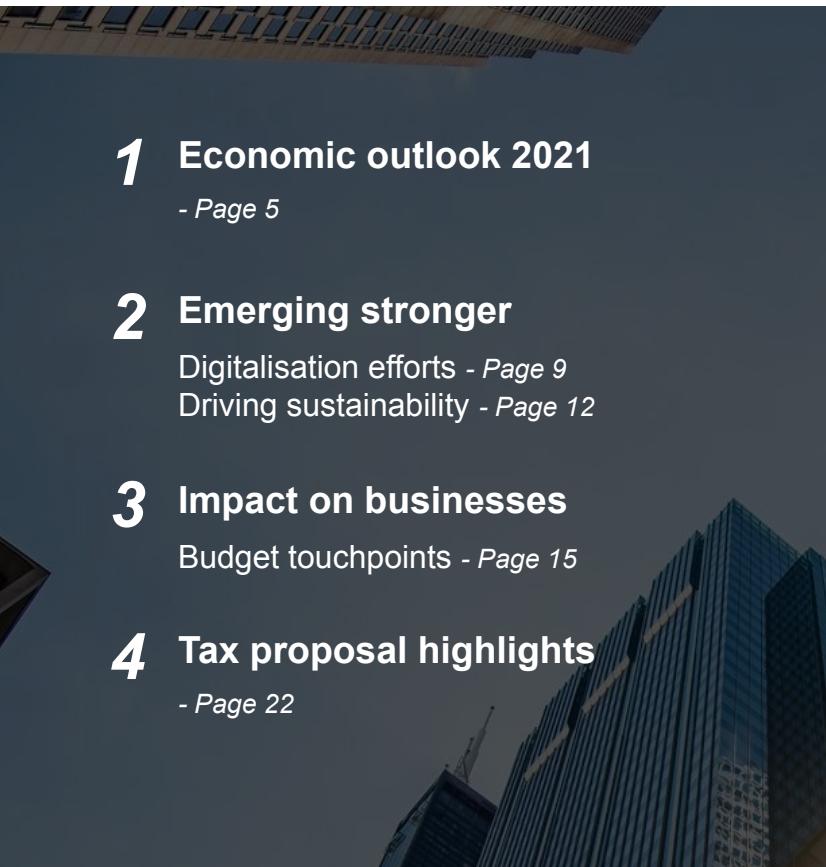
Driving sustainability - Page 12

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Budget 2021 snapshot



Theme

“

Stand United,
We Shall
Prevail

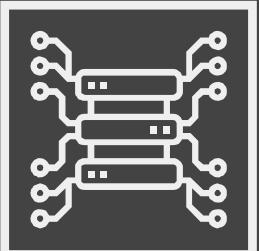
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Key takeaways

Ensuring the Rakyat's well-being by protecting public health, creating and retaining jobs, safeguarding vulnerable groups, and improving social welfare



Supporting business continuity by accelerating investments, strengthening strategic sectors, and improving access to financing



Expansionary Budget, aligned to the 12th Malaysia Plan and SPV2030 towards inclusive and sustainable socio-economic development



Budget 2021 snapshot



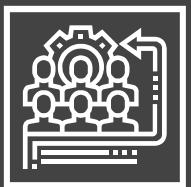
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Budget strategies



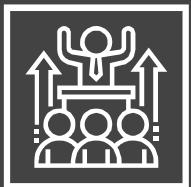
Rakyat's well-being

- Overcoming the Covid-19 pandemic and protecting public health
- Safeguarding the welfare of vulnerable groups
- Generating and retaining jobs
- Prioritising the inclusiveness agenda
- Ensuring the well-being of the rakyat



Business continuity

- Driving investments
- Strengthening key sectors
- Prioritising automation and digitalisation
- Enhancing access to financing



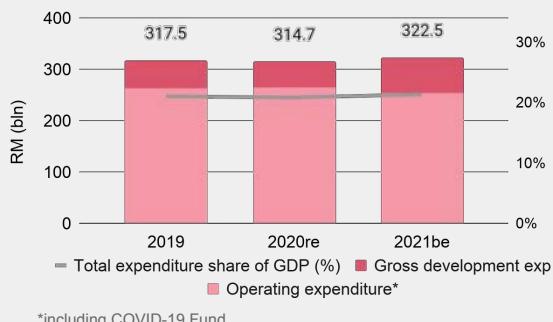
Economic resilience

- Expansionary Budget
- Development agenda under the 12th Malaysia Plan
- Enhancing the role of GLC and civil society
- Ensuring resource sustainability
- Improving the civil service

Budget in numbers

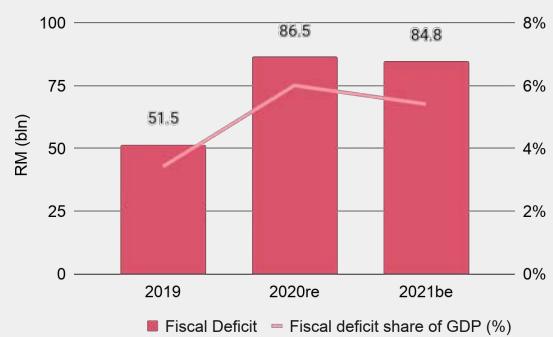
Larger support from Government spending

Federal Government expenditure



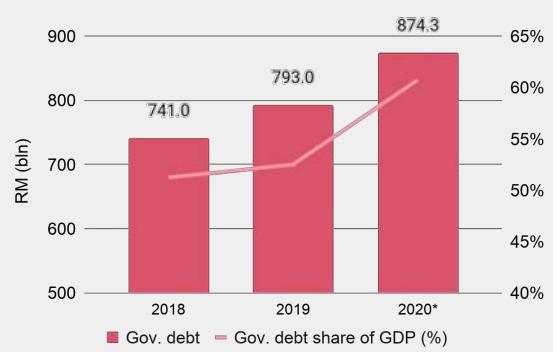
Elevated fiscal deficit

Fiscal deficit



Increased level of debt

Government debt



*For 2020, data is at end September 2020

Abbreviations:

re: revised estimate, be: budget estimate, excluding 2021 measures

Economic outlook 2021

Economic growth to rebound to 6.5% - 7.5% in 2021

The Malaysian economy is projected to recover to above pre-crisis levels in 2021, supported by fiscal expansion and accommodative monetary policy.

The Government is expected to continue increasing expenditure in 2021 to support further economic activity and mitigate the impact of the pandemic.

Private expenditure will expand, driven by the sustained resumption of economic activities.

Across the board recovery in all economic sectors as business activities resume

All economic sectors are expected to recover in 2021, driven mainly by the strong expansion in manufacturing, services and construction sectors. The resumption of business operations in the second half of 2020 is projected to support normalisation of economic activities in 2021.

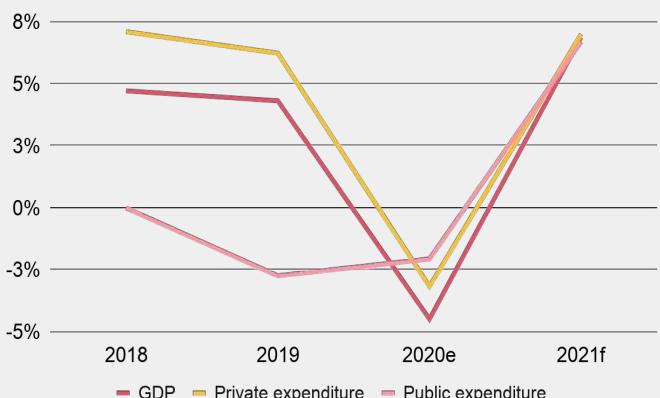
Malaysia's economic growth is expected to exceed the GDP of ASEAN-5 economies

Malaysia and the other ASEAN-5 economies are expected to outpace the expansion of the world economy, on account of steady domestic demand and positive external trade conditions.



