



TaXavvy

24 March 2021 | Issue 8-2021

Broadening access to the Human Resources Development Fund



www.pwc.com/my/tax

The Human Resources Development Fund (HRDF) has expanded the coverage of the Pembangunan Sumber Manusia Berhad Act 2001 (“PSMB Act 2001”) effective from 1 March 2021 to include Malaysian employers across all sectors except for the Federal and State Government, statutory bodies, and Non-Governmental Organisations (NGO) with social and welfare activities with a minimum of ten (10) local employees.

Amendments to PSMB Act 2001

<i>Changes to the PSMB Act 2001</i>	Replacement of entire First Schedule of PSMB Act 2001 to expand the coverage of more employers
<i>Effective date</i>	1 March 2021
<i>How to apply</i>	The application is made by employers through HRDF website starting 1 March 2021
<i>List of exemption & period</i>	Employers of the new sectors are given an exemption for 3 months under the Exemption of Levy Order 2021 from 1 March to 31 May 2021. Kindly refer to the Exemption of Levy Order 2021 for the list of sectors exempted
<i>Effective date of payment</i>	1 June 2021

Objectives of the HRDF coverage expansion

Human capital development is a critical enabler for driving and sustaining Malaysia’s economic growth. The availability of a skilled workforce is necessary to support the transition of all economic sectors towards knowledge-intensive activities, drive labour productivity gains, and attract investment into Malaysia

The purpose of the HRDF coverage expansion is to improve its regulatory and funding support by expanding the coverage to all Malaysian employers across all industries. It is a crucial step taken towards the overall development of Malaysia’s workforce by creating a pool of competent, well-trained, knowledgeable and skilled workforce through training courses that will help employees to attain higher skills level (upskill) and to gain new skills (reskill). This will aid in increasing the number of skilled local workers and productivity level of employees in order to contribute toward achieving the business objectives of their organisation, which in return, would enable the employers to commensurate the contributions with higher income.

The expansion is expected to increase the number of employees that are eligible for training under HRDF from the current 2.5 million in 2020 to 6.1 million from March 2021.

How can HRDF support employers' upskilling initiatives for its employees?

Upskilling has an effect on economic growth. With the profound effects of technological progress on the world economy, taken together with globalisation and demographic change, there is an urgent need to embark on an upskilling revolution that will give people the ability to participate fully in the future of work. The purpose of upskilling is to improve the well-being of people so they can reach their full potential and fully participate in the economy.

With the accelerated scenario creating an impact on reshaping the workforce based on the future of work requirements, the PSMB Act 2001, encourages employers to continuously retrain and upgrade the skills of their employees, apprentices and trainees based on their business needs. Employers will be able to receive financial assistance from the HRD levy paid for training and development of the employees, through the following means:

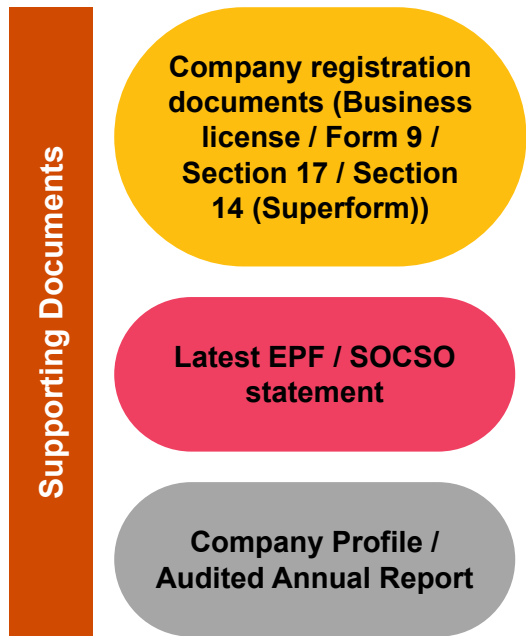
- The levy contributed can be treated as an additional training budget for employers. The training costs can be claimed by employers after completion of the training via reimbursements through the various employer grant schemes. Financial assistance are provided via grant disbursements from the collection of levy from its registered employers.
- Employers are able to access continuous assistance in terms of guidance, schemes and initiatives created by the HRDF learning ecosystem.
- Employers will also have access to special funds from the Government of Malaysia (such as training incentives to Small Medium Enterprises (SMEs) employers and the Apprenticeship Training Fund Scheme under minimum wage) distributed to HRDF from time to time.
- As this expansion would cover most employers in the workforce, a strong infrastructure to manage the reimbursements and training grant claims would be essential to realise the benefits for both employers and the learning ecosystem. Therefore, employers should also manage their training claims diligently, have in place a process to ensure claims are managed smoothly and use technology to track and monitor the claims, manage eligibility and approvals of trainings and costs to minimise claim rejections.



