



Taxavvy

27 March 2020 | Issue 15-2020

Second Economic Stimulus Package 2020 (Prihatin Rakyat)



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Second Economic Stimulus Package (“2nd ESP”)

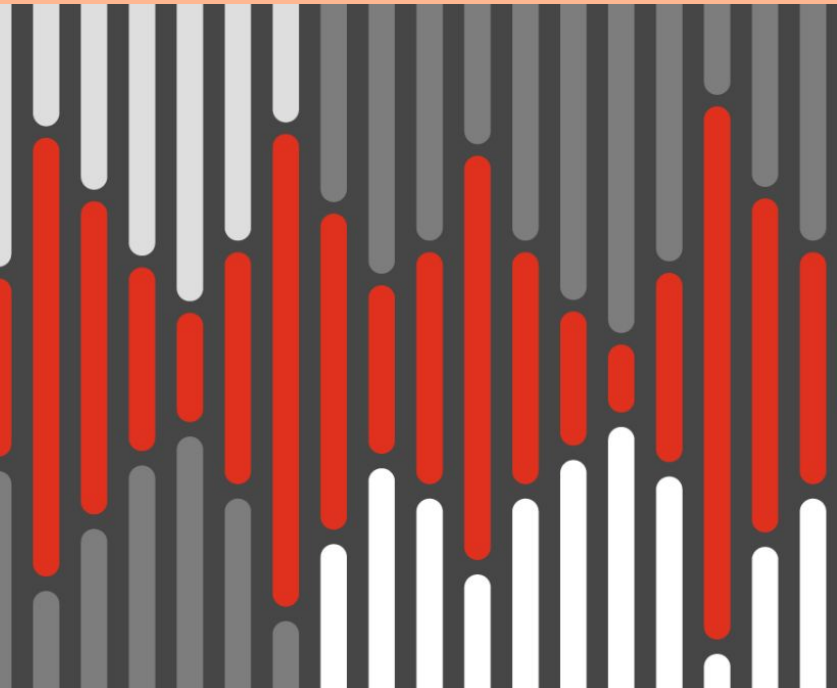
Valued at RM250 billion, the 2nd ESP comprises:-

- RM128 billion - Protecting the *Rakyat's* welfare
- RM100 billion - Supporting small and medium enterprises (SMEs)
- RM20 billion - Pursuing measures under the ESP announced on 27 February 2020 (the “1st ESP”)
- RM2 billion - Strengthening the nation’s economy

Key tax related measures from the 2nd ESP

In addition to the tax measures announced under the 1st ESP on 27 February 2020 (see [TaXavvy Issue 7-2020](#)), the following measures were announced this afternoon by the Prime Minister under the 2nd ESP, the Prihatin Rakyat Economic Stimulus Package:

- Deferment of tax instalment payments for SMEs
- Deferment of taxability of profit or interest income of banks from loans under moratorium
- Restructuring of Employees Provident Fund (EPF) contribution by employer
- Exemption of Human Resource Development Fund (HRDF) levy
- Withdrawal from Private Retirement Scheme (PRS)
- Wage subsidy programme



Deferment of tax instalment payments for Small and Medium Enterprises (SMEs)

All SMEs will be allowed to defer their monthly tax instalment payments for 3 months starting from 1 April 2020. This measure is in addition to the deferment of tax instalment payments for the tourism industry and the special revision of tax estimate in the month of the third monthly instalment announced under the 1st ESP.

Further details are expected to be provided by the authorities on the qualifying taxpayers and whether SMEs for this purpose refer to companies which are currently taxed at the preferential tax rate of 17%.

Currently, a company which qualifies for the tax rate of 17% is one which is resident and incorporated in Malaysia with a paid-up capital in respect of ordinary shares of RM2.5 million and less at the beginning of the basis period for a year of assessment and gross business income not exceeding RM50 million.

Deferment of taxability of profit or interest income of banks from loans under moratorium

Prior to the 2nd ESP, Bank Negara Malaysia has announced that banking institutions will offer the following:-

- Deferment of loan / financing repayments for a period 6 months (“moratorium period”) effective from 1 April 2020 for SMEs and individuals;
- Conversion of outstanding credit card facilities into 3-year term loan; and
- Deferment or restructuring of loan / financing repayments for corporations.

The Government has announced today that the income of banking institutions from interest or profit on loan / financing facilities under the moratorium, would be only taxable when the interest or profit is received after the moratorium period.



Restructuring of EPF contribution by employer

In order to help employers with their cash flow, on 15 April 2020, the EPF Board will introduce the Employer Consultation Service (“Khidmat Rundingan Majikan”) programme that will include options for employers to defer, restructure, and reschedule the remittance of their monthly statutory EPF contributions (employer portion only) in respect of their employees.

Exemption of Human Resources Development Fund (HRDF) levy

Employers in all sectors are exempted from remitting HRDF levy for a period of 6 months, starting April 2020. The levy is calculated at 1% per employee (or 0.5% per employee for employers who opt to register with the HRDF).

Exempting this levy would help alleviate any cash flow issues on the part of employers as a result of the COVID-19 outbreak.

Withdrawal from Private Retirement Scheme (PRS)

Currently, individuals participating in PRS are allowed to make withdrawals from sub-account A only upon reaching the retirement age of 55 years old and sub-account B once a year. Withholding tax at the rate of 8% will be imposed for early withdrawals.

To ease the financial burden of individuals and to boost spending and consumption, individuals are allowed to make withdrawal of up to RM1,500 during the period from 1 April 2020 to 31 December 2020 from sub-account B. No withholding tax will be imposed on the withdrawn amount. It is unclear at this point whether the withdrawal of up to RM1,500 from sub-account B is in addition to the once a year withdrawal allowed under current rules.

Wage subsidy programme

The Malaysian Government will implement a Wage Subsidy Programme, whereby employers experiencing a drop of more than 50% in revenue since 1 January 2020 will receive a subsidy of RM600/month per employee (earning not more than RM4,000/month) for 3 months. The purpose of the Programme is to reduce the rate of retrenchments, no-pay leave notices, or docking of salaries by employers especially those in the impacted industries for the coming 3 months (i.e. for the duration of the Programme). This is to ensure that employers will be able to have enough cashflow to retain their employees and that the respective employees’ own cashflows (for their own financial commitments) are not cut off in these challenging times.

There is no indication of when the Wage Subsidy Programme will be put into place, and which of the 3 months of the year the subsidies will be paid. Similarly, there is no information on the procedure (or qualifying criteria, if any) as at publication time.

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