

Highlights of the 2022 Malaysian Budget

03 NOVEMBER 2021

The [2022 Malaysian Budget](#) ('2022 Budget') was tabled by the Minister of Finance before the Malaysian Parliament on 29 October 2021. The 2022 Budget, involving an allocation of RM332.1 billion, is the largest in the history of Malaysia, surpassing the previous record of RM322.5 billion for the 2021 Malaysian Budget. However, the fiscal deficit estimated at 6.0% of the country's Gross Domestic Product is 0.5% less than the fiscal deficit in 2021.

As much coverage has already been given to the 2022 Budget in the media and commentaries by various professional services firms, our Alert will only highlight those measures from the 2022 Budget that may be of particular interest to companies, business owners and investors.

The 2022 Budget encompasses numerous initiatives, including subsidies and cash payments, to assist the lower and middle income segments of Malaysian society as the country continues its path towards recovery from the Covid-19 pandemic. These initiatives will not be covered in this Alert unless they fall within the parameters outlined in the preceding paragraph.

The theme for the 2022 Budget is '**Keluarga Malaysia, Makmur Sejahtera**' (A Prosperous Malaysian Family). The 2022 Budget has three main Focus Areas, namely:

- FIRST : The Rakyat's Well-Being;
- SECOND : Resilient Businesses; and
- THIRD : A Prosperous and Sustainable Economy.

Specific measures are outlined in the 2022 Budget in order to achieve the aforesaid goals. References in this article to paragraphs and Appendices within parenthesis are references to paragraphs and Appendices respectively of the 2022 Budget Speech.

The First Focus : The Rakyat's Well-Being

1. **Tax deduction for self-funded booster vaccines:** For 2022, individual tax relief and tax deduction will be provided to employers on costs associated with the adoption of self-funded booster vaccines (para. 40).
2. **Expansion of excise duty on sugary drink products:** To support a healthy lifestyle, excise duty on sugary drink products will be extended to pre-mixed chocolate or cocoa, malt, coffee and tea from 1 April 2022 (para. 42 and Appendix 41).
3. **Nicotine related products:** Excise duty at the rate of RM1.20 per millilitre will be imposed on liquid or gel products containing nicotine that are used for electronic cigarettes and vape. Excise duty on non-nicotine liquid or gel used for electronic cigarettes (including vape) will be increased from RM0.40 to RM1.20 per millilitre. These changes will take effect from 1 January 2022 (para. 42 and Appendix 40).
4. **Maintenance and upgrading of schools:** A total of RM1.746 billion will be allocated to maintain and upgrade schools (including RM140 million to JAKIM for registered *tahfiz* schools, religious schools and pondok religious schools). Of this, the bulk of a sum of RM746 million will be allocated to upgrade 112 and 165 dilapidated schools in Sabah and Sarawak respectively (paras. 49 and 51).
5. **Tax relief for purchase of electronic devices:** The existing individual income tax relief of up to RM2,500 for the purchase of mobile phones, computers and tablets will be extended until 31 December 2022 (para. 56 and Appendix 7).

