TaXavvy

Budget 2022 Edition (Part 1)

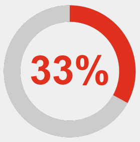
29 October 2021

Welcome to our **TaXavvy Budget Edition** which brings you the key tax proposals of Budget 2022

This TaXavvy edition is prepared based on the Budget 2022 speech as announced on 29 October 2021. A follow-up edition will be issued to cover key tax proposals from the Finance Bill after the Finance Bill is issued.

Highlights

1 Cukai Makmur



On portion of chargeable income >RM100 million

A special one-off tax to be imposed on non-Micro, Small and Medium Enterprises (non-MSMEs) companies which generate high profits during the period of the pandemic.

Effective for year of assessment (YA) 2022

2 Tax on foreign-sourced income

Removal of exemption of foreign income remitted to Malaysia

Foreign-sourced income of Malaysian tax residents which is received in Malaysia will be taxed.

Effective from 1 January 2022

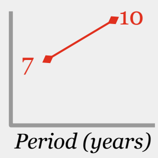
3 Special Voluntary Disclosure Program (SVDP)

Introduction of SVDP for indirect taxes

A SVDP for indirect taxes to be introduced in phases with penalty remission incentives of 100% in Phase 1 and 50% in Phase 2.

Effective date is pending

4 Carry forward of unabsorbed losses



Extended period to carry forward unabsorbed losses

Unutilised business losses to be carried forward for 10 consecutive YAs (previously 7 YAs).

Effective from YA 2019

5 Special Reinvestment Allowance (RA)

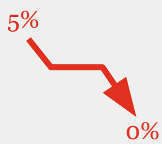
Incentive period extended

+2 years

Special RA to be extended until YA 2024 (additional RA was given until YA 2022 previously).

Effective for YAs 2023 and 2024

6 RPGT on disposal of real properties & shares in real property companies



RPGT relieved for disposals from the 6th year by individuals

RPGT rate for disposals made in the 6th and subsequent years after acquisition to be reduced from 5% to 0%.

Effective from 1 January 2022

Inside this issue

Inside this issue (cont'd)

Inside this issue (cont'd)

1

Personal tax

Extension of special income tax rate to non-Malaysian citizen individuals holding key positions in companies that make new strategic investments

Tax incentive is currently offered to non-Malaysian citizen individuals holding key positions (C-Suite) in companies investing in new strategic investments where a flat rate of 15% will be given for a period of 5 consecutive years, with the following eligibility criteria:

- Approved by the Malaysian Investment Development Authority (MIDA) (limited to 5 non-citizen individuals in each company that has been granted relocation tax incentive under Short-Term Economic Recovery Plan (PENJANA))
- Key position (C-Suite) refers to the position of top senior executives responsible in setting the business strategy, making decisions for the business operation and having the functional know-how or technical skills
- Non-citizen individual receives a basic monthly salary of not less than RM25,000
- Non-citizen individual must be a Malaysian tax resident for each YA throughout the flat rate tax treatment

Applications must be submitted to the MIDA from 7 November 2020 to 31 December 2021.

It is proposed that the deadline for application be extended to 31 December 2022.

Income tax exemption on prize money from e-sports tournaments

Currently, prize money received by a professional sportsman or sportswoman from participating in any sports tournament is exempted from the payment of income tax.

To recognise the success and achievement of e-sport athletes, it is proposed that the prize money received by individuals from participation in recognised e-sport tournaments be exempted from payment of income tax.

Personal Tax Reliefs

1 Medical expenses for self, spouse or child

Existing	Proposed
Tax relief for medical expenses for self, spouse or child undergoing treatment for a serious disease or expenses incurred on fertility treatment, or vaccination up to RM1,000 (including expenses up to RM1,000 incurred by self, spouse or child for complete medical examination) is RM8,000.	It has been proposed that the scope of relief (in respect of medical examination) is expanded to include cost incurred for examination or consultation relating to mental health by: (i) psychiatrist registered with the Malaysian Medical Council under Mental Health Act 2001; (ii) clinical psychologist registered with the Ministry of Health under the Allied Health Professions Act 2016; or (iii) counsellors registered with the Malaysian Board of Counsellors under the Counsellors Act 1998. (Effective from YA 2022) *Comment: The Government also proposes to provide tax relief on costs associated with the adoption of self-funded booster vaccines from next year (specific commencement date has not been provided).*

2 Fees paid to child care centres

Existing	Proposed
Tax relief for fees paid to child care centre (registered with the Director General of Social Welfare under the Child Care Centre Act 1984) and kindergarten (registered under the Education Act 1996) for child aged six years and below is RM2,000. For YAs 2020 and 2021, the relief is increased by an additional RM1,000 to RM3,000.	It has been proposed that the period for the increased relief of RM3,000 be extended for another 2 years. (Effective for YAs 2022 and 2023)

