



Highlights of Budget 2021

Ong Guan Heng

Executive Director –
Corporate Tax
KPMG Tax Services

Lim Wai Yin

Executive Director –
Corporate Tax
KPMG Tax Services

Cheah Wai Ling

Director –
Indirect Tax
KPMG Tax Services

KPMG in Malaysia

Personal Tax

Review of Income Tax Rate

Income tax rate for resident individual ↓ 1%

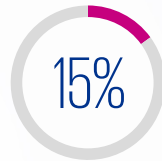
Income tax rate for resident individuals to be reduced from 14% to 13% for the chargeable income band of RM50,001 to RM70,000 from Year of Assessment (YA) 2021.

Chargeable Income (RM)	Current Tax Rates (%)	Proposal (%)
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	13
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
2,000,001 and above	30	30

▶ Tax savings of RM200

Personal Tax

Revision of Returning Expert Programme (REP)



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

or

Excise duty exemption for the purchase of a Completely Knocked-Down (CKD) vehicle

(subject to total duty exemption of RM100,000)

Applications to be received by Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023.

Year	Current Tax Incentives for REP
2001 - 2010	<ul style="list-style-type: none"> i. Duty/tax exemption for the purchase of 2 locally assembled vehicles (CKD) or imported vehicles (CBU).
2011 - 2014	<ul style="list-style-type: none"> i. flat rate of 15% on employment income for a period of 5 consecutive years of assessment; and ii. duty/tax exemption for the purchase of 2 CKD vehicles.
2014 - 2020	<ul style="list-style-type: none"> i. flat rate of 15% on employment income for a period of 5 consecutive years of assessment; and ii. exemption on import duty and excise duty for the purchase of a CBU vehicle or excise duty exemption for the purchase of a CKD vehicle subject to the total duty exemption limited up to RM150,000.

Personal Tax

Non-Malaysian Citizens in Companies with Relocation Incentive

15% individual income tax at a flat rate for 5 consecutive years

- Limited to 5 non-Malaysian citizens employed in key positions / C-suite positions with monthly salary of not less than RM25,000.
- 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.

Currently, income tax treatment at a flat rate of 15% is given to:-



Malaysian citizens who are categorised as experts and approved under the Returning Expert Program and return to work in Malaysia.



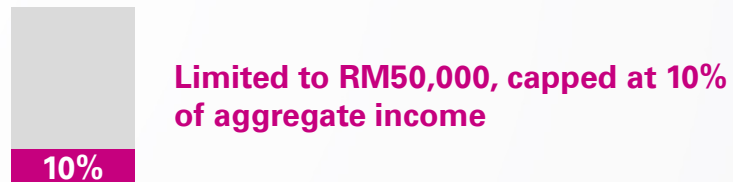
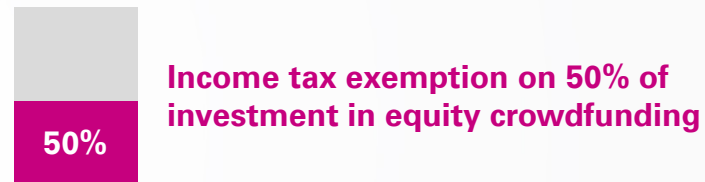
Individual knowledge workers in Iskandar Malaysia.



Individual knowledge workers in Malaysia-China Kuantan Industrial Park.

Personal Tax

Tax Incentive for Equity Crowdfunding



Qualifying investors are given the above incentive for investments made from 1 January 2021 to 31 December 2023.



Investor, investee company and amount of investment must be verified by the Securities Commission Malaysia (SC) .



Investor must not have family relationship with investee company.



Investment must not be disposed of either in full or in part within 2 years

Personal Tax

Net Annual Savings in Skim Simpanan Pendidikan Nasional (SSPN)

Tax relief of up to RM8,000 is extended to YA 2022.

Contribution to Private Retirement Scheme (PRS)

Tax relief of up to RM3,000 is extended from YA 2022 to YA 2025.

