

# Centre Stage: Budget 2022 Overview

## Foreword

*Page 2*

## Budget snapshot

*Page 3*

## Economic outlook 2022

*Page 5*

## Key budget measures

*Page 7*

## Tax proposal highlights

*Page 13*



# Foreword

“

Budget 2022 has the momentous task of spurring the Malaysian economy towards recovery whilst balancing spending against significant pressure on government revenues

”



With the global pandemic stretching far beyond initial expectations, Budget 2022 measures which involve the country's largest ever allocation of RM332.1 billion, has the momentous task of spurring economic recovery whilst balancing spending against significant borrowings.

Highlighted below are some of the key themes of the budget measures announced:

## Expanding the tax base

Given the challenging circumstances, Budget 2022 turns to a number of administrative measures and tweaks to expand the tax base. This includes imposing taxes on foreign income received in Malaysia by Malaysian tax residents and the expansion of excise duties to cover premises and e-cigarettes / vape products. There is also a continued focus on taxing the digital economy, by expanding sales tax coverage to overseas low value purchases from online vendors delivered by air, and service taxes on delivery services.

What is perhaps unexpected, but clearly put in place to increase tax revenues in the short term, is the increased 'one-off' tax rate of 33% on the portion of chargeable income in excess of RM100 million for the YA 2022.

## A focus on employment and upskilling

Employment and upskilling of the Malaysian workforce continues to be a key focus, with the objective of bringing down the national unemployment rate to 4% through a 4.8 billion allocation under the Jamin Kerja Keluarga Malaysia (JaminKerja) initiative. The initiative covers hiring incentives, short-term employment programme by GLCs and upskilling and reskilling programmes.

## Enhancing compliance

Given the success of previous tax amnesty programmes, the government is now offering a 50% to 100% remission of penalties for voluntary disclosure of unpaid indirect taxes, including the now abolished GST, sales and service tax, import duties and excise duties.

## Driving the ESG agenda

In an effort to further strengthen the sustainability agenda, the government has announced a number of measures, such as the launch of the Voluntary Carbon Market on Bursa Malaysia and the RM1 billion fund under BNM to assist SMEs to transition to low-carbon operating models. There is also an expansion of the green tax incentives to include rainwater harvesting systems and the introduction of tax exemptions and reliefs to encourage the adoption of electric vehicles (EVs).

## Achieving fiscal sustainability

It is heartening to see that the budget deficit is targeted to be maintained at 6%, and this is likely to be achieved through the expansion of the scope of current taxes. This provides room for larger structural reforms in the coming years to further broaden the tax base.

With a newly introduced budget monitoring committee, we anticipate that the initiatives announced in Budget 2022 would better achieve their intended objectives.

## Jagdev Singh

Tax Leader, PwC Malaysia

# Budget snapshot

## Budget 2022: Keluarga Malaysia, Makmur Sejahtera

### Focus 1: Rakyat's Well Being



#### Restoring lives and livelihoods

- Direct Cash Assistance and Welfare
- Access to Public Healthcare Facilities
- Quality Education for All
- Generating and Sustaining Jobs
- Social Protection

#### Cultivating Keluarga Malaysia

- Bumiputera Development and Islamic Pillar
- Community Empowerment
- Women Empowerment
- Community Focused Empowerment
- Youth and Sports Development

#### Building a conductive living environment

- Alleviating the Cost of Living
- Home Ownership
- Access to Public Transportation
- Rural Infrastructure
- National Defence and Public Safety

### Focus 2: Resilient Businesses



#### Revive business capabilities

- Microcredit Scheme
- Business Financing and Alternative Financing
- Business Financing Guarantee
- Ease of Doing Business

#### Driving strategic investments

- Investments in Key Sectors
- Science, Technology and Innovation
- Perkukuh Pelaburan Rakyat Initiative (PERKUKUH)

#### Recovery for targeted sectors

- Tourism Industry
- Creative Industry
- Retail Industry
- Agricultural Industry, Food Security and Commodities

### Focus 3: A Prosperous and Sustainable Economy



#### Sustainability agenda

- Low Carbon Practice
- Environment and Biodiversity
- Community Empowerment
- Sustainability Sukuk