3 Purchase of personal computer, smartphone and tablet

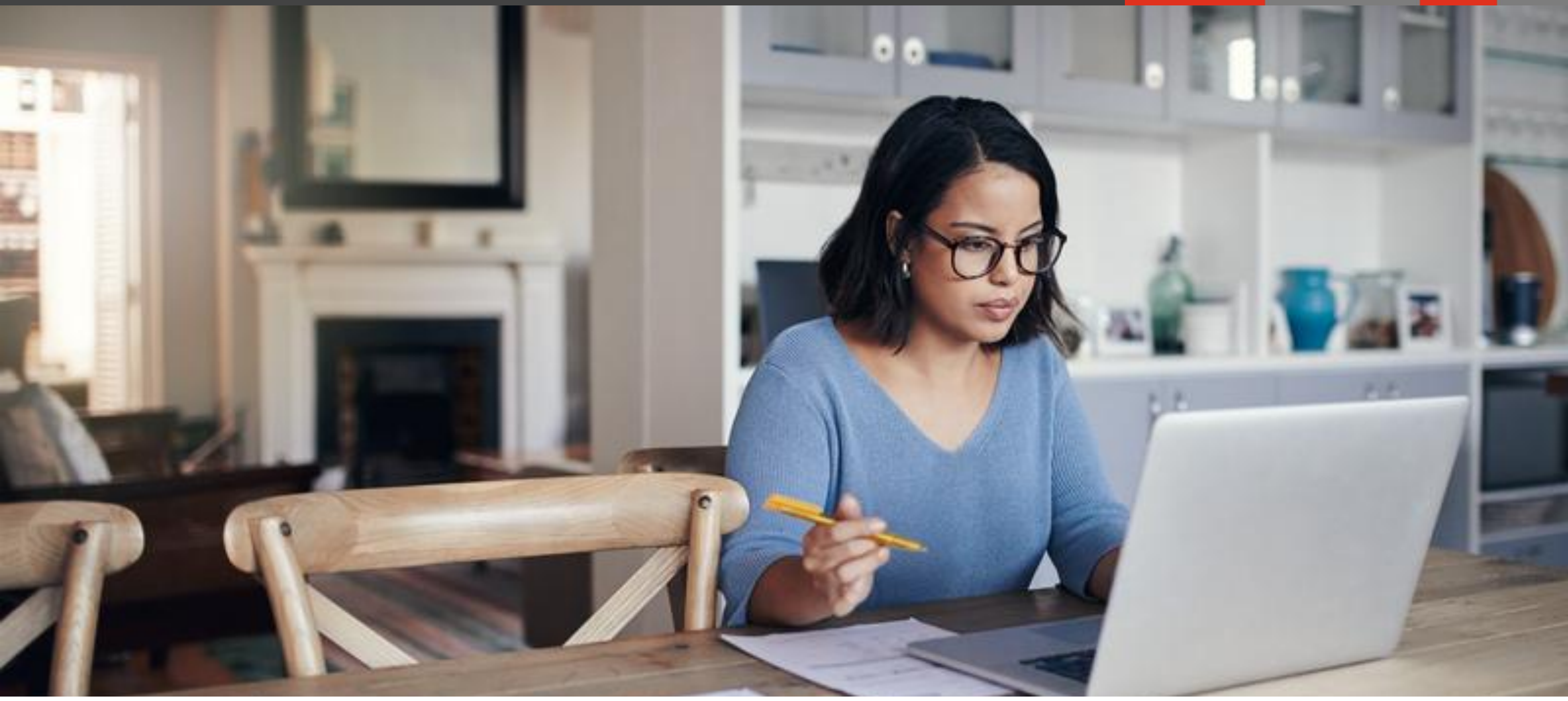
Existing	Proposed
Tax relief for purchase of personal computer, smartphone and tablet (not being used for the purposes of own business) made on or after 1 June 2020 but not later than 31 December 2020 (in addition to any deduction under lifestyle relief) is RM2,500. Note: This relief was extended to YA 2021 under PERMAI.	It has been proposed that the period of relief be extended for another 1 year. (Effective for YA 2022)

4	Fees expended on self for course of study for upskilling or self-enhancement
Existing Tax relief for fees expended on self for any course of study undertaken for the purpose of upskilling or self-enhancement is limited to RM1,000 per YA for YAs 2021 and 2022. (The course has to be conducted by a body recognized by the DG of Skills Development under the National Skills Development Act 2006)	**Proposed** It has been proposed that the: ● Relief amount of RM1,000 be increased to RM2,000 ● Period of relief be extended to YA 2023. (Effective from YAs 2022 to 2023)

5	Domestic travel expenses
Existing Tax relief for domestic travel expenses (payment for accommodation at premises registered with the Commissioner of Tourism under the Tourism Industry Act 1992 and entrance fee to tourist attractions) is RM1,000. Provided that payment is made on or after 1 March 2020 but not later than 31 December 2021.	**Proposed** It has been proposed that the period of relief be extended for another 1 year for payments made from 1 January 2022 to 31 December 2022. (Effective for YA 2022)

6	Contributions to Employees Provident Fund (EPF)
Existing Tax relief for contributions to the EPF is RM4,000.	**Proposed** It has been proposed that the relief of RM4,000 for an individual's contributions to EPF be expanded to cover voluntary contributors including pensionable civil servants. (Effective from YA 2022)

	Existing	Proposed
7	**Individual's contribution to the Social Security Organisation (SOCSO)**	
	Existing Tax relief for an individual's contribution to SOCSO is RM250 per YA.	**Proposed** It has been proposed that the relief is: ● Expanded to include contributions under the Employment Insurance System Act 2017 ● Increased to RM350 (Effective from YA 2022)
8	**Premium for deferred annuity**	
	Existing Tax relief for premium for deferred annuity and contribution to Private Retirement Scheme (PRS) (effective from YA 2012 to 2021) is RM3,000. The period for the tax relief for PRS contribution has been extended from YA 2022 to 2025.	**Proposed** In line with the extension of tax relief for PRS, it has been proposed that the period of relief for premiums for deferred annuity be similarly extended for another 4 years. (Effective from YAs 2022 to 2025)
9	**Expenses related to cost of installation, rental, purchasing including hire-purchase equipment or subscription fee for electric vehicle (EV) charging facilities**	
	Existing Not available.	**Proposed** Tax relief of up to RM2,500 on expenses related to cost of installation, rental, purchasing including hire-purchase equipment or subscription fees for EV charging facilities. (Effective from YAs 2022 and 2023)



Extension of reduction in EPF contribution rate from 11% to 9%

The minimum EPF monthly contribution rate for employees (Malaysian citizens and permanent residents) is currently at the reduced rate of 9% (by default) for contributions made from January to December 2021. Employees can opt to maintain the statutory rate of 11%.