Stronger expansion in domestic demand

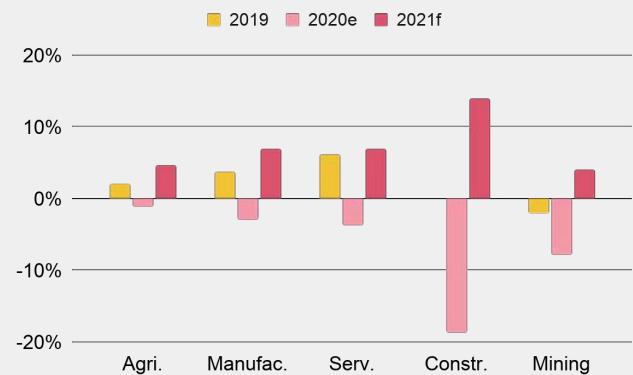
GDP growth by aggregate demand (%)



Source: Ministry of Finance (MOF)

Strong expansion in manufacturing, services and construction sectors

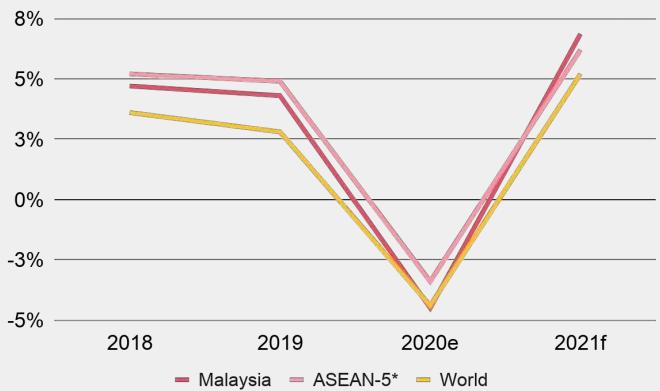
GDP growth by sector (%), 2019-2021



Source: MOF

Malaysia's GDP growth higher than ASEAN-5 economies

GDP growth by region (%)



Source: MOF, IMF World Economic Outlook

Abbreviations:

ASEAN-5: Indonesia, Malaysia, Philippines, Thailand, Vietnam
e: estimate, f: forecast

Economic outlook 2021



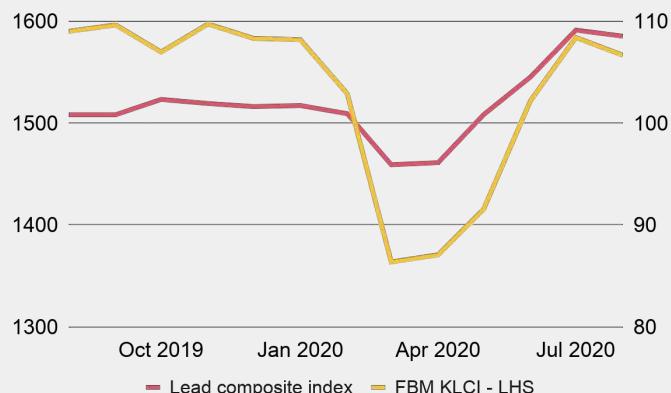
Local sentiments gradually recovering

Business sentiments are adversely impacted by a combination of factors, such as domestic economic disruptions, decline in external demand and low commodity prices.

However, the Government stimulus packages are expected to drive recovery in business confidence.

Monthly economic data signals gradual recovery

Economic indicators



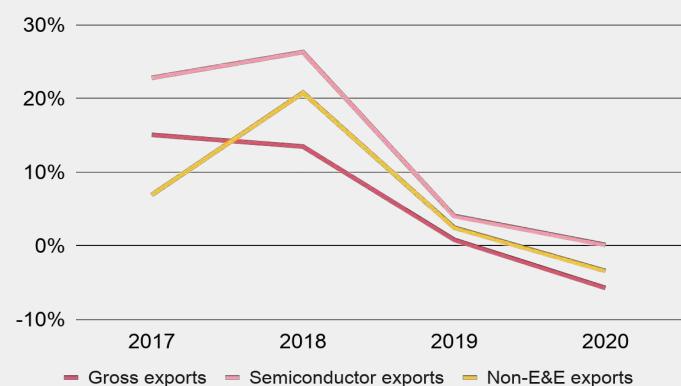
Source: Bank Negara Malaysia (BNM), Bloomberg

Challenging external environment

Exports is expected to decline in 2020 amidst weak demand from major trading partners, reflecting economic disruptions due to the pandemic.

Weak external demand

Gross exports* (% growth)



Source: Department of Statistics Malaysia

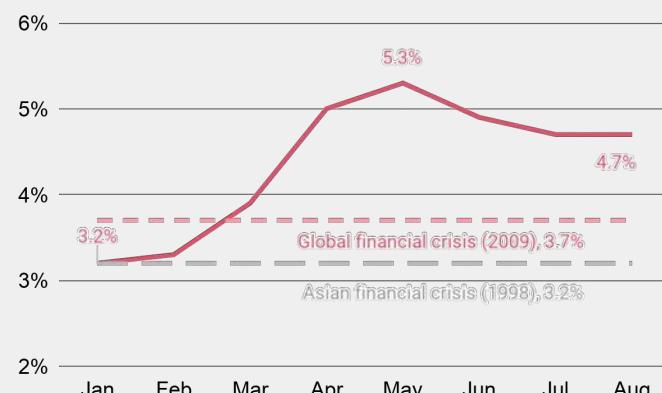
*Jan - Aug

Decline in unemployment

The COVID-19 pandemic and resulting containment measures increased unemployment to an all-time high in May 2020. Since then, the relaxation of the nationwide Movement Control Order (MCO) and Government support measures have stabilised labour market conditions.

Unemployment rate easing from all-time high

Unemployment rate 2020



Source: Department of Statistics Malaysia

Abbreviations:

E&E: Electrical and electronics

FBM KLCI: FTSE Bursa Malaysia KLCI Index

Economic outlook 2021



Recovery across economic sectors

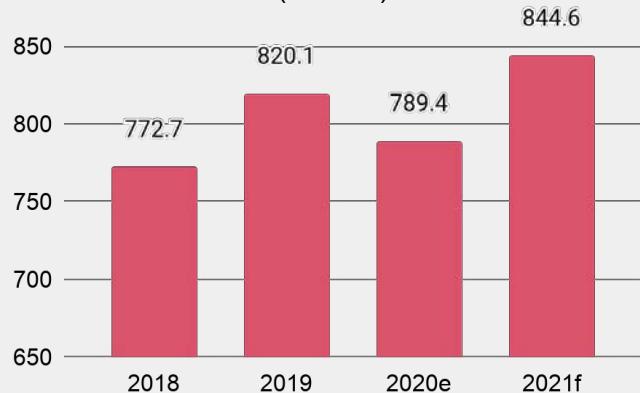
All economic sectors, except mining and construction, are expected to expand above their pre-crisis levels.

The sustained improvement in domestic demand and recovery in external trade are projected to drive manufacturing and services activities.

The revival of major infrastructure projects will support the construction sector in 2021.

