




BoardRoom  
Smart Business Solutions

# Malaysia Budget 2021 Tax Highlights

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*Resilient As One, Together We Triumph*



**BELANJAWAN**

**2021**

**#Belanjawan2021 #Budget2021**

# Overview

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- On 6 November 2020, Malaysia's 2021 Budget was tabled by Finance Minister Tengku Zafrul Aziz with a total expenditure projected at RM322 billion, almost RM8 billion more than the 2020 Budget.
- The budget was formulated on 3 crucial goals:-
  1. The rakyat's well being
  2. Business continuity
  3. Economic resilience.
- The 3 goals are a continuity of the **PRIHATIN, PRIHATIN SME PLUS, PENJANA** and **KITA PRIHATIN** stimulus packages which were announced in March, April, June and September this year.
- We have summarized some of the tax highlights from the budget that offers to the Rakyat and Corporate.

# Budget 2021 – 3 Integral Goals

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1. Covid 19 pandemic & public health
2. Safeguarding the welfare of vulnerable group
3. Generating & retaining jobs
4. Prioritising the inclusiveness agenda
5. Ensuring the well-being of the rakyat

## Rakyat's Well Being

1. Driving investments
2. Strengthening key sectors
3. Prioritising automation and digitalization
4. Enhancing access to financing

## Business Continuity

1. Expansionary budget
2. Development agenda under the 12th Malaysia Plan
3. Enhancing the role of GLC and civil society
4. Ensuring resource sustainability
5. Civil service

## Economic Resilience

## Corporate Tax

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- **Companies relocating their operations to Malaysia and undertaking new investments**
  - The Government has offered the following incentives via PENJANA to selected manufacturing companies which relocated their businesses to Malaysia and bring in new investments.
    - **New Company**
      - 0% tax rate for 10 years for new investment in manufacturing sectors with capital investment between RM300 - RM500 million
      - 0% tax rate for 15 years for new investment in manufacturing sectors with capital investment above RM500 million
    - **Existing Company**
      - 100% Investment Tax Allowance for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million
  - The application will be extended until **31 December 2022**.
  - The scope of the tax incentives is expanded to companies in selected services sector including companies adapting Industrial Revolution 4.0 and digitalisation technology with investment that contribute to significant multiplier effect.

- **Tax incentive for Principal Hub**

- The application period will be extended for **to 31 December 2022**.
- The minimum conditions such as number of high value job, annual operating expenditure and the number of key post for renewal of the tax incentive for the second 5 years will be relaxed.

- **Global Trading Centre**

- A **10%** income tax rate for a period of 5 years (renewable for another 5 years) will be given.
- Applications must be received by MIDA from 1 January 2021 until 31 December 2022.

- **Income tax exemption for Equity Crowd Funding (“ECF”)**

- ECF is one of the alternative financing methods, especially for technology start-ups.
- Income tax exemption of 50% of the investment amount or limited to RM50,000 will be given.
- RM30 million will also be allocated through matching grants to be invested on ECF platforms under the supervision of the SC.

- **Tax incentives for Maintenance, Repair, and Overhaul (“MRO”) activities** for aerospace, building and repair of ships, Bionexus status and economic corridor developments will be extended until year 2022.
- **Manufacturers of pharmaceutical products**
  - Preferential tax rate of 0 to 10% for 10 years including **vaccines** to invest in Malaysia.
- **Export of private healthcare services**
  - Extension of income tax exemption until YA2022.
- **Simplify and Merge the Tax incentive for manufacturers of Industrialised Building System (“IBS”)**
  - Companies producing at least 3 basic components of IBS or IBS system that use at least 3 basic IBS components will be given **Investment tax allowance of 60%** on qualifying capital expenditure incurred within 5 years and can be set off against 70% of statutory income.
  - Effective from **1 January 2021 to 31 December 2025**



- **East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor**
  - Income tax exemption is extended until **YA2022**.
- **Sustainable and Responsible Investment (SRI)**
  - Income tax exemption will be extended until **2025** and extended to all type of sukuk and bonds.
- **Tax incentives for non-resource-based R&D product commercialization activities** will be reintroduced.
- **Tax incentives for commercialization of R&D product by public research institutions** will be extended to private higher education institutions.