Expenses on Study Fees

- Tax relief of RM7,000 is expanded to cover fees for attending up-skilling and self enhancement courses.
- Limited to RM1,000 for each YA for YA 2021 and YA 2022.

Disabled Spouse

Increased from RM3,500 to RM5,000 from YA 2021.

Medical Expenses for Self, Spouse and Children

- Increased from RM6,000 to RM8,000 (full medical check-up expenses increased from RM500 to RM1,000).
- Scope expanded to include vaccination expenses of up to RM1,000.

Medical Treatment, Special Needs and Carer Expenses for Parents

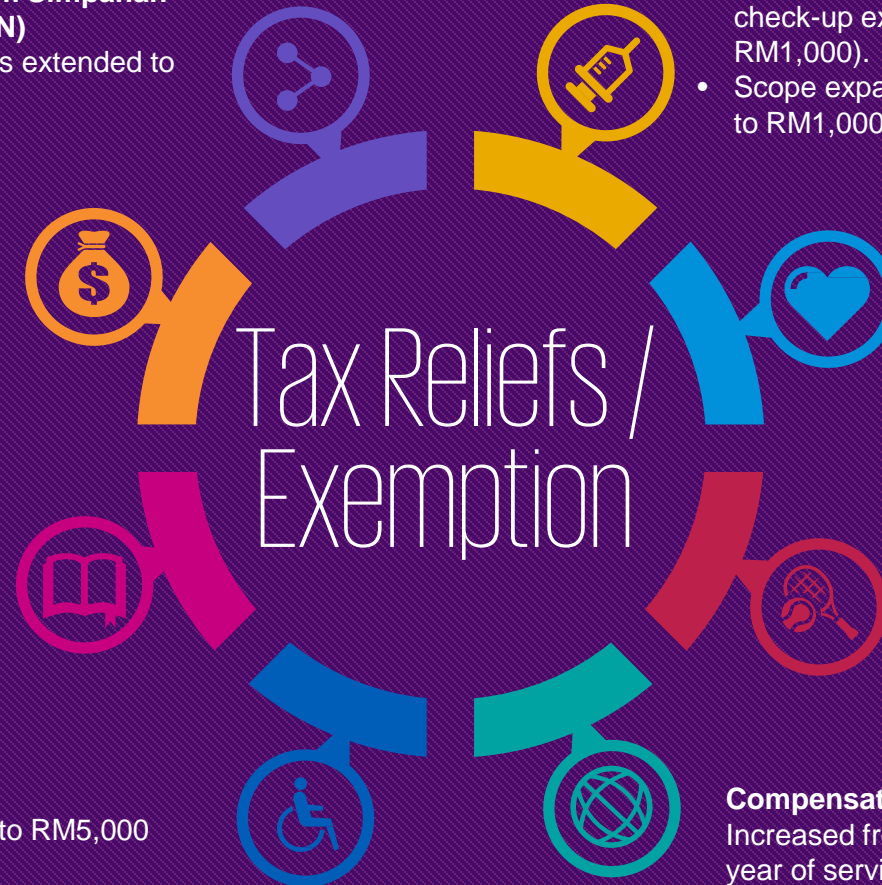
Increased from RM5,000 to RM8,000 from YA 2021.

Lifestyle Expenses

- Additional amount of RM500 allocated for cost of purchasing sports equipment, entry/rental fees for sports facilities and participation fees in sports competitions.
- Scope expanded to include subscription for electronic newspaper.

Compensation for Loss of Employment

Increased from RM10,000 to RM20,000 for each full year of service for YA 2020 and YA 2021.



Corporate Tax

Extension of Existing Relocation Incentives for Manufacturing Sector

+1 year

0% Income tax rate of 0% for 10 or 15 years for new companies

or

100% Investment tax allowance for 5 years for existing companies

For applications received by MIDA from 7 November 2020 until 31 December 2022.