All sub-sectors to support services value add in 2021

Services value added (RM bln)

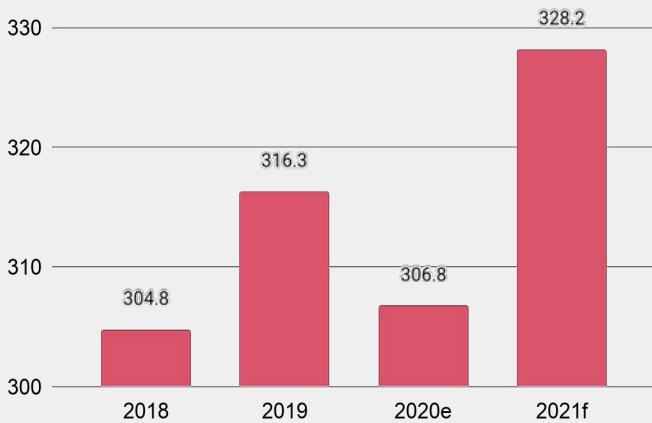


Constant 2015 prices

Source: MOF

Manufacturing sector to exceed pre-crisis level

Manufacturing value added (RM bln)



Constant 2015 prices

Source: MOF

Agriculture sector to turnaround in 2021

Agriculture value added (RM bln)

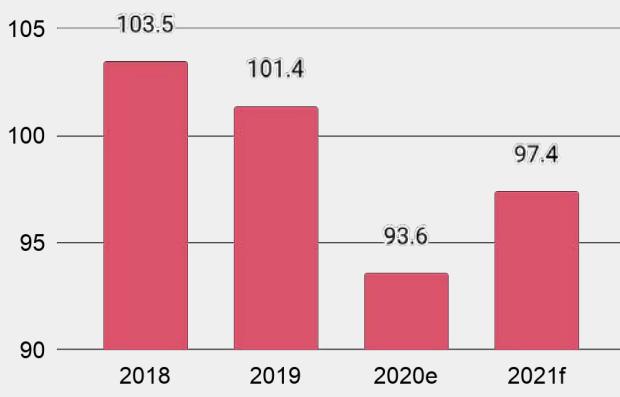


Constant 2015 prices

Source: MOF

Improved demand expected to drive mining sector

Mining and quarrying value added (RM bln)



Constant 2015 prices

Source: MOF

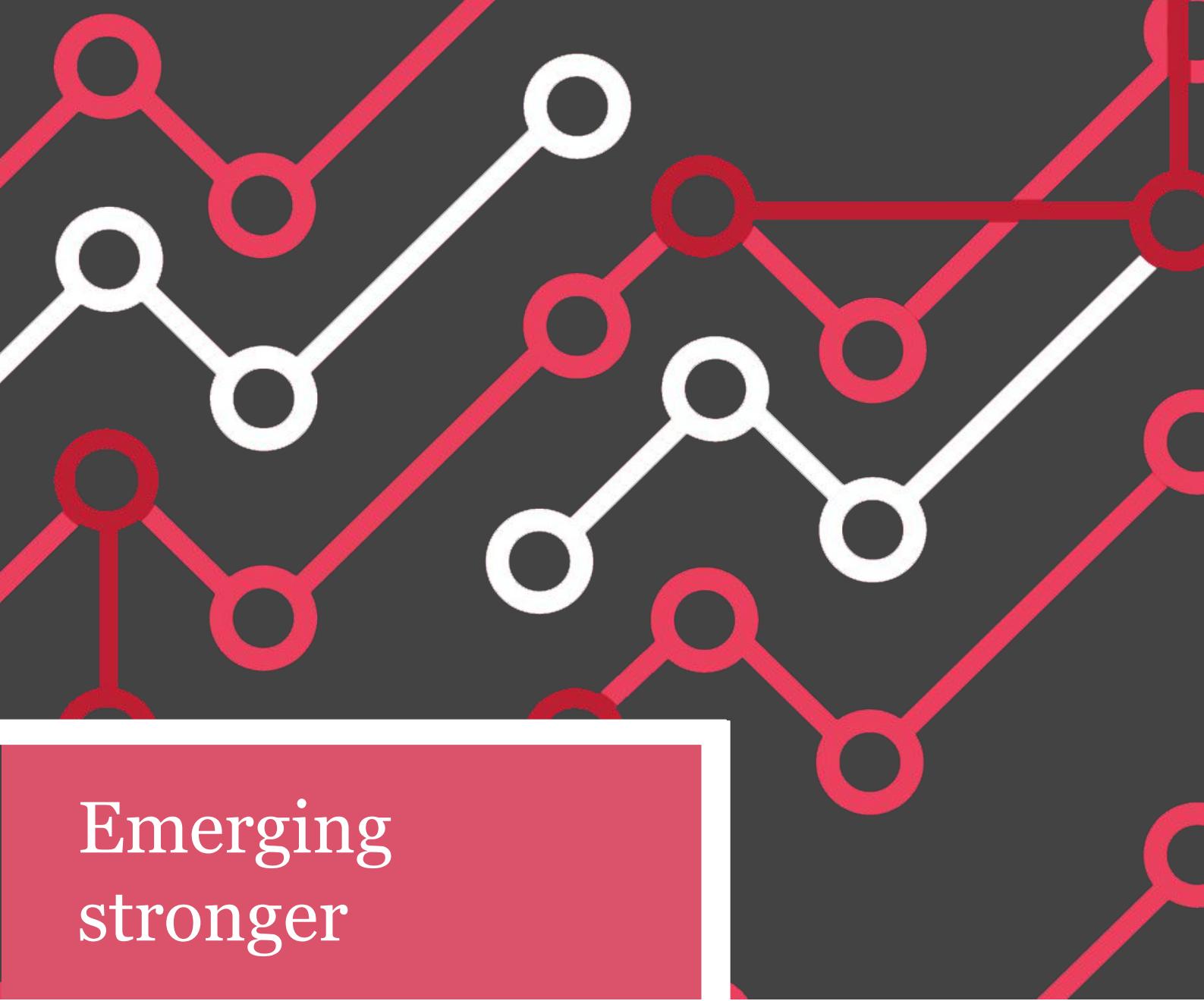
Strong rebound in the construction sector

Construction sector value added (RM bln)