#### Bridging the economic gap

- Development Projects for Recovery
- Inter-Regional Development
- Digital Connectivity Projects

#### Fiscal consolidation and revenue sustainability

- Fiscal Responsibility Act (FRA)
- Revenue Sustainability Measures

#### Supporting public service delivery

- Reforming Service Delivery
- Government servants' Welfare

# Budget snapshot

## Fiscal position

Budget remains expansionary

### Smaller Budget deficit

\* -RM97 bn  
Revenue: RM234 bn  
Expenditure: RM332 bn

**2022: -6.0% of GDP\***

2021: -6.5% of GDP

Deficit is primarily financed by Government borrowings

### Elevated Government debt

\*Government debt ceiling set to be raised from 60% to 65% of GDP

**2021: 63.3% of GDP\***

*as at end-June*

Moderate increase in revenue and operating expenditure

### Up 5.9% Revenue

**2022: RM234 bn**

2021: RM221 bn

### Up 6.3% Operating expenditure

**2022: RM234 bn**

2021: RM220 bn

Significantly higher development expenditure amid lower COVID-19 funds

### Up 22% Gross development expenditure

**2022: RM76 bn**

2021: RM62 bn

### Drop in COVID-19 Fund allocation

**2022: RM23 bn**

2021: RM39 bn

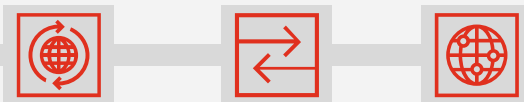


Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

# Economic outlook 2022

## Continued global economic expansion in 2022

Global and regional growth



Year	Global economic growth	International trade growth	ASEAN-5 growth
<b>2022f</b>	<b>4.9%</b>	<b>6.7%</b>	<b>5.8%</b>
2021e	5.9%	9.7%	2.9%

ASEAN-5: Indonesia, Malaysia, Philippines, Thailand, Vietnam

e: Estimates; f: Forecast

Source: International Monetary Fund (IMF)

The global economic recovery is projected to continue in 2022. However, the pace is uneven across both advanced and developing countries given unequal access to vaccines.


ASEAN-5 region stands out in 2022, with growth doubling from 2021 as countries begin to reopen following successive rounds of lockdowns this year.

After a moderate rebound in 2021, economic momentum is expected to pick up in 2022.

Broader reopening of the economy, in line with a successful mass national vaccination programme, will support production activity.

## Growth led by construction activities and services

Malaysia's growth by sector

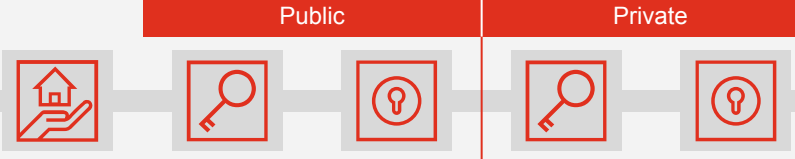


Year	Overall	Construction	Services	Manufacturing	Agriculture
<b>2022f</b>	<b>5.5 - 6.5%</b>	<b>11.5%</b>	<b>7.0%</b>	<b>4.7%</b>	<b>3.9%</b>
2021e	3 - 4%	-0.8%	2.6%	8.1%	-0.8%

Source: Ministry of Finance (MOF)

## Economic growth anchored by public investment and private consumption

Malaysia's growth by expenditure



Year	Public			Private	
	Overall	Consumption	Investment	Consumption	Investment
<b>2022f</b>	<b>5.5 - 6.5%</b>	<b>1.1%</b>	<b>24.1%</b>	<b>7.3%</b>	<b>2.6%</b>
2021e	3 - 4%	3.0%	-1.9%	4.1%	1.4%

Source: MOF

The Government's expansionary budget continues to support public sector investment growth in 2022, along with strong private consumption.



The continuation of large-scale transport and digital investments, and improvements in the labour market will drive demand.

# Economic outlook 2022

Headline inflation is projected to trend slightly lower in 2022 as oil prices are expected to moderate.

