



MOORE Advent

TAX FLASH

OCTOBER 2021 (SPECIAL EDITION)

2022 Budget Highlights

Executive Summary

Malaysia has had a rocky start in year 2021 with the spike of COVID-19 followed-up with reinstatement of a nationwide Movement Control Order. Malaysians have seen the highest daily new cases since the start of the COVID-19 pandemic. However, with the Government's efforts in moving Malaysia into an endemic phase, we are hopeful for a better start and better year for year 2022.

As a start, for the first time in Malaysia's history, the Ministry of Finance has published a Pre-Budget Statement for Budget 2022 on 31st August 2021 with the purpose to enhance transparency and inclusivity in the process of budget preparation. Among others, the Pre-Budget Statement provides a preliminary overview on the direction, approach and expected benefits of Budget 2022. One interesting point noted from the Pre-Budget Statement is that the Government is considering to implement Special Voluntary Disclosure Programme for indirect taxes. It would be interesting to see how the said program will be handled by the Royal Malaysian Customs Department as compared to the Inland Revenue Board and how receptive businesses would be towards participating in the programme.

With much anticipation created by the Ministry of Finance through the release of a "teaser", the Finance Minister, YB Senator Tengku Dato' Sri Zafrul Tengku Abdul Aziz, has tabled the Budget 2022 themed "***Keluarga Malaysia, Makmur Sejahtera***" on 29th October 2021, with the following main focus areas:-

- [Moore Malaysia](#)
- [Moore Global](#)
- [Inland Revenue Board](#)
- [Budget Speech](#)
- [Appendices](#)
- [Tax Snapshot](#)

- Rakyat's Well Being;
- Resilient Businesses; and
- A Prosperous and Sustainable Economy.

Our Prime Minister, Datuk Seri Ismail Sabri Yaakob was telling the truth when he mentioned to the press that the Budget 2022 has “wow factors”.

It is proposed that a one-off special windfall tax known as “**Cukai Makmur**” be introduced to companies that generate extraordinary revenue. For the year of assessment 2022, the chargeable income in excess of RM100 million of the “prosperous” companies would be subject to tax at 33%.

Paragraph 28, Schedule 6 of the Income Tax Act 1967 has been providing income tax exemption in respect of **income derived from sources outside Malaysia and received in Malaysia**, except for a resident company carrying on the business of banking, insurance / sea / air transport since the year of assessment 2004. It is proposed that the said income tax exemption would no longer be applicable to tax residents in Malaysia from 1st January 2022 onwards.

The key proposals outlined in the Budget 2022 are summarised into the following broad categories:-

- A. Income Tax – Changes Affecting Individuals
- B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
- C. Investment Incentives
- D. Real Property Gains Tax
- E. Petroleum Income Tax
- F. Stamp Duty
- G. Sales and Service Tax and Indirect Tax
- H. Others

Please note that due to the unavailability of the Finance Bill 2021 at the time of publication, we will update you on any further development affecting the above categories in due course.

Legend

ACA	=	Accelerated Capital Allowance
IRB	=	Inland Revenue Board
ITA	=	Investment Tax Allowance
ITA 1967	=	Income Tax Act 1967
LLP	=	Limited Liability Partnership
MEDAC	=	Ministry of Entrepreneur Development and Cooperatives
MIDA	=	Malaysian Investment Development Authority
MITI	=	Ministry of International Trade and Industries
MOTAC	=	Ministry of Tourism, Arts and Culture
MOU	=	Memorandum of Understanding
MSC	=	Multimedia Super Corridor
R&D	=	Research and development
RA	=	Reinvestment Allowance
RPGT	=	Real Property Gains Tax
SC	=	Securities Commission
SME	=	Small and Medium Enterprises
SOCSSO	=	Social Security Organisation
SVA	=	Small Value Assets
YA	=	Year of Assessment

A. Income Tax – Changes Affecting Individuals

1. Increase and Expansion of Tax Relief for Contribution to SOCSO

- It is proposed that:-
 - the relief on contributions to SOCSO (which currently only covers SOCSO contribution) be expanded to include contributions to the Employment Insurance System; and
 - the relief be increased from RM250 to RM350
- Effective YA 2022

2. Increase and Extension of Tax Relief for Up-Skilling or Self-Enhancement Course Fees

- Currently, tax relief of up to RM1,000 (which forms part of the relief for the education fees of RM7,000) is given on fees incurred for up-skilling or self-enhancement course in any field recognised by the Department of Skills Development, Ministry of Human Resources for the YA 2021 and YA 2022
- It is proposed that the maximum tax relief for the fees be increased from RM1,000 to RM2,000 for the YA 2022 and be extended to YA 2023
- Effective YA 2022 and YA 2023