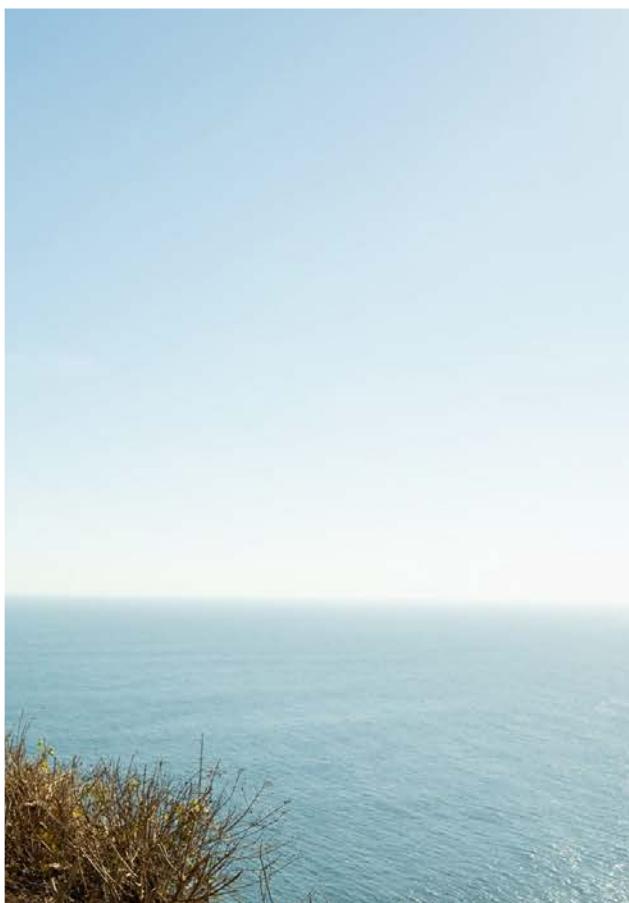


Constant 2015 prices

Source: MOF



Emerging
stronger



Digitalisation efforts



Table 1: Budget allocations to promote digitalisation

Digital infrastructure <ul style="list-style-type: none">RM7.4 bn for MCMC to build and upgrade broadband services in 2021 and 2022RM1.5 bn Jaringan PRIHATIN Programme to alleviate the financial burden of B40 in accessing internet. Telecommunication companies will match the value with free data.RM500 mn to implement the National Digital Network initiative (JENDELA) to ensure the connectivity of 430 schools in MalaysiaRM42 mn under JENDELA to improve connectivity in 25 industrial areas	The need for investment in emerging technologies and digital infrastructure <p>The COVID-19 pandemic has exposed the need for resiliency in our infrastructure. The World Bank and the Global Facility for Disaster Reduction Recovery (GFDRR), reports that the net benefit of infrastructure investment, is \$4 of benefit for each \$1 invested, particularly in low- and middle-income countries.</p>
Digital adoption <ul style="list-style-type: none">RM1 bn for the Industrial Digitalisation Transformation aimed to boost digitalisation activities. Availability of these funds extended until 31/12/2023RM500 mn High Technology Fund provided by Bank Negara Malaysia (BNM) to support high technology and innovative companiesAdditional RM150 mn for the SME Digitalisation Grant Scheme and the Automation Grant, with relaxed conditions for micro SMEs and start-upsRM150 mn to encourage adoption of e-commerce in SMEs through training, sales assistance, and digital equipmentRM27 mn to increase the country's cyber security through Cybersecurity Malaysia	The strong focus on digitalisation, infrastructure and the adoption of emerging technology, signifies the Government's commitment to steer economic recovery for businesses and strengthen the country's overall economic resilience.
Digital upskilling <ul style="list-style-type: none">RM6.5 bn to provide access to quality education for Bumiputera institutions to offer programmes such as digitalisation of TVET learning methodsRM100 mn allocation to MDEC to transition existing workforce to fill the growing needs in the ICT industryRM100 mn for HRDF to provide trainings in collaboration with private sector employersRM230 mn allocated as financing to SMEs e.g. for working capital and upgrading of automation systemsRM50 mn to upgrade the Malaysian Research & Education Network access line to 500Mbps to 10Gbps for internet connectivity in institutions of higher learningRM100 mn to fund Skim BSN MyRinggit-i COMSIS (laptop loan scheme) for PTPTN loan holders to continue their learning online	A photograph showing a close-up of a person's hands interacting with a smartphone. The phone's screen is illuminated with a blue hue, displaying a digital interface with icons and text. In the background, several books are stacked on a surface, suggesting a study or library environment.

Digitalisation efforts



The way forward

To drive greater growth and adoption of emerging technologies, business leaders need to consider:

- Digitalising business operations toward enhancing business agility
- Prioritising investment in digital infrastructure to support new ways of working
- Strengthening e-commerce capabilities to increase customers base

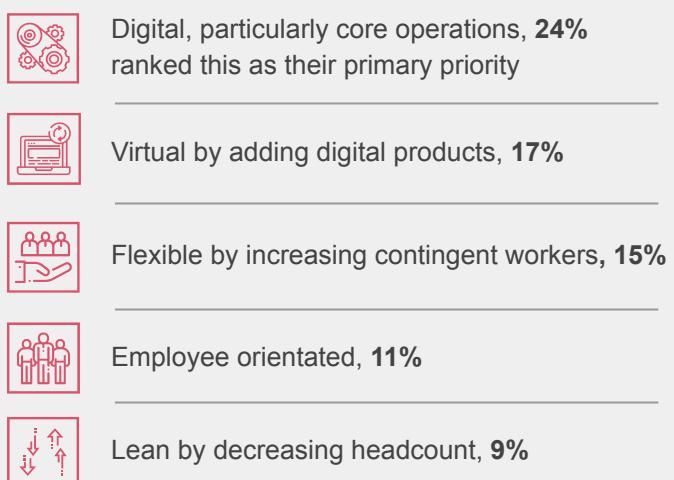
Digitalising core business operations toward enhancing business agility

CEOs must take a holistic view of digital, with a mindset of constant innovation and technology integration in all aspects of business. Prioritise digital adoption in core operations by first identifying what are essential capabilities for themselves, for employees and for customers.

Agriculture and Logistics should focus on emerging technology investment to uplift productivity and improve supply chain and/or distribution channel.

Significant improvements can be gained by harnessing real-time data to have real-time insights in order to make confident decisions and improve business performance.

In PwC's CEO Panel Survey (August 2020), corporate leaders said, "Our business model after COVID-19 will become more...":



Prioritising investment in digital infrastructure and innovative solutions to support new ways of working

Prepare for tomorrow, now. Companies that lead in digital investments, particularly in new ways of working, outperform. (Source: [PwC 2020 Global Digital IQ Survey](#)).

The rise of working from home, collaboration software and digital infrastructure are all designed to drive business growth as well as suit the needs of people and organisations.

Nationally, investment in critical infrastructure such as Broadband, 5G network and Cloud, will further enable organisations to improve efficiencies along the supply chain, for example, or productivity throughout the workforce.

Investment in 'non-physical' infrastructure such as cybersecurity, intellectual property protection, data management and governance are also key in building trust between business and customers, improving business resilience and reduce risk of financial loss.

Strengthening eCommerce capabilities to increase customer base

Consumers are now more socially empowered. Listening and responding are vital capabilities for organisations to expand and improve, particularly for regional and global trade.

Harnessing emerging technology, be that blockchain to secure cashless transaction or internet advertising, AI-enabled analytics, and augmented reality (AR)/virtual reality(VR) shopping.

CEOs must consider having robust and diversified digital engagements, with unified experience across all channels. Opportunities to forge new strategic partnerships across industry and invest in customer relationship management technology to drive frictionless commerce and engagement.

Source: [PwC Consumer Insights Survey, 2020](#)

Source: [PwC CEO Panel Survey - How business can emerge stronger, 2020](#)

N.B. Respondents chose multiple options

Digitalisation efforts



Malaysia's investment in digital infrastructure

Through a digital infrastructure plan called National Digital Network (JENDELA), the Government committed to upgrade the network coverage and capacity to expand the readiness and quality of communications network.

RM21B

Total estimated cost to implement JENDELA

↑ 5.1%

Increase 4G coverage in populated areas from 91.6% to 96.9% by 2022

35Mbps

Increase mobile broadband speed from 25Mbps to 35Mbps by 2022

Source: [MCMC](#)

Upskilling in a digital world

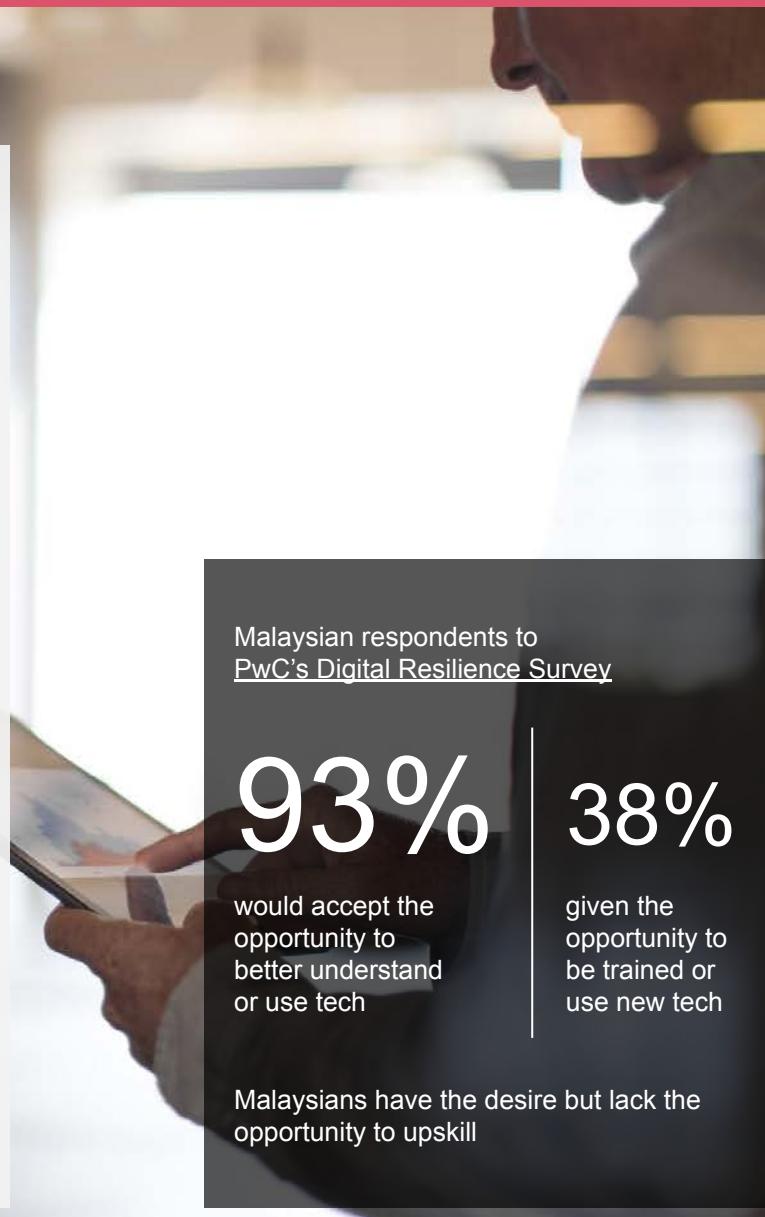
It's a positive signal to see a continued focus on reskilling and upskilling in the Budget.