6. **Generating employment:** Various measures are proposed to generate jobs so as to reduce the unemployment rate from 4.6% in August 2021 to 4.0% (paras. 59 to 68). The measures that may be of particular interest to the private sector are as follows:
- For employers who hire Malaysians who have not been actively employed, the Government will provide an incentive of 20% of the monthly salary for the first six months and 30% for the next six months for jobs with a monthly salary of RM1,500 and above (para. 61);
 - For employers who provide jobs for targeted groups like the disabled, Orang Asli, ex-convicts and women returning to the workforce, the Government will provide an incentive of 30% of the monthly salary for the first six months and 40% for the next six months for jobs with a monthly salary of RM1,200 and above (para. 62); and
 - The double tax deduction to companies that provide scholarships to students in institutions of higher learning, i.e. Technical and Vocational, Diploma, Degree (including Master's and Doctorate), will be extended to all fields of studies for years of assessment 2022 to 2025 (para. 68 and Appendix 25).
7. **Limited stamp duty exemption for insurance / takaful products:** Stamp duty exemption will be provided for insurance and takaful products (including Perlindungan Tenang Products) with a premium or contribution value not exceeding RM150 for individuals and RM250 for Micro, Small and Medium Enterprises ('MSMEs'). To qualify for this exemption, the insurance policy or takaful certificate must be in respect of fire insurance, fire business interruption insurance, personal accident insurance, travel insurance, liability insurance or engineering insurance and be issued from 1 January 2022 to 31 December 2025 (para. 71 and Appendix 15).¹
8. **Bumiputera Development:** Among the initiatives proposed under the Bumiputera empowerment agenda are the following:
- RM4.8 billion is set aside for capacity building and funding programmes for businesses under Perbadanan Usahawan Nasional Berhad ('PUNB'), TEKUN Nasional and Dana Kemakmuran Bumiputera (para. 83);
 - To increase the involvement of anchor companies in developing local Bumiputera vendors, the limit of the existing double tax deduction for qualifying expenses will be increased from RM300,000 to RM500,000 per year of assessment for three consecutive years of assessment. This incentive is for the anchor companies which signed a MoU with the Ministry of Entrepreneur Development and Cooperatives from 1 January 2021 to 31 December 2025 (para. 84 and Appendix 24);² and
 - RM200 million is allocated to encourage the participation of Bumiputera youth in small scale Government projects. An additional RM10 million is allocated for the establishment of a dedicated accelerator programme by the Construction Industry Development Board (CIDB) to provide capacity building and on-the-job training for G1 to G4 youth contractors (para. 85).
9. **Allocations for other communities:** The allocations for other communities under the 2022 Budget are as follows:
- Chinese community: RM200 million is provided specifically for the Chinese Community which is to be utilised among others for home repairs, new village development and the Small Medium Enterprises (SME) Entrepreneur Financing Scheme (para. 89); and
 - Indian community: RM145 million is set aside for socio-economic empowerment of the Indian community under the Malaysian Indian Transformation Unit (MITRA) and funding

under the Indian Community Entrepreneur Development Scheme (SPUMI) by TEKUN (para. 90).

10. **Empowerment of women:** Among the initiatives to empower women are the following:
 - The Government through the Securities Commission Malaysia ('**SC**') will make it mandatory for all public listed companies to have at least one female director on their board of directors. This initiative will take effect from 1 September 2022 for large cap companies and from 1 June 2023 for the remaining listed companies (para. 96); and
 - Funding of RM230 million will be provided to support women entrepreneurs, in particular, those affected by Covid-19 as well as to expand their business activities, through various programmes including the DANANITA programme under Majlis Amanah Rakyat ('**MARA**') and the TEKUNITA programme under TEKUN (para. 98).
11. **Youth entrepreneurs:** RM150 million financing has been earmarked by Bank Simpanan Nasional ('**BSN**') and Agrobank for youths who venture into entrepreneurship (para. 119).
12. **Structured internship programme:** The double deduction of tax on qualifying expenditure incurred by companies that implement a Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad which is due to expire at the end of year of assessment 2021 will be extended to year of assessment 2025 and be expanded to include students pursuing a Master's Degree, Professional Certificate and Malaysian Skills Certificate Levels 1 and 2 (para. 120 and Appendix 23).
13. **Sports facilities:** RM159 million is allocated to build, upgrade and maintain sports facilities nationwide (para. 123).
14. **Aid for sports facilities owners:** BSN will provide a financing facility of up to RM50 million for owners of sports facilities that entails 0% interest rate for the first six months and a repayment moratorium of six months (para. 127).
15. **Employee's contribution to EPF maintained:** The 9% rate of contribution to the Employees' Provident Fund by an employee will be maintained until June 2022 (para. 131).
16. **Extension of sales tax exemption on passenger cars:** The 100% sales tax exemption on completely knocked-down (CKD) passenger vehicles and 50% sales tax exemption on completely built-up (CBU) passenger vehicles (including sports utility vehicles (SUV) and multi-purpose vehicles (MPV)) which is due to expire on 31 December 2021 will be extended until 30 June 2022 (para. 132 and Appendix 36).
17. **Home ownership for low-income groups:** RM1.5 billion is set aside by the Government for the construction of housing projects for low-income groups, including maintenance assistance programmes (para. 133).
18. **Disposal of real property in sixth year onwards:** The 5% real property gains tax on chargeable gains arising from the disposal of real property or shares in a real property company by an individual citizen and permanent resident and other than a company in the sixth year and thereafter from the date of acquisition will be reduced to 0% from 1 January 2022 (para. 133 and Appendix 19).
19. **Reducing the development gap between regions:** A sum in excess of RM2.5 billion has been allocated to implement projects (e.g. construction of roads and supply of electricity and water) to reduce the development gap between regions (para. 138).
20. **Maintenance and repair of facilities in army camps:** RM230 million has been set aside in 2022 for the maintenance and repair of schools, quarters and other facilities in military camps (para. 141).