3. Expansion of the Scope of Relief for Contribution to an Approved Provident Fund

- Relief of up to RM4,000 available to tax resident individuals on obligatory contributions made to an approved provident fund be expanded to cover voluntary contributions, including the contributions made by public servants under the pension scheme
- Effective YA 2022

4. Expansion of Scope of Tax Relief for Medical Expenses for Self, Spouse and Child

- It is proposed that the scope of tax relief of up to RM1,000 on expenses incurred on complete medical examination (which forms part of the relief of RM8,000 for the expenses incurred on medical treatment for serious disease for self, spouse and child and fertility treatment) be expanded to cover the cost of check-up or consultation service related to mental health from the following approved persons:-
 - a psychiatrist registered with the Malaysian Medical Council under the Mental Health Act 2001; or
 - a clinical psychologist registered with the Malaysian Allied Health Professions Council under the Allied Health Professions Act 2016; or
 - a counsellor registered with Board of Counsellors Malaysia under the Counsellors Act 1998
- Effective YA 2022

5. Extension of Tax Relief Period for Expenditure Incurred in Relation to Domestic Tourism

- Relief of up to RM1,000 given to individuals on the following expenditure incurred on domestic tourism (evidenced by receipts) between 1st March 2020 until 31st December 2021 be extended for another 1 year i.e. until 31st December 2022:-
 - accommodation at the premises registered with the Commissioner of Tourism under the Tourism Industry Act 1992;
 - entrance fee to a tourist attraction
- Extended to YA 2022

6. Extension of Tax Relief Period for Fees Paid to Child Care Centres and Kindergartens

- Relief of up to RM3,000 given to either parent of a child on fees paid to a child care centre registered with the Director General of Social Welfare under the Child Care Centre Act 1984 or a kindergarten registered under the Education Act 1996 for the child aged 6 and below be extended for another 2 years
- Effective YA 2022 and YA 2023

7. Extension of Special Tax Relief in Relation to the Purchase of Personal Computer, Smartphone or Tablet

- The special tax relief of up to RM2,500 (which is in addition to the current lifestyle relief of up to RM2,500) given for the purchase of personal computer, smartphone or tablet during the period from 1st June 2020 to 31st December 2021 under the *PENJANA* and the *PERMAI* Stimulus Packages be extended for another year i.e. until 31st December 2022
- Extended to YA 2022

8. Extension of Tax Relief Period for Deferred Annuity

- Tax relief of up to RM3,000 given on contribution made to a Private Retirement Scheme approved by SC be extended to cover deferred annuity premium
- Effective YA 2022 to YA 2025

9. Relief for Self-Funded Vaccine Booster Shot Expenses for Self

- Relief be given to tax resident individuals on self-funded costs associated with taking the vaccine booster shot
- Applicable to YA 2022

10. Income Tax Exemption on Prize Money from E-Sports Tournament

- It is proposed that tax exemption be given to prize money received from recognised e-sports tournament

11. Tax on Foreign Source Income Remitted to Malaysia

- Please refer to Part B2 below

12. Extension of Special Deduction for Reduction of Rental of Business Premises Offered to SME and Non-SME Tenants

- Please refer to Part B7 below

13. Extension of Special Income Tax Rate for Non-Resident Individuals Holding Key Positions in Companies Granted Incentives for Relocation of Manufacturing Activities to Malaysia

- Please refer to Part C3 below

14. Relief for EV Charging Facilities

- Please refer to Part G1 below

B. Income Tax – Changes Affecting Companies and Unincorporated Businesses

1. Imposition of *Cukai Makmur*

- It is proposed a one-off special tax known as *Cukai Makmur* be imposed on companies other than SME generating high income during the COVID-19 pandemic period as follows:-
 - the chargeable income up to the first RM100 million be subject to 24% tax rate; and
 - the remaining chargeable income be taxed at 33%
- Applicable to YA 2022

2. Tax on Foreign Source Income Remitted to Malaysia

- Currently, foreign source income derived from sources outside Malaysia and received in Malaysia by any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) is exempted from tax pursuant to Paragraph 28, Schedule 6 of the ITA 1967
- It is proposed that income tax be imposed on residents in Malaysia in respect of income derived from foreign sources and received in Malaysia
- Effective 1st January 2022

