

HIGHLIGHTS OF BUDGET 2021

Budget 2021 was unveiled on 6 November 2020 by the Finance Minister, Tengku Dato' Sri Zafrul Tengku Abdul Aziz. Themed "Resilient as One, Together We Triumph" and formulated based on 3 integral goals (Rakyat's well-being, Business Continuity and Economic Resilience). Budget 2021 strives to achieve a balance between managing the government's financial sustainability, ensuring social well-being, and reviving the economy.

We have extracted in this Highlights, proposals in Budget 2021 which in our view would be relevant from both the business and individual perspectives to our clients for their consideration.

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

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C	Stamp Duty and Indirect Tax
D	Others

A	INDIVIDUAL TAX
1.	<u>Review of Income Tax Rate</u> Income tax rate for resident individuals to be reduced from 14% to 13% for the chargeable income band of RM50,001 to RM70,000 from YA 2021
2.	<u>Compensation for Loss of Employment</u> Income tax exemption for compensation for loss of employment to be increased from RM10,000 to RM20,000 for each full year of service for YA 2020 and YA 2021
3.	<u>Special Income Tax Treatment and Relocation Incentives-for Non-Residents in Companies Investing in Strategic Investments in Malaysia</u> <ul style="list-style-type: none">• 15% flat income tax rate on employment income for 5 YAs• Limited to 5 non-Malaysian citizens employed in key positions/C-suites positions with monthly salary of not less than RM25,000, in company that has been granted Relocation Tax Incentive under PENJANA initiative• The individual has to be a Malaysian tax resident for each YA throughout the period• Applications to be received by the Malaysian Investment Development Authority (MIDA) from 7 November 2020 until 31 December 2021
4.	<u>Revision of Returning Expert Programme (REP)</u> <ul style="list-style-type: none">• 15% flat income tax rate on employment income for 5 YAs• Import duty and excise duty exemption for the purchase of a Completely-Built-Up (CBU) vehicle <u>or</u> excise duty exemption for the purchase of a Completely-Knocked-Down (CKD) vehicle (subject to total duty exemption limit of RM100,000)• Applications to be received by Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023

A	INDIVIDUAL TAX (Cont'd)				
5.	<u>Income Tax Relief</u>				
	<table border="1"> <thead> <tr> <th data-bbox="384 331 464 409">No.</th> <th data-bbox="464 331 1275 409">Proposed</th> <th data-bbox="1275 331 1457 409">Effective</th> </tr> </thead> </table>	No.	Proposed	Effective	
No.	Proposed	Effective			
5.1	<p><u>Medical Expenses for Self, Spouse and Children</u></p> <ul style="list-style-type: none"> Income tax relief to be increased from <ul style="list-style-type: none"> (a) RM6,000 to RM8,000 for medical expenses for serious diseases for taxpayer, spouse and children and fertility treatment for taxpayer and spouse; and (b) RM500 to RM1,000 for full medical check-up expenses. Total deduction allowable for items (a) and (b) is restricted to RM8,000 Scope of tax relief to be expanded to include vaccination expenses of up to RM1,000 for taxpayer, spouse and children 	YA 2021			
5.2	<p><u>Medical Treatment, Special Needs and Carer Expenses for Parents</u></p> <p>Income tax relief for medical treatment, special needs and carer expenses incurred on parents to be increased from RM5,000 to RM8,000</p>	YA 2021			
5.3	<p><u>Lifestyle Expenses</u></p> <ul style="list-style-type: none"> Income tax relief for lifestyle expenses to be increased from RM2,500 to RM3,000, with an additional amount of RM500 allocated for cost of purchasing sports equipment, entry/rental fees for sports facilities and participation fees in sports competitions Scope of existing lifestyle tax relief to be expanded to include subscription for electronic newspaper 	YA 2021			
5.4	<p><u>Expenses on Study Fees</u></p> <ul style="list-style-type: none"> Income tax relief of RM7,000 a year to be expanded to cover fees for attending up-skilling and self-enhancement courses in any field of skills recognised by the Department of Skills Development, Ministry of Human Resources This tax relief is limited to RM1,000 for each YA 	YA2021 & YA2022 only			
5.5	<p><u>Disabled Spouse Tax relief</u></p> <p>Income tax relief for disabled spouse to be increased from RM3,500 to RM5,000</p>	YA 2021			
5.6	<p><u>Contribution to Private Retirement Scheme (PRS)</u></p> <p>Income tax relief up to RM3,000 on contribution to PRS</p>	Extended to YA 2025			
5.7	<p><u>Net Annual Savings in Skim Simpanan Pendidikan Nasional (SSPN)</u></p> <p>Income tax relief of up to RM8,000 on net annual savings in the SSPN</p>	Extended to YA 2022			

