



As COVID-19 has heavily impacted the Malaysian economy and the wellbeing of its people, the Government of Malaysia has been announcing a slew of measures to aid the people and businesses to make it through this trying time. We highlight below the tax-related measures and measures particularly to aid Small and Medium-sized Enterprises that have been announced so far.



TAX-RELATED MEASURES *(Updated as at 20 May 2020)*

1. Special personal income tax relief for domestic travelling expenses

Special personal income tax relief for year of assessment 2020 to resident individuals of up to RM1,000 for domestic travelling expenses incurred between 1 March 2020 to 31 August 2020. The expenses eligible for tax relief are as follows: -

1. Accommodation fees on tourist accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia; and
2. Entrance fee to tourist attraction centres.

2. Revision of tax estimate in the third month of instalment

Companies will be allowed to revise their tax estimates earlier (i.e. in the third month of the instalment payment schedule, if the third month falls in year 2020).

It should be noted that revision of tax estimates in the 6th and 9th months of the basis period for a year of assessment via Form e-CP 204A is still available.

The application form is available in the IRB's website and can be submitted to the IRB starting from March 2020 (based on the Company's basis period) via email to the designated IRB officers (as provided in the application form).

No supporting documents are required for this application. Approval is given automatically upon submission of the duly completed application form.

Extension of time is granted until **31 May 2020** for the revision in the third month of instalment that falls in April 2020.

3. Deferment of CP204 payment for 3 months beginning April 2020 until June 2020 for SME status businesses)

To qualify for the above deferment, the business criteria for SME status are as follows: -

- i. Have a paid-up capital of less than or equal to RM2.5 million ordinary shares at the beginning of the basis period for a year of assessment; and
- ii. Have a gross business income of RM50 million and below.

SMEs need not apply for deferment of CP204 payment as it will be given automatically to all SMEs based on IRB's records (i.e. YA 2018 Return Form received by IRB).

IRB will notify taxpayers who fulfilled the above criteria for deferment by e-mail registered with IRB in the near future. If the taxpayer has yet to receive the e-mail, taxpayer need not make the payment for the instalment which is due on 15 April 2020.

The balance of tax (if any) has to be settled upon the submission of the income tax return.

Taxpayers who qualify for the deferment are still entitled for the revision of tax estimate in the third month of instalment.

However, if the taxpayer did not qualify based on YA 2018 records, the taxpayer can make an appeal by letter or e-mail to the Records Management and Taxation Information Division of IRB if the taxpayer is eligible for the deferment of tax instalment payment based on its current situation. A notification e-mail will be issued if the appeal is approved.

The taxpayer can choose to reject the automatic deferment of tax estimates payment and continue paying tax instalments based on the original payment schedule without having to inform IRB.

4. Deferment of tax instalment payments for 6 months beginning April 2020 until September 2020 for companies in the tourism industry (including those with SME status)

To ease cash flow for businesses in the tourism sector, Zmonthly tax instalment payments due from 1 April 2020 to 30 September 2020 may be deferred for travel agents, hotel operators and airline companies.

The deferment of CP204 payment will be given automatically based on IRB's records. The deferred payments are not required to be made. The balance of tax (if any) has to be settled upon the submission of the income tax return.

Business codes accepted as falling under the tourism industry for the purpose of the deferment are as follows:

No.	Business code	Description of activities
1	51101	Transport of passengers by air over regular routes and on regular schedules
2	51102	Non-scheduled transport of passenger by air
3	51103	Renting of air-transport equipment with operator for the purpose of passenger transportation
4	55101	Hotels and resort hotels
5	55102	Motels
6	55103	Apartment hotels
7	55104	Chalets
8	55105	Rest house/Guest house
9	55106	Bed and breakfast units
10	55107	Hostels
11	55108	Home stay
12	55109	Other short term accommodation activities n.e.c.
13	55200	Camping grounds, recreational vehicle parks and trailer parks
14	55900	Other accommodation
15	50111	Operation of excursion, cruise or sightseeing boats
16	50112	Operation of ferries, water taxis
17	50113	Rental of pleasure boats with crew for sea and coastal water transport
18	79110	Travel agency activities
19	79120	Tour operator activities
20	79900	Other reservation service and related activities

5. Deferment of CP500 instalment payments for March 2020 and May 2020

The instalment payments can be deferred starting from April 2020 to June 2020.

It should be noted that revision of tax estimates on or before 30 June 2020 via Form CP502 is still available.

SMEs are also entitled to deferment of CP500 payments. SMEs need not apply for deferment of CP500 payment as it will be given automatically to all SMEs based on IRB's payment records.