3. Review of Tax Treatment on Unabsorbed Business Losses

- Currently, the unabsorbed business losses for the current year are only allowed to be carried forward up to 7 consecutive years of assessment effective YA 2019 and any unabsorbed business losses at the end of the 7th year of assessment shall be disregarded. For the unabsorbed business losses as at YA 2018, they are only allowed to be carried forward up to YA 2025
- It is proposed that the 7-year restriction be extended to 10-year as follows:-
 - the unabsorbed business losses for the YA 2019 and subsequent years of assessment be allowed to be carried forward up to 10 consecutive years of assessment; and
 - the unabsorbed business losses as at YA 2018 be allowed to be carried forward until YA 2028
- Effective YA 2019

4. Submission of Revised Estimate of Tax Payable

- Currently, every company, LLP, trust body or co-operative society may furnish a revised estimate of tax payable for a year of assessment in the 6th month and/or 9th month of the basis period for that year of assessment
- It is proposed that all businesses are allowed to submit a revised estimate of tax payable in the 11th month of the basis period of a year of assessment before 31st October 2022

5. Deferment of Tax Estimate Instalment for 6 Months for SME

- It is proposed that SME be granted a deferment of its tax estimate instalment payments for 6 months from 1st January 2022 to 30th June 2022

6. Extension of Tax Rebate for Establishing New Businesses

- Currently, companies and LLP are entitled to a tax rebate of up to RM20,000 per year for the first 3 years of assessment
- For companies, to be eligible for the above tax rebate, the following conditions must be fulfilled:-
 - incorporated under the Companies Act 2016 and qualify as a tax resident in Malaysia;
 - having paid-up share capital of not more than RM2.5 million at the beginning of the basis period for a year of assessment;
 - having gross business income of not more than RM50 million for the basis period for a year of assessment;
 - commences operations between 1st July 2020 to 31st December 2021; and
 - other conditions to be prescribed under statutory order
- It is proposed that the above tax rebate be extended to SME (including SME that performs business activities through online platform) established and commences operations between 1st January 2022 to 31st December 2022

7. Extension of Special Deduction for Reduction of Rental of Business Premises Offered to SME and Non-SME Tenants

- Currently, special tax deduction of the amount of the rental reduction is given to property owners who provide at least 30% rental discount to SME and non-SME tenants for the periods from April 2020 to December 2021 and January 2021 to December 2021 respectively
- It is proposed that this special deduction be extended for another six months, until June 2022
- Effective for reduction of rental of business premises given by property owners for the period from January 2022 to June 2022

8. Extension of Tax Deduction on Costs of Renovation and Refurbishment of Business Premises

- Currently, tax deduction is allowed for the costs of renovation and refurbishment of business premises incurred from 1st March 2020 to 31st December 2021 and used for the purpose of a business, limited to maximum amount of RM300,000
- It is proposed that this tax deduction be extended for another year, until 31st December 2022
- Effective for the costs of renovation and refurbishment of business premises incurred from 1st January 2022 until 31st December 2022

9. Deduction for Vaccination Cost Borne by Employers

- It is proposed that tax deduction be given to employers on costs incurred for its employees in relation to the adoption of self-funded booster vaccines
- Effective 1st January 2022

10. Extension of ACA for New Locally Assembled Excursion Bus

- Currently, ACA can be claimed at the initial allowance rate of 20% and annual allowance rate of 40% on qualifying expenditure incurred by licensed tour operators on new locally assembled excursion bus from YA 2020 to YA 2021
- The following rules shall be applied to a licensed tour operator:-
 - resident in Malaysia
 - who has incurred capital expenditure for the purchase of an excursion bus as the first registered owner in the basis period for a year of assessment from a source consisting of his business in relation to the tour operations; and
 - who is a holder of the tourism vehicle licence issued under the Land Public Transport Act 2010 or the Tourism Vehicles Licensing Act 1999
- The excursion bus purchased by the licensed tour operator shall:-
 - be used exclusively for the conveyance of tourists pursuant to the Land Public Transport Act 2010 or the Tourism Vehicles Licensing Act 1999
 - be assembled or constructed in Malaysia pursuant to Motor Vehicles (Registration and Licensing) Rules 1959; and
 - is not a recondition excursion bus
- It is proposed that the abovementioned ACA be extended for another 3 years
- Effective YA 2022 to YA 2024

