

Malaysia | Tax | 19 January 2021



Tax Espresso – Special Alert
PERMAI Assistance Package – Tax-related
measures

On 18 January 2021, Prime Minister Tan Sri Muhyiddin Yassin announced the Perlindungan Ekonomi Dan Rakyat Malaysia (PERMAI) Assistance Package, valued at RM15 billion. The 3 main objectives of the PERMAI Assistance Package are:

- combating the COVID-19 outbreak;
- safeguarding the welfare of the people; and
- supporting business continuity.

Among the 22 initiatives announced under the PERMAI Assistance Package are tax-related measures summarised below:

1. Special tax deduction to taxpayer that provides a reduction of rental on business premises offered to SMEs and non-SMEs

Currently, a special tax deduction equivalent to the rental reduction amount is given to any taxpayer (corporate, individual, cooperative or other business and non-business entities) that provides a reduction of rental on business premises to Small and Medium-sized Enterprise (SME) of at least 30% from the original rental rate from 1 April 2020 to 30 September 2020 as announced under PENJANA. In his speech in Parliament on 26 November 2020, the Minister of Finance announced that the special deduction on rental reduction is further extended to 31 March 2021.

The above special deduction period will be extended until 30 June 2021. This special deduction will also be expanded to cover rental reduction given to non-SMEs.

Our comment:

It appears that the special deduction for rental reduction given to non-SMEs will only be applicable for a period of 3 months i.e. from 1 April 2021 to 30 June 2021.

The rules to legislate the above special deduction has not been gazetted to-date.

[You may refer to our [Deloitte Tax Espresso \(Special Alert\) - PENJANA - Short-Term Economic Recovery Plan](#) and [Deloitte Tax Espresso \(Special Alert\) - FAQs - Special deduction on rental reduction offered to SME tenants](#)] for details of the special deduction.]

2. Individual income tax relief on COVID-19 screening expenses

In Budget 2021, it was proposed that the individual income tax relief for complete medical examination expenses be increased from RM500 to RM1,000, effective from the year of assessment 2021 (legislated via the Finance Act 2020 that has come into operation on 1 January 2021).

The Government announced that the scope of complete medical examination will be expanded to cover COVID-19 screening and detection tests incurred by the taxpayer.

3. Extension of special individual income tax relief on purchase of mobile phones, computers and tablets

Under PENJANA, it was proposed that a special individual income tax relief of up to RM2,500 be given for the purchase of handphone, notebook and tablet made from 1 June 2020 to 31 December 2020. This relief was in addition to the lifestyle relief which also provides for the purchase of a personal computer, smartphone or tablet, among other purchases or payment, for personal use of the taxpayer, spouse or child.

The above special tax relief will be extended until 31 December 2021.

Our Comment:

The special tax relief for purchase of handphone, notebook and tablet made from 1 June 2020 to 31 December 2020 has been legislated in the Finance Act 2020. We expect the legislation to be further amended following the above announcement.

4. Extension of sales tax exemption on passenger vehicles

Under PENJANA, it was proposed that 100% sales tax exemption for locally assembled passenger vehicles and 50% sales tax exemption for imported passenger vehicles be given effective from 15 June 2020 to 31 December 2020.

It was announced in the Ministry of Finance's [press release](#) on 29 December 2020 and in the PERMAI Assistance Package that the above exemption be extended until 30 June 2021.

5. Relaxing the ownership period condition for exemption from excise duty and sales tax for the purpose of transfer, disposal and for private use of taxis

Currently, there is an exemption from excise duty and sales tax for the purpose of transfer, disposal and for private use of taxis, provided the vehicle

is owned for 7 years. This condition has been reduced to 5 years, effective from 1 January 2021 to 31 December 2021.

Our comment:

A taxi owner may consider changing his taxi to a new vehicle if his existing taxi reaches the age of 5 years in 2021 and no excise duty and sales tax will be imposed on the old vehicle, which is now licensed to be used as a private vehicle.

6. Improving the Wage Subsidy Program

The Wage Subsidy Program was first introduced in the PRIHATIN package announced by the Prime Minister on 27 March 2020. Subsequent stimulus packages extended the wage subsidy of up to RM1,200 per employee for all companies with local workers earning RM4,000 and below. The program ended on 30 September 2020.

It is proposed that the Wage Subsidy Program 3.0 under the Social Security Organization (SOCSO) be enhanced where all employers operating in the Movement Control Order (MCO) states will be eligible to apply for wage subsidy, irrespective of sector. For a period of one month, eligible employers will receive a wage subsidy of RM600 for each employee earning less than RM4,000. In addition, the wage subsidy previously limited to 200 employees for each employer, will be increased to 500 employees.

[Note: In Budget 2021, it was proposed that the Government extends the implementation of the wage subsidy program for another 3 months but with a more targeted approach, i.e. specifically for the tourism sector and the retail sector. RM1.5 billion shall be allocated to provide RM600 per month subsidy for workers earning RM4,000 and below. The limit of 200 employees per application will be increased to 500 employees. (You may also refer to our [Deloitte Tax Espresso \(Special Edition\) - Highlights of Budget 2021 - Part I](#).)]

Further to the Prime Minister's announcement, the Ministry of Finance has uploaded the [PERMAI 2021 Infographic](#) on its webpage. It is noted from the [PERMAI 2021 Infographic](#) that a double tax deduction will be given on COVID-19 screening cost borne by employers in the year 2021. It appears that this is to encourage employers to increase screening of employees to support the government's efforts to curb the spread of COVID-19. As this double tax deduction was not mentioned in the Prime Minister's speech text, further clarification on this incentive is required.

Please refer to the [speech text](#) and [PERMAI 2021 Infographic](#) for further details.

Assistance required

For any queries or assistance, please speak to your usual Deloitte contact.



Dbriefs

A series of live, on-demand and interactive webcasts focusing on topical tax issues for business executives.



Power of With

Focus on the power humans have with machines.



Tax@hand

Latest global and regional tax news, information, and resources.



Recognised as Malaysia Tax Firm of the Year, and Transfer Pricing Firm of the Year by the International Tax Review.



2021 Asia Pacific Tax Complexity Survey

Share with us your views on the level of tax complexity in the current and anticipated tax environments in Asia Pacific.

Get in touch



Deloitte Tax Services Sdn Bhd
Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organisation”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2021 Deloitte Tax Services Sdn Bhd

To no longer receive emails about this topic please send a return email to the sender with the word “Unsubscribe” in the subject line.