Unemployment rate would improve in tandem with the pick up in economic activities and higher labour demand.



## Lower inflation and unemployment



Year	Inflation	Unemployment
<b>2022f</b>	<b>2.1%</b>	<b>4.0%</b>
2021e	2.4%	4.6 - 4.8%

Source: MOF

## Improving business sentiment



Year	FBM KLCI		Quarter	MIER Business Conditions Index (BCI)	
<b>2021</b>	<b>1,562 (29 Oct)</b>	<b>6.5% y-o-y</b>	<b>3Q-21</b>	<b>97.0</b>	<b>+9.5 points</b>
2020	1,467 (30 Oct)		2Q-21	87.5	

Source: Bursa Malaysia and Malaysian Institute of Economic Research (MIER)

FBM KLCI improved from a year ago as the economy recovers from COVID-19 and political stability remains with the Government's MOU in place.

MIER BCI also signalled improving business sentiments driven by higher sales, as well as domestic and external orders.



A low-angle, upward-looking photograph of several modern skyscrapers against a clear blue sky with some light clouds. The buildings are made of glass and steel, reflecting the sky. A semi-transparent dark grey rectangular box is centered over the middle of the image, containing the text 'Key Budget Measures'. In the top right and bottom left corners, there are decorative geometric patterns consisting of squares in red, white, and grey, arranged in a grid-like fashion that tapers towards the corners.

# Key Budget Measures

# Key Budget Measures

The measures announced in Budget 2022 are very comprehensive, covering a number of areas from jobs security, capital spending, ESG agenda to digital policy. Highlighted below are among the key measures that would impact the economy and businesses going into 2022.

## Impact of Budget 2022 economic and fiscal measures on businesses

### Rakyat's Well-Being



Expanding the supply of technical, professional and skilled workforce



Sustaining consumer consumption



Government reducing the cost and risk of new employment



Encouraging home ownership



Improving board and vendor diversity

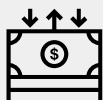
### Resilient Businesses



Advancing technology and digitalisation



Reinvigorating economic sectors

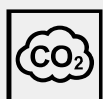


Expanding access to financing



Supporting SMEs

### A Prosperous and Sustainable Economy



Encouraging low carbon transition



Bridging regional economic gap



Protecting environment and empowering community

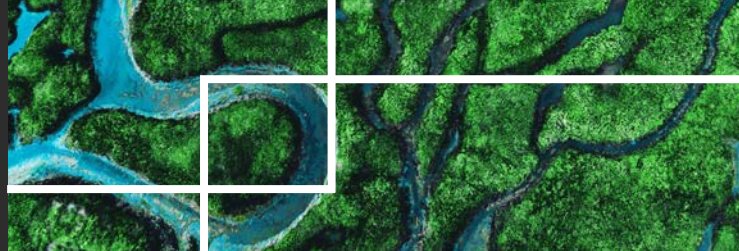


Improving efficiency in public spending





Developing and maintaining Infrastructure

# Key Budget Measures

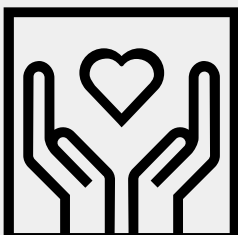


## A snapshot of ESG budget measures

The government remains committed to meeting the Sustainable Development Goals (SDGs), aligning the budget measures to SDGs. With the recent announcement by YAB Prime Minister to make Malaysia a carbon neutral country as early as 2050, the Budget has incorporated a number of Environmental, Social and Governance (ESG) initiatives, as summarised below:

 <b>Environmental</b>	 <b>Social</b>	 <b>Governance</b>
Develop a sustainable economy	Develop an inclusive economy	Develop trust in the economy
<p><b>Encourage low carbon transition through:</b></p> <ul style="list-style-type: none"> <li>Voluntary Carbon Market (VCM) launched under the advocacy of Bursa Malaysia</li> <li>RM1 bn Low Carbon Transition Facility by BNM to help SMEs adopt sustainable and low carbon practices</li> <li>Tax incentives for electric vehicles (EVs)</li> </ul> <p><b>Protect environment &amp; biodiversity</b></p> <ul style="list-style-type: none"> <li>RM450 mn for implementation of environmental initiatives</li> <li>RM70 mn of Ecological Fiscal Transfer (EFT) annually allocated to incentivise state governments to conserve forests and biodiversity</li> </ul> <p><b>Empower community</b></p> <ul style="list-style-type: none"> <li>RM100 mn matching grant for NGOs to fund various environmental &amp; social programmes</li> </ul> <p><b>Sustainability Sukuk</b> of up to RM10 bn will be issued</p> <ul style="list-style-type: none"> <li>Channelled to eligible social or environmentally friendly projects</li> </ul>	<p><b>Women Empowerment</b></p> <ul style="list-style-type: none"> <li>The Government, through the Securities Commission, will make it mandatory to have <b>at least one female Board member</b> for all public listed companies</li> <li>Employers are encouraged to adopt <b>flexible working arrangements</b></li> <li>Amend guidelines to <b>better facilitate childcare centres which operate</b> above the 1st floor of office buildings</li> <li>Individual income tax relief of up to RM3,000 for fees paid to registered child care centre or kindergarten</li> </ul> <p><b>Generating and Sustaining Jobs (JaminKerja)</b></p> <ul style="list-style-type: none"> <li>Incentive of 30% of the monthly salary for the first six months and 40% for the next six months for <b>hiring women who left the workforce, differently abled workers, Orang Asli, ex-convicts</b></li> <li>RM6.6 bn to strengthen the Technical and Vocational Education and Training (TVET)</li> <li>RM1.1 bn for training and upskilling programmes. Tax relief up to RM7,000 for professional courses including <b>ESG-related programmes</b></li> </ul>	<p><b>Improve the efficiency of the public delivery system</b></p> <ul style="list-style-type: none"> <li><b>Fiscal Responsibility Act</b> will be introduced to improve governance, accountability and transparency in the country's fiscal management</li> <li><b>Tax amnesty programme:</b> 50% to 100% remission of penalties for voluntary disclosure of unpaid indirect taxes</li> <li><b>Tax Compliance Certificate</b> issued by the Inland Revenue Board Malaysia to be made as part of pre-requisite for companies to participate in <b>government procurement</b> beginning 1 January 2023</li> <li><b>Tax Expenditure Statement</b> will be published to determine the costs incurred by the Government in providing tax incentives, one-off exemptions and other tax policies</li> </ul>
E	S	G

# Key Budget Measures



## Rakyat's Well Being

Expanding the supply of technical, professional and skilled workforce

- RM6.6 bn to relevant ministries and agencies for the implementation of various initiatives to **strengthen the Technical and Vocational Education and Training (TVET)**. In addition to that, RM200 mn will be provided for **collaboration with industries**
- RM11.4 bn allocation to produce **more Bumiputera professionals**. RM6.6 bn is allocated for educational purposes and RM4.8 bn is set aside for capacity building and funding programmes
- **Tax relief of up to RM7,000 for course fees** with any approved professional body including **professional courses in accounting, finance and ESG-related**
- Tax relief increase for expenses in attending **reskilling and upskilling courses from RM1,000 to RM2,000** until 2023.

Government reducing the cost and risk of new employment

- RM4.8 bn to implement **Jamin Kerja Keluarga Malaysia (JaminKerja)** that will guarantee 600,000 employment opportunities:
  1. JaminKerja **employment incentives** under SOCSO,
  2. Malaysia **Short-term Employment Programme (MySTEP)** within the public sector and GLCs,
  3. **Upskilling and reskilling** programmes initiatives in collaboration with industries
- RM300 mn to continue the initiative of providing **enhanced Job Search Allowance under SOCSO** to both contributors and non-contributors

Improving board and vendor diversity

- Mandatory to have **at least one female director** for all public listed companies (PLC)
- Opportunity to complement government efforts, as highlighted below, to develop underserved vendor groups as part of corporate social responsibility programmes.
  - RM230 mn funding for **women entrepreneurs** through BSN, Agrobank, the DANANITA (MARA) and TEKUNITA (TEKUN) programmes
  - RM200 mn for the provisioning of **small-scale Government procurement projects for Bumiputera youth contractors**