The Second Focus : Resilient Businesses

21. **Semarak Niaga Keluarga Malaysia:** For 2022, a total financing package of RM40 billion will be made available under the Semarak Niaga Keluarga Malaysia Programme (SemarakNiaga) which involves direct loans, financing guarantees and equity-based schemes to benefit businesses of all sizes, from micro-enterprises to public listed companies (para. 149). See below for further details.
22. **Microcredit financing:** RM1.8 billion of microcredit financing will be provided to microentrepreneurs through various agencies such as TEKUN, Agrobank, BSN, Bank Rakyat and Bank Negara Malaysia ('BNM') (para. 150). This will include:
 - a financing scheme for microenterprises and the informal sector (with priority to be given to the latter) where TEKUN will provide financing at 0% interest for a maximum loan amount of up to RM10,000, with a moratorium of up to 12 months (para. 151); and
 - BSN and Agrobank will make available microcredit loans of up to RM75,000 at 0% interest for the first six months, with a 6-month moratorium (para. 151).
23. **ECF and P2P financing:** The Government and Bank Pembangunan Malaysia Berhad ('BPMB') will continue to support equity crowdfunding (ECF) and peer-to-peer lending platforms (P2P) by allocating RM80 million and RM100 million respectively in matching grants for the Malaysia Co-Investment Fund (para. 155).
24. **Equity and quasi-equity investments:** To assist companies facing gearing or leverage problems, RM2.1 billion funding will be allocated to support equity and quasi-equity investment schemes to be led by SME Bank in collaboration with TERAJU and BSN with a fund worth RM600 million open to all, and especially targeted for all businesses including Bumiputera entrepreneurs. BPMB will allocate RM500 million for its Rehabilitation and Support through Equity scheme (RESET). These are in addition to BNM's RM1.0 billion Business Recapitalisation Fund (para. 156).
25. **Financing for Small Medium Enterprises:** A total of RM14.2 billion will be available in 2022 for Small Medium Enterprises ('SMEs'), through SME Bank, PUNB, BPMB, AgroBank, Malaysian Industrial Development Finance Berhad (MIDF) and MARA as well as through BNM's Fund for SMEs. The Targeted Relief and Recovery Facility (TRRF) under BNM's Fund for SMEs has also been upsized by RM2.0 billion (para. 157).
26. **Equity investment in public listed companies:** A Government-owned SPV will be set up to provide at least RM3.0 billion funding to provide assistance in the form of equity instruments or other related instruments to viable companies affected by the Covid-19 pandemic. Khazanah Nasional Berhad will be mandated to assist the Government in providing the infrastructure to manage the fund (para. 158).
27. **Business Financing Guarantee:** For 2022, Syarikat Jaminan Pembiayaan Perniagaan (SJPP) will provide additional guarantees of RM10 billion for loans that are being rescheduled and restructured for companies in need, of which RM2.0 billion is to be specifically set aside for Bumiputera businesses. To reduce related transaction costs, stamp duty will be waived for agreements for the rescheduling and restructuring of loan/ financing executed from 1 January 2022 to 31 December 2022 (para. 159 and Appendix 17).
28. **Tax deduction for renovation and refurbishment of premises:** The tax deduction of up to RM300,000 on allowable expenses incurred in renovating and refurbishing business premises to comply with the relevant standard operating procedures (SOPs) such as ventilation and customer seating which is due to expire on 31 December 2021 will be extended until 31 December 2022 (para. 161 and Appendix 34).