11. Extension of Further Deduction on Rental Expenses on Premises and Hostels for Employees (Safe@Work)

- Currently, further deduction is given for rental expense on premises used as employees' accommodation in accordance to the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 and incurred by manufacturing and manufacturing-related service companies that participate in the Safe@Work programme implemented by MITI
- The eligible rental expenses is given to company with limit of up to RM50,000 from 1st January 2021 to 31st December 2021
- It is proposed that the above further deduction given be extended for another 1 year
- Effective for rental expenses of premises incurred from 1st January 2022 to 31st December 2022

12. Extension of Double Deduction for Scholarship

- Currently, double deduction is given companies sponsoring students on tuition fees, educational aid and cost of living expenses throughout the study period for pursuing studies at Technical and Vocational levels, Diploma and Bachelor's Degree in engineering and technology up to YA 2021
- It is proposed that the double deduction be reviewed as follows:-
 - Expansion of qualifying studies to include all fields at the Technical and Vocational, Diploma, Degree including Master's and Doctorate and
 - Extension of another 4 years
- Effective YA 2022 to YA 2025

13. Extension of Tax Incentive for Structured Internship Programme

- Currently, double deduction is given on qualifying expenditure incurred by companies that implement Structured Internship Programme approved by Talent Corporation Malaysia Berhad for students pursuing Bachelor's Degree, Diploma and Vocational level (DKU Level 4 and 5) and SKM Level 3 in all academic fields up to YA 2021
- It is proposed that the above double deduction be extended for another 4 years and expanded to include students at the academic levels of Master's Degree, Professional Certificate and SKM Level 1 and 2
- Effective YA 2022 to YA 2025

14. Review of Double Deduction on Expenses Incurred by Anchor Companies under VDP

- Double deduction currently given on expenses incurred by anchor companies under the Vendor Development Programme ["VDP"] to develop local vendors be extended for another 5 years
- Qualifying expenses:-
 - Cost of product development, R&D, innovation and quality improvement;
 - Cost of obtaining ISO/Kaizen/5S certifications, evaluation programme and business process reengineering exercises for the purpose of increasing vendor capabilities; and
 - Cost of vendor skills training, capacity building, lean management systems and financial management systems
- Conditions:-
 - Anchor companies are required to sign a MOU with MITI on VDP;
 - Qualifying expenses must be verified by MITI / MEDAC prior to the claim for deduction;
 - Qualifying expenses eligible for deduction be increased up to RM500,000 per year; and
 - Double deduction is given for 3 years of assessment
- Effective for MOU signed by anchor companies with MEDAC between 1st January 2021 to 31st December 2025

15. Tax Exemption for Social Enterprise

- Currently, the income of Social Enterprise including cash contributions received is subject to income tax
- It is proposed that tax exemption be given on all income for up to 3 years of assessment received by a Social Enterprise subject to the validity period of Social Enterprise Accreditation
- Besides, a Joint Committee on Accreditation comprises of *Yayasan Hasanah* and the MEDAC will be established to review the applications for the accreditation by Social Enterprises
- Effective for applications of:-
 - tax exemption received by Ministry of Finance from 1st January 2022 to 31st December 2023
 - accreditation received by *Yayasan Hasanah* from 1st January 2022 to 31st December 2023

16. Extension of Tax Incentive for Organising Arts, Cultural, Sports and Recreational Activities in Malaysia

- It is proposed that the current tax exemption of 50% on statutory income given to company that organises the following activities be extended for another 3 years:-
 - arts and cultural activities approved by the MOTAC; and
 - international sports and recreational competitions approved by the Ministry of Youth and Sports
- Effective YA 2023 to YA 2025

17. Tax Compliance Certificate

- It is proposed that a Tax Compliance Certificate issued by the IRB be made as part of pre-requisite for companies that intend to participate in government procurement
- Effective 1st January 2023

