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5 JUNE 2020

Key Tax Measures Proposed Under '*PENJANA*'

The Prime Minister announced today that Malaysia is entering the fourth of six phases in recovery efforts. He also unveiled a short-term economy stimulus package known as "*PENJANA*" ("Pelan Jana Semula Ekonomi Negara" or the National Economic Recovery Plan) to cushion the blow from the COVID-19 pandemic and the Movement Control Order.



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The following are some of the tax measures proposed under *PENJANA*:

General

- (a) Income tax deduction of the operating costs incurred by businesses for the purposes of adopting to the new norm (e.g. expenses incurred for purchase of Personal Protective Equipment or PPE and screening tests);
- (b) Extension of tax relief for expenditure incurred for renovation and refurbishment of premises; and
- (c) Extension of the accelerated capital allowance scheme and special deduction of 30% for rental reduction.



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SMEs

- (a) SMEs that commence business during the period from 1.7.2020 to 31.12.2021 will be granted an income tax rebate up to RM2,000 per annum for the first three years of assessment, subject to certain conditions; and
- (b) Stamp duty exemption for M&A instruments for transactions that are completed between 1.7.2020 and 30.6.2021.

Property Market

- (a) Stamp duty exemption will be granted on instruments



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relating to the transfer and loan agreements for purchase of residential properties valued at RM300,000 to RM2,500,000. The exemption on transfer instruments is limited only to the first RM1,000,000 of the property value, whereas the stamp duty on the loan agreements will be exempted in full. This exemption is only effective on sale and purchase agreements executed from 1.6.2020 to 31.5.2021, and is subject to the condition that there is a discount of at least 10% given by the developer; and

- (b) Disposal of residential property by a Malaysian citizen during the period from 1.6.2020 to 31.12.2021 will be exempted from Real Property Gains Tax (RPGT). This exemption is limited to the disposal of three units per individual.

Automotive Industry

- (a) There will be a 100% sales tax exemption on locally assembled passenger vehicles, and 50% on imported passenger vehicles purchased during the period from 15.6.2020 to 31.12.2020.

Business Operations in Malaysia

- (a) The following two incentives will be effective for applications received during the period from 1.7.2020 to 31.12.2021:
 - (i) To encourage foreign companies to shift their business operations to Malaysia, the following tax incentives will be given:
 - (aa) 0% tax rate for 10 years for new investments in the manufacturing industry with fixed asset investments between RM300 million and RM500 million;
 - (bb) 0% tax rate for 15 years for new investments in the manufacturing industry with fixed asset investments exceeding RM500 million; and
 - (cc) The company must shift and begin operations within one year from the date of approval and the investments must be made within three years; and
 - (ii) Existing Malaysian companies that shift their overseas manufacturing facilities to Malaysia are eligible for investment tax allowance of 100% for five years.

Tourism

- (a) The deferment of instalment payments on tax estimates for businesses in the tourism industry (e.g. travel agencies, hotels and airlines) will be extended a further three months to 31.12.2020;
- (b) Tourism tax to be exempted in full during the period from 1.7.2020 to 30.6.2021;
- (c) Service tax exemption on accommodation services by accommodation premise operators to be extended from 1.9.2020 to 30.6.2021; and
- (d) Personal income tax relief up to RM1,000 granted for domestic travel is extended to 31.12.2021.

Commodity

- (a) Full exemption on the export duties payable for crude palm oil, crude palm kernel oil and processed palm kernel oil exported during the period from 1.7.2020 to 31.12.2020.

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Published by the Tax, SST & Customs Practice

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