It is proposed that the reduced minimum contribution rate of 9% is extended to June 2022.

(Effective from January to June 2022)

2

Corporate tax

1. Introduction of one-off "Cukai Makmur" of 33%

Currently, these are the tax rates for companies:

- Micro, Small and Medium Enterprises (MSMEs) companies*:
    - on the first RM600,000 chargeable income - 17%
    - on balance of chargeable income above RM600,000 - 24%
- Non-MSMEs companies - 24%

**Companies with paid-up capital of not more than RM2.5 million and business income not exceeding RM50 million*

In order to support the Government's initiative to assist parties affected by the pandemic, it has been proposed that a special one-off tax which is called "cukai makmur" be imposed on non-MSMEs companies which generate high profits during the period of the pandemic as follows:

- Chargeable income for the first RM100 million - 24%
- Portion of chargeable income in excess of RM100 million - 33%

(Effective for YA 2022)

2. Foreign-sourced income taxed upon remittance into Malaysia

Currently, income of any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) derived from sources outside Malaysia and received in Malaysia ("foreign sourced income"), is exempted from income tax under Paragraph 28 of Schedule 6, Income Tax Act 1967.

It is proposed that foreign-sourced income of Malaysian tax residents which is received in Malaysia be taxed.

(Effective from 1 January 2022)

Comment: The proposal may in part be the Government's response to the recent inclusion of Malaysia into the Council of the European Union's (EU) list of jurisdictions which are committed to amend or abolish their harmful foreign-sourced income exemption regimes (also referred to as the "Grey" List) (refer to TaXavvy 28/2021). This represents a major shift to Malaysia's long-standing territorial-based taxation system.

Based on the information from the appendix to the Budget Speech, the following are some areas of concerns:

- *Would there be a cooling-off period to allow time for taxpayers to repatriate foreign income back into Malaysia as the move may discourage taxpayers from bringing back foreign profits for reinvestment into Malaysia?*
- *The scope of foreign income appears to be wide, i.e. both business income and passive income (e.g. interest, royalties and dividends) could be included in the scope of tax.*
- *Whether income which accrued prior to 1 January 2022 but received from 1 January 2022 would be taxable? Will there be clear transitional provisions to impose tax prospectively, i.e. only for income which accrues from 1 January 2022?*
- *Would Malaysia remain competitive from a tax perspective as compared to other jurisdictions which practise some form of territorial-based taxation but meet the EU's requirements where foreign business income and dividends (especially from subsidiaries) are exempted from tax, e.g. Singapore?*
- *Would individual residents continue to enjoy the existing exemption on foreign income that is remitted into Malaysia?*

3 Time limit on carry forward of losses

Existing

Effective from YA 2019, unutilised business losses in a YA can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source.

Transitionally, accumulated unutilised business losses from YA 2018 may be carried forward for 7 consecutive YAs until YA 2025.

Proposed

It is proposed that:

- The existing time limit to carry forward unutilised business losses to be extended to 10 consecutive YAs.
- The existing transitional provision for unutilised business losses from YA 2018 be allowed to be carried forward for 10 consecutive YAs, i.e. until YA 2028.

(Effective from YA 2019)

4 Special revision of corporate income tax estimates

Existing

Companies are required to furnish estimates of their tax payable for a YA no later than 30 days before the beginning of the basis period for a YA (normally the financial year). A revised estimate can be submitted in the sixth and ninth months of the basis period for a YA.

Proposed

It is proposed that companies may submit a revised estimate in the 11th month of the basis period for a YA, before 31 October 2022.

Comment: Further clarification is required from the authorities on the 31 October 2022 deadline. Specifically, whether the 11th month revision is meant to apply as follows:

YA	Companies with financial year ending
2021	December 2021
2022	January 2022 to November 2022

5 Deferment of corporate income tax instalment payments for MSMEs

Existing

Companies may apply for deferment of instalment payments (CP 204) for the months of April 2021 to December 2021.

Proposed

MSMEs to be granted a deferment of income tax instalment payments for a period of six months until 30 June 2022.

6. Tax deduction for self-funded booster vaccines

It is proposed that an income tax deduction be provided to employers for costs associated with the self-funded booster vaccines.

Comment: The Budget Speech indicates that this tax deduction would be applicable for next year but has not provided a specific commencement date.

3

Tax incentives

Tax incentives - New proposals

1. Income tax exemption for Social Enterprises

To help accredited Social Enterprises raise funds to generate positive social or environmental impact, the following are proposed:

(i) Income tax exemption on all income up to 3 YAs based on the validity period of the Social Enterprise Accreditation.

(ii) Establishment of a Joint Committee on Accreditation comprising representatives from Yayasan Hasanah and the Ministry of Entrepreneur Development and Cooperatives.

