

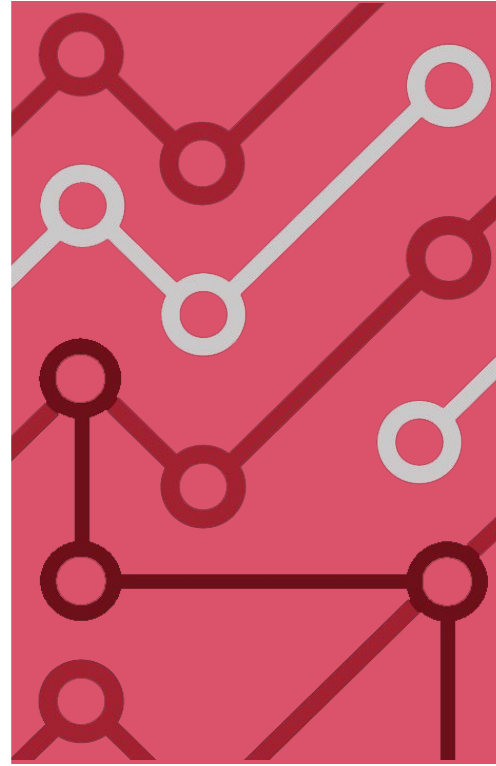
Welcome to our **TaXavy Budget Edition** which brings you the key tax proposals of Budget 2021



# TaXavy

Budget 2021 Edition (Part 1)

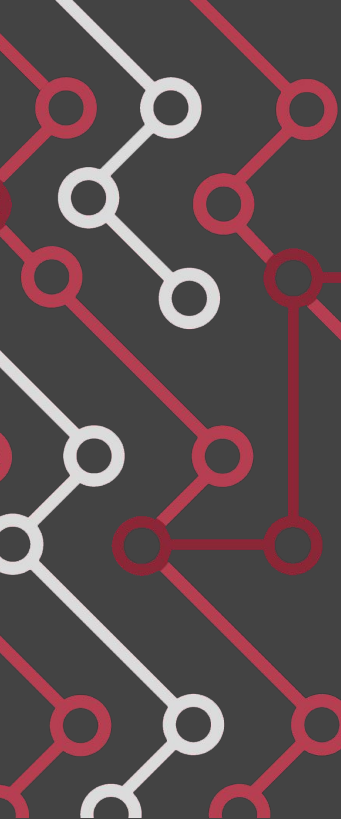
6 November 2020



This TaXavvy edition is prepared based on the Budget 2021 speech as announced on 6 November 2020. A follow-up edition will be issued to include key tax proposals from the Finance Bill after the Finance Bill is issued.

# Highlights

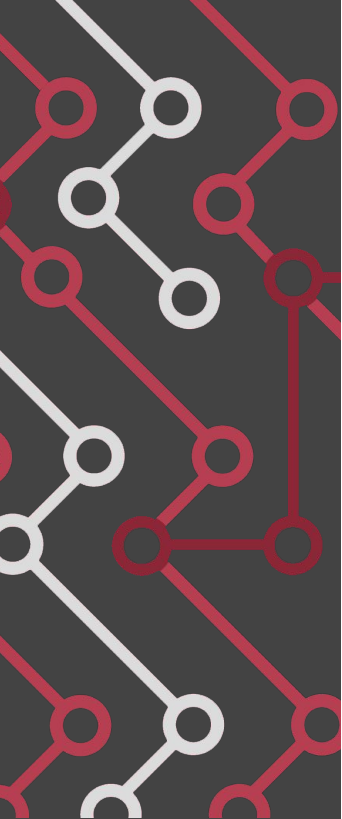
<p>Personal tax</p> <p><b>1</b></p>	<p>1% reduction in tax rate (for chargeable income band RM50,001 to RM70,000), and enhancements to personal reliefs</p> <p>(Effective from YA 2021). See pages 8 and 9.</p>
<p>Manufacturers of pharmaceutical products and vaccines</p> <p><b>2</b></p>	<p>Concessionary tax rates of 0% to 10% for up to 20 years</p> <p>(Effective for applications received from 7 November 2020). See page 17.</p>
<p>Principal Hub and Global Trading Centre</p> <p><b>3</b></p>	<p>Relaxation of conditions for Principal Hub incentive and introduction of Global Trading Centre incentive.</p> <p>(Effective for applications received from 1 January 2021 to 31 December 2022). See pages 19 and 20.</p>
<p>Companies relocating their operations into Malaysia</p> <p><b>4</b></p>	<p>Expansion of scope of incentives to selected services sector, concessionary tax rate of 0% to 10% for up to 10 years</p> <p>(Applications received by MIDA until 31 December 2022). See page 22.</p>
<p>Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW)</p> <p><b>5</b></p>	<p>Increase of annual sales value threshold of value-added and additional activities from 10% to 40%.</p> <p>(Effective from 7 November 2020). See page 27.</p>



## Inside this issue

<p><b>Personal tax</b></p> <ul style="list-style-type: none"> <li>● Reduction of individual income tax rate</li> <li>● Tax reliefs</li> <li>● Special income tax rate treatment for non-Malaysian citizens individuals holding key positions in companies investing in new strategic investments</li> <li>● Extension of tax incentive for returning expert programme</li> <li>● Increase in the limit of income tax exemption on compensation for loss of employment</li> <li>● Reduction in Employees' Provident Fund ("EPF") contribution rate</li> <li>● Withdrawal from EPF</li> <li>● Exemption from HRDF levy</li> </ul>	<p><b>8</b></p>
<p><b>Generating and retaining jobs</b></p> <ul style="list-style-type: none"> <li>● Employment Insurance Scheme</li> <li>● PenjanaKerjaya incentive (Hiring incentive)</li> <li>● Targeted wage subsidy</li> </ul>	<p><b>14</b></p>
<p><b>Tax incentives</b></p> <ul style="list-style-type: none"> <li>● Tax incentive for companies manufacturing pharmaceutical products including vaccines</li> <li>● Extension of tax incentive for export of private healthcare services</li> <li>● Review of income tax exemption on Green Sustainable and Responsible Investments Sukuk grant</li> <li>● Review of Principal Hub incentive</li> <li>● Global Trading Centre incentive</li> </ul>	<p><b>17</b></p>





## Inside this issue

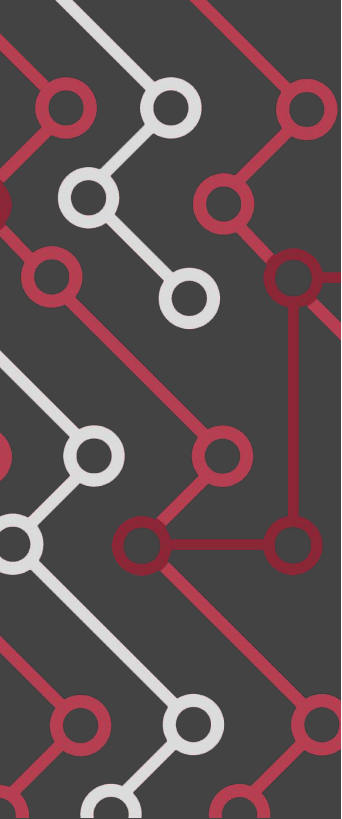
### Tax incentives (Con't)