29. **Additional tax deduction for rental of employees' accommodation:** For companies registered under Safe@Work programme, the further tax deduction of up to RM50,000 on rental expenses of employees' accommodation premises which is due to expire on 31 December 2021 will be extended until 31 December 2022 (para. 162 and Appendix 35).
30. **Additional assistance for businesses:** The following measures have been proposed by the Government to further assist businesses:
- A deferment of income tax instalment payments for MSMEs for six months until 30 June 2022 (para. 165);
 - All businesses will be allowed to amend their estimated income tax payable on the eleventh month before 31 October 2022 (para. 165);
 - The special tax deduction for owners of buildings or business premises who provide rental reduction or relief to tenants of at least 30% from the original rental rate, which is due to expire on 31 December 2021, will be extended until June 2022 (para. 165 and Appendix 13); and
 - Accumulated unabsorbed business losses will be allowed to be carried forward for up to a maximum period of 10 consecutive years of assessment (instead of the present maximum of seven consecutive years of assessment). In this regard: (a) the current unabsorbed business losses that can be carried forward from year of assessment 2019 onwards will be extended to a maximum period of ten consecutive years of assessment; and (b) the accumulated unabsorbed losses up to the year of assessment 2018 will be allowed to be carried forward until the year of assessment 2028 (para. 165 and Appendix 12).
31. **Driving strategic investments:** The following are some of the measures in Budget 2022 to drive strategic investments in key sectors and strengthen growth drivers:
- A special fund of up to RM2.0 billion for strategic investments will be prepared to attract strategic foreign investments by multinational companies, in particular those that complement industry value chains and drive knowledge-based jobs creation and development opportunities for local SMEs (para. 167);
 - To intensify economic recovery, RM25 million will be allocated to explore high impact investments and new export markets through the Trade and Investment Mission (para. 168);
 - A matching grant of RM100 million will be provided to Bumiputera SMEs to explore business opportunities in the aerospace segment (para. 170);
 - To increase productivity via automation, the Government will provide RM100 million for Smart Automation matching grants to 200 companies in the manufacturing and services sector to automate their business processes (para. 171); and
 - The Additional Reinvestment Allowance for three years made available under PENJANA for companies will be extended by two years so that the cumulative Additional Reinvestment Allowance period will be five years. Qualifying expenditure under this 2022 Budget initiative must be incurred from year of assessment 2023 until year of assessment 2024 (para. 172 and Appendix 33).
32. **Science, technology and innovation:** The following are some of the measures proposed in respect of this area:
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- RM12 million in matching grants will be provided through the Collaborative Research in Engineering, Science and Technology (para. 175);
 - RM30 million will be allocated for the implementation of the Innovation Hub: Industrial Revolution 4.0 under Technology Park Malaysia as an innovation ecosystem one-stop centre with the development of new emerging technology clusters such as drones, robotics and autonomous vehicles (para. 176);
 - Cradle Fund as the start-up ecosystem coordinating agency will be allocated RM20 million to intensify recovery efforts and build the resilience of the start-up economy. In line with the aim of the Malaysia Digital Economy Blueprint, the MyStartup strategy will be executed in phases to benefit over 2,500 companies and create 5,000 job opportunities (para. 178); and
 - In line with Industrial Revolution 4.0 or Industry4WRD, RM45 million will be provided as a technological transformation incentive for SMEs and mid-stage companies in the manufacturing and services sectors (para. 179).
33. **The role of Government-Linked Companies:** Among the key initiatives to be executed by Government-Linked Companies (GLCs) are:
- To implement the Jalinan GLC: Memperkasa PMKS initiative to help entrepreneurs through initiatives such as consultation services and financial support with a collective allocation of RM5.0 billion (para. 181);
 - To accelerate payment to vendors up to a maximum of 14 days from invoice confirmation date (para. 181); and
 - To ensure that 40% of local procurements are awarded to Bumiputera entrepreneurs (para. 181).
34. **Recovery for targeted sectors:** Budget 2022 also includes numerous measures to rehabilitate and reform several targeted sectors such as the tourism, creative, retail, agriculture and commodity industries (para. 184). These will be discussed below.
35. **Tourism industry:** An assistance package with a total value of RM1.6 billion will be implemented in 2022 to assist the tourism industry. The key initiatives include the following:
- Wage Subsidy Programme: The Government has allocated RM600 million to continue the Wage Subsidy Programme specifically for tour operators who have experienced a decline in revenue of at least 30% (para. 186);
 - Specific financing for the tourism sector: A total sum of RM600 million will be made available specifically for the tourism sector under the PENJANA Tourism Financing and BPMB Rehabilitation Scheme (para. 186);
 - Special assistance to tour operators: RM85 million is set aside to provide assistance for a period of three months to more than 20,000 tour operators registered under the Ministry of Tourism, Arts and Culture ('MOTAC') (para. 186);
 - Matching grants for repairs: RM30 million has been provided for matching grants for repairs to 738 budget hotels registered under MOTAC and for registered home stay owners (para. 186);