Effective for:

- Applications for income tax exemption received by the Ministry of Finance from 1 January 2022 to 31 December 2023.
- Applications for accreditation received by Yayasan Hasanah from 1 January 2022 to 31 December 2023.

2 Tax incentive for Digital Ecosystem Acceleration Scheme

Existing	Proposed
Companies carrying out approved activities under Multimedia Super Corridor (MSC) qualify for the following incentives: I. Premises in designated MSC location • 100% income tax exemption for a period of 10 years; or • 100% investment tax allowance on qualifying capital expenditure to be set off against 70% of statutory income (SI), for a period of 5 years II. Premises outside designated MSC location • 70% income tax exemption for a period of 5 years Companies relocating operation to Malaysia and undertaking new investments in selected services sectors including companies adopting Industrial Revolution 4.0 technology and digitalisation I. New company • Income tax rate of 0% to 10% for up to 10 years II. Existing company with new services segment • Income tax rate of 10% for up to 10 years	To support the comprehensive development of national digital ecosystem, the following tax incentives are given for activities under the Digital Ecosystem Acceleration Scheme (DESAC): I. 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 II. Digital Infrastructure Provider • Investment tax allowance of 100% on capital expenditure for qualifying activities up to 10 years. This allowance can be set off against up to 100% of SI. (Effective for application received by MIDA from 30 October 2021 until 31 December 2025)

Tax incentives - Extension and changes

1 Extension of special reinvestment allowance (“RA”)

Existing	Proposed
A special RA for manufacturing & selected agriculture activity is available for a period of 3 YAs from YA 2020 until YA 2022. The special RA is at a rate of 60% on qualifying expenditure incurred for the purposes of a qualifying project which can be set off against 70% of SI or 100% of SI (projects that have achieved the level of productivity as prescribed by the Minister of Finance).	It is proposed that the special RA be extended for a further 2 YAs until YA 2024. (Effective from YA 2023 to YA 2024)

2 Extension of tax rebate for establishment of new MSMEs entities

Existing	Proposed
Currently, newly incorporated MSME entities are given a tax rebate of up to RM20,000 for each YA for the first 3 years of assessment. The amount of rebate is equivalent to the capital expenditure or operational expenditure incurred for each YA subject to a maximum amount of RM20,000 for each YA. The MSME is required to be registered under the Companies Act 2016 and have paid-up capital of not more than RM2.5 million and business income not exceeding RM50 million. The tax incentive is given to MSME established and in operation from 1 July 2020 until 31 December 2021.	It has been proposed that the establishment and operational period for new MSMEs including MSMEs that perform business activities through online platform be extended to 31 December 2022. (Effective for new MSME established and operational by 31 December 2022)

3 Special tax deduction on rental discount to tenants

Existing	Proposed
A special tax deduction equivalent to the amount of rental reduction is given to taxpayers which provide a reduction of rental on business premises of at least 30% from the original rental rate for: (a) SME tenants - April 2020 to December 2021 (b) All tenants - January 2021 to December 2021	It is proposed that the special tax deduction for rental reduction be extended for another 6 months. (Effective for rental reduction in January 2022 until June 2022)

4 Deduction for renovation and refurbishment expenses

Existing

Currently, a special tax deduction is given for the cost of renovation and refurbishment of business premises incurred from 1 March 2020 to 31 December 2021 (qualifying period), subject to a maximum amount of RM300,000 for the entire qualifying period.

Proposed

It is proposed that the special deduction be extended to cover expenditure incurred until 31 December 2022.

(Effective from 1 January 2022 to 31 December 2022)

Comment: It is noted that the Budget Speech indicates that the extension of the incentive is for renovation and refurbishment to comply with relevant SOPs such as ventilation and customer seatings. As such, further clarity is required as to whether the scope of qualifying expenditure will be narrower in the extended period as compared to the existing qualifying expenditure.

5 Further tax deduction on expenses for employees' accommodation under Safe@Work

Existing

Under Strategic Programme to Empower the People and Economy (PEMERKASA) a further tax deduction for rental expense on premises for employees was announced for manufacturing companies and manufacturing-related service companies that participate in the Safe@Work initiative. The qualifying rental expenditure is limited to RM50,000 per company for amounts incurred from 1 January 2021 to 31 December 2021.

Proposed

It is proposed that the incentive be extended for an additional year.

(Effective from 1 January 2022 to 31 December 2022)

6 Green Investment Tax Allowance / Green Technology Income Tax Exemption

Existing

Green Investment Tax Allowance (GITA)

GITA of 100 percent on the capital expenditure for qualifying green activities to be set-off against up to 70 percent of SI for a period of 3 years.

Green Investment Tax Exemption (GITE)

a. Income tax exemption of 70 percent of SI for qualifying green services activities for a period of 3 years; and
b. Income tax exemption of 70 percent of SI for solar leasing companies certified by the Sustainable Energy Development Authority (SEDA) for a period of 5 or 10 years.

(For applications received by MIDA from 1 January 2020 tol 31 December 2023)

Proposed

To support the Sustainable Development Goals (SDGs) 2030 agenda, namely:

- Goal 6: Clean Water and Sanitation;
- Goal 11: Sustainable Cities and Communities; and
- Goal 12: Responsible Consumption and Production,

it is proposed the scope on the purchase of qualifying green assets and green services be expanded to include Rainwater Harvesting System (RHS) projects. The project should be verified by the Malaysian Green Technology Corporation (MGTC) to qualify for:

- GITA of 100 percent on qualifying capital expenditure for qualifying RHS activities to be set-off against up to 70 percent of SI; or
- Income tax exemption (GITE) of 70 percent of SI for qualifying RHS services activities

(Effective for applications received by MIDA from 1 January 2022 tol 31 December 2023)

7 Double deduction for scholarships provided by companies

Existing

Currently, companies which provide scholarships (course fees and cost of living expenses) to Malaysian students pursuing studies in the fields of engineering and technology at technical and vocational, diploma and degree levels, are eligible for double deduction.