B	TAX INCENTIVES
1.	<p><u>Tax Incentive for Equity Crowdfunding</u></p> <ul style="list-style-type: none"> • Income tax exemption on 50% of investment in Equity Crowdfunding via platform approved by Securities Commission Malaysia • Limited to RM50,000, capped at 10% of aggregate income • Investor must not have family relationship in investee company, and investment must not be disposed (in full or in part) within 2 years from the date of investment • Qualifying investors are given the above incentive for investments made from 1 January 2021 to 31 December 2023
2.	<p><u>Tax Incentive for Global Trading Centre</u></p> <ul style="list-style-type: none"> • 10% income tax rate for a period of 5 years and renewable for another 5 years for Global Trading Centre • For applications received by MIDA from 1 January 2021 until 31 December 2022
3.	<p><u>Extension of Principal Hub Incentive</u></p> <ul style="list-style-type: none"> • Application period is extended for another 2 years from 1 January 2021 to 31 December 2022 • Relaxation of minimum condition for number of high valued workers, annual operating expenditure and number of key posts personnel for renewal for another 5 years
4.	<p><u>Extension of Existing Relocation Incentives for Manufacturing Sector</u></p> <ul style="list-style-type: none"> • Income tax rate of 0% for 10 or 15 years for new companies, with investment in fixed asset of RM300m ~ RM500m and above RM500m respectively • 100% Investment tax allowance for 5 years for existing companies, with investment in fixed asset of RM300m and above <p>For applications received by MIDA until 31 December 2022</p>
5.	<p><u>Expansion of Existing Relocation Incentives to Selected Services Sector</u></p> <ul style="list-style-type: none"> • Income tax rate of 0% to 10% for 10 years for new company • Income tax rate of 10% for 10 years for existing company with new services segment • Tax incentive for qualifying companies relocating their operations to Malaysia and making new investments is expanded from manufacturing sector to selected services sector: <ul style="list-style-type: none"> (a) Provision of technology solution services (b) Provision of infrastructure and technology for cloud computing (c) Research and development (R & D) / design and development activities (d) Medical devices testing laboratory and clinical trials (e) Any services or manufacturing related services determined by the Minister of Finance (MOF) • For applications received by MIDA from 7 November 2020 until 31 December 2022
6.	<p><u>Extension of Tax Incentive for Manufacturers of Industrialised Building Systems (IBS) Components</u></p> <ul style="list-style-type: none"> • Investment tax allowance of 60% on qualifying capital expenditure incurred within 5 years to be set off against 70% of statutory income • Companies are only required to produce at least 3 basic components of IBS or IBS system that uses at least 3 basic components • For applications received by MIDA from 1 January 2021 until 31 December 2025