- Matching grants for arts and culture programmes: RM50 million has been set aside for matching grants to companies that organise programs relating to arts and culture (para. 186);
- Incentive fund for promotional activities: An incentive fund of RM60 million will be established for promotional activities as well as domestic tourism (para. 186);
- Tax relief for domestic tourism: The special individual income tax relief for domestic tourism expenses of up to RM1,000 that was due to expire on 31 December 2021 will be extended until year of assessment 2022 (para. 187 and Appendix 5);
- Tourism tax exemption extended: Tourism tax is imposed on tourists (excluding tourists who are Malaysians or permanent residents of Malaysia) staying in accommodation premises registered under the Tourism Tax Act 2017 at a rate of RM10.00 per room/night. Exemption has been granted from payment of this tax until 31 December 2021. This exemption will be further extended by one year from 1 January 2022 to 31 December 2022 (Appendix 30); and
- Tax incentive for purchase of tour bus: Accelerated Capital Allowance is claimable for capital expenditure incurred in the purchase of a new locally assembled excursion bus. This allowance can presently be claimed from year of assessment 2020 until year of assessment 2021. It is proposed that this incentive be extended for three years from year of assessment 2022 until year of assessment 2024 (Appendix 29).

36. **Other incentives**: Other incentives are as follows:

- Tax exemption for organising approved events: The 50% tax exemption for organising, *inter alia*, arts and cultural activities approved by MOTAC and international sports and recreational competitions approved by the Ministry of Youth and Sports which is effective until year of assessment 2022 will be extended for three years from year of assessment 2023 until year of assessment 2025 (para. 189 and Appendix 28); and
- Entertainments duty: The exemption from entertainments duty on admission fees to entertainment venues such as theme parks, stage performances, sports events and competitions and cinemas in the Federal Territories which is due to expire on 31 December 2021 will be extended for one year from 1 January 2022 to 31 December 2022 (para. 190 and Appendix 31).

37. **Creative industry**: Three fiscal incentives available to the creative industry under Budget 2022 are as follows:

- Continuing existing initiatives: RM188 million is provided to continue existing initiatives such as the Digital Content Fund, Digital Multimedia Content project, Film Incentive, Perkasa Modal Insan Program and SOCSO protection for artists (para. 191);
- Program Rihuh Keluarga Malaysia: a RM20 million investment loan matching fund will be made available under the Program Rihuh Keluarga in 2022 and is expected to generate 5,000 jobs (para. 192); and
- Loan Matching Scheme for the National Animation Platform: RM30 million will be made available through the Investment Loan Matching Scheme for the National Animation Platform to be operated by MyCreative Ventures (para. 193).

38. **Retail industry**: Although the retail industry as a whole has been severely affected by the pandemic, Budget 2022 will give special focus to help local social enterprises, halal, handicraft, agricultural and entrepreneurial enterprises to switch to digital services (para. 194).

- Shop Malaysia Online and Go-eCommerce Onboarding campaigns: These programmes will be continued, with a total sum of RM250 million being allocated for them (para. 194);
- Promoting local products: To boost the production and purchase of local products, a sum of RM33 million has been allocated to implement various initiatives such as the Buy Made in Malaysia Campaign, Malaysian Sales Program and Khazanah Alam Industry Direct Selling Program (para. 196); and
- Franchise entrepreneurs: To assist those who are interested in becoming franchise entrepreneurs, the Government through Perbadanan Nasional Berhad (PERNAS) will provide RM74 million for various initiatives such as conducting training programs and business guidance and a simple zero financing scheme for the first six months together with a moratorium (para. 197).