- Review and expansion of tax incentive for commercialisation of Research and Development findings
- Extension of period of further deduction for employment of senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants
- Tax incentive for investment in Equity Crowd Funding
- Review of tax incentives for companies relocating their operations to Malaysia and undertaking new investments
- Review of tax incentive for manufacturers of Industrialised Building System components
- Extension of existing tax incentives expiring on 31 December 2020
- Tax incentives for East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor

### Indirect tax

- Extension of sales tax exemption on purchase of locally assembled buses
- Expansion of the scope of Tourism Tax on accommodation booked through online platforms
- Improving revenue collection strategies including smuggling of high duty goods
- Increase of annual sales value threshold for value-added activities to be carried out in the Free Industrial Zone and Licensed Manufacturing Warehouse
- Broadening Authorised Economic Operator facility
- Imposition of excise duty on electronic and non-electronic smoking devices
- Stricter controls on cigarette import

27



## Inside this issue

### Stamp duty

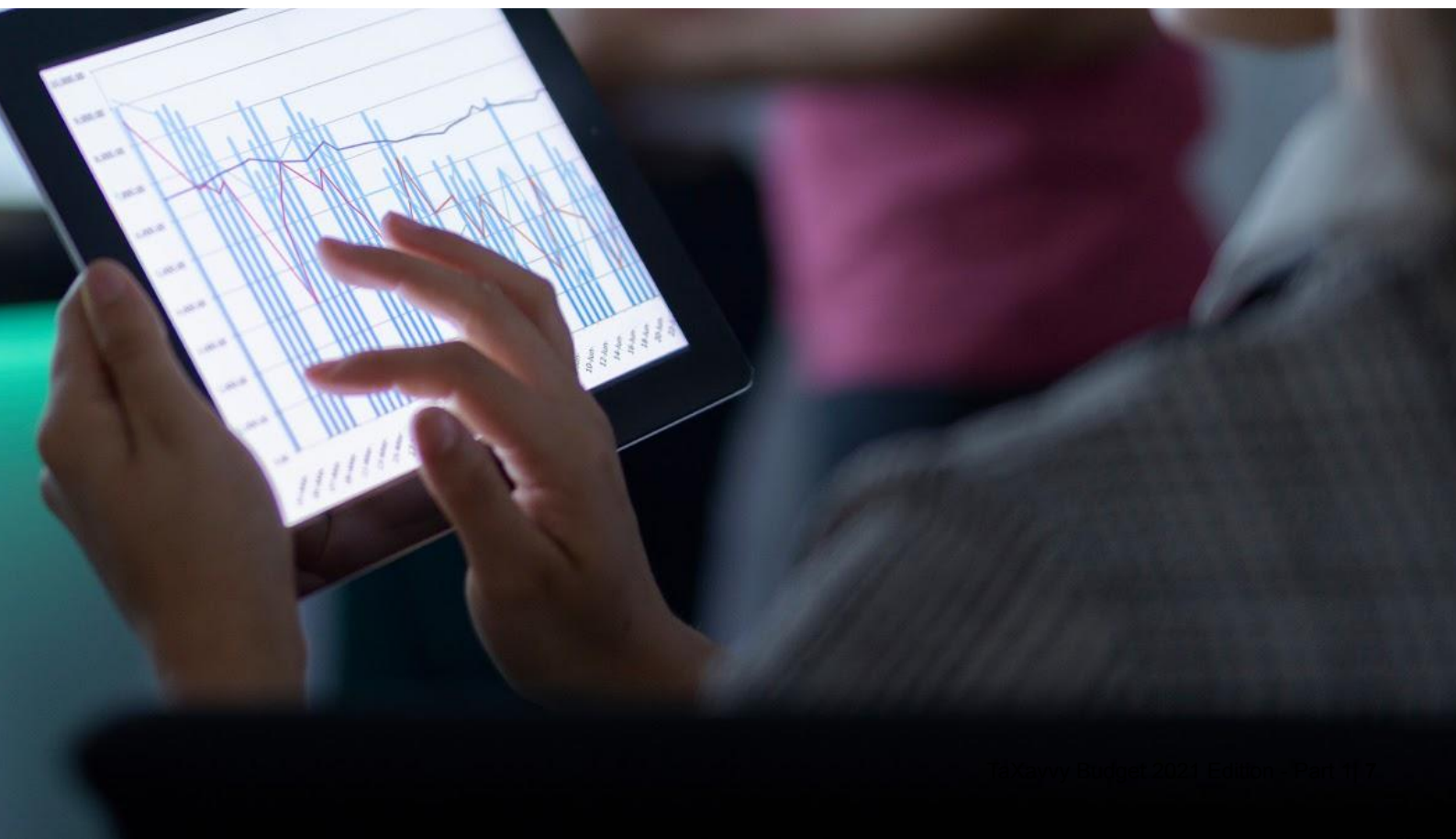
- Extension of stamp duty exemption for the purchase of first residential home
- Extension of stamp duty exemption for abandoned housing projects
- Extension of stamp duty exemption for Perlindungan Tenang products
- Extension of stamp duty exemption for Exchange Traded Fund

30



1

## Personal tax





## Reduction of individual income tax rate

It is proposed that the resident individual tax rate be reduced by 1% (from 14% to 13%) for the chargeable income band RM50,001 to RM70,000.