- **Employers who employ senior citizens**
  - Further tax deduction on remuneration is extended until YA2025.
- **Employers who employ ex-convicts, parolees, supervised persons and ex-drug dependants**
  - Further tax deduction on remuneration is extended until YA2025.
- **Income tax deduction on investment on ASNB wakaf fund**
  - Permodalan Nasional Berhad (“PNB”) through Amanah Saham Nasional Berhad (“ASNB”) will introduce wakaf services to all ASNB unit trust holders.
  - Under this service, unit holders can endow some of their units into ASNB wakaf fund and be eligible for an income tax deduction.
- **Wage Subsidy Programme (“WSP”)**
  - Extend the implementation of WSP for another 3 months but with a more targeted approach, i.e. specifically for the tourism sector, which includes the retail sector

# Individual Tax

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- **Reduction in income tax rate by 1%**

- Income tax rate for chargeable income band of **RM50,001 – RM70,000** - reduction from **14% to 13%**
- Effective: YA2021 onwards

| Chargeable Income (RM) | Existing Tax rate (%) | Proposed Tax Rate |
|------------------------|-----------------------|-------------------|
| 0 – 5,000              | 0                     | 0                 |
| 5,001 – 20,000         | 1                     | 1                 |
| 20,001 – 35,000        | 3                     | 3                 |
| 35,001 – 50,000        | 8                     | 8                 |
| <b>50,001 – 70,000</b> | <b>14</b>             | <b>13</b>         |
| 70,001 – 100,000       | 21                    | 21                |
| 100,001 – 250,000      | 24                    | 24                |
| 250,001 – 400,000      | 24.5                  | 24.5              |
| 400,001 – 600,000      | 25                    | 25                |
| 600,001 – 1,000,000    | 26                    | 26                |
| 1,000,001 – 2,000,000  | 28                    | 28                |
| 2,000,001 & above      | 30                    | 30                |

- **Compensation received due to jobs loss**

- Income tax exemption limit will be increased from RM10,000 to **RM20,000** for every year of completed service
- Effective: YA2020& YA2021.

- **National Education Savings Scheme** (“SSPN”)

- Tax relief on net annual savings up to **RM8,000**
- Extended to YA2022.

- **Education fees**

- Tax relief for of RM7,000 will be extended to cover the expenses incurred for attending **skills development courses** which limited to **RM1,000** for each YA.

- **Private Retirement Scheme (PRS) contributions**

- Tax relief of up to RM3,000
- Extended until YA2025.

- **Lifestyle expenses**

- Tax relief on will be increased from RM2,500 to **RM3,000**.
- The scope will be extended to entrance participation fees for sports competitions, subscription which also include the subscription of e-newspapers.
- Effective: YA2021

- **Disabled spouse**
  - Tax relief increased from RM3,500 to **RM5,000**.
  - Effective: YA2021
- **Medical treatment, special needs and parental care**
  - Tax relief on expenses for will be increased from RM5,000 to **RM8,000**.
  - Effective: YA2021
- **Medical treatment for serious illnesses for self, spouse or child**
  - Tax relief will be increased from RM6,000 to **RM8,000**.
  - Tax relief for a full health screening will be increased from RM500 to **RM1,000**. The tax relief will be expanded to include vaccination expenses such as pneumococcal, influenza and Covid-19 up to **RM1,000**.
  - Effective: YA2021
- **Employee Provident Fund (“EPF”) contributions**
  - Reduction of the rate of employee’s contribution of EPF from 11% to **9%**.
  - Effective: 1 January 2021 – 31 December 2021