Investment in Fixed Asset	New Companies		Existing Companies	
	Tax Incentive	Period	Tax Incentive	Period
RM300 million - RM500 million	Income Tax Rate of 0%	10 years	Investment Tax Allowance of 100%	5 years
Above RM500 million		15 years		

Eligibility Criteria:

- Undertake manufacturing activities other than manufacturing activities listed in Appendix A of the MIDA Guidelines.
- Incur the first capital expenditure within 1 year from the approval date.
- Incur the capital expenditure within 3 years from the date of the first capital expenditure incurred.

Corporate Tax

Relocation Incentives for Selected Services Sector

0% - 10% Income tax rate of 0% to 10% for 10 years for **new company**

10% 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.

For applications received by MIDA from 7 November 2020 until 31 December 2022.

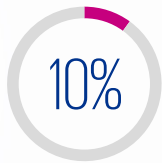
Investment in Fixed Asset	New Companies		Existing Companies	
	Tax Incentive	Period	Tax Incentive	Period
Selected services sector	Income Tax Rate of 0% to 10%	Up to 10 years	Income Tax Rate of 10%	Up to 10 years



- Provision of technology solution services
- Provision of infrastructure and technology for cloud computing
- Research and development (R & D) / design and development activities
- Medical devices testing laboratory and clinical trials
- Any services or manufacturing related services determined by the Minister of Finance (MOF)

Corporate Tax

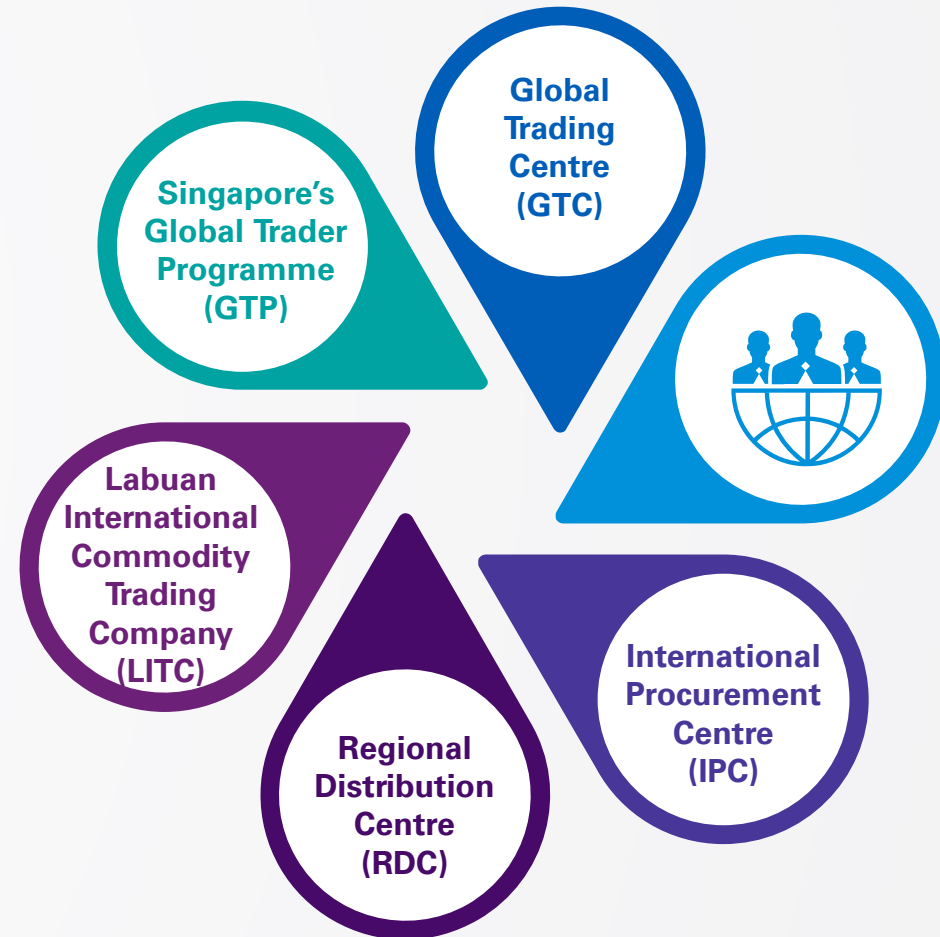
Tax Incentive for Global Trading Centre



10% income tax rate for a period of 5 + 5 years

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.



