



In this issue:

Malaysia: Budget 2020..... 1

**Malaysia:
 Budget 2020**

On 11 October 2019, Malaysia’s Minister of Finance announced the 2020 national budget. Below are the relevant issues from the individual tax, as well as an employer’s and employee’s perspectives.

Review of income tax rate for individuals

Currently, the income tax structure for resident individuals is based on progressive tax rates ranging from 0 percent to 28 percent on chargeable income. Non-resident individuals are taxed at a flat rate of 28 percent.

To ensure a more progressive individual income tax structure, the 2020 budget proposes that the income tax rate for resident individuals with chargeable income in excess of RM2 million increase by 2 percent, from 28 percent to 30 percent. The proposed tax rates will be revised as follows:

Chargeable income (RM)	Current tax rate (%)	2020 tax rate (%)
0 – 5,000	0	0
5,001 – 20,000	1	1
20,001 – 35,000	3	3
35,001 – 50,000	8	8
50,001 – 70,000	14	14

Chargeable income (RM)	Current tax rate (%)	2020 tax rate (%)
70,001 – 100,000	21	21
100,001 – 250,000	24	24
250,001 – 400,000	24.5	24.5
400,001 – 600,000	25	25
600,001 – 1,000,000	26	26
1,000,001 – 2,000,000	28	28
Exceeding 2,000,000	28	30

The flat income tax rate for non-resident individuals will increase from 28 percent to 30 percent.

Effective date: From year of assessment 2020

Extension of period of tax incentive for women returning to work after career break

Under the current legislation, an income tax exemption is given on employment income for a maximum of 12 consecutive months to women who return to work after a career break. This exemption is eligible to be claimed in the year of assessment 2018 to the year of assessment 2020.

To encourage more women who are on a career break to return to work, it is proposed that the existing tax incentive be extended for four years.

Applications for this exemption must be submitted to Talent Corporation Malaysia Berhad from 1 January 2020, to 31 December 2023.

Effective dates: Years of assessment 2021 to 2024

Review of tax treatment on donations for charitable and sports activities, and projects of national interest

To further instill a philanthropic culture among Malaysians, it is proposed that the tax deduction on contribution for charitable and sports activities, as well as projects of national interest – which is currently capped at 7 percent of aggregate income for taxpayers other than companies – be increased to 10 percent.

The tax deduction is also expanded to include the following contributions:

- A cash wakaf contribution to a state religious authority, or body established by the state religious authority to administer wakaf;
- A cash wakaf contribution to public university approved by the state religious authority to receive wakaf; and
- A cash endowment contribution to public university.

Effective date: From year of assessment 2020

Expansion of the scope of income tax relief for medical expenses

To manage the issue of low fertility rates among Malaysian women and reduce the financial burden of married couples seeking fertility treatment, the following fertility incentives will be implemented:

- Extension of the relief on expenses incurred for medical treatment of serious illnesses of RM6,000, to include fertility treatment expenses (effective date: from year of assessment 2020); and
- Introduction of new category of Employees' Provident Fund (EPF) withdrawal for fertility treatment (effective date: to be confirmed).

Increase in tax relief for fees paid to childcare centers and kindergartens

To reduce the financial burden of parents in providing childcare and early childhood education, it is proposed that the individual tax relief be increased from RM1,000 to RM2,000.

Effective date: From year of assessment 2020

Income tax rebate for departure levy imposed for outbound air passengers performing umrah or pilgrimages to holy places

Currently, the departure levy for outbound air passengers performing Hajj is borne by Lembaga Tabung Haji. However, the departure levy for outbound air passengers performing umrah and pilgrimage to holy places is borne by the passengers themselves.

Taking into consideration that umrah and pilgrimages to holy places are performed for religious purposes, it is proposed that the individual income tax rebate equivalent to the amount of levy paid be given, and can be claimed twice in a lifetime.

The rebate is to be claimed with proof of boarding pass and subject to either one of the following:

1. Umrah visa, or
2. Confirmation letter on pilgrimage to holy place from religious body recognized by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Department of National Unity and Integration, Prime Minister’s Department.

Effective date: From year of assessment 2019

Tax identification number (TIN)

The government proposes that all Malaysians over 18 should be assigned a TIN effective January 2021, and will commence engagement sessions with stakeholders in year 2020.

Review of real property gain tax (RPGT) treatment

Currently, the RPGT rates for the disposal of properties and shares in real property companies in the sixth and subsequent years are as follows:

	Tax rates
Citizen and permanent resident	5%
Noncitizen	10%

RPGT exemption is given to Malaysian citizens for the disposal of low-cost, medium-low, and affordable residential homes at the prices of RM200,000 and below in the subsequent years.

