

## ECONOMIC STIMULUS PACKAGE 2020

The **ECONOMIC STIMULUS PACKAGE 2020** (ESP) was announced on 27 February 2020 by the MOF in response to the COVID-19 crisis and have issued the following:

- (a) Economic Stimulus Package 2020 (ESPB); and
- (b) Proposed Tax Measures Economic Stimulus Package 2020 (ESPTax).

We have extracted in this Memorandum, pertinent ESP measures which in our view would be relevant from both the business and individual perspectives to our clients for their consideration.

*The implementation of the proposed tax measures would be subject to any clarification and guidance from the relevant authorities and being legislated where applicable. As such, further details on the proposed tax measures are expected to be released by the authorities in due course.*

### Glossary

ITA            Income Tax Act, 1967

LHDN        Lembaga Hasil Dalam Negeri

MOF         Ministry of Finance

MOTAC      Ministry of Tourism, Arts and Culture Malaysia

SME         Small and Medium Enterprises as defined by SME Corp, with at least 51% shares held by Malaysians

I	ESP Measures for the Tourism Sector	Reference
1.0	<p><b><u>Deferment of CP204 instalments</u></b></p> <ul style="list-style-type: none"> <li>• CP204 instalment deferment for 6 months from 1 Apr 2020 to 30 Sep 2020</li> <li>• Qualifying businesses - Travel agencies, hoteliers and airlines</li> <li>• Applications can be submitted to LHDN wef 1 Mar 2020</li> </ul>	<p>ESPB #4 ESPTax #2</p>
2.0	<p><b><u>Service tax exemptions for hotels</u></b></p> <ul style="list-style-type: none"> <li>• Service tax levy exempted for 6 months from 1 Mar 2020 to 31 Aug 2020</li> <li>• Qualifying businesses - Hotel operators as prescribed under Group A, 1<sup>st</sup> Schedule of the Service Tax Regulations, 2018</li> </ul>	<p>ESPB #5 ESPTax #11</p>
3.0	<p><b><u>Double tax deduction for training courses</u></b></p> <ul style="list-style-type: none"> <li>• Training courses related to the tourism industry, eligible for double deduction</li> <li>• Qualifying businesses - Hotel operators or tour businesses approved by the MOTAC</li> </ul>	<p>ESPB #7</p>
4.0	<p><b><u>Exemption from HRDF Levy</u></b></p> <ul style="list-style-type: none"> <li>• HRDF levy exemption for 6 months from 1 Apr 2020 to 30 Sep 2020</li> <li>• Qualifying businesses - Air travel, domestic ground transport, convention centres, shopping malls, travel tour operators, hotels, franchises and hypermarkets</li> </ul>	<p>ESPB #8</p>
5.0	<p><b><u>15% electricity discount</u></b></p> <ul style="list-style-type: none"> <li>• 15% electricity discount for 6 months from 1 Apr 2020 to 30 Sep 2020</li> <li>• Qualifying businesses – Hotel operators, travel agencies, local airlines offices, shopping malls, convention centres and theme parks</li> </ul>	<p>ESPB #9</p>