Corporate Tax

Comparison between GTC, IPC, RDC, LITC and GTP (1/2)

	Global Trading Centre (GTC)	International Procurement Centre (IPC) (Replaced by Principal Hub Incentive)	Regional Distribution Centre (RDC)	Labuan International Commodity Trading Company (LITC) under Global Incentives for Trading (GIFT) Programme	Singapore's Global Trader Programme (GTP)
Scope	<ul style="list-style-type: none"> Trading of goods 	<ul style="list-style-type: none"> Procurement activities 	<ul style="list-style-type: none"> Distribution activities 	<ul style="list-style-type: none"> Trading of traditional commodities (petroleum and petroleum-related products, minerals, agriculture products, etc) 	<ul style="list-style-type: none"> Trading of traditional and newer commodities (petroleum and petroleum-related products, minerals, agriculture products, industrial products, consumer products, etc)
Tax Incentives	<ul style="list-style-type: none"> Concessional tax rate of 10% 	<ul style="list-style-type: none"> 100% tax exemption on statutory income 		<ul style="list-style-type: none"> Concessional tax rate of 3% on chargeable profits 	<ul style="list-style-type: none"> Concessional tax rate of 5% - 10% on qualifying income
Exemption Period	<ul style="list-style-type: none"> 5 + 5 years 	<ul style="list-style-type: none"> 10 years 		<ul style="list-style-type: none"> No finite period 	<ul style="list-style-type: none"> 3 to 5 years

Corporate Tax

Comparison between GTC, IPC, RDC, LITC and GTP (2/2)

	Global Trading Centre (GTC)	International Procurement Centre (IPC) (Replaced by Principal Hub Incentive)	Regional Distribution Centre (RDC)	Labuan International Commodity Trading Company (LITC) under Global Incentives for Trading (GIFT) Programme	Singapore's Global Trader Programme (GTP)
Key Eligibility Criteria	To be announced	<ul style="list-style-type: none"> Minimum paid-up capital of RM0.5 million Annual operating expenditure of RM1.5million Annual sales turnover of RM100million, with annual value of export sales of RM80 million and the value of direct export sales of RM50 million in respect of the qualifying activities At least 80% of the IPC / RDC products must be exported, including 30% via drop shipment Sales to the domestic market (including sales to free commercial zones and licensed manufacturing warehouses) are limited to 20% of its sales turnover 		<ul style="list-style-type: none"> Annual turnover of USD50million Annual local expenditure of RM3million (including minimum of RM100,000 in Labuan) 3 professional traders (Malaysian residents) engaging in trading, risk management, procurement or sales and marketing Carry out strategic / support functions 	<ul style="list-style-type: none"> Annual turnover of S\$100million Annual local expenditure of S\$3million 3 trading professionals (Singaporeans or foreigners) engaging in risk management, sales, marketing activities, etc Carry out strategic / support functions

Corporate Tax

Extension of Principal Hub Incentive

+ 2 years

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

	High Value Jobs with monthly salary of at least RM5,000.00	Key positions with monthly salary of at least RM25,000.00	Annual operating expenditure
Category I: New Company - Manufacturing/ Services Company			
Tier 2 – 5% tax rate			
• First 5 years	30	4	RM5 million
• Next 5 years	+ 20%	+ 20%	+ 30%
Tier 1 – 0% tax rate			
• First 5 years	50	5	RM10 million
• Next 5 years	+ 20%	+ 20%	+ 30%

Corporate Tax

Tax Incentives for Manufacturers of Pharmaceutical Products including Vaccines

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.