C. Investment Incentives

1. Incentives under Digital Ecosystem Acceleration Scheme

- Currently, companies carrying out approved activities under MSC are given the following incentives from 1st January 2019 onwards:-
 - i. Premises within MSC location
 - Income tax exemption of 100% for 10 years
 - ITA of 100% on qualifying capital expenditure incurred within a 5-year period and allowable for set-off against 70% of statutory income
 - ii. Premises outside MSC location
 - Income tax exemption of 70% for 5 years
- In addition, the following tax incentives are given for companies relocating their operations to Malaysia and undertaking new investments in selected services sector including companies adapting Industrial Revolution 4.0 and digitalisation technology:-
 - i. New companies
 - Tax rate of 0% to 10% for up to 10 years
 - ii. Existing companies with new service segments
 - Tax rate of 10% for up to 10 years
- It is proposed that the following tax incentives be given for activities under the Digital Ecosystem Acceleration Scheme to encourage a more comprehensive development of national digital ecosystem:-
 - i. Digital Technology Provider
 - For new companies - tax rate of 0% to 10% for up to 10 years
 - For existing companies diversifying into new service activities or segments - tax rate of 10% for up to 10 years
 - ii. Digital Infrastructure Provider
 - ITA of 100% on qualifying capital expenditure for qualifying activities for a period of up to 10 years and allowable for set-off against 100% of statutory income
- Effective for applications received by MIDA from 30th October 2021 to 31st December 2025

2. Expansion of Scope of Tax Incentives for Green Technology

- Currently, the following tax incentives are given to encourage the development of green technology as announced in Budget 2020:-
 - Green Investment Tax Allowance ["GITA"]
 - ITA of 100% of qualifying capital expenditure on green assets to set off against 70% of statutory income for each year of assessment up to YA 2023
 - Green Investment Tax Exemption ["GITE"]
 - Income tax exemption of 100% of statutory income for qualifying green services activity up to YA 2023
 - Income tax exemption of 70% of statutory income for a period of up to 10 years of assessment for solar leasing companies certified by Sustainable Energy Development Authority
- To support the Sustainable Development Goals 2030 agenda, which is Goal 6: Clean Water and Sanitation, Goal 11: Sustainable Cities and Communities and Goal 12: Responsible Consumption and Production, it is proposed that the scope of qualifying capital expenditure on green assets be expanded to include Rainwater Harvesting System ["RHS"] projects as certified by the Malaysian Green Technology Corporation with the following tax incentives:-
 - GITA
 - ITA of 100% of qualifying capital expenditure for activities under the qualifying RHS projects and to be set off against 70% of statutory income
 - GITE
 - Income tax exemption of 70% of statutory income for services activities under the qualifying RHS projects
- Effective for applications received by MIDA from 1st January 2022 to 31st December 2023

3. Extension of Special Income Tax Rate for Non-Resident Individuals Holding Key Positions in Companies Granted Incentives for Relocation of Manufacturing Activities to Malaysia

- Currently, non-resident individuals holding key positions / C-Suite positions in a company that has been granted incentives for relocation of manufacturing activities to Malaysia under the *PENJANA* Stimulus Package be subject to income tax at the flat rate of 15% for a period of 5 consecutive years
- This incentive is subject to the following conditions:-
 - Restricted to 5 non-resident individuals employed in each company
 - The non-resident individual receives a monthly salary of not less than RM25,000
 - The non-resident individual attains tax resident status in Malaysia throughout the incentive period
- It is proposed that the application period for the above incentive received by MIDA be extended for 1 year until 31st December 2022

4. Further Extension of Additional RA Incentive

- RA is currently given to a company that has incurred capital expenditure on a factory, plant or machinery for the purposes of a qualifying project in respect of a manufacturing activity or agriculture activity (excluding rearing chickens and ducks)
- A company is entitled to RA for 15 consecutive years of assessment commencing from the year of assessment in which the first RA claim is made
- For companies that have exhausted their eligibility to RA claim upon expiry of the 15-year incentive period, they are entitled to make a claim for Special RA for another 3 years of assessment (i.e. from YA 2016 to YA 2018) as announced in Budget 2016
- For companies that have exhausted their eligibility to claim the RA and/or Special RA, Additional RA of another 3 years of assessment (i.e. from YA 2020 to YA 2022) is given as announced under the *PENJANA* Stimulus Package
- It is now proposed that the above Additional RA of another 3 years of assessment be extended for 2 more years until YA 2024, i.e. make up to a total period of 5 years for the Additional RA. For illustration:-

15-year RA Period / Special RA Period Ended in:-	Additional RA Incentive				
	YA 2020	YA 2021	YA 2022	YA 2023	YA 2024
YA 2019 or prior years	√	√	√	√	√
YA 2020	N/A	√	√	√	√
YA 2021	N/A	N/A	√	√	√

- Effective YA 2023 to YA 2024

D. RPGT

1. Review of RPGT Rates

- It is proposed that the RPGT rate for disposal of chargeable assets made by individuals who are citizen or permanent resident in the 6th year from the date of acquisition and thereafter be reduced from 5% to 0%
- Effective for disposal from 1st January 2022