39. **Agriculture, food security and commodities**: Various initiatives are proposed to increase food security and agricultural output (paras. 198 to 209). Most of these initiatives will benefit individuals and smallholders. The measures that may be of interest to corporates are:

- Agriculture financing programmes: A financing programme of up to RM1.25 billion will be provided by Agrobank and BNM through, among others, the AgroFood Facility amounting to RM500 million and the AgroFood Financing Fund amounting to RM200 million (para. 202); and
- Windfall profit levy: This existing levy will be modified in two respects from 1 January 2022: (a) the windfall levy threshold value for palm oil will be raised from RM2,500 to RM3,000 for Peninsular Malaysia and from RM3,000 to RM3,500 for Sabah and Sarawak; and (b) the levy rates for Sabah and Sarawak will be increased to 3% similar to the rate applicable in Peninsular Malaysia (para. 209 and Appendix 42).

The Third Focus: A Prosperous and Sustainable Economy

40. **Reducing Carbon Emissions**: The following measures have been announced to assist the country to achieve carbon neutrality by as early as 2050:

- Carbon credit trading: As previously announced, a Voluntary Carbon Market (VCM) will be established by Bursa Malaysia to facilitate carbon credit trading between green asset owners and other entities transitioning towards low-carbon practices (para. 214);
- Transition facility: To assist SMEs to adopt sustainable and low carbon practices, BNM will provide a RM1.0 billion Low Carbon Transition Facility which will be disbursed on matching fund arrangement with participating financial institutions (para. 215); and
- Tax incentives for EVs: Import duty, excise duty and sales tax exemptions will be given for electric vehicles ('EVs') with energy efficient vehicle (EEV) features as follows: (a) full import duty exemption will be given on components for locally assembled EVs and full import duty and sale tax exemption on Completely-Knocked Down EVs from 1 January 2022 to 31 December 2025; and (b) full import duty and excise duty exemption will be given for imported Completely Build-Up EVs from 1 January 2022 to 31 December 2023. In addition, individual income tax relief of up to RM2,500 will be given for expenses incurred in the purchase and installation, rental and hire purchase of charging facilities as well as payment of charging facility subscription fees for EVs for years of assessment 2022 and 2023. Owners of EVs will also be given up to 100% road tax exemptions (para. 216 and Appendix 20).

41. **Sustainability Sukuk:** Encouraged by the 6.5 times oversubscription for the issuance of the world's first sovereign Sustainability Sukuk of USD800 million in April 2021, the Government proposes to issue a RM10 billion Sustainability Sukuk which will be channelled to eligible or environmentally friendly projects (para. 226).
42. **Development projects:** At least RM6.4 billion will be allocated to implement projects to stimulate economic recovery. Among these are:
 - RM3.5 billion for the continued implementation of national infrastructure development projects such as the Pan Borneo Highway and Central Spine Road (para. 228);
 - the creation of the Infrastructure Facilitation Fund 3.0 with an initial sum of RM200 million for high-impact infrastructure development activities through Public-Private Partnerships. This initiative will be supervised by the Public Private Partnership Unit of the Prime Minister's Office (para. 229); and
 - the continued implementation of small and medium sized projects (such as road maintenance projects, ageing infrastructure and facilities upkeep for public universities, polytechnics and community colleges, and other projects involving rural social amenities) worth RM2.9 billion for contractors in Class G1 to G4 (para. 230).
43. **Inter-Regional Development:** Among the initiatives that seek to balance the development between states and regions are the following:
 - RM690 million is provided for six new projects and 66 extension projects in the five regional economic development corridors of Malaysia (para. 231);
 - Each State (excluding the Federal Territories) will receive a special allocation of RM20 million to assist them in enhancing economic development through projects relating to food security, tourism and environmental preservation and conservation (para. 232); and
 - Sabah and Sarawak will receive an increase in development expenditure allocation worth RM5.2 billion and RM4.6 billion respectively to be used for, among others, implementation of water, electricity, and road infrastructure projects, and for education and health facilities (para. 233).
44. **Digital Connectivity:** Among the projects to enhance digital connectivity are:
 - For 2022, 5G services will be expanded to 36% of high-density areas including major cities in Johor, Selangor, Penang, Sabah and Sarawak (para. 237); and
 - To increase digital adoption among SMEs, the SME Digitization Grant Scheme initiative will be enhanced with an increased funding of RM200 million, of which RM50 million is earmarked for Bumiputera microentrepreneurs in rural areas (para. 238).
45. **Fiscal Consolidation Act:** To improve governance, accountability and transparency in fiscal management as a way to ensure fiscal sustainability and to support macroeconomics stability, the Government proposes to table the Financial Responsibility Act in Parliament in 2022 (para. 243).
46. **Public Expenditure Review:** The Government is also collaborating with the World Bank in conducting the Public Expenditure Review in order to ensure efficiency and effectiveness of public spending without undermining public service delivery in order to optimise public expenditure (para. 244).