<b>II ESP Measures for Businesses</b>		<i>Reference</i>
1.0	<p><b><u>Revision of tax estimates and tax instalments</u></b></p> <ul style="list-style-type: none"> <li>• Other businesses affected by the current economic environment are allowed to revise their tax estimates and tax instalments:                             <ul style="list-style-type: none"> <li>○ On the 3<sup>rd</sup> month of instalments</li> <li>○ Provided that the 3<sup>rd</sup> instalment falls in the Year 2020</li> </ul> </li> <li>• Applications can be submitted to LHDN wef 1 Mar 2020</li> </ul>	<i>ESPB #4 ESPTax #3</i>
2.0	<p><b><u>Tax deduction of Personal Protective Equipment (PPE)</u></b></p> <ul style="list-style-type: none"> <li>• Expenses for disposable PPE (eg. face masks) eligible for deduction under S33(1) ITA, 1967</li> <li>• Costs of non-disposable PPE can be claimed as capital allowances</li> </ul>	<i>ESPB #6</i>
3.0	<p><b><u>Employee EPF contributions</u></b></p> <ul style="list-style-type: none"> <li>• Minimum employee contributions to EPF reduced from 11% to 7%</li> <li>• Employees have the option to elect to continue at the higher rate (Form 17A submission will be required)</li> <li>• Reduction applicable for 9 mths from 1 Apr 2020 to 31 Dec 2020</li> </ul>	<i>ESPB #19</i>
4.0	<p><b><u>Accelerated Capital Allowances (ACA)</u></b></p> <ul style="list-style-type: none"> <li>• ACA over 2 years for qualifying capital expenditure (QCE) incurred for machinery and equipment (including ICT equipment)</li> <li>• ACA granted for QCE incurred from 1 Mar 2020 to 31 Dec 2020:                             <ul style="list-style-type: none"> <li>○ Initial allowance – 20%</li> <li>○ Annual allowance – 40%</li> </ul> </li> </ul>	<i>ESPB #28 ESPTax #5</i>
5.0	<p><b><u>Renovation and Refurbishment costs</u></b></p> <ul style="list-style-type: none"> <li>• Special tax deduction of up to RM300,000 granted for costs of renovation and refurbishment</li> <li>• Deduction granted for qualifying costs incurred from 1 Mar 2020 to 31 Dec 2020</li> <li>• Not applicable to costs which are QCE eligible and claimed for capital allowances under Schedule 2 and Schedule 3 of ITA</li> </ul>	<i>ESPB #29 ESPTax #6</i>
<b>III ESP Proposals for Individuals</b>		
1.0	<p><b><u>Personal Relief for Domestic Travel</u></b></p> <ul style="list-style-type: none"> <li>• Special income tax relief of up to RM1,000 will be provided to individuals for domestic tourism expenses incurred from 1 March 2020 to 31 August 2020, but</li> <li>• Relief restricted to:                             <ul style="list-style-type: none"> <li>○ Accommodation expenses at premises registered with MOTAC; and</li> <li>○ Entrance fees to tourist attractions</li> </ul> </li> </ul>	<i>ESPB #11 ESPTax #1</i>
2.0	<p><b><u>Employee EPF contributions</u></b></p> <ul style="list-style-type: none"> <li>• Minimum employee contributions to EPF reduced from 11% to 7%</li> <li>• Employees have the option to elect to continue at the higher rate (Form 17A submission will be required)</li> <li>• Reduction applicable for 9 mths from 1 Apr 2020 to 31 Dec 2020</li> </ul>	<i>ESPB #19</i>

<b>IV</b>	<b>ESP Measures to Improve Cashflows</b>	<i>Reference</i>
1.0	<p><b><u>Restructuring and Rescheduling of Loans</u></b></p> <ul style="list-style-type: none"> <li>• Financial institutions provide due assistance by restructuring or rescheduling loans to the following viable borrowers:                             <ul style="list-style-type: none"> <li>○ Tourism businesses and other affected businesses</li> <li>○ Individuals whose employment income have been affected</li> </ul> </li> <li>• 100% stamp duty exemption on restructuring/rescheduling agreements stamped from 1 Mar 2020 to 31 Dec 2020</li> </ul>	<i>ESPB #1 ESPTax #4</i>

2.0	<b><u>Bank Negara Facilities</u></b>			
	<b>Special Relief Facility (SRF)</b>	<b>Agrofood Facility (AF)</b>	<b>SME Automation &amp; Digitalisation Facility (ADF)</b>	<b>Micro Credit Facility (MCF)</b>
<i>Reference</i>	<i>ESPB #2</i>	<i>ESPB #21</i>	<i>ESPB #25</i>	<i>ESPB #3</i>
<b>Allocation</b>	RM2 billion	RM1 billion	RM300 million	RM200 million
<b>Objective</b>	Alleviate short-term cash flow problems of affected SMEs	Increase food production for Malaysia and for export purposes	Incentivise SMEs to automate processes and digitalise operations to increase productivity and efficiency	Alleviate short-term cash flow problems of affected small businesses affected by the COVID-19 outbreak
<b>Eligibility</b>	Affected SMEs	SMEs	SMEs	Affected small businesses
<b>Purpose</b>	Working capital	<ul style="list-style-type: none"> <li>• Capital expenditures</li> <li>• Working capital</li> <li>• Development of agriculture projects</li> </ul>	Purchase of equipment, machinery, computer hardware and software, IT solutions and services, technology support services and other intangible assets	Working capital
<b>Financing rate</b>	3.75% p.a. (inclusive of any guarantee fee)	3.75% p.a. (inclusive of any guarantee fee)	4% p.a. (inclusive of any guarantee fee)	4% p.a.
<b>Maximum financing amount</b>	RM1 million per SME	RM5 million per SME	RM3 million per SME	Not advised
<b>Maximum tenure &amp; other terms</b>	5.5 years, including 6 months repayment moratorium	8 years	10 years	6 months repayment moratorium
<b>Availability</b>	6 Mar 2020 to 31 Dec 2020	From 6 Mar 2020	6 Mar 2020 to 31 Dec 2020	Not advised