Proposed

It is proposed that the scope of eligible studies be expanded to all fields of study at the following levels:

- Technical and vocational
- Diploma, bachelor's degree, master's degree, and Doctor of Philosophy

(Effective from YAs 2022 to 2025)

8 Structured Internship Programme ("SIP")

Existing

A person who conducts a SIP approved by TalentCorp is eligible for double deduction on the following expenses incurred in relation to the SIP up to YA 2021:

- Intern's monthly allowance of not less than RM500
- Training*
- Meals, travelling and accommodation* during the internship period.

* collectively capped at RM5,000 for each YA

The current SIP academic scope is for a diploma or degree programme, or a vocational programme (minimum Level 3).

Proposed

The scope of SIP to be expanded to include Master's Degree, Professional Certificate and Malaysian Skills Certificate Levels 1 and 2.

Extended for another 4 YAs from YA 2022 to YA 2025.

(Effective from YAs 2022 to 2025)

9 Income tax exemption for organising arts, cultural, sports and recreational activities in Malaysia

Existing

Currently, companies are eligible for 50% tax exemption on statutory income from organising the following activities for YA 2020 to YA 2022:

A. Arts and cultural activities approved by the Ministry of Tourism, Arts and Culture
B. Sports and recreational competitions of international standards approved by the Ministry of Youth and Sports.

Proposed

It is proposed that the existing incentive be extended to YA 2025.

(Effective from YAs 2023 to 2025)

10 Accelerated capital allowance (ACA) for excursion buses

Existing

ACA is given for locally assembled excursion buses purchased by licensed tour operators at the following rates:

- Initial allowance: 20%
- Annual allowance: 40%.

(Effective from YA 2020 to YA 2021)

Proposed

Extended for another 3 YAs from YA 2022 to YA 2024.

(Effective from YAs 2022 to 2024)

11 Extension of double deduction for Vendor Development Programme

Existing

Currently, an anchor company which is incorporated and resident in Malaysia and participates in the Vendor Development Programme is eligible for a double deduction on the amount of expenditure incurred to carry out prescribed activities for 3 consecutive YAs.

The double deduction is limited to qualifying expenditure incurred up to RM300,000 for each YA.

The double deduction is effective for Memorandum of Understanding (MoU) signed between an anchor company and Ministry of International Trade & Industry (MITI) / Ministry of Entrepreneur Development and Cooperatives (MEDAC) from 1 January 2017 to 31 December 2020.

Proposed

It is proposed that:

(a) The amount of expenditure which qualifies for the double deduction be increased to RM500,000 for each YA, for 3 consecutive YAs.
(b) The incentive is extended for MoUs signed between anchor companies and MEDAC from 1 January 2021 to 31 December 2025.

12 Tax incentive for Late-Life Assets (LLA) projects for the upstream petroleum industry

Existing

The following tax incentives were given to promote investments in high risk and high capital investment projects in the oil and gas industry:

Qualifying project	Tax incentive
Marginal Field	I. Reduced petroleum income tax rate from 38% to 25% II. Capital allowance accelerated from 10 years to 5 years III. Export duty exemption on oil and gas exported
1. Enhanced oil recovery 2. High carbon dioxide gas 3. High pressure and high temperature 4. Deep sea 5. Infrastructure asset	I. Investment Tax Allowance of 60% of qualifying capital expenditure incurred to be set off against 70% of statutory income for a period of 10 years for oil production activities II. Qualifying exploration expenditure allowed to be deducted against income from Production Sharing Contract (PSC) areas that do not share boundaries.

Proposed

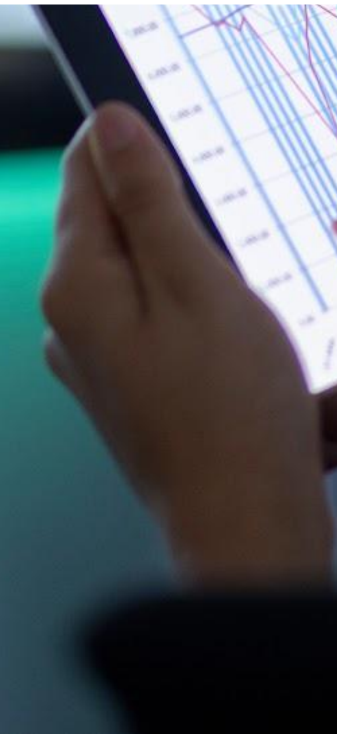
To attract the interest of oil and gas companies to invest and carry out LLA* projects, the following tax incentives are proposed:

I. Petroleum income tax at a rate of 25%
II. Accelerated capital allowance within 2 years
III. Losses from decommissioning activities are allowed to be carried back to be utilised against income for 2 consecutive immediate preceding YAs. Any unabsorbed carry back losses will be disregarded
IV. Export duty exemption on petroleum products

**LLA project is a project carried out in a brownfield which has an economic lifespan of not more than 10 years from the year the contract is awarded. It involves significant field abandonment cost.*