	RM	Tax rate
For every ringgit of the first	5,000	0 per cent
For every ringgit of the next	15,000	1 per cent
For every ringgit of the next	15,000	3 per cent
For every ringgit of the next	15,000	8 per cent
For every ringgit of the next	20,000	13 per cent
For every ringgit of the next	30,000	21 per cent
For every ringgit of the next	150,000	24 per cent
For every ringgit of the next	150,000	24.5 per cent
For every ringgit of the next	200,000	25 per cent
For every ringgit of the next	400,000	26 per cent
For every ringgit of the next	1,000,000	28 per cent
For every ringgit exceeding	2,000,000	30 per cent

Non-resident individual's tax rate remains at a flat rate of 30%

[Effective from year of assessment (YA) 2021]





## Tax reliefs

Type of relief	Current	Proposed
Expenses on medical treatment, special needs or carer expenses for parents	RM5,000	RM8,000 (Effective YA 2021)
Medical expenses for self, spouse or child undergoing treatment for a serious disease or expenses incurred on fertility treatment (including expenses up to RM500 incurred by self, spouse or child for complete medical examination)	RM6,000	RM8,000  The scope of qualifying expenses is expanded to include expenses incurred on cost of vaccination, up to RM1,000. Type of vaccine includes Pneumococcal, Human Papillomavirus, Influenza, Rotavirus, Varicella, Meningococcal, Combination of tetanus-difteria-acellular pertussis, and COVID-19 vaccine.  The limit of RM500 for medical examination to be increased to RM1,000  (Effective YA 2021)
Disabled spouse (additional spouse relief)	RM3,500	RM5,000 (Effective YA 2021)
Private Retirement Scheme (PRS) contributions and Deferred annuity scheme premium (effective from YA 2012 until YA 2021)	RM3,000	Period of relief is extended for another 4 years (Effective YAs 2022 until 2025)
Lifestyle relief	RM2,500	RM3,000, in which an additional of up to RM500 is allocated for the cost of purchasing sports equipment, entry/rental fees for sports facilities and participation fees in sports competitions  Scope of relief for printed daily newspapers be expanded to include subscription for electronic newspapers.  (Effective YA 2021)
Deposits in Skim Simpanan Pendidikan Nasional (SSPN) account	RM8,000 (YA 2019 to YA 2020)	Existing SSPN relief is extended for another 2 years. (Effective YAs 2021 to 2022)
Education fees expended on self	RM7,000	The scope of RM7,000 a year is expanded to cover fees for attending up-skilling and self-enhancement courses in any field of skills recognised by the Department of Skills Development, Ministry of Human Resources limited to RM1,000.  (Effective YAs 2021 to 2022)



## Special income tax rate treatment for non-Malaysian citizen individuals holding key positions in companies investing in new strategic investments

To make Malaysia a destination for high value service activities, in addition to the tax incentives offered to companies relocating their operations to Malaysia, individual income tax at a flat rate of 15% be given to non-citizens holding key positions / C-Suite positions for a period of 5 consecutive years. This tax incentive is limited to 5 non-citizen individuals employed in each company that has been granted relocation tax incentive under PENJANA initiative.

To qualify for the flat rate of 15%, an individual must:

- i. receive a monthly salary of not less than RM25,000; and
- ii. be a Malaysian tax resident for each YA throughout the flat rate tax treatment.

(Applications received by the Malaysian Investment and Development Authority (MIDA) from 7 November 2020 until 31 December 2021)

## Extension of tax incentive for returning expert programme (REP)

The application period for the REP incentive is extended for another 3 years, i.e. in respect of applications received by Talent Corporation Malaysia Berhad until 31 December 2023.

- Flat personal tax rate of 15% for a period of 5 consecutive YAs..
- Exemption on import duty and excise duty for the purchase of a CBU vehicle or excise duty exemption for the purchase of a CKD vehicle subject to total duty exemption limited to RM100,000.

(Applications received by Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023)

## Increase in the limit of income tax exemption on compensation for loss of employment

It is proposed that the income tax exemption limit for compensation for loss of employment be increased from RM10,000 to RM20,000 for each full year of service with the same employer or companies within the same group.

(Effective from YA 2020 to YA 2021)

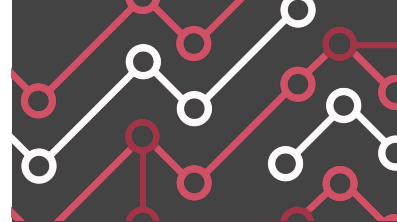


## Reduction in Employees' Provident Fund (EPF) contribution rate

The employee's portion of EPF contributions will be reduced from 11% to 9% for a period of 12 months from the beginning of January 2021. The proposed changes are as follow:-

Contribution by	Employer	Employee
<b>Below age of 60:</b>		
Income > RM5,000	12%	<del>11%</del> 9%
Income ≤ RM5,000	13%	
<b>Age 60 and above:</b>		
Income > RM5,000	Malaysian 4% Permanent resident 6%	Malaysian 0% Permanent resident 5.5%
Income ≤ RM5,000	Malaysian 4% Permanent resident 6.5%	

(Effective from 1 January 2021)



## Withdrawal from EPF

EPF Withdrawal	
<b>Below age of 55:</b>	
Account 1	EPF member is allowed to withdraw RM500 a month from EPF Account 1 with a total up to RM6,000 over 12 months.
Account 2	Partial withdrawal for specific reason approved by the EPF board is extended to include purchase of insurance and takaful products (approved by EPF relating to life and critical illness - individual and family). *

\* Note:-

Based on the media release from EPF board on 6 November 2020 in response to the Budget 2021 announcement, the EPF board is still finalising the details of the withdrawal from member's Account 2 to purchase insurance and takaful products covering life/family and critical illness from approved insurance and takaful operators. The products, which will be offered through i-Akaun, will be customised for EPF members at affordable premiums with additional features.

(Effective from January 2021)

## Exemption from HRDF levy

Exemption from HRDF levy will be given for 6 months. The exemption will cover the tourism sector and companies affected by the COVID-19 crisis.

(Effective from 1 January 2021)



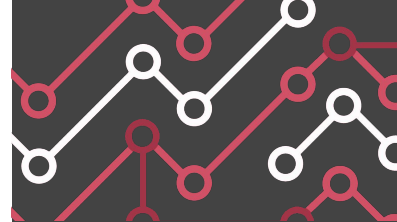


# 2

## Generating and retaining jobs



# Enhancement of Employment Insurance Scheme



## Employment Insurance Scheme

To assist job seekers, the Job Search Allowance under the Employment Insurance Scheme will be enhanced from 2021. The current six-month allowance will be extended by 3 months as follows:

Month	Current	Proposed
	Rate of allowance (% of monthly assumed wage)	
1st	80	80
2nd	50	50
3rd	40	50
4th	40	50
5th	30	50
6th	30	50
7th	-	30
8th	-	30
9th	-	30

# Generating and Retaining Jobs



## PenjanaKerjaya Incentive (Hiring Incentive)

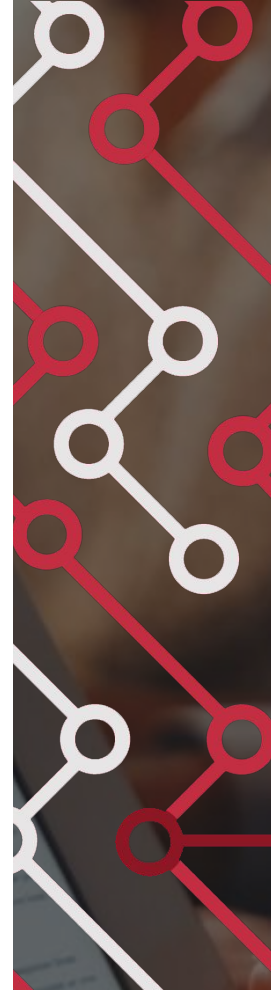
The Government will continue the hiring incentive programme under PERKESO PenjanaKerjaya with several enhancements as below:

Incentive	Current	Proposed
For employers hiring employees earning RM1,500 and above per month	RM800 per month.	40% of monthly income for a period of 6 months, subject to a maximum of RM4,000 per month.
For employers hiring disabled, long-term unemployed and retrenched workers	Disabled workers - RM1,000 per month. Unemployed workers - RM800 per month.	Additional incentive equivalent to 20% of employee's income for a period of 6 months.
Special incentive for hiring of local workers for sectors with high reliance on foreign workers such as construction and plantation		60% of monthly wages for a period of 6 months comprising: <ul style="list-style-type: none"><li>• 40% to be channeled to employers</li><li>• 20% to be channelled to local worker as a wage top up</li></ul>

## Targeted wage subsidy

The Government will extend the current wage subsidy programme (WSP) to the tourism and retail sectors as follows:

Current	Proposed
RM600 per month per employee earning RM4,000 and below, up to a maximum of 200 employees.	Extension of the WSP for another 3 months. The maximum number of employees per application is to be increased to 500 employees.



# 3

## Tax incentives







## Companies manufacturing pharmaceutical products including vaccines

To encourage manufacturers of pharmaceutical products (including vaccines especially COVID-19 vaccine) to invest in Malaysia, it is proposed that the following tax incentives be given:-

Tax incentive		Other incentive
Income tax rate	Incentive period	
0% up to 10%	The first 10 years	Other facilities including grants, import duty or sales tax exemption for machineries and equipment as well as raw materials, may be considered depending on strategic investments by the companies.
10%	Next 10 years	

(Effective for applications received by MIDA from 7 November 2020 to 31 December 2022)



## 1 Export of private healthcare services

### Existing

Currently, private healthcare companies are eligible for tax exemption on income from export of healthcare services to foreign patients either in Malaysia or from Malaysia. The tax exemption is equivalent to 100% of the value of increased export of services to be set-off against 70% of the statutory income (SI), from YAs 2018 to 2020, subject to the following conditions:-

- The number of qualified healthcare travellers is at least 10% of the total patients for each YA; and
- At least 10% of the company's gross income is derived from qualified healthcare travellers for each YA.

### Proposed

It is proposed that the existing incentive be extended to YA 2022.

(Effective for YAs 2021 and 2022)

## 2 Income tax exemption on Green Sustainable and Responsible Investments (Green SRI) Sukuk grant

### Existing

The Securities Commission (SC) provides the Green SRI Sukuk grant to Green SRI Sukuk issuers to finance the external review expenditure incurred in issuing Green SRI Sukuk.

Green SRI Sukuk issuers are given tax exemption on the receipt of such Green SRI Sukuk grant for applications received by the SC from 1 January 2018 to 31 December 2020.

### Proposed

It is proposed that:

- the existing income tax exemption be extended to cover grants for all types of SRI sukuk and bonds which meet the ASEAN Green, Social and Sustainability Bond Standards approved by the SC; and
- the income tax exemption on the above grant be extended for another 5 years.

(For applications received by the SC from 1 January 2021 to 31 December 2025)



## 3 Review of the Principal Hub incentive

### Existing

A company that uses Malaysia as a base for conducting its regional and global business operations to manage, control and support its key functions may qualify for the Principal Hub incentive. The following concessionary tax rates apply to the Principal Hub companies:

#### *New companies*

- Tier 1 - Preferential corporate tax rate of 0% on SI for a period of 5 years (extendable for another 5 years) subject to the following key criteria:
  - a. Employs at least 50 high valued workers;
  - b. Employs at least 5 key posts personnel;
  - c. Annual operating expenditure of at least RM10 million.
- Tier 2 - Preferential corporate tax rate of 5% on statutory income for a period of 5 years (extendable for another 5 years) subject to the following key criteria:
  - a. Employs at least 30 high valued workers;
  - b. Employs at least 4 key posts personnel;
  - c. Annual operating expenditure of at least RM5 million.

#### *Existing companies*

Preferential corporate tax rate of 10% on SI for a period of 5 years, subject to the following key criteria:

- a. Employs at least 30 high valued workers;
- b. Employs at least 5 key posts personnel;
- c. Annual operating expenditure of at least RM10 million.

(Effective for applications received by MIDA from 1 January 2019 to 31 December 2020)

### Proposed

In order to encourage further establishment of Principal Hubs in Malaysia, it is proposed that:-

- The application period be extended for two more years up to 31 December 2022; and
- The conditions relating to the number of high value workers, key posts and annual operational expenditure for the extended 5 year period be relaxed.

(Effective for applications to be received by MIDA from 1 January 2021 to 31 December 2022)



## 4 Global Trading Centre incentive

### Existing

A Principal Hub that carries out trading and services activities are eligible for a concessionary tax rate of 0% or 5% on SI derived from qualifying Principal Hub activities for a period of up to 10 years.

(Effective for applications received by MIDA by 31 December 2020)

### Proposed

To enhance and simplify the tax incentive for trading activities currently provided under the Principal Hub incentive which is subject to a higher eligibility criteria, a new Global Trading Centre tax incentive is to be introduced.

Under the Global Trading Centre incentive, a concessionary tax rate of 10% will apply for a period of 5 years (renewable for another 5 years).

(Effective for applications to be received by MIDA from 1 January 2021 to 31 December 2022)

## 5 Commercialisation of Research and Development (R&D) findings

### Existing

Tax incentives for commercialisation of R&D findings of public research institutions including public higher learning institutions:

- Investor company - Special tax deduction equivalent to the amount of investment made in the subsidiary company that undertakes the commercialisation activities for resource based and non-resource based\* activity or products.
- Investee company - Income tax exemption of 100% of SI for 10 YAs derived from undertaking commercialisation of R&D findings for resource based and non-resource based\* activity or products.

*\*The tax incentives for non-resource based activities were available for applications received by MIDA from 29 September 2012 to 31 December 2017.*

### Proposed

To create a competitive R&D ecosystem, it is proposed that the tax incentives are to be:

- reintroduced for non-resource based R&D; and
- extended to private higher learning institutions.

(Effective for applications received by MIDA from 7 November 2020 until 31 December 2025)





## 6 Further deduction for employment of senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants

### Existing

A further deduction is given to employers for the remuneration on the employment of senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants

(Effective from YA 2019 to YA 2020)

### Proposed

The incentive is to be extended for another 5 YAs from YA 2021 to YA 2025.

