

PRIHATIN RAKYAT ECONOMIC STIMULUS PACKAGE

Subsequent to the **Economic Stimulus Package 2020 (ESP)** announced on 27 Feb 2020, further economic stimulus measures were announced in response to the continuing economic impact of the COVID-19 crises:

Economic Stimulus Measures	Worth	Announced on
Prihatin Rakyat Economic Stimulus Package [<i>Prihatin</i>]	RM250b	27 March 2020
Additional SME Economic Stimulus Package [<i>Prihatin+</i>]	RM10b	6 April 2020

We have extracted in this Memorandum, pertinent measures from Prihatin and Prihatin+ 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 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 measures are expected to be released by the authorities in due course.

Glossary

LHDN	Lembaga Hasil Dalam Negeri
SME	Small and Medium Enterprises
Perkeso	Pertubuhan Keselamatan Sosial Malaysia

I Key Measures

1.0 Wage Subsidy (Perkeso)

1.1 Wage subsidy for wages of qualifying employees for up to 3 months (from 1 April 2020 or date of application) on the following basis:

Type of company	No. of employees	Mthly subsidy per employee
Large	> 200 employees	RM600 (up to 200 employees)
Medium	76 – 200 employees	RM800
Micro and Small	1 – 75 employees	RM1,200

1.2 Conditions:

- (a) Employer and employee must have registered or contributed EIS.
- (b) Employer registered with Companies Commission Malaysia (CCM) or local authorities and commenced operations prior to 1 January 2020.
- (c) Large and Medium companies must have suffered a 50% drop in revenue since 1 January 2020 (no such condition for Micro and Small companies).
- (d) Subsidy given for employees with monthly salary of RM 4,000 and below (based on salary as defined in Employees' Social Security Act 1969).
- (e) Employer shall not terminate the existing employees for at least six months (3 months of wage subsidy and 3 months thereafter).
- (f) Application can be made from 9 April 2020 to 15 September 2020, subject to availability of allocated fund and updates in government policy, if any.

I Key Measures	
2.0	<u>Employment Retention Program – ERP (Perkeso)</u>
2.1	ERP subsidy of RM600/mth for up to 6 months (from 1 March 2020) to <u>employees</u> for “No-Pay Leave” taken as instructed by employer.
2.2	<p><u>Conditions:</u></p> <p>(a) All private sector employees, who have registered and contributed Employment Insurance Scheme (EIS).</p> <p>(b) Subsidy given for employees with monthly salary of RM 4,000 and below (based on salary as defined in Employees’ Social Security Act 1969).</p> <p>(c) Minimum “No-Pay Leave” of 30 days, with notice issued beginning 1 March 2020.</p> <p>(d) Employer shall claim and reimburse employee within 7 days upon receipt of ERP subsidy.</p>
3.0	<u>Exemption from HRDF Levy (Ministry of Human Resources)</u>
	<ul style="list-style-type: none"> HRDF levy exemption for 6 months from 1 Apr 2020 to 30 Sep 2020 (all sectors).
4.0	<u>Employee Provident Fund (EPF)</u>
	<ul style="list-style-type: none"> EPF will launch an Employer Advisory Services Program on 15 April 2020 where employers may opt for deferment of payment, restructuring, or rescheduling of employers’ contribution.
5.0	<u>Tax deduction for amount of rental reduced (LHDN)</u>
	<ul style="list-style-type: none"> Landlords of private premises who reduce (at least 30% of the original rental) or waive the rental on business premises rented to SMEs will be given a tax deduction, equal to the amount of the rental waived or reduced for April 2020 to June 2020.
6.0	<u>Negotiation on Terms of Employment (Department of Labour)</u>
	<p>(a) Employers are allowed to negotiate with their employees on the terms of employment, including the options of pay cuts and unpaid leave during the MCO period.</p> <p>(b) Employers and employees can consult the Department of Labour for advice on any issues that may arise, of which all consultations will be subject to the employment law in Malaysia.</p>
7.0	<u>Foreign Worker Levy (Ministry of Home Affairs)</u>
	<p>(a) A 25% reduction in foreign employee’s levy payments is given for work permits expiring between the period of 1 April 2020 and 31 December 2020.</p> <p>(b) This reduction in levy does not apply to domestic helpers.</p>

I Key Measures	
8.0	<p><u>Special grant to micro-SME (LHDN)</u></p> <p>(a) Special Grant of RM3,000 to each eligible micro-SME.</p> <p>(b) Pre-registration by micro-SME with LHDN is required.</p> <p>(c) The Government will obtain a list of eligible SMEs from local authorities and the Companies Commission of Malaysia (CCM).</p> <p><i>Our comments</i></p> <ol style="list-style-type: none"> 1. <i>Prihatin+ did not define micro-SME.</i> 2. <i>However, micro-SMEs as defined by SME Corp are business entities with annual sales <RM300k or have <5 employees</i> 3. <i>Subject to further clarifications from the relevant authorities, business entities which falls under the SME Corp definition of a micro-SME may consider processing their pre-registration with the LHDN.</i>
9.0	<p><u>Financial relief (Bank Negara Malaysia)</u></p> <p>9.1 <u>Loan moratorium or restructuring</u></p> <p>(a) All banks will provide financial relief in the form of payment moratorium (mostly 6 months automatic deferment without compounding interest), and also restructuring and rescheduling of loans for affected businesses and individuals.</p> <p>(b) Moratorium payments are extended to loans given to SME by TEKUN, MARA, cooperatives and other government agencies beginning 1 Apr 2020.</p> <p>9.2 <u>0% interest borrowing scheme</u></p> <p>(a) The 2% interest rate for the RM500mil Micro Credit Scheme under Bank Simpanan Nasional (BSN) announced in Prihatin will now be abolished.</p> <p>(b) This scheme is also extended to loan under TEKUN Nasional with a maximum borrowing of RM10,000 per SME at 0% interest.</p> <p>However, applicants can only choose from one of these schemes (either BSN or TEKUN Nasional).</p> <p><i>Our comments</i></p> <ol style="list-style-type: none"> 1. <i>Financial institutions are tasked with providing businesses with financial reliefs or facilities to overcome the financial cash flow impact of COVID-19.</i> 2. <i>As such, we recommend that clients requiring clarifications on available financial relief or facilities to refer such queries directly to their bankers.</i>