6. Due date for settlement of deferred payments for CP204 / CP500

The deferred payments for CP204 / CP500 have to be settled upon the submission of the income tax return, if there is any balance of tax payable. No tax penalties will be imposed under Section 107C (9) / 107B (3) of the Income Tax Act 1967.

7. Tax deduction for COVID-19 related donations

Taxpayers who make the following contributions and donations may claim tax deduction on: -

- i. Cash contributions / contributions in-kind to Tabung COVID-19 under the Ministry of Health;
- ii. National Disaster Management Agency of Prime Minister's Office; or
- iii. Cash contributions to institutions / organizations approved under Section 44(6) of the Income Tax Act 1967.

For the types of documents that should be retained to substantiate the claim for the above tax deduction, please refer to the IRB's Press Release dated 26 March 2020 [HERE](#).

Other than the above, taxpayers may also qualify for the following tax deduction (subject to conditions): -

a. Deduction under paragraph 34(6)(h) of the Income Tax Act 1967

Contribution / donation (both cash and in-kind) related to the community projects or charities approved by the Minister of Finance.

Contributors must have business income in order to be entitled to a deduction from gross business income on the contributions made. The deduction can be made from YA 2020.

b. Deduction under Section 44(10) of the Income Tax Act 1967

Only applicable to individual contributors. The tax deduction is limited to RM20,000 for contribution of cash or medical equipment to a health facility approved by the MOH.

8. Accelerated capital allowance for machinery and equipment including Information and Communication Technology (ICT) equipment

Capital expenditure on machinery and equipment including ICT equipment incurred from 1 March 2020 to 31 December 2020 will be granted an accelerated capital allowance with initial allowance at 20% and annual allowance at 40% i.e. fully claimable in 2 years.

9. Deduction for renovation and refurbishment expenses

Businesses that incur qualifying expenditure on renovation and refurbishment of its business premises from 1 March 2020 to 31 December 2020 shall be given tax deduction up to RM300,000. This deduction shall not apply if capital allowance under Schedule 2 or Schedule 3 of the Income Tax Act 1967 has been claimed on the expenditure.

10. Double deduction for establishment of regional office by international shipping companies

To encourage the set-up of regional office by international shipping companies in Malaysia, pre-commencement expenditure incurred by such companies would be given a double deduction from income tax.

Application for this incentive has to be received by MIDA by 31 December 2021.

11. Private sector owned buildings and business premises rented to SMEs – Additional tax deduction for waiver or discount on rent

Owners of buildings or business premises will be given an additional tax deduction equivalent to the amount of reduction in rent that is given to tenants which are SMEs for the months of April 2020 to June 2020. To qualify for this deduction, there must be a minimum of 30% reduction in rent during this period.

The mechanism for this tax deduction has not been announced by the IRB nor has a gazette order been issued at this time.

The conditions to be fulfilled in order to be eligible for this rental discount are as follows: –

- i) Any taxpayers (corporate, individual, cooperative or other business and non-business entities) renting out their business premises to any qualified SMEs tenants;
- ii) The rented premises must be used by the tenant for purpose of carrying out his business; and
- iii) The landlord must be a taxpayer with rental income under subsection 4(a) and subsection 4(d) of the Income Tax Act 1967.

The supporting documents to be kept include: –

- (i) Valid tenancy agreement;
- (ii) Rental income statement;

- iii) Details of the tenant as SME such as business registration number, tax file number etc.; and
- iv) Details of the rental deduction.

Items (iii) and (iv) would be required to be disclosed in the worksheet of the landlord's tax return form.

The definition of SME for the purpose of this rental is based on the SME Corporation Malaysia's (SMECorp) definition.

12. Relaxation of conditions to purchase duty free goods for persons entering Malaysia

The eligibility period for tourists or citizens entering Malaysia to purchase duty free goods shall be decreased from 72 hours to 48 hours.

The threshold amount for purchase of duty-free goods shall be increased from RM500 to RM1,000. The threshold amount is for items other than goods which are already eligible for exemption under the specified limit such as alcohol, cigarettes, clothes, shoes, food and personal care electrical appliances.

The above are proposed to be effective from 1 April 2020.

13. Expansion of scope of value-added activities carried out in LMW and FIZ

Currently, value-added activities that are permitted to be carried out in a Licensed Manufacturing Warehouse (LMW) and Free Industrial Zone (FIZ) are as follows: –

- a. research and development
- b. design
- c. marketing (for companies with International Procurement Centre status)
- d. distribution (for companies with Regional Distribution Centre status)
- e. quality control
- f. testing and commissioning including calibration and configuration
- g. labelling and packaging
- h. remanufacturing, repairing and servicing

The above activities must be approved by either the Headquarters of Royal Malaysian Customs Department or the Ministry of Finance.