Expansion of Tax Incentive for Commercialisation of R & D Findings for Qualified Resource and Non-Resource Based Activities or Products

Tax deduction on investment made by an investor company in a subsidiary company*

100% Income tax exemption on statutory income for 10 years for subsidiary companies*

* Subsidiary company(ies) that commercialise R & D findings of public research institutions including public and private higher learning institutions.

For applications from 7 November 2020 until 31 December 2025.

Extension of Tax Incentive for Manufacturers of Industrialised Building Systems (IBS) Components

+ 5 years

- 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.

Corporate Tax

Extension of Tax Incentives for Export of Private Healthcare Services and Healthcare Tourism

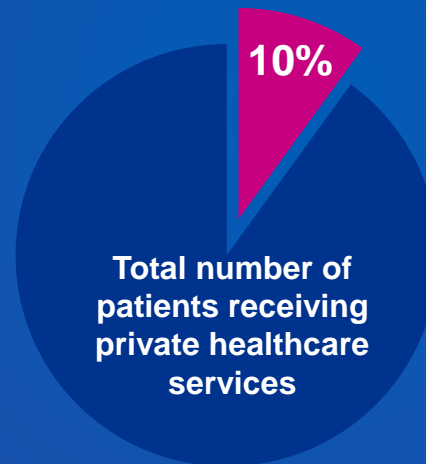
+ 2 years

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.

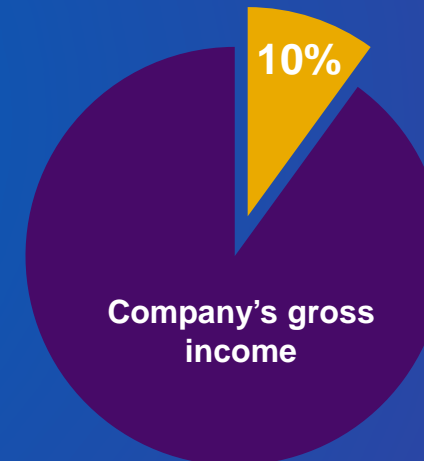
Investment tax allowance of 100% of the qualifying capital expenditure incurred within 5 years by a company that provides private healthcare facilities and services to qualified healthcare travellers is extended to applications received by MIDA until 31 December 2022.

▶▶▶▶▶ Conditions

At least 10% comprise of qualified healthcare travellers for each YA



At least 10% is derived from qualified healthcare travellers for each YA



Corporate Tax

Extension of Existing Tax Incentives

Until 2022



(i) MRO activities for aerospace



(ii) Building and repair of ships



(iii) Bionexus status company



(iv) Economic corridor developments

Corporate Tax

Tax Deduction for Employment of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependents

+ 5 years

Further tax deduction on remuneration paid by employers to the above employees is extended for a period 5 years from YA 2021 to YA 2025.

Allowable tax deduction is subjected to the following conditions:



Employee is employed on a full-time basis;



Monthly remuneration does not exceed RM4,000;



Employer and the employee are not the same person; and



Employer is not a relative of the employee.

Stamp Duty

Stamp Duty Exemption

• Purchase of First Residential Home

- Purchase of first residential property by Malaysian citizens.
- Qualifying value of the first residential property for stamp duty exemption on transfer instruments and loan agreements is to be increased from RM300,000 to RM500,000.
- Applies to sale and purchase agreements executed from 1 January 2021 to 31 December 2025.



Stamp Duty Exemption

• Reviving Abandoned Housing Projects

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.



Stamp Duty Exemption

• Exchange Traded Funds

Contract notes for trading of Exchange Traded Funds which are executed from 1 January 2021 to 31 December 2025.