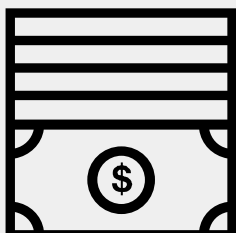
Sustaining consumer consumption

- RM8.2 bn cash assistance for 9.6 mn recipients that consists of **single parent, senior citizens, and eligible singles** under **Bantuan Keluarga Malaysia** initiative
- Extension of the **100% sales tax exemption on Completely Knocked Down (CKD) passenger vehicles and 50% on Completely Built Up (CBU)** including MPVs and SUVs until 30 June 2022 to reduce the cost of vehicle ownership

Encouraging home ownership

- RM1.5 bn to continue building **quality housing for low-income groups**. Initiatives including:
  - RM398 mn to build 11,800 apartment units under the Perumahan Rakyat Programme
  - RM361 mn for Bantuan Rumah Programme to construct and repair 14,000 houses
  - RM315 mn allocated for Rumah Mesra Rakyat Programme to build 3,000 house units
- RM2 bn allocated for **Skim Jaminan Kredit Perumahan** to improve access on housing loans for the **gig workers, small business owners and farmers**, amongst others who are without fixed incomes

# Key Budget Measures



## Resilient businesses

Advancing technology and digitalisation	<ul style="list-style-type: none"> <li>• <b>GLCs to invest RM30 bn in targeted areas</b> including renewable energy, supply chain modernisation and 5G infrastructure to build resilience</li> <li>• <b>RM700 mn allocation for continuation of JENDELA</b> for broadband coverage</li> <li>• <b>RM423 mn to intensify R&amp;D activities</b> under MOSTI and KPT <ul style="list-style-type: none"> <li>◦ allocation includes RM295 mn to public universities for research and innovation as well as to encourage industry collaborations</li> </ul> </li> <li>• <b>Explore aerospace business opportunities</b> through RM100 mn worth of matching grant for Bumiputera SMEs</li> <li>• <b>RM100 mn to increase productivity via automation</b> of business processes through Smart Automation matching grants for 200 companies in the manufacturing and services sector</li> <li>• <b>National Digital Identity and Digital First Programme</b> to be launched as part of MyDIGITAL Initiative to enhance connectivity between all kinds of transaction systems, encourage safe digital and transactions, and encourage the usage of cloud computing in the public sector.</li> </ul>
Expanding access to financing	<p><b>New forms of funding will be introduced</b> such as:</p> <ul style="list-style-type: none"> <li>• RM3 bn allocated to assist COVID-19 <b>affected listed companies</b> on Bursa Exchange to get an injection of additional funds through equity instruments, Khazanah Nasional Bhd to be mandated to provide the infrastructure</li> <li>• RM1 bn worth in BNM's Business Recapitalisation Fund</li> <li>• RM500 mn allocated for the Rehabilitation and Support through Equity scheme by Malaysia Development Bank (BPMB)</li> </ul> <p><b>Guarantee Scheme will be improved</b> through</p> <ul style="list-style-type: none"> <li>• increasing business financing guarantee limit by up to RM10 bn</li> <li>• 80% guarantee for: <ul style="list-style-type: none"> <li>◦ up to RM20 mn on existing financing facilities to be restructured and rescheduled (R&amp;R)</li> <li>◦ new financing facilities</li> </ul> </li> </ul>
Supporting MSMEs	<ul style="list-style-type: none"> <li>• <b>RM14.2 bn worth of funds to be available for SMEs</b> <ul style="list-style-type: none"> <li>◦ through SME Bank, PUNB, BPMB, AgroBank, MIDF, MARA and BNM's Funds for SMEs</li> <li>◦ BNM's Funds for SMEs has been upsized by RM2 bn</li> </ul> </li> <li>• <b>RM5 bn to empower MSMEs</b> through GLC Network via initiatives such as advisory and financial support services</li> </ul>
Reinvigorating sectors	<p><b>Initiatives for sectors in general</b></p> <ul style="list-style-type: none"> <li>• RM6 bn Impact Fund under Khazanah Nasional Berhad to serve as a catalyst towards growth of new high value industries</li> <li>• Up to RM2 bn special fund to attract strategic foreign investments by multinational companies that complement industry value chains, drive knowledge-based jobs creation and development opportunities for local SMEs</li> </ul> <p><b>Specific sectors support</b></p> <ul style="list-style-type: none"> <li>• <b>Tourism</b> - RM1.6 bn worth of initiatives to support the tourism sector. Initiatives including: <ul style="list-style-type: none"> <li>◦ RM600 mn Wage Subsidy Programme for tourism industry players</li> <li>◦ RM600 mn worth of specific financing under BNM's PENJANA Tourism Financing and BPMB Rehabilitation Scheme</li> </ul> </li> <li>• <b>Retail</b> - RM250 mn to help local enterprises switch to digital services via Shop Malaysia Online and Go-e-Commerce Onboarding programme</li> <li>• <b>Creative</b> - RM188 mn to revive creative industry's activities by intensifying various initiatives such as the Digital Content Fund, Digital Multimedia Content project, Film Incentive</li> </ul>