(Effective for LLA PSCs awarded from 1 January 2020 to 31 December 2029)

4



Indirect tax

1 Introduction of Special Voluntary Disclosure Program (SVDP)

Existing	Proposed
There is no provision in the indirect tax legislation for remission of tax and/or penalties for voluntary disclosures of underpayments or erroneously reported indirect taxes administered by Customs. Any remission on penalties and/or indirect taxes is subject to approval by the Minister of Finance or Director General of Customs on a case-by-case basis via application by the taxpayer.	An SVDP for indirect taxes will be introduced in phases with the following penalty remission incentives: ● First phase: Remission on penalties of 100%; and ● Second phase: Remission on penalties of 50%. In addition, remission of the primary tax underpaid will also be considered in certain cases. (The effective date has not been proposed)

2 Imposition of service tax on delivery services

Existing	Proposed
Any courier delivery services for documents or parcels weighing less than 30kg by a service provider licensed under the Postal Services Act 2012 is subject to service tax. All other delivery services are not subject to service tax.	To achieve a level playing field, it has been proposed that service tax will be imposed on delivery services provided by any service provider including e-commerce platforms (but excluding food and beverage delivery services as well as logistics services). (Effective date: 1 July 2022)

3 Service tax exemption on brokering services in relation to trading of listed stocks

Existing	Proposed
Services in relation to financial services for the use or provision of brokerage is subject to service tax. Brokerage service providers are liable to impose service tax on the services provided, which includes brokerage services related to the trading of listed stocks.	To ensure the Malaysian stock market activity remains competitive, it is proposed that the brokerage services relating to the trading of shares listed on Bursa Malaysia be exempted from service tax. (Effective date: 1 January 2022)

4 Imposition of sales tax on low value goods

Existing	Proposed
An importer of low value goods (LVG - goods which value does not exceed RM500) is exempted from paying sales tax on importation, subject to the following conditions: ● The imported goods do not exceed RM500 per consignment; ● The goods are imported using air courier service through the prescribed international airports; ● Cigarettes, tobacco and intoxicating liquor are not eligible for this exemption.	To ensure equal tax treatment for locally manufactured and imported goods, it has been proposed that the sales tax exemption for LVG be abolished and sales tax be imposed on such LVG that are sold online and imported using air courier service into Malaysia. The Budget Speech further indicated that local and foreign sellers who sell such LVG to Malaysian customers are required to register for and impose sales tax on the sale. (Effective date: 1 January 2023)

5 Extension for sales tax exemption on passenger motor vehicles

Existing	Proposed
Sales tax exemption is available from 15 June 2020 to 31 December 2021 on the following: ● 100% exemption in relation to the sale of locally assembled passenger motor vehicles (including SUV and MPV); and ● 50% exemption in relation to imported passenger motor vehicles. This exemption was initially provided under the PENJANA and further extended under the PEMERKASA stimulus package.	The sales tax exemption is to be further extended for 6 months to 30 June 2022. (Extended period: 1 January 2022 to 30 June 2022)

6 Extension of tourism tax exemption

Existing	Proposed
Accommodation premise operators registered under the Tourism Tax Act 2017 are exempted from charging tourism tax until 31 December 2021. This exemption was initially provided under PENJANA and further extended under the PEMERKASA stimulus package.	The exemption from charging tourism tax will be further extended for one year to 31 December 2022. (Extended period: 1 January 2022 to 31 December 2022)

7 Extension of entertainment duty exemption for entertainment premises in Federal Territories

Existing	Proposed
Entertainment premises such as theme parks, performance stages, sport & competition events and movie theatres in the Federal Territories are exempted from paying entertainment duty on the admission fees from 1 April 2021 to 31 December 2021.	The exemption will be extended for a further year to 31 December 2022. (Extended period: 1 January 2022 to 31 December 2022)

8	Exemption of import duty, excise duty and sales tax on imported and locally manufactured electronic vehicles	
	Existing Imported CBU Electric Vehicles (EVs) are subject to import duty, excise duty and sales tax with a few exceptions. For locally manufactured EVs, the CKD components are exempted from import duty, while the locally assembled vehicles (CKD) are given partial excise duty exemption and sales tax exemption.	**Proposed** Full import duty exemption on components for CKD EVs and full excise duty exemption and sales tax on CKD EVs from 1 January 2022 to 31 December 2025. Full import duty and excise duty exemption on imported CBU EVs from 1 January 2022 to 31 December 2023.
9	**Excise duty on liquid or gel containing nicotine used in e-cigarette and vape**	
	Existing Excise duty is imposed on electronic cigarettes (e-cigarettes), vape and nicotine-free liquids or gels used in e-cigarette and vape devices.	**Proposed** Excise duty is to be imposed at a rate of RM1.20 per milliliter on liquid or gel products containing nicotine which are used in e-cigarettes and vape devices. It is also proposed that the excise duty for nicotine-free liquids or gels used in e-cigarettes and vape devices be increased from RM0.40 per milliliter to RM1.20 per milliliter. (Effective date: 1 January 2022)
10	**Excise duty on pre-mixed preparations of sugar-sweetened beverages**	
	Existing Only certain ready-to-drink sugar-sweetened beverages (SSB) exceeding a certain amount of sugar content are subject to excise duty.	**Proposed** Excise duty is to be extended to certain pre-mixed preparations of SSB containing a total sugar content exceeding 33.3 grams per 100 grams. (Effective date: 1 April 2022)
11	**Expansion of export duty exemptions on petroleum products**	
	Existing Export duty exemptions are given to petroleum products produced from marginal field projects.	**Proposed** Export duty exemptions are to be expanded to petroleum products produced under Late-Life Assets (LLA) projects. LLA is a project carried out in an oil field (brownfield) that has a remaining economic life span not exceeding 10 years starting from the year award of contract. (Effective: 1 January 2020 to 31 December 2029)