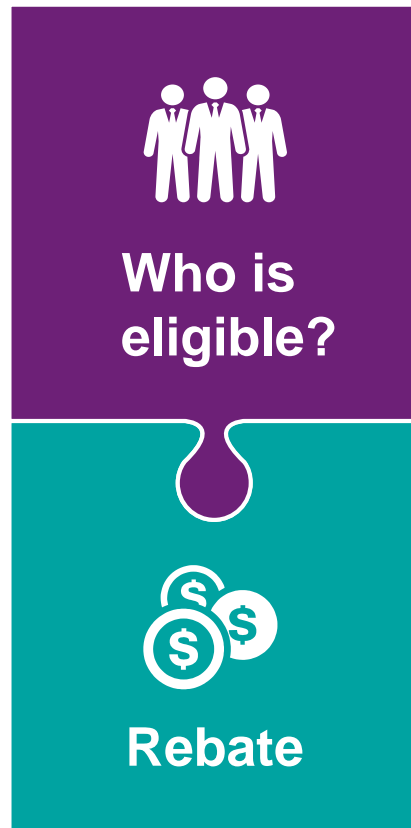


Q & A



Highlights of Finance Bill 2020

Section 6D: Tax Rebate for Companies and Limited Liability Partnerships (LLP)



▶ Company and LLP

Conditions:

- Resident and incorporated in Malaysia
- Paid-up/capital contribution not more than RM2.5million, gross business income not more than RM50million
- Commence operation: 01/07/2020 – 31/12/2021
- Other conditions under Statutory Order

▶ Amount

- Equivalent to CAPEX and OPEX
- Maximum – RM20,000 each YA

Period

- 3 consecutive years from commencement

Unutilised Rebate

- Not refundable
- Not allowed for set off against current and subsequent tax liability

Failure to Comply with Conditions

- Rebate not eligible for that YA
- Subsequent YAs

w.e.f. YA 2021

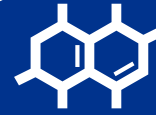
Section 34(7), 34A & 34B: R&D Expenditure

Current

No conditions on R&D incurred whether in/outside Malaysia

Proposal

- Person resident in Malaysia
- If R&D expenditure incurred outside Malaysia:
 - ≤ 30% - Double deduction
 - > 30% - Single deduction
- Section 34A(4A) - PS company must be Resident in Malaysia



Section 34(7)

Current

Applicable to relevant person

Proposal

Applicable to person resident in Malaysia



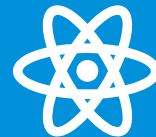
Section 34A

Current

Applicable to relevant person

Proposal

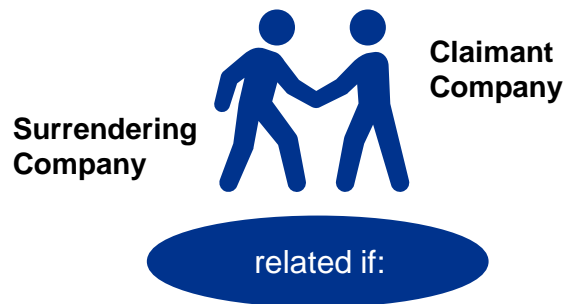
Applicable to person resident in Malaysia



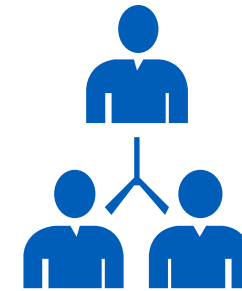
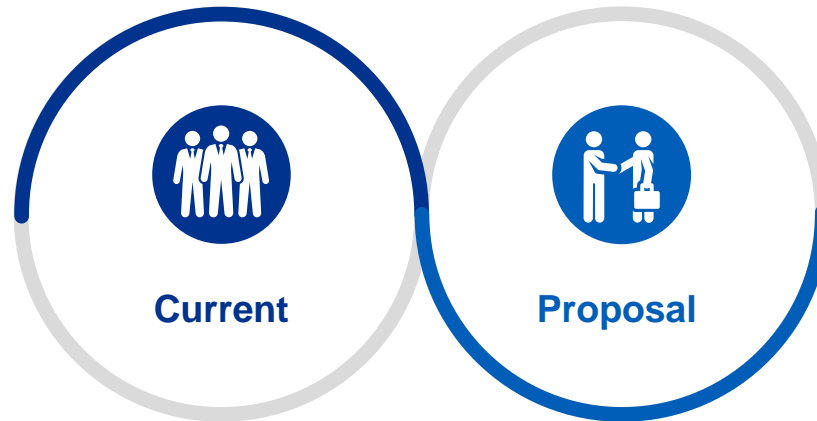
Section 34B