E. Petroleum Income Tax

1. Tax Incentives for LLA Project for Upstream Petroleum Industry

- In order to attract oil and gas companies to invest and venture into Late-Life Assets ["LLA"], it is proposed that tax incentives be given as follows:-
 - Petroleum income tax rate at 25%;
 - ACA within 2 years; and
 - Losses from decommissioning activities are allowed to be carried back and set-off against the income for 2 consecutive immediate preceding years of assessment. Any unabsorbed carry back losses will be disregarded
 - Export duty exemption be given on petroleum products
- For LLA Production Sharing Contracts awarded between 1st January 2020 to 31st December 2029

F. Stamp Duty

1. Stamp Duty Exemption on P2P Financing Instrument for SME

- Stamp duty exemption be given on Peer-to-Peer ["P2P"] loan/financing agreement between SME and investors in respect of P2P financing obtained through a P2P platform registered and recognised by the SC
- Effective for loan/financing agreements executed from 1st January 2022 to 31st December 2026

2. Review of Stamp Duty Treatment on Insurance Policies or *Takaful* Certificates with Small Annual Premium or Contribution Value

- Currently, stamp duty exemption is given to the low income-income group ["B40"] on insurance policies or *takaful* certificates for *Perlindungan Tenang* products which cover life, fire and flood with an annual premium or contribution not exceeding RM100
- It is proposed that:-
 - the annual premium or contribution eligible for the stamp duty exemption under the *Perlindungan Tenang* products be increased from RM100 to RM150;
 - stamp duty exemption be given to individuals on the purchase of insurance policies or *takaful* certificates listed below with an annual premium or contribution not exceeding RM150; and
 - stamp duty exemption be given to SME on the purchase of insurance policies or *takaful* certificates listed below with an annual premium or contribution not exceeding RM250
- The insurance policies or *takaful* certificates products given stamp duty exemption for individuals and SME are as follows:-
 - fire insurance;
 - fire business interruption insurance;
 - personal accident insurance;
 - travel insurance;
 - liability insurance; and
 - engineering insurance
- Effective for insurance policies or *takaful* certificates issued from 1st January 2022 to 31st December 2025

3. Review of Stamp Duty on Contract Notes for Trading of Listed Shares

- Currently, the stamp duty on contract notes is RM1.00 for every RM1,000.00 (or fractional part) of the transaction value of securities subject to the maximum of RM200 for each contract note
- It is proposed that:-
 - the stamp duty on contract notes be increased from RM1.00 to RM1.50 for every RM1,000.00 (or fractional part) of the transaction value of securities; and
 - the stamp duty limit of RM200.00 for each contract note be abolished
- Effective 1st January 2022

4. Extension of Stamp Duty Exemption for Instruments in Relation to Restructuring or Rescheduling of Loan or Financing

- Currently, stamp duty exemption is granted for restructuring or rescheduling of loan or financing between a borrower or customer and a financial institution with the following conditions:-
 - the existing instrument of loan or financing agreement has been duly stamped; and
 - the restructuring or rescheduling of a loan or financing does not contain the element of additional value to the original amount of loan or financing under the existing instrument of loan or financing agreement
- The exemption applies to instruments executed from 1st March 2020 to 31st December 2021
- It is proposed that the above stamp duty exemption be extended for another 1 year
- Effective for instruments executed from 1st January 2022 to 31st December 2022

5. Extension of Stamp Duty Exemption for Instruments in Relation to Merger or Acquisition Executed by SME

- Currently, stamp duty exemption is given on the following instruments in relation to a merger or acquisition executed by SME which is approved by the MEDAC between 1st July 2020 and 30th June 2021:-
 - contract or agreement for sale or leasing of property i.e. land, building, machinery and equipment;
 - instrument of transfer and memorandum of understanding;
 - loan or financing agreements; and
 - first leasing agreement
- The exemption applies to the above instruments executed on or after 1st July 2020 but not later than 31st December 2021
- It is proposed that the above stamp duty exemption be extended for another 1 year
- Effective for instruments executed no later than 31st December 2022 which is approved by the MEDAC between 1st July 2021 to 30th June 2022

G. Sales and Service Tax and Indirect Tax

1. Tax Incentive to Support the Development of the EV Industry

- In order to support the development of the local electric vehicle ["EV"] industry and to encourage domestic demand in line with the Low Carbon Mobility Blueprint, EV Roadmap and National Automotive Policy 2020, it is proposed that tax incentives for EV which includes passenger vehicles (including SUV and MPV), commercial vehicles and electric motorcycles be given as follows:-