## 7 Equity Crowd Funding (“ECF”)

### Existing

Tax exemptions available for companies and individuals that make investments in companies are as follows:-

- Investment in Venture Capital (VC)

Tax deduction for companies or individuals with business income equivalent to the amount invested in VC

- Investment in Venture Capital Company (VCC)

Tax deduction for companies or individuals with business income equivalent to the amount invested in VCC, but capped at RM20 million a year

- Angel investor

Tax exemption for angel investor equivalent to the amount invested in investee companies

### Proposed

To encourage more individual investors to invest in ECF, income tax exemption on aggregate income equivalent to 50% of the amount of investment made in the ECF will be given subject to the following:-

- Amount exempted from tax will be capped at RM50,000 for each YA;
- Deductible amount is restricted to 10% of aggregate income for each YA. Any excess amount will be disregarded;
- The investor, investee company and amount of investment must be verified by SC;
- Investor must not have family relationship with the investee company;
- Investment must be made through ECF platform approved by SC; and
- The investment must not be disposed of either in full or in part within 2 years from the date of investment made.

(Effective for investment made from 1 January 2021 to 31 December 2023)



## 8 Review of tax incentives for companies relocating their operations to Malaysia and undertaking new investments

### Existing

New and existing companies that relocate their business or manufacturing activities from overseas to Malaysia are eligible for the following tax incentives:-

Investment in fixed assets	New company		Existing company	
	Tax incentive	Incentive period	Tax incentive	Incentive period
RM300 million - RM500 million	0% tax rate	10 years	100% Investment Tax Allowance	5 years
Above RM500 million		15 years		

This incentive is given to eligible companies that operate in the manufacturing sector (except for non-qualifying activities), subject to the following conditions:-

- The first capital expenditure is to be incurred within 1 year from the approval date; and
- The investment in fixed assets is to be incurred within 3 years from the date of the first capital expenditure incurred.

(Effective for applications made to MIDA from 1 July 2020 to 31 December 2021)

### Proposed

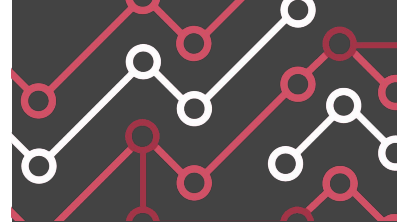
To spur the economic recovery through investment activities and to create multiplier effects to the economy, it is proposed that:-

- The application period be extended for another 1 year; and
- The tax incentive be expanded to companies operating in selected services sector, including companies adapting IR4.0 and digitalisation technology with investment that contributes to significant multiplier effect in the following services:-
  - Provision of technology solution, or more typically technology company which develops technology and provides technology solutions based on substantial scientific or engineering challenges;
  - Provision of infrastructure and technology for cloud computing;
  - Research and development / design and development activities;
  - Medical devices testing laboratory and clinical trials; and
  - Any services or manufacturing related services as determined by the Minister of Finance.
- The tax incentive is as follows:-

New company		Existing company with new services segment	
Tax incentive	Incentive period	Tax incentive	Incentive period
0% - 10% tax rate	Up to 10 years	10% tax rate	Up to 10 years

(Effective date:

- Manufacturing sector - Applications received by MIDA until 31 December 2022
- Selected services sector - Applications received by MIDA from 7 November 2020 to 31 December 2022)



## 9 Review of tax incentive for manufacturers of Industrialised Building System (IBS) components

### Existing

Companies undertaking the manufacturing of IBS basic components such as columns, beams, slabs, walls and roof trusses, and IBS systems such as precast concrete system, formwork system, steel framing system, block work system, timber framing system, innovative system and modular system/components are provided with the following incentives -

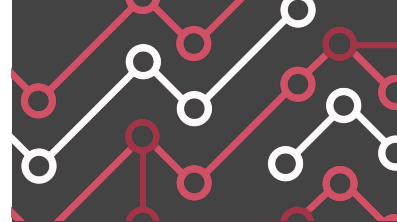
- i. Category 1 - Company producing at least 3 basic components of IBS or IBS systems that use at least 3 basic IBS components
  - a. Income tax exemption of 70% of SI for a period of 5 years; or
  - b. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within 5 years. This allowance can be set off against 70% of the SI.
- ii. Category 2 - Company producing at least 4 or more basic components of IBS or IBS systems that use at least 4 basic IBS components
  - a. Income tax exemption of 100% of SI for a period of 5 years; or
  - b. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within 5 years. This allowance can be set off against 100% of the SI.

(Application received by MIDA from 10 September 2015 to 31 December 2020)

### Proposed

- Incentive to be extended for another 5 years.
- Categories 1 and 2 are to be merged where companies are only required to produce at least 3 basic components of IBS or IBS system that use at least 3 basic IBS components. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within 5 years will be given.. This allowance can be set off against 70% of the SI.

(Effective for applications to be received by MIDA from 1 January 2021 to 31 December 2025).



## 10 Existing tax incentives expiring on 31 December 2020

### Existing

This includes the following -

a. *Maintenance, repair and overhaul (MRO) activities for aerospace*

Companies involved directly and indirectly in MRO, Aero-Manufacturing, Systems Integration and Engineering & Design are eligible for Investment Tax Allowance for a period of 5 or 10 years.

b. *Building and repair of ships*

Companies involved in shipbuilding and ship repairing industry are eligible for -

i. Pioneer Status with 70% income tax exemption on SI for a period of 5 years; or

ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within 5 years

c. *Bionexus status*

Companies undertaking biotechnology activities with approved bionexus status from Malaysian Biotechnology Corporation Sdn Bhd will be eligible for the following incentives -

i. 100% income tax exemption on SI for 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years.

iii. Concessionary tax rate of 20% on SI from qualifying activities for 10 years upon expiry of the original tax exemption period.

iv. Accelerated industrial building allowance (over 10 years) for buildings used solely for the purposes of its new business or expansion project.

v. Exemption of import duty and sales tax on import of raw materials and machinery.

### Proposed

A comprehensive study of the existing tax incentive structure is underway.

To provide space for the comprehensive study of the existing tax incentive to be completed, it is proposed that the existing tax incentives due to end on 31 December 2020 will be extended until 2022.



## 11 Tax incentives for the East Coast Economic Region Development Corridor (ECER), Iskandar Malaysia (IM) and Sabah Development Corridor (SDC)

### Existing

Apart from the general existing incentives in Malaysia which are offered to various industries and approved activities under the Promotion of Investments Act 1986 and the Income Tax Act 1967, special incentives are also available for qualifying activities/ investments in economic corridors such as ECER, IM and SDC.

