

How does Finance Act 2020 impact individual taxpayers?

VACCINATION



Tax relief for vaccination against diseases such as pneumococcal, influenza and COVID-19 – limited up to RM 1,000.00.

MEDICAL EXPENSES



Increased tax relief on medical expenses incurred by an individual, his/her spouse and child(ren) vis-à-vis serious diseases from RM 6,000.00 to RM 8,000.00 and full health examination from RM 500.00 to RM 1,000.00.

MEDICAL, SPECIAL NEEDS AND PARENTAL CARE



Increased tax relief for expenses incurred for medical treatment, special needs, and parental care from RM 5,000.00 to RM 8,000.00.

INCOME TAX



Reduction of the income tax rate applicable to the chargeable income band of RM 50,001.00 to RM 70,000.00 (for resident individuals) by 1%.

LOSS OF EMPLOYMENT



Increased income tax exemption for compensation for loss of employment from RM 10,000.00 to RM 20,000.00 for each full year of service for years of assessment ("YA") 2020 and 2021.

CORPORATE INVESTMENT



Flat tax rate of 15% for a period of 5 years to non-resident individuals who hold key positions for strategic new investment companies relocating their operations to Malaysia under the Pelan Jana Semula Ekonomi Negara (PENJANA) incentive package.

TERTIARY EDUCATION

Expansion of tax relief to cover fees for attending upskilling courses provided by certified bodies – limited up to RM 1,000.00 for each YA.



PRIVATE RETIREMENT SCHEME (PRS)

Extension of individual income tax relief of up to RM 3,000.00 on Private Retirement Scheme (PRS) contributions until YA 2025.



DISABILITY

Increased tax relief for disabled spouse from RM 3,500.00 to RM 5,000.00.



LIFESTYLE

Additional RM 500.00 tax relief to the lifestyle tax relief of RM2,500.00 is specifically provided for expenditure related to sports including registration fees for any sports competitions held by the licensed organizer, and expansion of lifestyle tax relief's scope to include subscription of electronic newspapers.



EDUCATION SAVINGS

Extension of tax relief up to RM 8,000.00 on net annual savings on Skim Simpanan Pendidikan Nasional (SSPN) until YA2022.



Disclaimer:

The infographic set out in page 1 to page 3 is a summary of some initiatives set out in the Budget 2021 and the Finance Act 2020. This infographic shall not in any way be construed as legal advice. We highlight that the some of the above tax initiatives are subject to conditions/changes as will be set out in the relevant orders or rules which will be gazetted subsequently.

Tax Incentives to grab under the Finance Act 2020

PRINCIPAL HUB



Relaxation of tax incentive conditions for Principal Hub and extending the said incentive until 31 December 2022.

RELOCATING BUSINESS TO MALAYSIA



Extension of special tax rates to selected manufacturing companies which relocated their businesses to Malaysia and bring in new investments for another year (i.e. until 31 December 2022) and expand the scope of tax incentives to include companies in the selected services sector which have significant multiplier effect by providing an income tax rate of 0% to 10% for a period up to 10 years.

R&D TAX INCENTIVES REINTRODUCED



Reintroduce the tax incentives for non-resource-based R&D product commercialisation activities and extend the tax incentives for commercialisation of R&D product by public research institutions to private higher education institutions.

EXTENSION OF TAX INCENTIVES



- (a) Extension of tax incentives for MRO activities for aerospace, Bionexus status and economic corridor developments until 2022.
- (b) Extension of tax incentive for Returning Expert Programme ("REP") for another 3 years (effective for application make to Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023) and revised REP tax incentives to (i) tax flat rate of 15% on employment income for a period of 5 YA, and (ii) exemption on import duty and excise duty for the purchase of CBU vehicle or excise duty exemption for the purchase of CKD vehicle (limit to duty exemption of RM 100,000.00).

GLOBAL TRADING CENTRE



New tax incentive for the establishment of Global Trading Centre at a concessionary rate of 10% for a period of 5 years and renewable for a period of another 5 years.

PHARMACEUTICAL MANUFACTURER



Preferential tax rate of 0 to 10% for the first 10 years provide to manufacturers of pharmaceutical products including vaccines to invest in Malaysia.

EQUITY CROWDFUNDING



Income tax exemption of 50% of the amount of investment amount in Equity Crowdfunding subject to, among others, amount eligible for tax exemption is limited to RM 50,000.00 for each year of assessment ("YA"), and deductible amount is limited to 10% of the aggregate income for that YA, any excess amount will be disregarded.

STAMP DUTY

EXTENSION OF STAMP DUTY EXEMPTION

- (a) Extension of stamp duty exemption period vis-à-vis all Perlindungan Tenang products with an annual premium or contribution value not exceeding RM 100.00 for another 5 years, i.e. until YA 2025.
- (b) Extension of full stamp duty exemption on instruments of transfer and loan agreements (effective for sale and purchase agreements executed between 1 January 2021 and 31 December 2025) for the first-time home buyers until 31 December 2025 and increase the stamp duty limit for first residential home up to RM 500,000.00.
- (c) Extension of stamp duty exemption on loan agreements and instruments of transfer given to rescuing contractors and the original house purchasers for another 5 years – effective for loan agreements and instruments of transfer executed between 1 January 2021 and 31 December 2025 for abandoned housing projects certified by the Ministry of Housing and Local Government (KPKT).
- (d) Extension of stamp duty exemption on contract notes for trading of Exchange Trade Fund (executed from 1 January 2021 to 31 December 2025) for another 5 years.

FURTHER DEDUCTION ON REMUNERATION



- (a) Extension of further tax deduction on remuneration given to employers who employ ex-convicts, parolees, supervised persons and ex-drug dependants until year of assessment ("YA") 2025.
- (b) Extension of further tax deduction on remuneration given to employers who employ senior citizens until YA 2025.

SUKUK

Extension of income tax exemption for Sustainable and Responsible Investment (SRI) green sukuk (extended to all types of sukuk and bonds) until 2025.

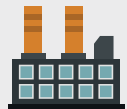


Indirect Tax Changes under the Finance Act 2020



SALES TAX EXEMPTION

Extension of sales tax exemption for the purchase of locally assembled buses for 2 years, effective from 1 January 2021 until 31 December 2022.



FREE INDUSTRIAL ZONE & LMW

Increase the sales value for value-added and additional activities carried out in the Free Industrial Zone and Licensed Manufacturing Warehouse ("LMW") from 10% to 40% from the total annual sales value.

CIGARETTES

- (a) Impose tax on the importation of cigarettes with drawback facilities for re-export.
- (b) Making cigarettes and tobacco products as taxable goods in all Duty-Free islands and any free zones that have been permitted with retail sale of duty-free cigarettes.
- (c) Impose excise duty of 10% on devices for all types of electronic and non-electronic cigarettes including vape effective from 1 January 2021 and to impose an excise duty at a rate of RM 0.40 per millilitre on the liquid used in electronic cigarettes.

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