# Key Budget Measures



## A Prosperous and Sustainable Economy

### Encouraging low-carbon transition

- **Voluntary Carbon Market (VCM) initiative will be launched**
- **RM1 bn fund value for Low Carbon Transition Facility will be provided by BNM**
- **Import duty, excise duty, sales tax, and road tax exemption for EVs**

### Protecting environment and empowering community

- **Sustainability Sukuk** of up to RM10 bn will be issued
- **RM450 mn** to various ministries to implement several **environmental initiatives**
- **RM100 mn matching grant for NGOs**

### Developing and maintaining Infrastructure

- **RM3.53 bn for various infrastructure projects** including Sabah Pan Borneo Highway, Jenang Transfer, Central Spine Road and Rantau Panjang Floodwall
- **RM200 mn for creation of the Infrastructure Facilitation Fund 3.0** to further boost high-impact infrastructure development activities through Public-Private Partnerships

### Pursuing regional developments

- **RM690 mn for the five regional economic development corridors** comprising six new projects and 66 extension projects such as the Smart Agriculture project in Igan, Sarawak
- **RM5.2 bn and RM4.6 bn for development expenditure allocation for Sabah and Sarawak respectively** among others for implementation of water, electricity, and road infrastructure projects, as well as for education and health facilities

### Improving efficiency in public spending

- **Fiscal Responsibility Act** will be introduced with the aim to improve governance, accountability and transparency in the country's fiscal management
- **Public Expenditure Review** will be conducted in collaboration with the World Bank in order to ensure efficiency and effectiveness of public spending



# Tax proposal highlights

# Tax proposal highlights



## Key proposed changes

<p>Taxing of foreign-sourced income received in Malaysia</p>	<p>Removal of the current foreign-sourced income tax exemption (non-applicable to resident companies carrying on a business of banking, insurance or sea/air transport), thus taxing income derived from sources outside Malaysia when received in Malaysia. <b>Effective 1 January 2022</b></p>
<p>Imposition of <i>Cukai Makmur</i>, a one-off 33% corporate income tax</p>	<p>Additional 9% corporate income tax on chargeable income of all companies in excess of RM100 mn only in <b>Year of Assessment (YA) 2022</b></p>
<p>Extension of carry forward tax losses tenor</p>	<p>Companies can carry forward tax losses to a maximum of 10 consecutive YAs compared to the previous 7. <b>Effective YA 2019</b></p>
<p>Extension of additional Special Reinvestment Allowance (aSRA)</p>	<p>Extension of the existing aSRA (currently up to YA 2022) for another 2 years for Malaysian companies that have exhausted their existing 15-year RA and special RA. This extension provides aSRA for a total period of 5 years. <b>Effective from YA 2023 to YA 2024</b></p>
<p>Special Voluntary Disclosure Programme (SVDP) for indirect taxes</p>	<p>The Royal Malaysian Customs Department (RMCD) is introducing a SVDP in phases with the following penalty remission incentives:-</p> <ul style="list-style-type: none"> <li>• First phase - Remission on penalties of up to 100%; and</li> <li>• Second phase - Remission on penalties of up to 50%</li> </ul>
<p>No Real Property Gain Tax (RPGT) for disposal of properties held for more than 5 years by individuals</p>	<p>Reversion of the RPGT rate from 5% to 0% on gains on disposal of chargeable assets (i.e. real property and shares in real property companies) in the 6th year onwards by Malaysian resident individuals, permanent residents and non-corporates. <b>Effective 1 January 2022</b></p>