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B	TAX INCENTIVES (Cont'd)
7.	<p><u>Extension of Tax Incentive for Export of Private Healthcare Services</u> Income tax exemption equivalent to 100% of the value of the increase in export of healthcare services to be set off against 70% of statutory income is extended for another 2 years for YA 2021 and YA 2022</p>
8.	<p><u>Extension of Tax Deduction for Employment of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependants</u> Further tax deduction on remuneration paid by employers to the above employees is extended for a period of 5 years from YA 2021 to YA 2025</p>
9.	<p><u>Tax Incentives for Manufacturers of Pharmaceutical Products including Vaccines</u></p> <ul style="list-style-type: none"> • 0% - 10% Income tax rate for the first 10 years • 10% Income tax rate for subsequent 10 years • Grants, import duty / sales tax exemption for machineries, equipment and raw materials • For applications received by MIDA from 7 November 2020 until 31 December 2022
10.	<p><u>Commercialisation of Research and Development (R&D) Findings</u></p> <ul style="list-style-type: none"> • Tax incentives for commercialisation of R&D findings of Public research/higher learning institutions is expanded to include Private higher learning institution • Investor company can claim tax deduction equivalent to investment made in the subsidiary that commercialises the R&D findings, and income tax exemption of 100% statutory income for 10 YAs will be granted to the subsidiary • For applications received by MIDA from 7 November 2020 until 31 December 2025
C	STAMP DUTY AND INDIRECT TAX
1.	<p><u>Extension of Stamp Duty Exemption for First Residential Property</u></p> <ul style="list-style-type: none"> • For 100% stamp duty exemption on transfer instruments and loan agreements for the purchase of first residential property by Malaysian citizens, the qualifying value of the first residential property is to be increased from RM300,000 to RM500,000 • The stamp duty exemption applies to sale and purchase agreements executed from 1 January 2021 to 31 December 2025
2.	<p><u>Extension of Stamp Duty Exemption for Reviving Abandoned Housing Projects</u> Stamp duty exemption to revive certified abandoned housing projects which are given to rescuing contractor developer or original house purchaser of abandoned project for loan agreements and transfer instruments executed from 1 January 2021 to 31 December 2025</p>
3.	<p><u>Extension of Stamp Duty Exemption for Exchange Traded Funds</u> Stamp duty exemption on contract notes for trading of Exchange Traded Funds which are executed from 1 January 2021 to 31 December 2025</p>
4.	<p><u>Extension of Sales Tax Exemption for Locally Assembled Bus</u> Sales tax exemption for the purchase of locally assembled bus including air conditioner to be extended until 31 December 2022</p>

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C	STAMP DUTY AND INDIRECT TAX (Cont'd)
5.	<p><u>Imposition of Excise Duty on Electronic Cigarette</u></p> <ul style="list-style-type: none"> • Excise duty of 10% for all electronic and non-electronic cigarette devices • Excise duty of RM0.4/millilitre for e-cigarette/vape liquids or gel
6.	<p><u>Imposition of Tourism Tax on Accommodation Booked through Online Platform</u></p> <p>The imposition of tourism tax to be expanded to include accommodation premises reserved through online platform providers effective from 1 July 2021</p>
7.	<p><u>Increase in the permissible limit of value-added/additional activities for companies operating in Free Industrial Zones (“FIZs”) and Licensed Manufacturing Warehouses (“LMWs”)</u></p> <p>The limit on sales value for value added and additional activities in the Free Industrial Zone and Licensed Manufacturing Warehouse as listed below to be increased to 40% of the company’s annual sales value:</p> <ul style="list-style-type: none"> • Research and development • Product design • Marketing, for company with International Procurement Centre status only • Distribution, for company with Regional Distribution Centre status only • Quality control • Testing and commissioning including calibration and configuration • Labelling, packaging and re-packaging • Remanufacturing, repairing and servicing • Supply chain management, strategic procurement operation and total support solutions <p>Applicable for new applications and applications to increase the sales value limit received by the Royal Malaysian Customs Department (RMCD) from 7 November 2020.</p>
D	OTHERS
1.	<p><u>Employee Provident Fund (EPF)</u></p> <ul style="list-style-type: none"> • Employee EPF contribution rate reduced from 11% to 9% for 12 months from January 2021 • Withdrawal <ul style="list-style-type: none"> ○ Account 1: RM500/month with a total of RM6,000 over 12 months from January 2021 ○ Account 2: For purchase of insurance and takaful products (approved by EPF relating to life/family and critical illness from approved insurance and takaful operators) from January 2021
2.	<p><u>Human Resource Development Fund (HRDF) levies</u></p> <p>Exemption from HRDF levies for 6 months, given to tourism sector and companies affected by COVID-19 from 1 January 2021</p>