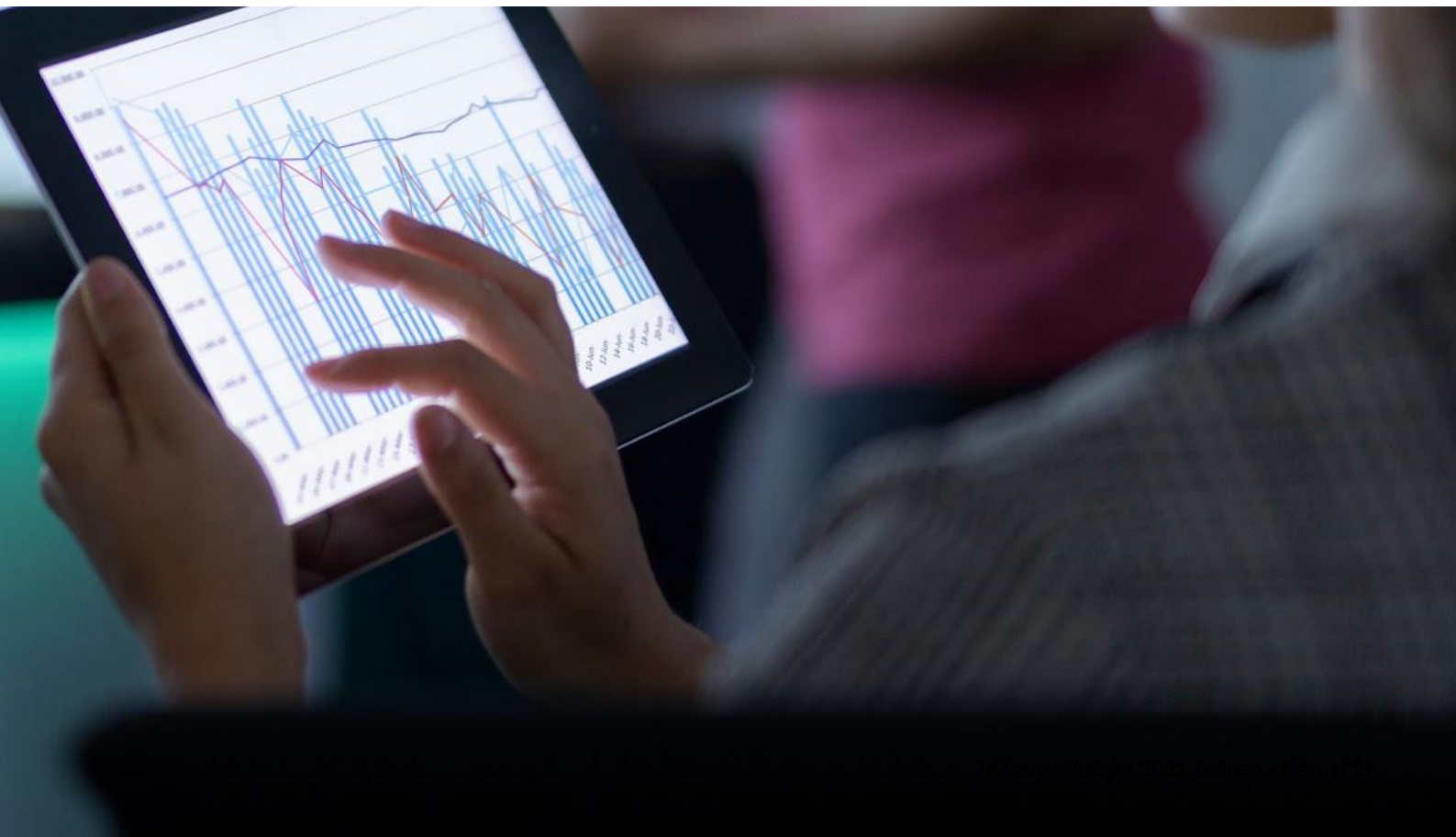
### Proposed

The existing tax incentives available in ECER, IM and SDC are to be extended until 2022.



# 4

## Indirect tax







## 1 Extension of sales tax exemption on purchase of locally assembled buses

### Existing

Currently, sales tax exemption is available until 31 December 2020 for locally assembled buses including air conditioners purchased by bus operators with legal permits. This exemption was first announced by the Minister of Finance in October 2018.

The exemption is also available for the purchase of major bus components (e.g. chassis fitted engine and air conditioner) to be assembled locally.

### Proposed

It is proposed that the sales tax exemption on purchases of locally assembled buses including air conditioners is extended for another 2 years from 1 January 2021 to 31 December 2022.

(Extended period: 1 January 2021 to 31 December 2022)

## 2 Expansion of the scope of Tourism Tax on accommodation booked through online platforms

### Existing

Currently, under the short-term economic recovery plan (PENJANA), tourism tax will be fully exempted from 1 July 2020 until 30 June 2021. Without this exemption, tourism tax is chargeable on tourists (non-Malaysians and non-Permanent Residents) staying in registered accommodation premises.

However, there is concern that tourists booking accommodation through online websites may avoid paying the tourism tax if the website does not impose the tax when payment for the accommodation is collected.

### Proposed

It is proposed that the tourism tax is expanded to include accommodation premises reserved through online platforms.

(Effective date: 1 July 2021)

## 3 Improving revenue collection strategies including smuggling of high duty goods

### Existing

Currently, the Multi-Agency Task Force is chaired by the Ministry of Finance and consists of the Ministry of Health, Ministry of Domestic Trade and Consumer Affairs, Royal Malaysian Customs Department, Royal Malaysian Police and the relevant local governments, with an aim to improve revenue collection for the Government including addressing smuggling of high duty goods into Malaysia.

### Proposed

It has been proposed that the Multi-Agency Task Force will be strengthened with the participation of the Malaysian Anti-Corruption Commission and the National Anti-Financial Crime Centre.

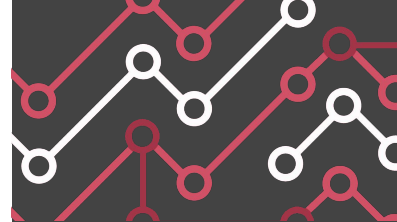
## 4 Increase of annual sales value threshold for value-added activities to be carried out in the FIZ and LMW

### Existing

At present, approval for the value-added activities and additional activities to be carried out at the Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW) is subject to the condition that the sales value of the value-added and additional activities shall not exceed 10% of the company's annual sales value.

### Proposed

The Government has put forward a proposal to increase the annual sales value threshold from 10% to 40%, with an aim to increase the competitiveness of the company as well as to fulfil the dynamics of global trade. (Effective date: 7 November 2020)



## 5 Broadening AEO facility to include logistics service providers and warehouse operators

### Existing

Currently, the Authorised Economic Operator (AEO) status is given to eligible manufacturers, operators and traders. An AEO is a person who is involved in import and export activities and, having been “certified” to be compliant in its customs related operations, is entitled to enjoy benefits provided in the AEO program. To date, however, applications made by logistics service providers and warehouse operators are not processed.