For real properties acquired prior to 2000, the market price on 1 January 2000, is used as the acquisition price for the disposal of real properties for the purpose of RPGT computation.

As a measure to improve the treatment of RPGT on the disposal of real properties by Malaysian citizens and permanent residents after five years from the date of acquisition, it is proposed that the determination of market value as of 1 January 2000, for real properties acquired before 2000 be amended to market value as of 1 January 2013, as the acquisition price for the disposal of real properties acquired prior to year 2013.

Malaysians@Work initiative

The government will launch the Malaysians@Work initiative, where wage and hiring incentives are used to create employment opportunities and reduce the reliance on low-skilled foreign workers as follows:

Programs	Purpose	Incentive
Graduates@Work	Hire graduates who have been unemployed for more than 12 months	Employee: Wage incentive of RM500 per month, for two years

Programs	Purpose	Incentive
Women@Work	Hire women who: <ul style="list-style-type: none"> • Have stopped working for a year or more, and • Are between 30 and 50 years old. 	Employer: Hiring incentive of up to RM300 per month for each new hire, for two years
Locals@Work	Hire Malaysians to replace low-skilled foreign workers	Employee: Wage incentive of either RM350 or RM500 per month, depending on sectors, for two years Employer: Hiring incentive of up to RM250 per month for two years
Apprentice@Work	Encourage more youth to enter technical and vocational education and training (TVET) courses.	Trainee: Additional RM100 per month on existing allowance for trainees on apprenticeships

The EPF will manage the above-mentioned initiatives; subsequently, they will be integrated with the Employment Insurance System, as well as other active labor market programs.

Effective date: To be confirmed

Review of Employment Act 1955

The government will review the Employment Act 1955 to ensure relevancy and currency to include, among others, the following:

- Increase maternity leave from 60 days to 90 days, effective year 2021;
- Extend the eligibility to overtime to those earning less than RM4,000 per month from the current rate of less than RM2,000 per month; and
- Address issues on sexual harassment complaints, as well as prohibition of discrimination on religion, ethnicity, and gender.

Effective date: To be confirmed

Extension of social security coverage

To cater to the changing work landscape, Malaysia’s social security programs will be extended to contract workers and self-employed groups as follows:

- Contract workers under the Contract for Services and Professionals in the arts and entertainment industry may elect for voluntary contribution to EPF;
- The Self-Employment Social Security Scheme by the Social Security Organization are extended to other self-employed groups, such as fishermen, sole proprietors, and partnerships; and
- In 2020, a husband may elect for a 2-percent voluntary contribution from his 11-percent EPF employee contribution to be contributed to his wife’s EPF account.

Effective date: To be confirmed

Streamline of private retirement scheme (PRS) withdrawal rules

Currently, any preretirement withdrawals from PRSs are subject to a withdrawal tax penalty of 8 percent.

It is proposed that preretirement withdrawals from PRS for health care and housing purposes with the same terms and conditions as EPF would not be subject to penalties for early withdrawals.

Effective date: To be confirmed

Increase of minimum wage rate

To alleviate the cost of living in major urban areas, the government proposes to increase the minimum wage rates in specified major cities from RM1,100 per month to RM1,200 per month.

Effective date: Year 2020

Deloitte's view

The 2020 national budget, titled "Driving Growth and Equitable Outcomes Towards Shared Prosperity," is a budget structured around rebuilding Malaysia and managing the effects of an uncertain global economy.

The biggest change to personal tax law is the proposal of an increased tax rate, from 28 percent to 30 percent, for those earning above RM2 million (approximately USD500,000).

The budget focuses on creating job opportunities, protecting Malaysian talents, bridging the gender gap and creating a more conducive work environment by introducing initiatives and updating the governing legislation to match the future work environment characterized by a "gig economy," entrepreneurship, and digitalization.

In a nutshell, this budget sets the foundation for Malaysia's new Shared Prosperity Vision 2030, which balances Malaysia's economic development with the improved well-being of Malaysians, by utilizing new values of sustainability, inclusivity, and equality.

— Ang Weina (Kuala Lumpur)
Partner
Deloitte Malaysia
angweina@deloitte.com

Chee Ying Cheng (Kuala Lumpur)
Partner
Deloitte Malaysia
yichee@deloitte.com

Michelle Lai (Kuala Lumpur)
Director
Deloitte Malaysia
michlai@deloitte.com

Lee Lai Kuen (Kuala Lumpur)
Associate Director
Deloitte Malaysia
lailee@deloitte.com

Melissa Vong (Kuala Lumpur)
Associate Director
Deloitte Malaysia
mvong@deloitte.com

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2019. For information, contact Deloitte Touche Tohmatsu Limited.