w.e.f: Operation of this Act

Section 44A(3)(c) Group Relief: Determination of Related Companies



- At least 70% of the paid-up ordinary share capital is owned directly or indirectly by the claimant company or surrendering company (direct holding);
- At least 70% of the paid-up ordinary share capital of the surrendering company and claimant company is owned directly or indirectly by another company.



Companies holding the Surrendering or Claimant company must be resident and incorporated in Malaysia

w.e.f. YA 2022

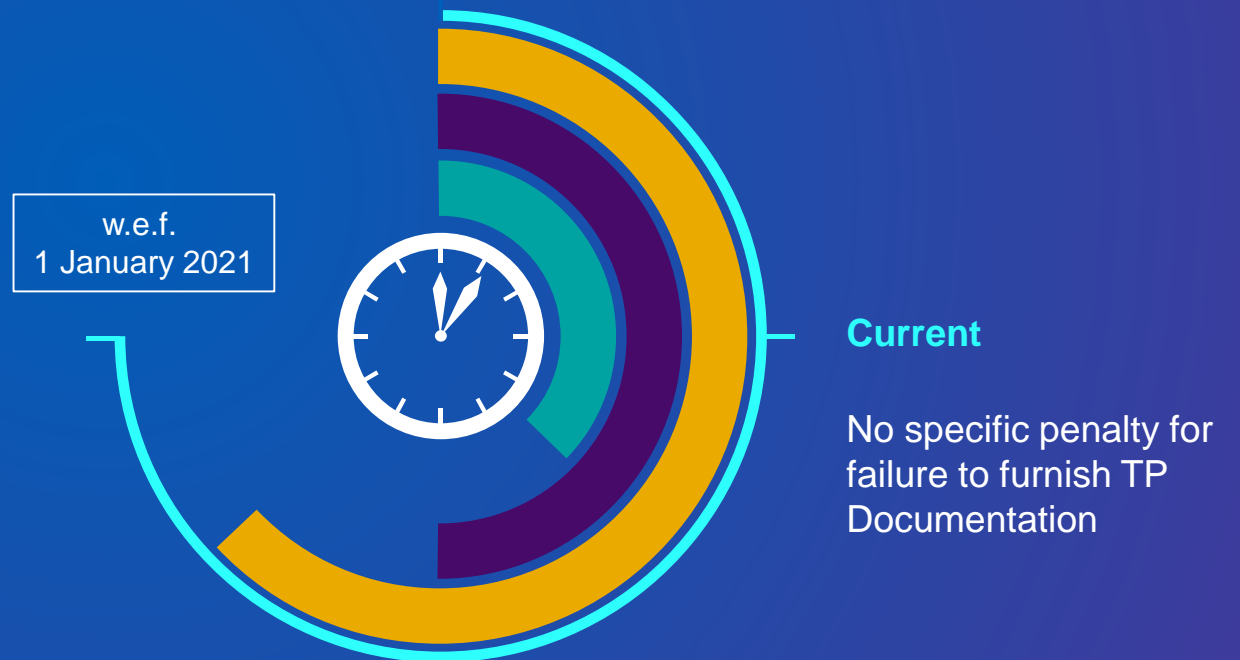
Section 113B: Failure to Furnish Contemporaneous Transfer Pricing (TP) Documentation