5

Stamp duty

Stamp duty

1	Review of stamp duty for instruments of transfer of listed shares	
	Existing Currently, contract notes relating to the sale of shares which are listed and quoted on Bursa Malaysia are subject to stamp duty at **0.1%** of the transaction value (calculated as RM1 for every RM1,000 or fractional part of RM1,000), **subject to a cap of RM200**.	**Proposed** It is proposed that the stamp duty rate on contract notes relating to the sale of listed shares to be **increased to 0.15%** (calculated as RM1.50 for every RM1,000). In addition, the total stamp duty **cap of RM200 is to be removed**. (Effective from 1 January 2022 onwards)
2	**Extension of stamp duty exemption for merger and acquisition (M&A)**	
	Existing Currently, stamp duty exemption is given to the qualifying instruments executed for the M&A of MSMEs approved by the MEDAC from 1 July 2020 to 30 June 2021.	**Proposed** It is proposed that the stamp duty exemption on M&A-related instruments is to be extended for another 1 year. (Effective for applications in respect of M&A of MSMEs received by MEDAC from 1 July 2021 to 30 June 2022 and M&A-related instruments executed not later than 31 December 2022)
3	**Stamp duty exemption on loan/financing agreement for Peer-to-Peer (P2P) financing**	
	Existing P2P financing is an online financing platform for MSMEs to raise financing from a group of investors for business or working capital as well as financing of invoices. Currently, the loan/financing agreement for P2P financing is subject to stamp duty at a rate between 0.05% to 0.50%.	**Proposed** It is proposed that 100% stamp duty exemption be given on loan/financing agreements executed between MSMEs and investors for funds raised on a P2P platform registered and recognised by the Securities Commission Malaysia. (Effective for instruments executed from 1 January 2022 to 31 December 2026)

4 Extension of stamp duty exemption for restructuring or rescheduling of loan/financing agreement

Existing

Currently, stamp duty exemption is given for instrument of loan or financing agreement which relates to the restructuring or rescheduling of a loan or financing between a borrower or customer and a financial institution, executed on or after 1 March 2020 but not later than 31 December 2021.

Proposed

It is proposed that the exemption be extended for another 1 year.

(Effective for instruments executed from 1 January 2022 to 31 December 2022)

5 Expansion of the scope of stamp duty exemption for insurance policies or takaful certificates

Existing

Currently, stamp duty exemption is given for the purchase of insurance policies or takaful certificates for *"Perlindungan Tenang"* products with an annual premium or takaful contribution not exceeding RM100, issued from 1 January 2019 to 31 December 2025.

Proposed

It is proposed that -

1. The value of the annual premium or takaful contribution for the insurance policies or takaful certificates for *"Perlindungan Tenang"* products be increased from RM100 to RM150.

2. Stamp duty exemption is given to individuals and MSMEs for the purchase of the following insurance policies or takaful certificates:

<table>
<tr><th>Eligible person</th><th>Types of insurance</th><th>Value of the annual premium or takaful contribution</th></tr>
<tr><td>Individuals</td><td rowspan="2">• Fire Insurance
• Fire Business Interruption Insurance
• Personal Accident Insurance
• Travel Insurance
• Liability Insurance
• Engineering Insurance</td><td>Not exceeding RM150</td></tr>
<tr><td>MSMEs</td><td>Not exceeding RM250</td></tr>
</table>

(Effective for insurance policies or takaful certificates issued from 1 January 2022 to 31 December 2025)

6

Real property gains tax

Real property gains tax (RPGT)

Review of RPGT rates

Currently, disposal of real property (including shares in real property companies) by citizens, permanent residents, and persons other than companies in the 6th and subsequent year after acquisition is subject to RPGT at 5%.