It is proposed that the scope of value-added activities shall be expanded to include supply chain management, strategic procurement operation and total support solutions.

The approval process for all value-added activities shall be streamlined and approved by the Royal Malaysian Customs Department at State or Zone level.

The above are proposed to be effective from 1 April 2020.

TAX-RELATED MEASURES



14. Import duty and sales tax exemption on equipment and machinery for port operators

Currently, import duty and sales tax exemption is not given to port operators who are no longer enjoying tax incentive under the Approved Service Projects.

Exemption of import duty and sales tax shall be given to existing port operators (whose tax incentive under the Approved Service Projects has expired) on imported or locally purchased basic equipment and machinery used directly in port operation.

This exemption does not apply to the importation or purchase of spare parts and consumables including those that are used for maintenance purposes.

Applications have to be submitted to the Ministry of Finance from 1 April 2020 to 31 March 2023.

15. Service tax exemption for hotel and other accommodation operators

Effective from 1 March 2020 to 31 August 2020, operators of accommodation premises (such as hotels, inns, lodging house, service apartment, homestay and any other similar establishment) shall be exempted from charging service tax on accommodation and any related services provided.

16. Import Duty and Sales Tax Exemptions for Face Masks

Pursuant to Section 14(2) of the Customs Act 1967 and Section 35(3)(a) of the Sales Tax Act 2018, the Minister of Finance has granted import duty and sales tax exemptions on face masks.

The face mask mentioned above are as follows: -

Face mask type	Tariff Code
Face mask (surgical / medical) 1 ply (ear loop)	6307.90.40 00
Face mask (surgical / medical) 2 ply (ear loop)	6307.90 40 00
Face mask (surgical / medical) 3 ply (ear loop / head loop / head tie-on)	6307.90. 40 00
Face mask (surgical / medical) N95	6307.90.90 00

The Minister of Finance has also granted exemption for sales tax registered manufacturers from charging sales tax on face masks.

The exemption came into effect on 23 March 2020 and will cease at a later date to be informed by the Ministry of Finance.

17. Sales tax and import duty exemption for medical, lab and personal protective equipment (PPE) as well as consumables used in tackling COVID-19 that are donated to the Ministry of Health

Effective 25 March 2020, the Minister of Finance has granted exemption from imposing sales tax and import duty to any person who are importing / locally manufacturing medical equipment (as mentioned in the subject above) which are donated to the Ministry of Health.

The approval is subject to the following conditions: -

- The importer is exempted from payment of import duty [in accordance with Section 14(2) of the Customs Act 1967] and sales tax [in accordance with Section 35(3)(a) of the Sales Tax Act 2018].
- Sales Tax registered manufacturers are exempted from charging sales tax in accordance with Section 35(3)(a) Sales Tax Act 2018.
- The above import duty and sales tax exemption is effective from 25 March 2020 and will cease at a later date to be informed by the Ministry of Finance;
- The donor shall produce the Ministry of Health's endorsement letter to RMCD; and
- The donor must apply to the relevant Ministry, governmental department or agency for the applicable permit (if applicable)

For goods that are only subjected to import duties, the importer may utilize the import duty exemption under item 77 of the Customs Duties (Exemption) Order 2017, which are subject to further conditions.

The specific lists of goods mentioned above and its appendices are available on the MySST website.

Extension of time granted due to the Movement Control Order (MCO) and Conditional Movement Control Order (CMCO) Period (18 March 2020 to 12 May 2020)

(Updated as at 20 May 2020)



1. Extension of time for submission of income tax return forms for Year of Assessment (YA) 2019 and YA 2020

The Inland Revenue Board (IRB) has extended the submission deadline of income tax return forms (RF), as follows (month ends are used for illustration purpose):

Form type (Category of taxpayer)	Grace period for submission of RF and payment of balance of tax	Extended deadline for submission of RF and payment of balance of tax
e-C (Company)	2 months from the due date of submission for accounting period ended: - <ul style="list-style-type: none"> - 31 July 2019 - 31 August 2019 - 30 September 2019 - 31 October 2019 - 30 November 2019 - 31 December 2019 - 31 January 2020 - 29 February 2020 - 31 March 2020 	<ul style="list-style-type: none"> - 30 April 2020 - 31 May 2020 - 31 July 2020 - 31 August 2020 - 30 September 2020 - 31 October 2020 - 31 October 2020 - 30 November 2020 - 31 December 2020
e-E / E (Employer)	2 months from the due date of submission (for company and non-company)	31 May 2020
e-BE / BE / m-BE (Resident Individuals not carrying on business)	2 months from the due date of submission	30 June 2020
e-B / B (Resident Individuals carrying on business) e-P / P (Partnerships)	2 months from the due date of submission	31 August 2020
e-M / M (Non-resident Individuals)	2 months from the due date of submission for: -	
e-TF / TF (Associations)	<ul style="list-style-type: none"> - Not carrying on business - Carrying on business 	<ul style="list-style-type: none"> - 30 June 2020 - 31 August 2020
e-TP / TP (Deceased Person's Estate) TJ (Hindu Joint Family)		