- **Special income tax rate for non-resident individuals holding key positions in companies investing in new strategic investments**
  - Non-Malaysian Citizens in Companies (limited to 5 non-citizen individuals who hold key positions / C-Suite positions in these companies) be taxed at a flat rate of **15%**, subject to the following conditions:
    - Holding key position for a period of **5** consecutive years;
    - Receiving a monthly salary of not less than **RM25,000**; and
    - A Malaysian tax resident for each YA throughout the flat rate tax treatment.
- **Revision of Returning Expert Programme (REP)**
  - Flat income tax rate of **15%** on employment income for **5** consecutive YA;
  - Exemption on import duty and excise duty for the purchase of a Completely Built- Up (“CBU”) vehicle or excise duty exemption for the purchase of a Completely Knocked-Down (“CKD”) vehicle, subject to total duty exemption of **RM100,000**.
  - Applications will be extended for another **3 years** from 1 January 2021 until 31 December 2023.

## Sales & Service Tax

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- **Purchase of locally assembled bus including air conditioner**
  - Sales tax exemption for the will be extended for a period of two years effective from **1 January 2021 to 31 December 2022**.
- **Increase of Sales Limit for Value-added and Additional Activities Carried Out in the Free Industrial Zones (“FIZs”) and Licensed Manufacturing Warehouses (“LMWs”)**
  - Increase from 10% to **40%** of the company’s annual sales turnover.
  - This is applicable for new applications received by the Royal Malaysian Customs Department (“RMCD”) from 7 November 2020 onwards.

## Stamp Duty

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- **Purchase of first residential home**

- Stamp duty exemption of 100% will be given on the instrument of transfer and loan agreement worth not more than **RM500,000**.
- This exemption will be given for the sale and purchase agreement executed from **1 January 2021 to 31 December 2025**.

- **Reviving abandoned housing projects**

- Stamp duty exemptions will be extended for another **5 years**.
- These exemptions will be given on the loan agreements and instruments of transfer executed **from 1 January 2021 to 31 December 2025** for abandoned housing projects certified by the Ministry of Housing and Local Government.

- **Purchase of insurance policies and takaful certificates for “Perlindungan Tenang”**
  - Stamp duty exemption will be extended for another **5 years**.
  - This exemption will be given on insurance policies and takaful certificates issued from **1 January 2021 to 31 December 2025**.
- **Trading of Exchange Traded Fund (“ETF”)**
  - Stamp duty exemption on contract notes will be extended for another **5 years**.
  - This exemption will be given on contract notes for trading of ETF executed from **1 January 2021 to 31 December 2025**.

## Other Indirect Taxes

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- **Imposition of Excise Duty on all types of electronic and non-electronic cigarette devices**
  - Excise duty at an *ad valorem* rate of **10%** will be imposed on **all types of electronic and non-electronic cigarette devices** including vape from **1 January 2021**.
  - Excise duty at the rate of **RM0.40** per milliliter will be imposed on liquids or gel used for **electronic cigarette including vape** from **1 January 2021**.
- **Imposition of Sales Tax on the Importation of Cigarettes with Drawback Facilities for Re-export**
  - The transshipment of cigarette exports will be limited to selected ports from 1 January 2021. Taxes will be imposed on drawbacks on all imported cigarettes for the purpose of transshipment and re-export.

- **Imposition of Sales Tax on Cigarette and Tobacco product in all Duty Free Islands and any Free Zones**
  - Taxes will be imposed on cigarettes and tobacco products in all duty-free islands.
- **Tourism Tax**
  - The imposition of tourism tax will be expanded to accommodation premises reserved **through online platform providers (e.g. Expedia, Traveloka and etc)** with effect from **1 July 2020**.
  - Malaysian tourists and permanent residents are still exempted from imposition of tourism tax.
- **Human Resource Development Fund (“HRDF”)**
  - HRDF levy exemption will be given for **6 months** effective from **1 January 2021** and will cover the tourism sector and companies affected by COVID-19.

# Malaysia 2021 Budget

Please click on the image below for the full report on  
Malaysia's 2021 Budget





## How can we help?

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