# Tax proposal highlights



## Environmental, Social and Governance (“ESG”)

### Encouraging Electric Vehicle (EV) adoption

- 100% import duty be exempted on imported components for locally assembled EVs **Effective from 1 January 2022 to 31 December 2025**
- Full excise duty and sales tax exemption on locally manufactured EVs **Effective from 1 January 2022 to 31 December 2025**
- 100% import duty and excise duty be exempted on imported CBU EVs **Effective from 1 January 2022 to 31 December 2023**
- Personal tax relief of up to RM2,500 to be given to resident individuals in respect of cost of installation, lease and purchase including hire-purchase of equipment and subscription fee for EV charging services. **Effective for YA2022 and YA2023**

### Expansion of Green Technology Incentives

Green Technology Incentives is expanded to include Rainwater Harvesting System (RHS):-

- Green Investment Tax Allowance - Investment Tax Allowance of 100% on capital expenditure for qualifying RHS activities. This allowance can be set-off against up to 70% of statutory income; or
- Green Investment Tax Exemption - Income tax exemption of 70% of statutory income for qualifying RHS services.

Applicable for applications submitted to MIDA from **1 January 2022 until 31 December 2023**

### Income tax exemption for Social Enterprises

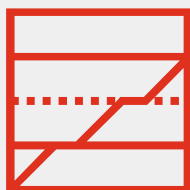
Income tax exemption on all income received by an accredited Social Enterprise for up to 3 YAs based on the validity period of the Social Enterprise Accreditation. Applicable for application submitted to the Ministry of Finance from **1 January 2022 to 31 December 2023**

### Implementation of Tax Identification Number (TIN)

It is proposed that TIN (first announced in Budget 2020) will be implemented commencing from year 2022 in line with Malaysia's efforts in improving tax administration and expanding the income tax base. **Effective 2022**

### Requirement for Tax Compliance Certificate

A Tax Compliance Certificate issued by the Inland Revenue Board of Malaysia will be made a prerequisite for companies intending to participate in Government procurement. **Effective 1 January 2023**



## Capital markets

### Increase of stamp duty rate and removal of remission cap on contract notes relating to trading of listed shares

The stamp duty rate on contract notes has been increased from the previous rate of 0.1% to a higher rate of 0.15% (i.e. RM1.50 for every RM1,000). In addition, it is proposed that the stamp duty limit of RM200 per contract note will now be abolished. **Effective 1 January 2022**

### Service tax exemption on brokerage services

Service tax exemption is granted to both service providers and recipients of stock trading related brokerage in relation to the trading of shares listed on Bursa Malaysia: **Effective 1 January 2022**

# Tax proposal highlights



## Digital Economy

Incentive for activities under the Digital Ecosystem Acceleration Scheme (DESAC)

It is proposed that new tax incentives for activities under the DESAC be given as follows -

- **Digital Technology Provider**
  - a) New company - Income tax rate of 0% to 10% for up to 10 years.
  - b) Existing company that diversifies in new service activities or new service segments - Income tax rate of 10% for up to 10 years.
- **Digital Infrastructure Provider**  
Investment Tax Allowance (ITA) of 100% on capital expenditure for qualifying activities for up to 10 years. This allowance can be set-off against up to 100% of statutory income.