No.	Tax Measures	Incentive Period
1.	Full import duty exemption on components for locally assembled EV	1 st January 2022 to 31 st December 2025
2.	Full excise duty exemption and sales tax on Completely-Knocked-Down ["CKD"] EV	
3.	Full import duty and excise duty exemption on imported Completely Built-Up ["CBU"] EV	1 st January 2022 to 31 st December 2023
4.	Individual income tax relief of up to RM2,500 on expenses incurred in relation to cost of installation, rental, purchasing including hire-purchase equipment or subscription fees for EV charging facilities	YA 2022 and YA 2023

- Effective 1st January 2022

2. Tax Incentives for LLA Project for Upstream Petroleum Industry

- Please refer to Part E1 above

3. Extension of Tourism Tax Exemption

- In line with the National Recovery Plan to provide continuous support to the domestic tourism sector and to attract arrival of foreign tourists, it is proposed that the tourism tax exemption be extended for 1 year
- Effective 1st January 2022 to 31st December 2022

4. Extension of Sales Tax Exemption on Passenger Cars

- To continuously drive the momentum of the automotive sector, it is proposed that the existing sales tax exemption of 100% and 50% on CKD and CBU passenger cars respectively be extended for another 6 months
- Effective 1st January 2022 to 30th June 2022

5. Introduction of Sales Tax on LVG

- To ensure fair treatment between taxable goods manufactured in Malaysia and imported goods, it is proposed that imported Low Value Goods ["LVG"] not exceeding RM500 sold via online platforms and delivered to consumers in Malaysia via air courier services be subjected to sales tax
- With the imposition of the sales tax on LVG, the exemption under Item 24 of Schedule A to the Sales Tax (Persons Exempted from Payment of Tax) Order 2018 will be revoked
- Sellers from Malaysia or abroad who sell LVG to consumers in Malaysia are required to register for sales tax purpose and charge sales tax
- Effective 1st January 2023

6. Imposition of Service Tax on Goods Delivery Services

- For the purpose of streamlining the service tax treatment on courier and goods delivery services, it is proposed that service tax be imposed on goods delivery services provided by service providers including e-Commerce platforms (except for food and beverages delivery services as well as logistics services) regardless of whether the service providers are licensed under the Postal Services Act 2012 or not
- Effective 1st July 2022

7. Service Tax Exemption on Brokerage Services Related to Trading of Listed Shares

- To further boost and ensure the stock market activity in Malaysia remains competitive, it is proposed that:-
 - recipients of brokerage services related to trading of shares are exempted from payment of service tax; and
 - brokerage service providers related to trading of shares are exempted from charging of service tax
- The above exemptions are applicable to services related to trading of shares listed on Bursa Malaysia
- Effective 1st January 2022

8. Increase and Expansion of Excise Duty on Liquid or Gel Used for Electronic Cigarettes and Vape

- It is proposed that the scope of excise duty for all types of cigarettes and tobacco products be expanded to include liquid or gel containing nicotine used for electronic cigarettes and vape. The excise duty will be imposed at the rate of RM1.20 per millilitre
- The rate of excise duty for non-nicotine liquid or gel be streamlined with the excise duty for liquid or gel containing nicotine with the proposed increase of the rate from RM0.40 per millilitre to RM1.20 per millilitre
- Effective 1st January 2022

9. Expansion of Scope for Excise Duty on Sugar Sweetened Beverages

- It is proposed that the scope of excise duty for sugar sweetened beverages products be expanded to include pre-mixed preparation of chocolate or cocoa based, malt, coffee and tea such as 2 in 1 or 3 in 1 pre-mixed beverages
- The excise duty will be imposed on pre-mixed preparation products categorised under the tariff codes of 18.06, 19.01 and 21.01 at the rate of RM0.47 per 100g with the threshold of sugar content as prescribed below:-

Tariff Code	Product Description	Sugar Content Threshold
18.06	Mixed chocolate or cocoa preparations	>33.3g/100g
19.01	Mixed malt preparations	
21.01	Pre-mixed coffee and mixed tea preparations	

- Effective 1st April 2022

10. Review and Streamlining of Windfall Profit Levy

- It is proposed that the threshold for Crude Palm Oil ["CPO"] prices for the purpose of imposition of windfall profit levy be reviewed and the levy rate for Sabah and Sarawak be streamlined with the rate for Peninsular Malaysia as follows:-