We see allocations of RM100 mn each through established government agencies such as HRDF, MDEC and also regional development agencies. For the broader workforce, targeted initiatives focus on graduates, employment programmes and the airline industry amongst others. A further RM6.5 bn has been allocated to provide access to quality education to Bumiputera institutions through programmes such as digitalisation of TVET learning methods. The increase in personal tax relief for upskilling courses up to RM1,000 is encouraging and will embed continuous learning across all age groups.

The way forward

While Malaysia is shifting towards a digital future, progressive organisations are embracing the fact that upskilling requires more than just a training programme, they also:

1. Understand and assess their capabilities and skills
2. Define their upskilling and reskilling strategy
3. Lay the cultural foundation for learning and relearning



Driving sustainability



Government 2021 Sustainability Agenda

This year's Budget has embedded sustainability and for the first time, the Budget is aligned with the United Nations' (UN) 17 Sustainable Development Goals (SDGs).

The COVID-19 pandemic has been a wake-up call for the world and for Malaysia, we need to rethink our development agenda particularly with regards to sustainability and green technology, which will play a vital role in driving the economy.

Malaysia will need to look at its development path and address ongoing environmental degradation issues such as (plastic) waste generation, decrease in forest cover and value of biodiversity.

The Government has provided a comprehensive list of measures in the Budget (see table on the right) to support the private sector's sustainable initiatives from funding, adoption of green/climate technology to strengthening of natural resources and biodiversity.



Table 2: Sustainable initiatives announced in Budget 2021

Budget 2021 is aligned with the UN SDGs to move towards a more prosperous, sustainable and inclusive future.

Sustainable financing

- **Creating a Sustainable Financial Hub, and positioning Malaysia as a regional hub for a sustainable lifestyle.** The Government plans to:
 - Continue to formulate its long-term efforts for this purpose
 - Issue its first Sustainability Bond in Malaysia for environmental and social initiatives in 2021.
- **Income tax exemption for SRI green sukuk grant is extended** to all types of sukuk and bonds until 2025
- RM500 mn for Forest Plantation Development Loan (PPLH) programme
- An e-Rebate of RM200 to households that buy any locally manufactured **energy efficient air conditioner or refrigerator**
- The Sustainable Development Financing Scheme will be extended until December 2023

Sustainable adoption

- **The RM2 bn Green Technology Financing Scheme 3.0 (GTFS3.0) will be continued** for two years up to 2022
 - GTFS3.0 will be guaranteed by Danajamin to encourage the issuance of SRI sukuk
- The Government supports the initiative taken by the **Sarawak State Government in using public buses that operate on hydrogen fuel cells.**
- **Preserving natural resources**
 - RM170 mn in initiatives to address waste management, biodiversity, environmental quality monitoring enforcement and tree planting
 - RM20 mn to strengthen the Biodiversity Protection and Patrol Program to control the biodiversity of forest areas and poaching
- RM100 mn allocation for implementation of **impactful and high-value farming projects**



Driving sustainability



Opportunity to address environmental degradation & risk through green investment and funding

Environmental degradation and risk in Malaysia, e.g.

193 ,000 ha

Loss of natural forest
in Malaysia in 2019

Global Forest Watch

RM 287 bn

worth of total assets of banks
are potentially exposed to
climate change

Bank Negara Malaysia

Green investment and funding in Malaysia

RM 33bn

Investments in green
energy to achieve 2025
green energy target

The Edge

RM 5bn

Total Issuance of
green bonds as at
June 2020

RAM

Companies can play a strategic role in addressing sustainability issues through climate tech

To support their commitment to a low carbon transition, companies can play a greater role by increasing investment in climate tech.

For example, PETRONAS has stated that they will invest in nature-based solutions as part of their Net Zero carbon emissions target. Companies in the agricultural sector can look into the RM100 mn allocation for implementation of impactful high-value farming projects mentioned in this budget.

To deploy and scale new climate tech solutions, corporates need to:

- Integrate environmental commitment into their company innovation and investment strategy to help identify and fund climate tech solutions
- Be willing to pilot and conduct proof-of-concept at an earlier stage
- Explore partnerships with climate tech startups to help them scale while helping to meet their own climate targets
- Attract climate finance providers to bridge the funding gap for climate tech startups