2. Extension of time for submission of return forms and payment for Labuan entities

Extension of time is granted until **31 May 2020** for Labuan entities to submit tax returns and make tax payments.

Please note that the above extension of time is also applicable to Labuan entities that opt to submit irrevocable election form (Form LE3) to be taxed under the Income Tax Act 1967 where the due date is within the MCO period, per the following illustration: -

Accounting period / Basis period	YA	Statutory deadline for submission	Extended deadline for submission
1 January 2020 – 31 December 2020	2021	31 March 2020	31 May 2020
1 February 2020 – 31 January 2021	2022	30 April 2020	31 May 2020

3. Extension of time for submission of Country-by-Country Reporting (CbCR)

The IRB has extended the submission deadline of CbCR report or submission of CbCR notification, as follows: -

Role of entities	CbCR report / notification for submission due on	Extended deadline for submission
Malaysian entity filing the CbCR	<ul style="list-style-type: none"> - 31 March 2020 - 30 April 2020 	15 May 2020 31 May 2020
Constituent entity filing the notification for CbCR	<ul style="list-style-type: none"> - 31 March 2020 - 30 April 2020 	15 May 2020 31 May 2020

4. Extension of time for submission of Form CP58 (i.e. Payment made to an Agent, Dealer or Distributor) where due date falls within the MCO period

Extension of time is granted until **31 May 2020**.

5. Extension of time for submission of documents pursuant to tax audit/investigation or feedback to IRB's letters within 18 March 2020 to 15 May 2020

Extension of time is granted until **31 May 2020**.

6. Submission of Forms CP21, CP22, CP22A / CP22B due during the MCO period

The forms can be submitted beginning 29 April 2020 to Customer Service Counter of each branch or email to Customer Care Officer.

7. Application for tax clearance letter (SPC) be made during the MCO period

The application can be made through e-SPC at any time or by submitted to Customer Service Counter or email to Customer Care Officer beginning 29 April 2020.

The processing of SPC application will only be made upon submission of completed documents and information.

Extension of time granted due to the Movement Control Order

8. Extension of time for submission of Notice of Appeal to the Special Commissioners of Income Tax (SCIT) [Form Q] where the due date falls within the MCO period

Extension of time is granted until **31 May 2020**. However, taxpayers which require the extension of time are required to file an application form (Form N) and state that the delay is due to the implementation of Movement Control Order.

The application form is available in the IRB's website.

9. CP204 tax estimate payments which are due on or before 15 April 2020 and 15 May 2020

Extension of time is granted until **31 May 2020**.

10. Deferment of submitting Monthly Tax Deduction (MTD) data and make MTD / CP38 payment for March and April 2020 remuneration

Extension of time is granted until **31 May 2020**. Meanwhile, for MTD compound which should be paid during the MCO period, payment can be made before 31 May 2020.

11. Deferment of withholding tax payment which falls within the MCO period

Payment can be made from 13 May 2020 until 31 May 2020. No penalty will be imposed on late payment during that period.

12. Imposition of increase in tax for late payment of all types of income taxes

Tax increase will not be imposed if the payment which should be paid within the MCO period is made on / before 31 May 2020.

13. Extension of time for submission of Real Property Gains Tax (RPGT) return forms and payment

Extension of time is granted until 31 May 2020 for submission of RPGT return forms and payment of RPGT (e.g. retention sum by acquirers or payment of notice of assessment) where the due date falls within 18 March 2020 to 31 May 2020.

14. Stamping for documents during the MCO period

The following parties may do online stamping through the Stamp Assessment and Payment System (STAMPS): -

- i. All legal firms, companies, partnerships, businesses, financial institutions or agents registered with any company registrar in Malaysia; and
- ii. Individuals that have a business registered with Companies Commission of Malaysia (CCM).

If payment for notice of assessment on stamp duty falls within the MCO period, the payment can be made until 31 May 2020. No late payment penalty will be imposed.

Meanwhile, for individuals without business registered with CCM, stamping for individual documents cannot be done within the MCO period. Hence, stamping can only be done manually over the counters at any Stamp Offices / Revenue Service Centres / UTC Johor after 28 April 2020.