Applicable for application submitted to MIDA from **30 October 2021 to 31 December 2025**

Stamp duty exemption for P2P loan/financing instruments

In facilitating the Micro, Small and Medium Enterprises (MSMEs) to obtain alternative financing and reduce financing costs, 100% stamp duty exemption be given for P2P loan/financing agreements executed between PMKS and the investors for financing made through P2P platforms (recognised by the Securities Commission of Malaysia). Effective for P2P loan/financing agreements executed from **1 January 2022 to 31 December 2026**

Sales and Service Tax (SST) on e-commerce / delivery activities

- Sales tax will be imposed on low value goods not exceeding RM500 that are sold online and imported using air courier service into Malaysia. The exemption currently available under Item 24, Schedule A, Sales Tax (Persons Exempted From Payment Of Tax) Order 2018 will be cancelled **Effective from 1 January 2023**
- Service tax will be charged on the delivery services provided by any service provider including e-commerce platforms (excludes food and beverage delivery services as well as logistics services) **Effective from 1 July 2022**



## Knowledge-based economy

Enhancement of personal tax relief for upskilling and self-enhancement course fees

Personal tax relief amount of RM1,000 on any course of study undertaken for the purpose of upskilling or self-enhancement recognised by the Director General of Skills Development under the National Skills Development Act 2006 [Act 652] increased to RM2,000 **Effective for YA 2022 and YA 2023**

Enhancement of double deduction on Structured Internship Programme (SIP) and Scholarships

- **SIP:** Double tax deduction given on eligible expenses to companies implementing a SIP approved by Talent Corporation Malaysia Berhad has now been extended to students at the academic levels of Master's Degree, Professional Certificate and Malaysian Skills Certificate Levels 1 and 2.
- **Scholarships:** Double tax deduction on qualifying expenses relating to scholarships have now been expanded to cover all fields of study at the Technical and Vocational level, Diploma, Bachelor's Degree, Bachelor and Doctorate levels

**Effective from YA 2022 to YA 2025**

# Tax proposal highlights



## Health and well-being

Expansion of personal tax relief on mental health related expenses

Expanded scope of relief (in respect of medical examination) to include expenses incurred for cost of examination or consultation relating to mental health by:-

- Psychiatrist registered with the Malaysian Medical Council under Mental Health Act, 2001 (Act 615); or
- Clinical psychologist registered with the Ministry of Health under the Allied Health Professions Act, 2016 (Act 774); or
- Counsellors registered with Malaysian Board of Counsellors under the Counsellors Act 1998 (Act 580).

**Effective YA 2022**

Expansion of excise duty on sweetened beverages

Imposition of excise duty on sweetened beverages be expanded to pre-mixed preparation products e.g. chocolate or cocoa-based, malt, coffee and tea at RM0.47 per 100g based on a prescribed threshold of sugar content. **Effective 1 April 2022**

Expansion of excise duty on liquid or gel products used in electronic and non-electronic cigarettes including vape

- Imposition of excise duty to be expanded to liquid or gel products containing nicotine which are used in electronic cigarettes and vape at RM1.20 per milliliter
- Excise duty for nicotine-free liquids or gels used in electronic cigarettes and vape will also be increased from RM0.40 per milliliter to RM1.20 per milliliter

**Effective 1 January 2022**



## Others

Expansion of personal tax relief for contributions by voluntary contributors to the Employees Provident Fund (EPF)

Personal tax relief of RM4,000 for an individual's contributions to EPF is proposed to be extended to cover voluntary contributors e.g. gig economy participants and pensionable civil servants. **Effective YA 2022**

Extension of tourism related tax incentives

- Exemption of tourism tax imposed on foreign tourists staying in accommodation premises under the Tourism Tax Act 2017 extended commencing **1 January 2022 to 31 December 2022**
- Exemption of entertainment duty on admission fees to entertainment premises such as theme parks, performance stages, sport & competition events and movie theatres in the Federal Territories extended commencing **1 January 2022 to 31 December 2022**
- Personal tax relief on domestic tourism expenses incurred extended for **YA 2022**

Extension of sales tax exemption on passenger motor vehicles

The existing sales tax exemption of (i) 100% on CKD passenger motor vehicles; and (ii) 50% on new and used imported CBU passenger motor vehicles up to 31 December 2021 to be extended commencing **1 January 2022 to 30 June 2022**



# Let's talk



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### For more information, contact:

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