Increased investments and heightened investor interest in climate tech

US\$ 60bn

VC investment in climate
tech between 2013-19

84%

compound annual
growth rate 2013-2019

Opportunity categories for climate tech solutions and investments



Energy



Mobility and
Transport



Food,
Agriculture
and Land
Use



Heavy
Industry

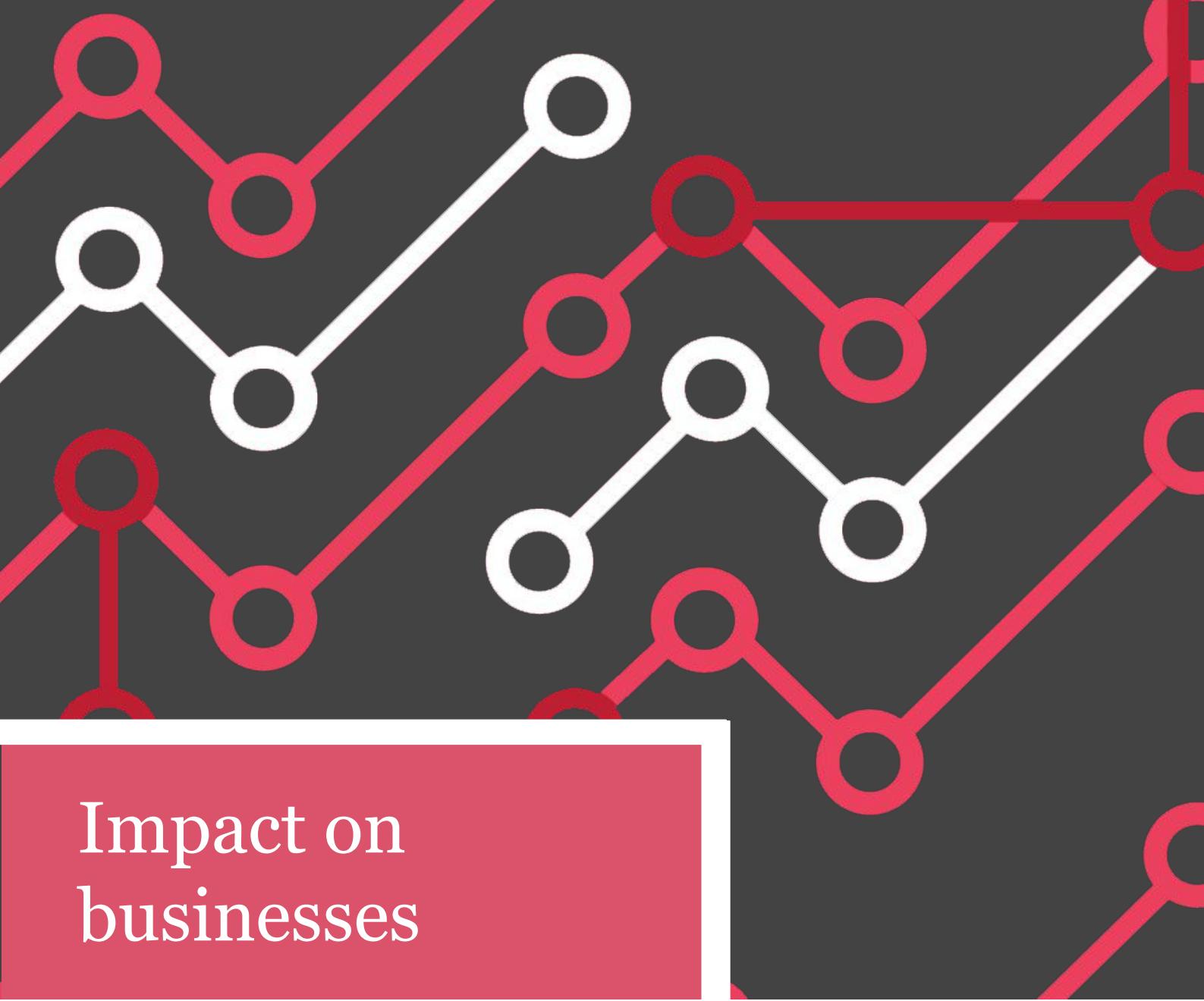


Built
Environment

GHG Capture and Storage

Climate and Earth Data Generation

Source: PwC [The State of Climate Tech 2020](#)



Impact on businesses



Impact on businesses: Budget touchpoints



Overview of Budget initiatives

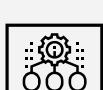
The Government has put together an expansionary Budget 2021 amid the challenging health and economic climate the country is facing.

This year's Budget is focused on:

- Investing in the public healthcare system

- Helping vulnerable individuals, enterprises and industries adversely affected by the pandemic
- Stimulating economic activities to provide jobs and business activities to drive growth and recovery in 2021

Here's a quick overview of the economic and fiscal policies in Budget 2021 that would have an impact on businesses:

Rakyat's well-being	Business continuity	Economic resilience
		
 Overcoming the pandemic	 Supporting SMEs financially	 Spearheading infrastructure development
 Retaining jobs	 Strengthening supply chain & key sectors	 Supporting regional prosperity
 Generating employment	 Prioritising automation and digitalisation <small>(special feature on page 9)</small>	 Driving sustainable growth trajectory <small>(special feature on page 12)</small>
 Enhancing targeted repayment assistances	 Enhancing access to financing	
 Alleviating financial hardships	 Incentivising investments	
 Encouraging spending via tax relieves		
 Encouraging home ownership		
 Supporting Bumiputera		

Impact on businesses



Rakyat's well-being

Overcoming the pandemic

- **Covid-19 Fund ceiling raised to RM65 bn**
To cover additional assistance under KITA PRIHATIN package.
- **RM1 bn aid allocated to curb third wave of Covid-19 spread**
Measures include RM475 mn for purchase of reagent supplies, test kits and consumables for Ministry of Health, and RM318 mn for PPE and hand sanitisers.
- **RM3 bn to acquire COVID-19 vaccine supplies**
Acquisitions through participation in the COVID-19 Vaccine Global Access (COVAX) Programme.

Retaining jobs

- **RM3.7 bn to implement Skim Jaminan Penjanaan Pekerjaan (JanaKerja)**
The scheme will provide 500,000 new job opportunities including skills development and retraining programmes.
- **RM1.5 bn to extend the Wage Subsidy Programme with more targeted approach**
Implementation to be extended for another three months, specifically for the tourism sector which includes the retail sector.

Generating employment

- **RM700 mn allocation for MySTEP (Short-term Employment Programme)**
The initiative will offer 50,000 job opportunities on a contract basis in the public sector and Government Linked Companies (GLC) starting January 2021.
- **RM2 bn for enhancing hiring incentive programme PenjanaKerjaya under PERKESO**
The programme includes a maximum incentive of RM4,000 for employees earning RM1,500 and above, as well as employers to be given 20% of employee's monthly income as incentive for hiring retrenched workers.



Impact on businesses



Rakyat's well-being (cont'd)

Enhancing targeted repayment assistances

- **Enhance Targeted Loan Repayment Assistance to B40 and micro enterprises with loans up to RM150 k**
Borrowers will be granted the option of either applying for a 3-month loan moratorium or a 50% reduction in monthly repayment for 6 months.
- **Simplified process for M40 applications for repayment assistance**
Borrowers only need to self-declare the income reduction to secure repayment assistance.

Alleviating financial hardships

- **Reduction of employees' minimum EPF contribution to 9%** starting January 2021, translating into RM9.3 bn cash flow.
- **EPF allows withdrawal from Account 2** for the purchase of life insurance and takaful protection products and for critical illnesses.
- **RM500 withdrawal monthly from EPF Account 1 for 12 months**, projected total withdrawal will involve RM4 bn.

Encouraging spending via tax relieves

- **Higher tax relief limit for:**
 - Medical treatment for serious illnesses
 - Full health screening
 - Expenses for medical treatment, special needs and parental care
- **Individual income tax relief of up to RM3,000 for PRS contributions**
Tax relief is extended to YA2025 to further encourage old-age savings.
- **Individual income tax reduction by 1 percentage point** for chargeable income band of RM50,001 to RM70,000. To benefit 1.4 million taxpayers.

For more details, please refer to page 24.



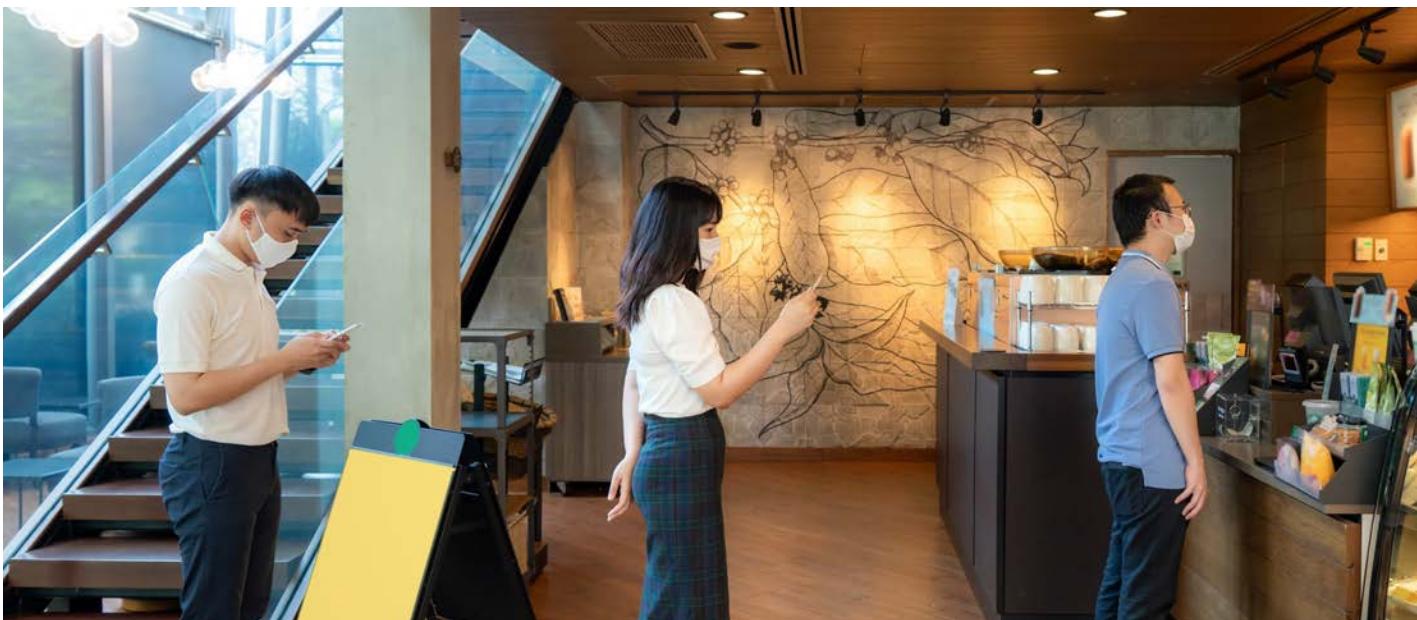
Impact on businesses



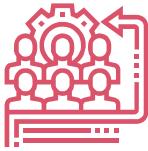
Encouraging home ownership

Rakyat's well-being (cont'd)