Location	Threshold of CPO Price (RM/metric tonne)	Rates of Levy (%)
Peninsular Malaysia	RM3,000	3.0
Sabah and Sarawak	RM3,500	

- Effective 1st January 2022

11. Introduction of SVDP

- It is proposed that the Special Voluntary Disclosure Program ["SVDP"] be introduced by the Director General of Royal Malaysian Customs in phases with the following proposed remissions:-
 - First phase – penalty remission incentive of 100%; and
 - Second phase – penalty remission incentive of 50%
- Tax remission will also be considered based on the merits of each case

H. Others

1. Incentive for Hiring Malaysians Who Have Not Been Actively Employed under the *JaminKerja* Initiative

- It is announced that an incentive of 20% of the monthly salary for the first 6 months and 30% for the next 6 months be given to employers who hire Malaysians who have not been actively employed
- The salary of the employee has to be at least RM1,500

2. Incentive for Hiring Individuals from Targeted Groups

- It is announced that an incentive of 30% of the monthly salary for the first 6 months and 40% for the next 6 months be given to employers who hire individuals from the following targeted groups:-
 - Disabled persons;
 - Orang Asli;
 - Ex-convicts;
 - Women who have been unemployed for more than 365 days;
 - Single mothers; and
 - Housewives
- The salary of the employee has to be at least RM1,200

3. Retirement Incentive

- The current retirement incentive (*i-Saraan*) provided by EPF for self-employed members aged below 55 years old be expanded to include those aged between 55 and 60 years old

4. Female Board Member for All Public Listed Companies

- It is announced that all public listed companies must have at least one female board member
- Effective 1st September 2022 for large-cap companies and from 1st June 2023 for the remaining listed companies

5. Incentive for Hiring Apprentices

- Currently, incentive of RM800 per month for up to 6 months is given to employers for hiring apprentices (school leavers and graduates aged 18 to 30 years)
- It is announced that the incentive be increased from RM800 to RM900 per month in year 2022

6. Minimum EPF Contribution by Employees

- Currently, the minimum rate of contribution by employees to the EPF have been reduced from 11% to 9% for the period from January 2021 to December 2021
- It is announced that the reduction of 11% to 9% will be extended further until June 2022
- Effective January 2022 to June 2022

7. Grant for Malaysian Incentive Community Empowerment

- Allocation of RM20 million by the Government under the Malaysian Incentive Community Empowerment initiative for the awarding of grants of up to RM10,000 to 2,000 associations registered with The Registry of Societies Malaysia in the category of welfare, social, safety or basic rights

8. Grants for Aerospace Segment

- Allocation of RM100 million by the Government for the awarding of matching grants to *Bumiputera* SME for exploration of business opportunities in the aerospace segment

9. Grant for Smart Automation

- Allocation of RM100 million by the Government for the awarding of matching grants to companies in the manufacturing and services sector to automate their business processes

10. Grant for Collaborative Research in Engineering, Science and Technology

- Allocation of RM12 million by the Government for the awarding of matching grants for Collaborative Research in Engineering, Science and Technology in areas such as Gallium Nitride for application in LEDs and EV

11. Extension of the Wage Subsidy Program for Tourism Sector

- It is announced that the Wage Subsidy Program will continue with a targeted approach specifically for the tour operators whom experienced decline in revenue of at least 30%

12. Grants for Repair Purposes for Budget Hotels

- Allocation of RM30 million by the Government for the awarding of matching grants to budget hotels registered under MOTAC and registered home stay owners for repair purposes

13. Grants for Arts and Culture Programme

- Allocation of RM50 million by the Government for the awarding of matching grants to companies who organise programme related to arts and culture

14. Extension of Entertainments Duty Exemption in the Federal Territories

- Currently, entertainments duty is exempted on admission fees to entertainment venues such as theme parks, stage performances, sports events and competitions, and cinemas in the Federal Territories of Kuala Lumpur, Labuan and Putrajaya from 1st April 2021 to 31st December 2021 under the *PEMERKASA* Stimulus Package
- It is proposed that the entertainments duty exemption be extended until 31st December 2022
- Effective 1st January 2022 to 31st December 2022

15. Grants for SME Digitalisation

- Allocation of RM200 million, including RM50 million dedicated towards *Bumiputera* microentrepreneurs in rural areas, by the Government for the awarding of matching grants to SME adopting digitalisation measures

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