### Proposed

It has been proposed that the Government will broaden the AEO facility to include the approved logistics service providers and warehouse operators. In addition, the Royal Malaysian Customs Department will integrate 43 permit issuing agencies and trading licenses into the AEO platform.

(The date of implementation has not been proposed)

## 6 Imposition of excise duty on electronic and non-electronic smoking devices

### Existing

There is no excise duty on electronic and non-electronic smoking devices, including vape and the vape liquid.

### Proposed

A 10% ad-valorem excise duty will be imposed on all types of electronic and non-electronic smoking devices including vape. Liquid or gel for vape or other smoking devices will be imposed with excise duty at RM0.40 per millilitre.

(Effective from 1 January 2021)

## 7 Stricter controls on cigarette import

### Existing

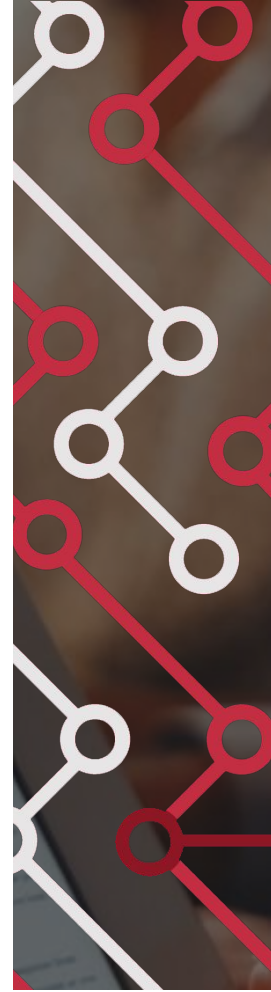
Import licences for cigarettes can be applied for from the Royal Malaysian Customs Department and import quotas are imposed on cigarettes. In addition, transshipment activities of cigarettes are allowed at the ports and there is no requirement to pay duties for cigarettes that are meant for transshipment and re-export. Duties are also not imposed on cigarettes and tobacco products imported into duty free islands.

### Proposed

The following control measures have been proposed:

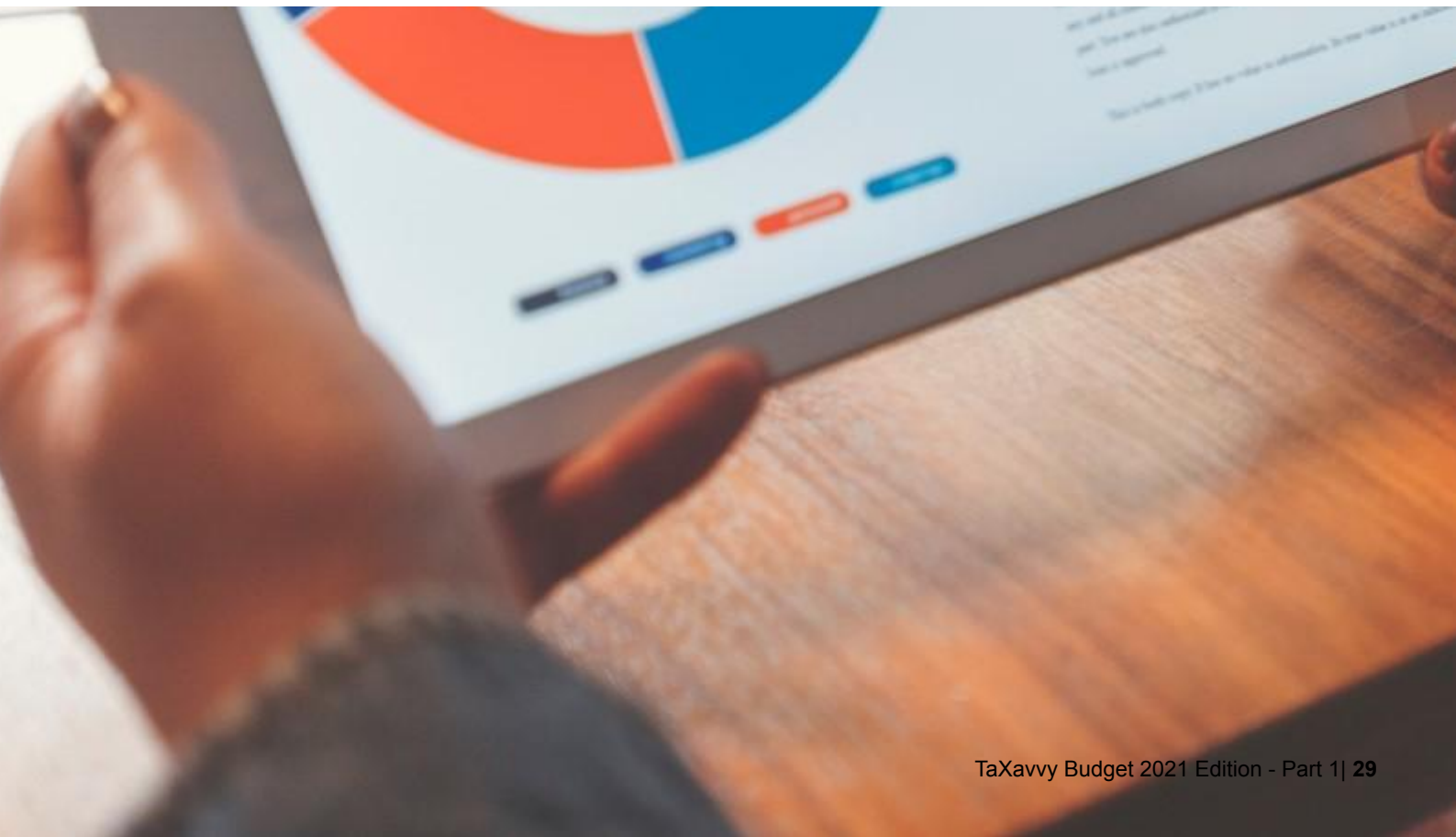
1. All new import license application for cigarettes to be frozen;
2. Renewal of cigarettes import licenses to be tightened by way of reviewing the license conditions including imposition of import quotas;
3. Transshipment activities of cigarettes to be limited to certain ports;
4. All cigarettes imported for the purpose of transshipment and re-export to be imposed with duties but drawback facility will be allowed upon transshipment and re-export
5. Transshipment and re-export of cigarettes using local crafts ("bot kumpit") are not allowed; and
6. Cigarettes and tobacco products imported into duty free islands to be imposed with duties.

(Effective from 1 January 2021)



# 5

## Stamp duty





## Stamp duty exemption for the purchase of first residential home

Presently, 100% stamp duty exemption is given on the instrument of transfer and loan agreement for the purchase of first residential property as follows.