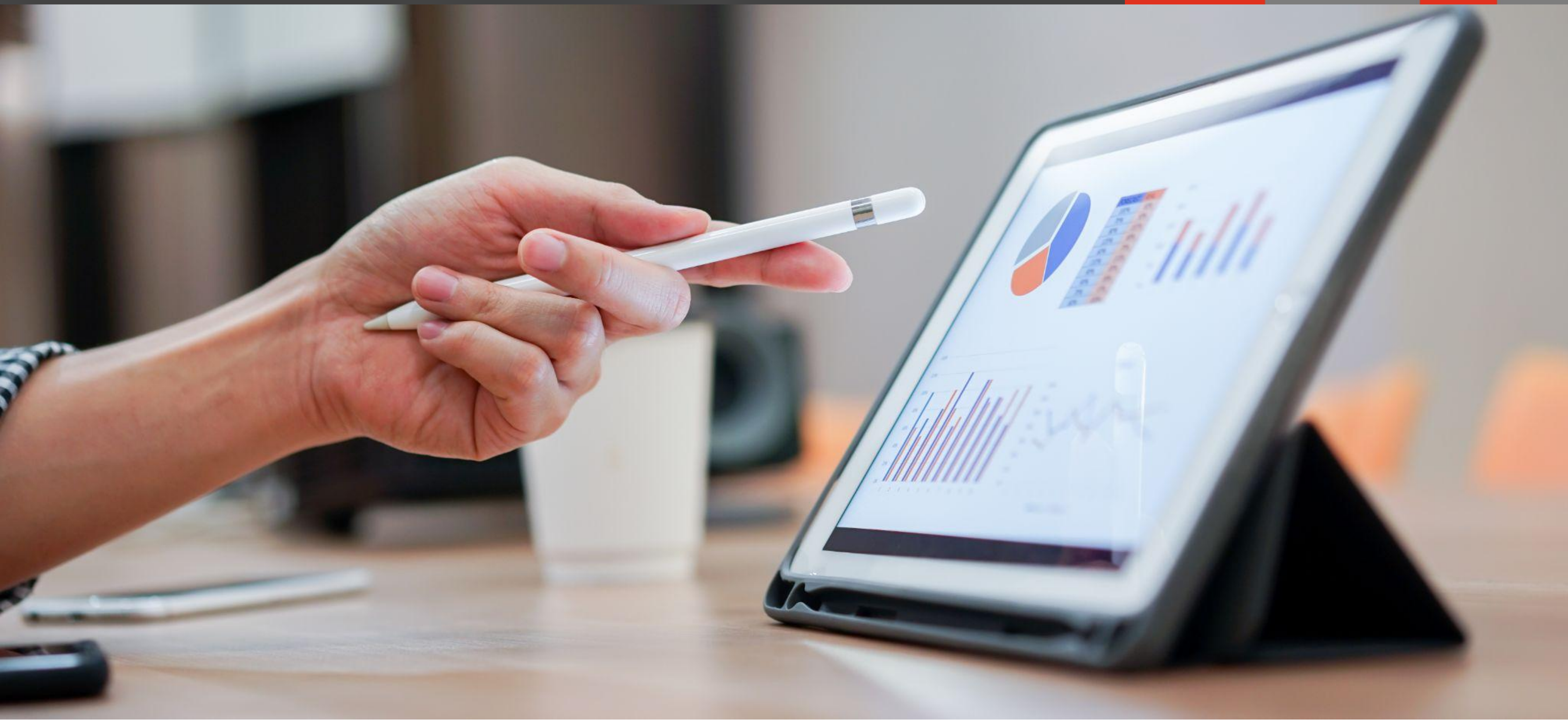
It is proposed that the RPGT rate for disposals made in the 6th and subsequent years after acquisition be reduced from 5% to 0%.

(Effective from 1 January 2022)

7

Other proposals

Windfall profit levy



Review of windfall profit levy

Currently a windfall profit levy is imposed on crude palm oil (CPO) as follows:

Location	Threshold CPO prices (RM / metric tonne)	Levy rate (%)
Peninsular Malaysia	2,500	3.0
Sabah and Sarawak	3,000	1.5

In support of the national palm oil industry, it is proposed that the threshold CPO price and levy rate be revised as follows:

Location	Threshold CPO prices (RM / metric tonne)	Levy rate (%)
Peninsular Malaysia	**3,000**	3.0
Sabah and Sarawak	**3,500**	**3.0**

(Effective from 1 January 2022)

Tax Compliance Certificate (TCC)

As part of the Government's initiative for revenue sustainability, it is proposed that TCC be a prerequisite for taxpayers to tender for government projects

(Effective from 1 January 2023).

Comment:
The requirement of a TCC is not uncommon and is also implemented in some other countries to drive good tax behaviour among businesses. Pending further details on how the TCC will be implemented in Malaysia, taxpayers can expect that they will be required to demonstrate good tax record and that their tax obligations are in good standing.

It is hoped that details of the TCC will be made available soon, such as:

- *Contract value threshold (if any)*
- *Number of years of tax records to be reviewed*
- *Validity period of the certificate*
- *Criteria for awarding a TCC*
- *Period to processing application of the TCC*
- *Avenue of appeal or corrective actions, in the event conditions are not met*

Tax Identification Number (TIN)

It is proposed that the TIN is to be implemented in 2022. It is expected that the TIN implementation will broaden the tax base by enhancing compliance with existing tax laws.

Date	:	15 November 2021
Time	:	9.00am to 12.30pm
Contact	:	Fazlina Jaafar / Chow Xin Yi (03) 2173 3830 / 0267
Email	:	events.info@my.pwc.com

Online registration:
insights.pwc.my/budget2022

Connect with us

Kuala Lumpur
Jagdev Singh
jagdev.singh@pwc.com
+60(3) 2173 1469

Penang & Ipoh
Kang Gaik Hong
gaik.hong.kang@pwc.com
+60(4) 238 9225

Johor Bahru
Benedict Francis
benedict.francis@pwc.com
+60(7) 218 6000

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

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

Kuching
Lee Yuien Siang
yuien.siang.lee@pwc.com
+60(8) 252 7202

Cynthia Ng
cynthia.hh.ng@pwc.com
+60(3) 2173 1438

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

Corporate Tax Services

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

Indirect Tax
Raja Kumaran
raja.kumaran@pwc.com
+60(3) 2173 1701

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

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

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
Anushia Soosaipillai
anushia.joan.soosaipillai@pwc.com
+60(3) 2173 1419

China Desk
Lorraine Yeoh
lorraine.yeoh@pwc.com
+60(3) 2173 1499

Japan Desk
Yuichi Sugiyama
yuichi.sugiyama@pwc.com
+60(3) 2173 1191

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

Korea Desk
Keegan Ong
keegan.sk.ong@pwc.com
+60(3) 2173 1684