- **RM1.2 bn to provide comfortable and quality housing for low-income group**
 - RM500 mn to build low cost houses under the Programme Perumahan Rakyat
 - RM315 mn to construct Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad
 - RM310 mn for the Malaysia Civil Servants Housing Programme (PPAM)
- **RM1 bn worth of Rent-to-Own Scheme for first-time home buyers**
The scheme will be in collaboration with selected financial institutions and to be implemented until 2022.
- **RM4.6 bn to boost and empower Bumiputera SME entrepreneurs**
 - RM2 bn for financing of Bumiputera SMEs through Syarikat Jaminan Pembiayaan Perniagaan (SJPP)
 - RM1.3 bn for various capacity building programmes e.g Bumiputera projects
- **RM750 mn for Bumiputera commercial developments**
To increase the value of Bumiputera holdings in real estate especially for commercial developments on Malay reserve land.
- **RM400 mn for FELDA settlers**
To write-off the interest on the settlers' debt as well as development programmes for settlers to generate additional income.
- **RM150 mn to enhance Employment Insurance Scheme**
Job Search Allowance to be extended by 3 months, with an 80% rate for the first month, 50% in the second to sixth month, and, 30% in the final three months.



Impact on businesses



Business continuity

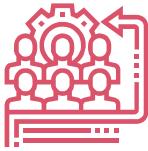
Supporting SMEs financially

- **RM2 bn of Targeted Assistance and Rehabilitation facility under BNM**
Introduced through loans from banking institutions to assist affected SMEs
- **RM1.9 bn of soft loan and grants to SMEs and MSMEs under PRIHATIN and PENJANA packages**
To ease access to financing.
- **RM1.2 bn of micro credit financing through TEKUN, PUNB, Agrobank, BSN and other financial institutions**
Encourage entrepreneurship among gig workers and self-employed individuals
- **RM10 bn increase of loan guarantee under Syarikat Jaminan Pembiayaan Perniagaan (SJPP)**
RM2 bn will be reserved specifically for bumiputera entrepreneurs.
- **RM300 mn by EXIM Bank to drive the National Supply Chain Finance Platform (Jana Niaga)**
Alleviate cash flow problem of SMEs that supply to the government and GLCs. It will be implemented together with Petronas and Telekom Malaysia before being rolled out to other GLCs, Ministries and Government agencies in the future.
- **RM300 mn under Lestari Bumi Financing Facility Scheme by SME Bank**
Encourage the transformation of bumiputera micro and small businesses to a higher category.
- **RM230 mn allocation for SME financing under PUNB**
Used for working capital, upgrading of automation systems and equipment, expenditure-related to the implementation of COVID-19 SOP compliance.

Strengthening supply chain & key sectors

- **RM1.4 bn National Development Scheme (NDS) by Bank Pembangunan Malaysia**
Supporting the implementation and development of a domestic supply chain and increasing the production of local products.
- **Extension of RM3.7 bn fund covering Maritime Development and Logistics Scheme; Sustainable Development Financing Scheme; Tourism Infrastructure Scheme and Public Transport Fund**
These schemes will be extended until 31 December 2023.

Impact on businesses



Business continuity (cont'd)

Enhancing access to financing

- **RM3 bn guarantee for corporations in highly skilled industries under the Danajamin Prihatin Guarantee Scheme**
Namely, applicable to the O&G and aerospace industries and will be extended until 2021 with improved terms and conditions.
- **Formulation of the Consumer Credit Act under BNM and the Securities Commission (SC)**
Encourage standardise credit lending and increase consumer protection. It will function as a regulatory framework for the issuance of consumer credit and to strengthen supervision of non-bank and non-supervised credit providers.
- **RM30 mn in matching grants and income tax exemption towards Equity Crowd Funding (ECF) platforms under supervision of the SC**
Encourage more individual investors to take part in alternative financing. Income tax exemption of 50% of the investment amount or limited to RM50,000 will be given.

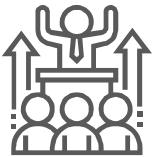
Incentivising investments

- **Tax incentives offered as part of making Malaysia a destination for value service activities**
Please refer to pages 22 and 24 of the tax section.
- **Extending tax incentives to private higher education institutions**
To nurture a more competitive R&D ecosystem, tax incentives for non-resource-based R&D product commercialisation activities and tax incentives for commercialisation of R&D products.
- **Preferential tax rate to pharmaceutical manufacturers**
To encourage investment in Malaysia. Please refer to page 23 of the tax section.

Others

- **Exemption of HRDF levies for companies affected by COVID-19**
Reducing cash flow burdens of the tourism sector and companies affected by the COVID-19 pandemic.