47. **Sustaining Government revenue:** Among the measures to sustain Government revenue are:

- **Stamp duty and service tax on share transactions on Bursa Malaysia:** Commencing 1 January 2022: (a) stamp duty on contract notes for shares traded on Bursa Malaysia will be increased from 0.1% to 0.15% and the stamp duty limit of RM200 for each contract note will be abolished; and (b) brokerage services related to the trading of shares on Bursa Malaysia will be exempted from the service tax of 6% (para. 245 and Appendices 16 and 39);
- **Income from foreign sources:** Commencing 1 January 2022, income tax will be imposed on Malaysian residents on income derived from foreign sources and received in Malaysia (para. 245 and Appendix 9);
- **Low value imported goods:** Commencing 1 January 2023, the sales tax exemption on goods not exceeding RM500 imported from abroad sold online by seller and delivered to consumers in Malaysia via air courier service will be abolished and such items will be subject to sales tax based on the category of taxable goods of the respective items (para. 245 and Appendix 37);
- **Goods delivery services:** Commencing 1 July 2022, service tax of 6% will be imposed on goods delivery services provided by delivery service providers including E-commerce platforms. However, food and beverages delivery services and logistic services are excluded (para. 245 and Appendix 38);
- **Special Voluntary Disclosure Programme:** A Special Voluntary Disclosure Programme for indirect taxes will be introduced by the Royal Malaysian Customs Department in phases with a penalty remission incentive of 100% for the first phase and a penalty remission of 50% for the second phase. Tax remission will also be considered for certain cases (para. 245); and
- **Tax Compliance Certificate:** Commencing 1 January 2023, companies participating in government procurement must produce a Tax Compliance Certificate issued by the Inland Revenue Board of Malaysia as part of the procurement process (para. 245).

48. **Cukai Makmur:** For the year of assessment 2022, a one-off special windfall tax, Cukai Makmur, will be imposed on companies (excluding MSMEs) that have a chargeable income in excess of RM100 million. The first RM100 million of chargeable income will be subject to income tax at the rate of 24% and the excess will be subject to income tax at the rate of 33% (para. 247 and Appendix 10).

49. **Other tax related measures:** The following are other tax related measures contained in the Appendices to the 2022 Budget Speech:

- **Stamp duty exemption for P2P loan/financing agreement:** Full stamp duty exemption will be granted for P2P loan/ financing agreement between MSMEs and investors for financing raised through P2P financing platforms registered and recognised by the SC. To qualify for this exemption, the P2P loan/ financing agreement must be executed from 1 January 2022 to 31 December 2026 (Appendix 14);
- **Mergers and acquisitions of MSMEs:** The stamp duty exemption for prescribed instruments executed to carry out a merger or acquisition involving MSMEs will be extended for one year and will apply to mergers or acquisitions approved by the Minister of Entrepreneur Development and Cooperatives from 1 July 2021 to 30 June 2022 and instruments executed on or before 31 December 2022 (Appendix 18);

