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### **Economic Stimulus Package 2020: Tax Measures**

2020 has not been the most optimistic year for the global economy. Within the first quarter, we have seen the plummeting of oil prices, the COVID-19 pandemic and one of the worst weeks for the stock market since the 2008 financial crisis. This series of events has had a significant impact on the global economy, where almost all industries are badly affected.

Our government has since announced the Economic Stimulus Package, which focuses mainly on mitigating the impact of COVID-19, spurring the nation-centric economic growth and promoting quality investments. Some of the measures have already been implemented. The measures include:

#### *Corporate income tax*

##### **(1) Revision of Income Tax Estimation**

Companies can apply to revise their estimation of tax payable in the third month of their income tax instalment payment for the relevant year of assessment (**YA**) based on the following:

- (a) Such revision is allowed if the amount of the third income tax instalment payment of 2020 falls below the estimated tax payable.
- (b) The application for the revision of the income tax estimation is to be submitted beginning 1 March.2020.
- (c) The application must be submitted online to the Inland Revenue Board. The application form is accessible by clicking [here](#).

##### **(2) Special Tax Deduction on Costs of Renovation & Refurbishment**

The costs of renovation and refurbishment of business premises may be deducted based on the following:

- (a) The tax deduction is limited to RM300,000.
- (b) It is not available if the expenditure is claimed as a capital

allowance under Schedule 2 or Schedule 3 of the Income Tax Act 1967.

- (c) The tax deduction is applicable for expenses incurred from 1 March 2020 to 31 December 2020.

*Capital allowance*

**(3) Accelerated Capital Allowance for Machinery and Equipment including ICT Equipment**

The qualifying capital expenditure incurred on machinery and equipment, including ICT equipment, may be entitled to accelerated capital allowance based on the following:

- (a) The capital allowance is given at the rate of:
  - (i) 20% for initial allowance; and
  - (ii) 40% for annual allowance.
- (b) The qualifying capital expenditure must be incurred within the period of 1 March 2020 to 31 December 2020.

*Stamp duty*

**(4) Stamp Duty Exemption on Loan Agreements arising from Restructuring and Rescheduling of Business Loans**

A 100% stamp duty exemption is introduced in accordance to the following:

- (a) The exemption is applicable to loan agreements arising from restructuring and rescheduling of business loans between borrowers and financial institutions.
- (b) The original loan agreement must have been duly stamped.
- (c) The exemption is applicable for loan restructuring and rescheduling agreements executed from 1 March 2020 to 31 December 2020.

*Personal income tax*

**(5) Special Income Tax Relief on Domestic Travel**

Individual taxpayers may claim for a special income tax relief on domestic travel based on the following:

- (a) It is available for tax residents of Malaysia.
- (b) The tax relief is up to RM1,000.
- (c) It is applicable for domestic travel within the period of 1 March 2020 to 31 August 2020.
- (d) The tax relief is applicable to the following expenses:

- (i) Accommodation expenses at premises registered with Ministry of Tourism, Arts and Culture Malaysia; and
- (ii) Entrance fees to tourist attractions.

(e) It is effective for the YA 2020.

*Indirect tax*

**(6) Value Added Activities Carried Out in Licensed Manufacturing Warehouse (LMW) and Free Industrial Zone (FIZ)**

The Economic Stimulus Package has proposed that the following changes to be made to the value-added activities allowed to be carried out in LMW and FIZ:

- (a) The expansion of the list of permitted value-added activities to include the following:
  - (i) Supply chain management,
  - (ii) Strategic procurement operations, and
  - (iii) Total support solutions.
- (b) The approval for all value-added activities to be carried out in and FIZ must be from the Royal Malaysian Customs Department at State or Zone levels only.

**(7) Review of Conditions for the Purchase of Duty-Free Goods for Persons Entering Malaysia**

For the purchase of duty-free goods in *international airports* within Malaysia, the conditions for such purchase have been reviewed and proposed to be revised to the following:

- (a) Foreigners must enter and stay in Malaysia for a period of not less than 48 hours to purchase duty-free goods; Malaysians must have been overseas for more than 48 hours before entering Malaysia to purchase duty-free goods.

Note: The previous time-frame is 72 hours.

- (b) The threshold amount for the duty-free goods allowed to be purchased has been increased to RM1,000, except for goods which are already eligible for exemption under the specified limit such as alcohol, cigarettes, clothes, shoes, food and personal electrical appliances.
- (c) The above conditions to be effective from 1 April 2020.

*Tourism industry*

**(8) Deferral of Instalment Payment of Income Tax**

A deferral in the monthly instalment payment of income tax

may be allowed by way of an application for companies in the tourism sector based on the following:

- (a) Such deferment is applicable for companies in the tourism industry, such as travel agencies, hoteliers and airlines.
- (b) It is available for six months from 1 April 2020 to 30 September 2020.
- (c) The application for the deferment has to be submitted online to the Inland Revenue Board. The application form is accessible by clicking [here](#).

**(9) Service Tax Exemption for Hotels**

Service tax on taxable services provided by operators of accommodation premises as described under Group A, First Schedule of the Service Tax Regulations 2018 (**the hotel operators**) may be exempted based on the following:

- (a) Persons receiving taxable services from the hotel operators is exempted from paying service tax.
- (b) The hotel operators are exempted from levying service tax for the taxable services.
- (c) This is effective from effective from 1 March 2020 until 21 August 2020.

*Shipping industry*

**(10) Double Deduction for Establishment of Regional Office by International Shipping Companies**

Double deduction for income tax may be made available by way of application for expenses incurred on the pre-commencement of a business based on the following:

- (a) The double tax deduction is applicable for international shipping companies.
- (b) Application for such double tax deduction must be received by the Malaysian Investment Development Authority (MIDA) not later than 31 December 2021.

**(11) Import Duty and Sales Tax Exemption on Equipment and Machinery for Port Operators**

By way of application, import duty and sales tax exemption on equipment and machinery may be provided to port operators who are no longer enjoying the tax incentives under the Approved Service Projects based on the following:

- (a) The exemptions are provided for machinery and equipment which are imported or purchased locally.

- (b) The machinery and equipment are fundamental.
- (c) The machinery and equipment are to be utilised directly for port operations.
- (d) The exemption is not applicable for the import or purchase spare parts and consumables including those that are used for the purpose of maintenance.
- (e) The application for the import duty and sales tax exemption must be submitted to the Ministry of Finance from 1 April 2020 to 31 March 2023.

As observed from the above, it is clear that most of the measures are proposed to support businesses by easing their cashflow and to stimulate the economy. However, with a looming financial crisis and global recession, massive changes to our fiscal policies will be required to reinvigorate our economy in the coming months.

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