	Stamp duty exemption	Type of instrument	Value of 1st residential home	Sale and purchase agreement executed in the period
A	100%	Instrument of transfer & loan agreement	Up to RM300,000	1 Jan 2019 to 31 Dec 2020
B	100% limited to first RM300,000 of property value. The balance of the property value is subject to stamp duty at the prevailing rate	Instrument of transfer & loan agreement	RM300,001 - RM500,000	1 Jan 2019 to 31 Dec 2020

It is proposed that the 100% stamp duty exemption threshold be increased from RM300,000 to RM500,000 and the exemption period be extended for another 5 years as follows:

Stamp duty exemption	Type of instrument	Value of 1st residential home	Sale and purchase agreement executed in the period
100%	Instrument of transfer & loan agreement	Up to RM500,000	1 Jan.2021 to 31 Dec.2025

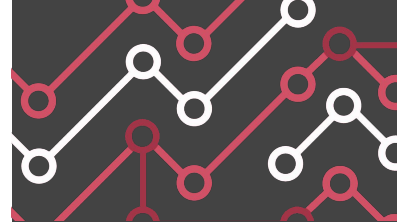


## Extension of stamp duty exemption for abandoned housing projects

To further encourage the involvement of rescuing contractors/developers in reviving abandoned housing projects and alleviating the financial burden of original house purchasers, it is proposed that the following existing stamp duty exemption given be extended for another 5 years.

	Instruments	Rescuing Contractor	Original House Purchaser in Abandoned Projects
A	Loan agreement	To finance the revival of abandoned housing projects	For additional financing
B	Instrument of transfer	To transfer the title for land and houses in abandoned housing projects	To transfer the houses in the abandoned housing projects

(Effective for loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned projects certified by the Ministry of Housing and Local Government.)



## **Extension of period for stamp duty exemption for Perlindungan Tenang products**

Currently, stamp duty exemption is given for insurance policies / takaful certificates for “Perlindungan Tenang” insurance / takaful products with annual premium / contribution not exceeding RM100, issued from 1 January 2019 to 31 December 2020.

It is proposed that the exemption be extended for another 5 years.

(Effective for insurance policies and takaful certificates issued from 1 January 2021 to 31 December 2025)

## **Extension of period for stamp duty exemption for Exchange Traded Fund**

Currently, a contract note executed from 1 January 2018 to 31 December 2020 for the sale and purchase transaction of Exchange Traded Fund is exempted from stamp duty.

It is proposed that the stamp duty exemption is extended for another 5 years.

(For contract notes executed from 1 January 2021 to 31 December 2025)



# PwC Budget 2021 Webinar

**Date** : 17 November 2020  
**Time** : 9.00am to 12.00pm  
**Contact** : Fazlina Jaafar / Chow Xin Yi  
(03) 2173 3830 / 0267  
**Email** : [events.info@my.pwc.com](mailto:events.info@my.pwc.com)

**Online registration:**

<http://bit.ly/PwCMYBudget2021Webinar>



PwC Malaysia's Budget 2021 Webinar  
**Paving the way towards  
a resilient future**

Tuesday, 17 November 2020  
9:00am - 12:00pm  
A webinar by PwC's Academy



# Connect with us

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## **Kuala Lumpur**

### **Jagdev Singh**

jagdev.singh@pwc.com  
+60(3) 2173 1469

## **Melaka**

### **Benedict Francis**

benedict.francis@pwc.com  
+60(7) 218 6000

## **Tan Hwa Yin**

hwa.yin.tan@pwc.com  
+60(6) 270 7300

## **Penang & Ipoh**

### **Tony Chua**

tony.chua@pwc.com  
+60(4) 238 9118

## **Kuching**

### **Bryan Chen**

bryan.chen@pwc.com  
+60(82) 527 218

## **Cynthia Ng**

cynthia.hh.ng@pwc.com  
+60(3) 2173 1188

## **Johor Bahru**

### **Benedict Francis**

benedict.francis@pwc.com  
+60(7) 218 6000

## **Labuan**

### **Jennifer Chang**

jennifer.chang@pwc.com  
+60(3) 2173 1828

---

## **Corporate Tax Compliance & Advisory**

### **Consumer & Industrial Product Services**

#### **Margaret Lee**

margaret.lee.seet.cheng@pwc.com  
+60(3) 2173 1501

#### **Steve Chia**

steve.chia.siang.hai@pwc.com  
+60(3) 2173 1572

### **Emerging Markets**

#### **Fung Mei Lin**

mei.lin.fung@pwc.com  
+60(3) 2173 1505

### **Energy, Utilities & Mining**

#### **Lavindran Sandragasu**

lavindran.sandragasu@pwc.com  
+60(3) 2173 1494

### **Financial Services**

#### **Jennifer Chang**

jennifer.chang@pwc.com  
+60(3) 2173 1828

### **Services & Infrastructure**

#### **Lim Phaik Hoon**

phaik.hoon.lim@pwc.com  
+60(3) 2173 1535

### **Technology, Media and Telecommunications**

#### **Heather Khoo**

heather.khoo@pwc.com  
+60(3) 2173 1636

## **Specialist Services**

### **Corporate Services**

#### **Lee Shuk Yee**

shuk.yee.x.lee@pwc.com  
+60(3) 2173 1626

### **Dispute Resolution**

#### **Tai Weng Hoe**

weng.hoe.tai@pwc.com  
+60(3) 2173 1600

### **Global Mobility Services**

#### **Sakaya Johns Rani**

sakaya.johns.rani@pwc.com  
+60(3) 2173 1553

#### **Hilda Liow**

hilda.liow.wun.chee@pwc.com  
+60(3) 2173 1638

### **Indirect Tax**

#### **Raja Kumaran**

raja.kumaran@pwc.com  
+60(3) 2173 1701

#### **Yap Lai Han**

lai.han.yap@pwc.com  
+60(3) 2173 1491

#### **Chan Wai Choong**

wai.choong.chan@pwc.com  
+60(3) 2173 3100

### **International Tax Services / Mergers and Acquisition**

#### **Gan Pei Tze**

pei.tze.gan@pwc.com  
+60(3) 2173 3297

### **Tax Technology**

#### **Yap Sau Shiung**

sau.shiung.yap@pwc.com  
+60(3) 2173 1555

### **Tax Reporting & Strategy**

#### **Lavindran Sandragasu**

lavindran.sandragasu@pwc.com  
+60(3) 2173 1494

### **Transfer Pricing**

#### **Jagdev Singh**

jagdev.singh@pwc.com  
+60(3) 2173 1469

### **China Desk**

#### **Lorraine Yeoh**

lorraine.yeoh@pwc.com  
+60(3) 2173 1499

### **Japanese Business Consulting**

#### **Yuichi Sugiyama**

yuichi.sugiyama@pwc.com  
+60(3) 2173 1191

#### **Clifford Yap**

clifford.eng.hong.yap@pwc.com  
+60(3) 2173 1446

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