Impact on businesses



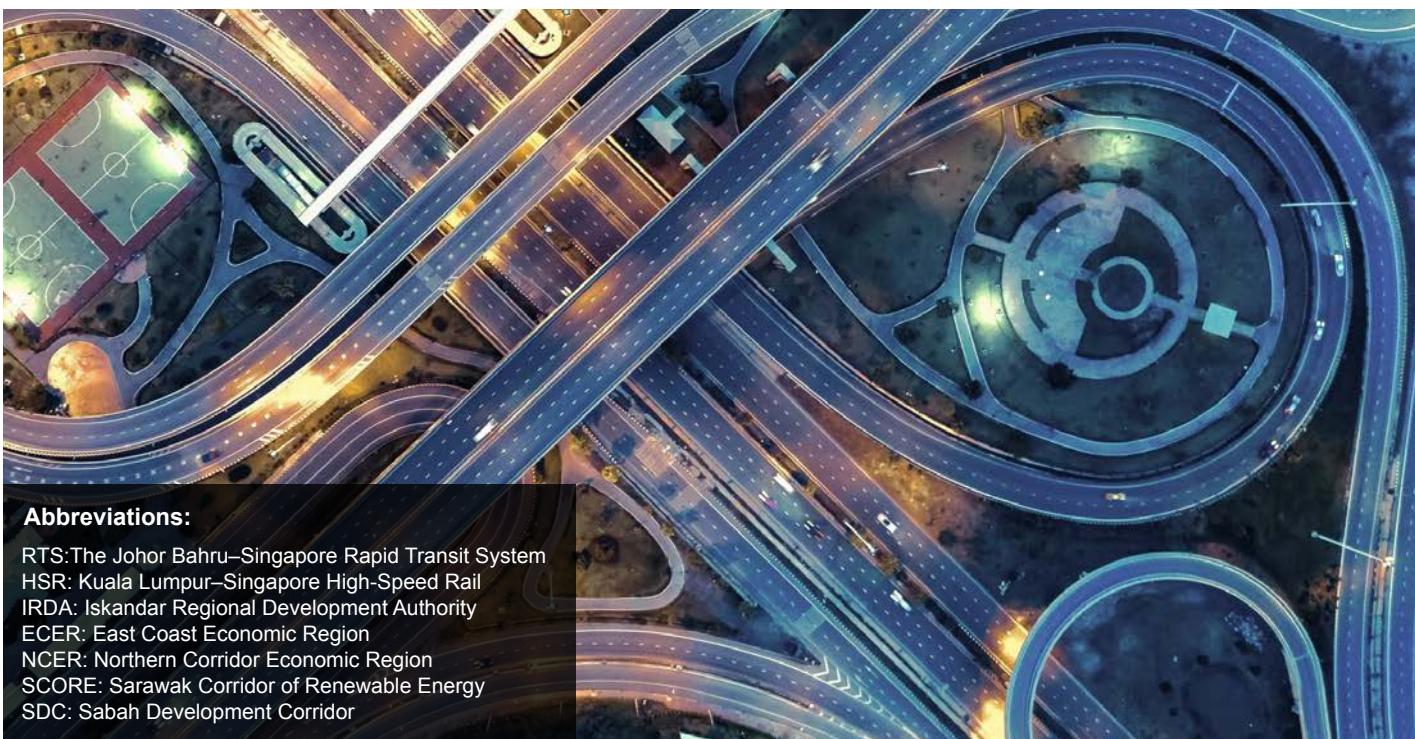
Spearheading infrastructure development

Economic resilience

- RM15 bn to fund Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-Tracking Project and Klang Valley Double Tracking Project**
Other projects that will be continued: Johor Bahru-Woodlands RTS, MRT3 in Klang Valley. Continuation of HSR project is subject to further discussion with Singapore.
- RM3.8 bn allocated to fund several large infrastructure projects**
Includes construction and upgrading of highways, roads, bridges.
- EPF to continue the development of Kwasa Damansara with an estimated Gross Development Value of RM50 bn.**
More than 100,000 jobs to be created, 25,000 houses to be built.

Supporting regional prosperity

- RM780 mn for developments in the five regional corridors of economic development**
e.g. IRDA, ECER, NCER, SCORE, SDC
- RM5.1 bn ringgit and RM4.5 bn for Development Expenditure in Sabah and Sarawak respectively**
Includes allocation for upgrading water, electricity, and road infrastructure, health and education facilities.



Budget 2021 tax proposals



Highlights



Tax Incentives

- The **tax incentives** available for new and existing companies **relocating their operations** from abroad to Malaysia announced in PENJANA to benefit from the global supply chain disruption have now been **expanded** to include companies in **selected services sector** including companies adapting Industrial Revolution 4.0, digitalisation technology with investment that contribute to significant multiplier effect and any services/manufacturing related services approved by the Minister of Finance, as follows:

1. New Company: 0% to 10% income tax rate for a period up to 10 years
2. Existing Company with new services segment: 10% income tax rate for a period up to 10 years

Applications to MIDA have been extended by another year to end 31 December 2022.

15% individual income tax is proposed to be given to **non-residents in C-Suite positions** for a period of 5 consecutive years, subject to meeting the relevant conditions. This tax incentive is limited to 5 non-resident individuals employed in each company that has been granted relocation tax incentive under PENJANA initiative. Applications to MIDA from 7 November 2020 until 31 December 2021.

- To spur regionalisation centres in Malaysia to attract investment, **introduction** of a **Global Trading Centre (“GTC”)** incentive and **relaxation and extension** of the **Principal Hub (“PH”)** incentive

As a measure to enhance and simplify the tax incentive for trading activities previously covered under the PH incentives which was subjected to higher eligibility criteria, a new GTC incentive scheme is proposed to be introduced, with 10% income tax rate for a period of 5 years and renewable for another 5 years. Applications to MIDA from 1 January 2021 until 31 December 2022

To continue to incentivise more multinational companies to establish their PH in Malaysia, it is proposed that:

1. The incentive application period be extended for another 2 years up to 31 December 2022; and
2. The conditions for renewal of the incentive for the second 5 years be relaxed



Budget 2021 tax proposals



Highlights (cont'd)



Tax Incentives (cont'd)

- A new **tax incentive** proposed to encourage **manufacturers of pharmaceutical products including vaccines** especially COVID-19 vaccine to invest in Malaysia:
 1. Income tax rate of 0% up to 10% for the first 10 years; and
 2. Income tax rate of 10% for the subsequent period of 10 years.

Additionally, strategic investments by such companies may be considered for other facilities including grants, import duty/sales tax exemption for machineries and equipment as well as raw materials. Applications to MIDA end on 31 December 2022.
- **Existing tax incentives** (including aerospace MRO activities, building and repair of ships, Bionexus status and economic corridor developments) due to end 2020 will be **extended until 2022** while a comprehensive study of the tax incentive framework is being undertaken to ensure that it remains competitive, transparent and relevant in current times.
- Existing **income tax exemption on grant for Green Sustainable and Responsible Investments (SRI) expanded** for a period of **5 years** to all SRI sukuk and bond which meets the ASEAN Green, Social and Sustainability Bond Standards approved by Securities Commission to further encourage the issuance of SRI sukuk and bond that meet green, social and sustainability standards in Malaysia.



Budget 2021 tax proposals



Highlights (cont'd)



Personal Tax

- **Tax rate reduction** for the RM50,001 to RM70,000 income tax bracket by 1% from 14% to 13%.
- Increased **medical and care relief** for self, spouse and child of up to RM8,000 for specific expenses and segments (e.g. parental care and serious diseases) and expanded scope to include certain vaccination.
- Increased and expanded **lifestyle relief** up to RM3,000 in relation to sporting activities and including e-newspapers.
- Extended RM8,000 **Skim Simpanan Pendidikan Nasional relief** and RM3,000 **Private Retirement Scheme relief** to Year of Assessment 2022 and 2025 respectively.
- Increased RM1,500 of **disabled spouse relief**.
- Expanded RM7,000 **study relief** to include recognised up-skilling and self-enhancement courses.
- Increased exemption to RM20,000 for each full year of service for **compensation for loss of employment** with the same employer or companies within the same group.



Indirect Taxes / Customs

- **Increase of sales limit for value-added and additional activities carried out in the Free Industrial Zone (“FIZ”) and Licensed Manufacturing Warehouse (“LMW”)** Threshold has been increased from 10% to 40% in relation to sales value from activities such as R&D, product design, quality control, supply chain management etc carried out in FIZ and LMW. This should further enhance Malaysia’s competitiveness in line with shifting global trade dynamics as well as allow businesses to have more flexibility in deciding their value-added activities in the country.



Let's talk



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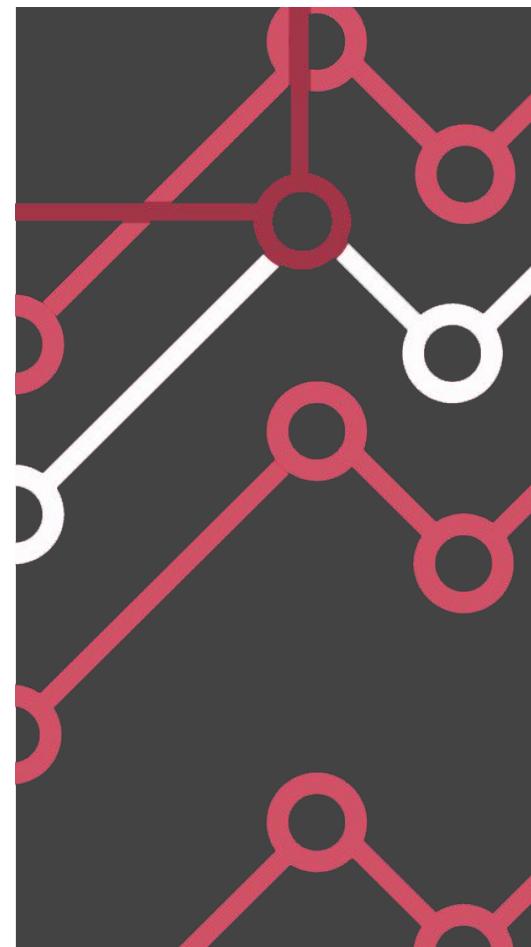
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