No penalty will be imposed as extension of time will be given until **31 May 2020** for all documents which should have been duly stamped between 18 March 2020 to 30 May 2020.

Only the following services can be stamped at the stamp duty counters nationwide which will be operational from 3 April 2020 to cater to individual duty payers: -

- i. Stamping for individuals and public who do not have a STAMPS user ID; and
- ii. Payment of stamp duty on the notice of assessment which cannot be made online.

15. Stamp duty exemption on business loan restructuring and rescheduling agreements

To ease the financial strain and facilitate the restructuring and rescheduling of existing business loans, stamp duty exemption of 100% will be given on loan agreements arising from such loan restructuring and rescheduling between borrowers and the financial institution, provided the original loan agreement has been duly stamped.

This is effective for loan restructuring and rescheduling agreements executed from 1 March 2020 to 31 December 2020.

Measures to aid SMEs



1. Wage subsidy programme

Employers may claim subsidies for 3 months in respect of its employees who earn a monthly salary of RM4,000 or below as below:-

No. of employees employed by the Company	Subsidy receivable
More than 200 employees*	RM600 for each employee, capped at 200 employees
76-200 employees*	RM800 for each employee
Up to 75 employees	RM1,200 for each employee

The aid comes with the conditions that employers must be:

- Registered with the Companies Commission of Malaysia (CCM)/local authority before 1 January 2020.
- Registered with Social Security Organization (SOCSO) and retain their staff for at least six months (3 months receiving the subsidy and 3 months thereafter).
- In operation before 1 January 2020.

**Additional condition where there must be at least 50% reduction in revenue compared January 2020 or months prior.*

2. Special PRIHATIN Grant for Micro SMEs

The Government will provide a special grant of RM3,000 to each qualifying Micro SME. These Micro SMEs must register with the Inland Revenue Board (IRB) to enjoy this facility. The government will obtain a list of eligible SMEs from the local authorities and CCM.

The announcement did not provide the definition of Micro-SMEs. However, SME Corporation Malaysia defines a Micro Enterprise based on the criteria of annual sales turnover not exceeding RM300,000 or employees of less than 5.

3. Financing schemes for SMEs

- Special Relief facility provided by Bank Negara Malaysia (BNM) worth RM5 billion, particularly in the form of working capital for SMEs at an interest rate of 3.5%.
- RM700 million in Micro Credit Scheme by Bank Simpanan Nasional (BSN) offering 0% interest rate to affected businesses with a minimum of six months of operation as and the maximum financing amount is RM75,000 for each entrepreneur. This credit scheme for Micro SMEs is also extended under TEKUN Nasional with a maximum borrowing of RM10,000 per company at 0% interest rate. Applicants may only apply for one of these two schemes which are open to all micro-entrepreneurs in all business sectors including child-care centres, taxi and bus operators, online businesses as well as those who are in the creative industry.
- SMEs with business records of less than four years can obtain funds from the BizMula-i and BizWanita-i schemes for financing up to RM300,000 under the Credit Guarantee Malaysia Berhad (CGC).
- The Government has assured that Syarikat Jaminan Pembiayaan Perniagaan (SJPP) will provide RM5 billion worth of guarantees with the guaranteed coverage increasing from 70% to 80% for SMEs that face difficulties in obtaining loans.
- SME Automation & Digitalization Facility of RM300 million at an interest cost of 3.75% provided by BNM.

Should you have any queries or require more information, please do not hesitate to contact us.



Mr Ng Ah Bah
Executive Tax Director
ngab@rsmmalaysia.my



Mr Owen Wong
Tax Director
owen.wong@rsmmalaysia.my

RSM Malaysia (AF:0768) is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and advisory firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London, EC4N 6JJ.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

This article is not intended to provide specific business or investment advice. No responsibility for any errors or omissions nor loss occasioned to any person or organisation acting or refraining from acting as a result of any material in this website can, however, be accepted by the author(s) or RSM International. You should take specific independent advice before making any business or investment decision

CONTACT US

RSM Malaysia Kuala Lumpur Main Office
5th Floor, Penthouse, Wisma RKT
Block A, No.2 Jalan Raja Abdullah
Off Jalan Sultan Ismail,
50300 Kuala Lumpur, Malaysia
Tel : +603 2610 2888

RSM Malaysia Johor Bahru Office
Suite 16-02, Level 16, Menara Landmark,
No 12, Jalan Ngee Heng,
80000 Johor Bahru Johor, Malaysia
Tel : +607 276 2832

General Email: askus@rsmmalaysia.my
Connect to www.rsmmalaysia.my