Amendments to First Schedule Order of PSMB Act 2001

First Schedule Order of PSMB Act 2001		Amendments to First Schedule Order of PSMB Act 2001	
<i>Type of industry liable for contribution</i>	Manufacturing Services Mining & Quarrying Oil & Gas		Malaysian employers across all sectors / industries except Federal Government, State Government, Local Council, and statutory bodies
<i>Number of employees & contribution rates</i>	5 to 9 employees <i>(optional to register)</i>	0.5% of the local employee's monthly wages	No changes
	10 employees and above <i>(mandatory for contribution)</i>	1% of the local employee's monthly wages	
			5 or more but less than 500,000 employees for a non-governmental organisation carrying out specific activities <i>(optional to register)</i>
<i>Due date of contribution payment</i>	15th of following month		No changes
<i>Employee eligibility</i>	Malaysian citizen		No changes

Registration Process Flow



Frequently Asked Questions (FAQs)

1. Who are the employers that are potentially liable to register the HRDF?

A: The full list of employers is listed in the Amendments to First Schedule of PSMB Act 2001. It covers most Malaysian employers across all sectors except for statutory bodies, Federal and State Governments and NGO with social and welfare activities.

2. What happens if an employer does not receive a letter or email from HRDF to register?

A: In order to confirm, the employer can take the initiative to submit the Form 1 online to assess their eligibility for contributing to HRDF.

3. Can employers falling under the exemption order of 3 months choose to contribute earlier if they wish to i.e (1 March to 31 May 2021)?

A: The successfully registered employer will start to contribute from June 2021. If employers wish to contribute earlier than June 2021, they may write in to levy support team's email at levysupport@hrdf.com.my for further enquiry.

4. If an employer who is liable to contribute is having difficulty in cash flow and would not be able to pay after the 3 months' grace period, can they apply for a further exemption? If yes, what are the procedures?

A: Current exemption is given up to June 2021. If employers wish to extend the exemption period, they may write in to levy support team's email at levysupport@hrdf.com.my for further enquiry.

5. What happens if the employer fail to make the contribution payment?

A: In accordance to Section 13(1) of the PSMB Act 2001, failure in making the levy payment before the stipulated timeline (by every 15th of the month) will result in:

- Fine not exceeding RM20,000 or imprisonment for a term not exceeding two (2) years or both (on conviction).
- Yearly interest of 10% in respect of each day of default / delay in payment.

6. Will the employer be registered automatically if they fill in and submit Form 1?

A: If the employer is found to be not eligible as per the PSMB Act 2001 to contribute then the application of Form 1 will be automatically rejected via letter / email notification.

7. If an employer has lesser than 10 employees, are they required to submit Form 1?

A: Yes. Form 1 must still be submitted along with the supporting documents. The employers would then be contributing at a contribution rate of 0.05% if they choose to contribute.

8. What is the duration of the registration process?

A: Complete application will be processed within two (2) to seven (7) working days.

9. If I am an employer in tourism sector, am I still exempted for 6 months starting January 2021 as per the Budget 2021 announcement?

A: Yes. Tourism sector is exempted from January 2021 up to June 2021.

Connect with us



Kartina Abdul Latif
Partner
kartina.a.latif@pwc.com
+60(3) 2173 0153



Lee Shuk Yee
Director
shuk.yee.x.lee@pwc.com
+60(3) 2173 1626



www.pwc.com/my/tax

TaXavvy is a newsletter issued by PricewaterhouseCoopers Taxation Services Sdn Bhd. Whilst every care has been taken in compiling this newsletter, we make no representations or warranty (expressed or implied) about the accuracy, suitability, reliability or completeness of the information for any purpose. PricewaterhouseCoopers Taxation Services Sdn Bhd, its employees and agents accept no liability, and disclaim all responsibility, for the consequences of anyone acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Recipients should not act upon it without seeking specific professional advice tailored to your circumstances, requirements or needs.

© 2021 PricewaterhouseCoopers Taxation Services Sdn Bhd. All rights reserved. "PricewaterhouseCoopers" and/or "PwC" refers to the individual members of the PricewaterhouseCoopers organisation in Malaysia, each of which is a separate and independent legal entity. Please see www.pwc.com/structure for further details.