- Late Life Assets (Oil and Gas): The following incentives are offered to attract oil and gas companies to invest in a Late Life Asset³ ('LLA'): (a) reduction in petroleum income tax from 38% to 25%; (b) accelerated capital allowance within two years; (c) losses from decommissioning activities permitted to be carried back and set-off against the income for two consecutive immediate preceding years of assessment (with any unabsorbed carry back losses being disregarded); and (d) exemption from export duty on petroleum products. These incentives will be given for LLA Production Sharing Contracts awarded between 1 January 2020 and 31 December 2029 (Appendix 21);
- Digital Ecosystem Acceleration Scheme (DESAC): To support the comprehensive development of the national digital ecosystem, it is proposed that: (a) a Digital Technology Provider which is (i) a new company be subject to income tax at a rate of 0% to 10% for up to 10 years; and (ii) an existing company that diversifies into new service activities or new service segments be subject to income tax at a rate of 10% for up to 10 years; and (b) a Digital Infrastructure Provider be allowed to claim Investment Tax Allowance of 100% on capital expenditure for qualifying activities for up to 10 years which can be set off against up to 100% of its statutory income. To be eligible for the above incentives, an application must be received by the Malaysian Investment Development Authority ('MIDA') from 30 October 2021 to 31 December 2025 (Appendix 22);
- Expansion of Green Technology Tax Incentives: Rain Harvesting System ('RHS') projects will be eligible for the following tax incentives: (a) Green Investment Tax Allowance (GITA) with investment tax allowance of 100% on capital expenditure for qualifying RHS activities, which can be set-off against up to 70% of statutory income; or (b) Green Investment Tax Exemption (GITE) of income tax exemption of 70% of statutory income for qualifying RHS activities. Applications must be received by MIDA from 1 January 2022 to 31 December 2023 (Appendix 26);
- Special income tax rate for key personnel in New Strategic Investments: As an additional incentive to companies that relocate their operations to Malaysia, income tax at a flat rate of 15% was made available for up to five non-residents holding key positions in the company provided they each earn not less than RM25,000 per month and are tax residents for each year of assessment. This incentive, which is due to expire on 31 December 2021 is extended for one year for applications received by MIDA until 31 December 2022 (Appendix 27); and
- Tax Rebate for new MSMEs: The existing tax rebate given to newly established MSMEs of up to RM20,000 for each of its first three years of assessment subject to conditions being fulfilled is due to expire on 31 December 2021. It is proposed that this incentive be extended for one year and apply to MSMEs, including those that perform business activities through online platforms. To be eligible for this incentive, the MSME must be established and operational by 31 December 2022 (Appendix 32).

Oversight committee: An oversight committee chaired by the Prime Minister of Malaysia and coordinated by the Ministry of Finance will be established to ensure that all Budget 2022 measures achieve the intended objectives successfully (para. 258).

Comments

The measures proposed in Budget 2022 to revive the Malaysian economy combines new initiatives as well as an extension of existing initiatives. It is hoped that the oversight committee will not only be able to ensure that the measures are carried out expeditiously but also with a minimum of wastage of financial resources allocated to each measure.

The most interesting, and undoubtedly, the most painful proposal, is the introduction of the one-off Cukai Makmur which imposes an additional 9% tax (over and above the corporate tax rate of 24%) on the chargeable income of companies (other than MSMEs) that exceed RM100 million. As the tax

will be imposed in year of assessment 2022, it remains to be seen whether this measure, coupled with the increase in stamp duty on contract notes for shares traded on Bursa Malaysia, will weigh down the performance of the local bourse as compared to its regional peers.

The proposal to establish a voluntary carbon trading is ground-breaking and envisages the introduction of environmental regulations that enable carbon credits to be determined and assigned to businesses and activities.

Another interesting initiative is the extension of the time frame for utilisation of accumulated business losses from seven to 10 consecutive years. Companies that are only able to recover their financial health slowly after the pandemic will benefit from this.

The requirement for all public listed companies to have at least one female director on their board of directors recognises the increasing contribution by women at top-level management of companies.

The abolishment of real property gains tax on disposal of real property and shares in real property companies by Malaysian citizens and permanent residents is a populist move that is welcomed and perhaps overdue. However this measure is unlikely to result in a significant uptick in the property market as it is unlikely to solve the overhang of unsold properties in the market.

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¹ The existing stamp duty exemption given until 31 December 2025 in respect of insurance policy or takaful certificates for Perlindungan Tenang Products with annual premium or contribution value not exceeding RM100 for insurance covering life, fire or flood will be increased to RM150.

² This benefit had ceased on 31 December 2020.

³ A LLA is a project operated in a brownfield that has a remaining life of not more than 10 years from the year the contract is awarded.