TP Documentation

Proposal

Failure to furnish TP Documentation on time:

- Section 113B(1) - On conviction:
 - Fine RM20,000-100,000 or prison term up to 6 months or both; and
 - Furnish TP Documentation within 30 days or period decided by Court
- Section 113B(4) - if no prosecution:
 - Penalty RM20,000 – 100,000
- Section 113(5) – may appeal to Special Commissioners of Income Tax (SCIT)
- Contemporaneous TP Documentation (Ref: TP Rules 2012)



Section 140A(3A) & (3B): Power to Disregard Structure in a Controlled Transaction

Re-characterization of Controlled Transaction

Current

- Section 140A(3A): Insertion of Rule 8 into Income Tax Act, 1967 (ITA 1967)
- Section 140A(3B): DG can make adjustments to structure as he thinks fit

w.e.f. 1 January 2021

Director General of Inland Revenue (DG)'s power to disregard and re-characterize structure in a controlled transaction under Rule 8 of the Income Tax (TP Rules) 2012

Proposal

Section 140A(3C), (3D) & S.124(3): Surcharge on Transfer Pricing Adjustment

TP Adjustment

Current



Penalty under Section 113(2) based on tax undercharged due to TP adjustments



No penalty can be imposed for non-taxable cases despite TP adjustments

w.e.f. 1 January 2021

Proposal



Section 140A(3C)

- Surcharge imposed on TP adjustments on all cases whether taxable or not
- Rate: not more than 5% of total TP adjustment



Section 140A(3D)

- Collection of the surcharge

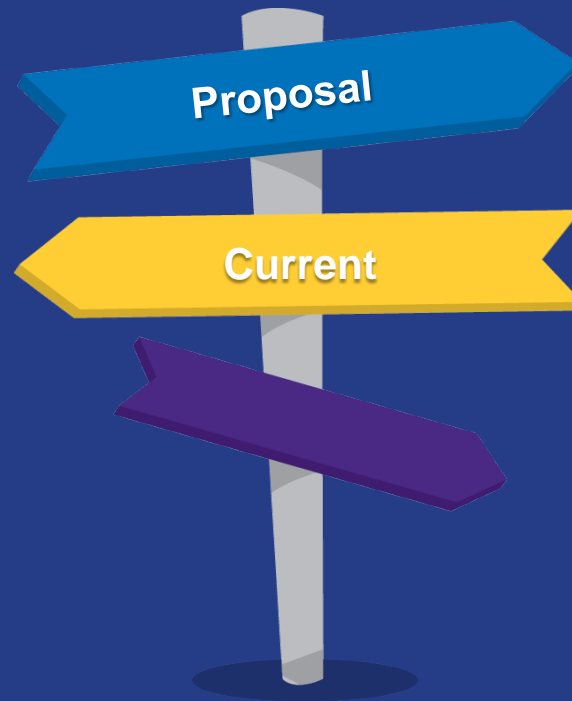


Section 124(3)

- DG powers to abate/remit surcharge

Section 103B: Tax Payable Notwithstanding Institution of Proceeding under Any Law

Tax Payable Notwithstanding Institution of Proceeding under Any Law



Any proceedings against the government or DG by taxpayer under any other written law shall not relieve any person from payment of any tax or any debt or other sum for which he is or may be liable to pay under this Part

w.e.f. 1 January 2021

Paragraph 70A, Schedule 3: Definition of Plant

Definition of “Plant”

Current

- Not defined in ITA 1967
- Guidance on definition and applicability is based on case law



Proposal

“Plant” means an apparatus used by a person for carrying on his business, but does not include building, intangible asset or any other asset used and functions as a place within which a business is carried on

w.e.f. YA 2021



Paragraph. 2B, Schedule 7A Reinvestment Allowance (RA): Period for RA Claim Extended

Paragraph 2B of Schedule 7A

Current

Company that has claimed 15 consecutive years of RA is entitled to extend RA until YA 2018



Proposal

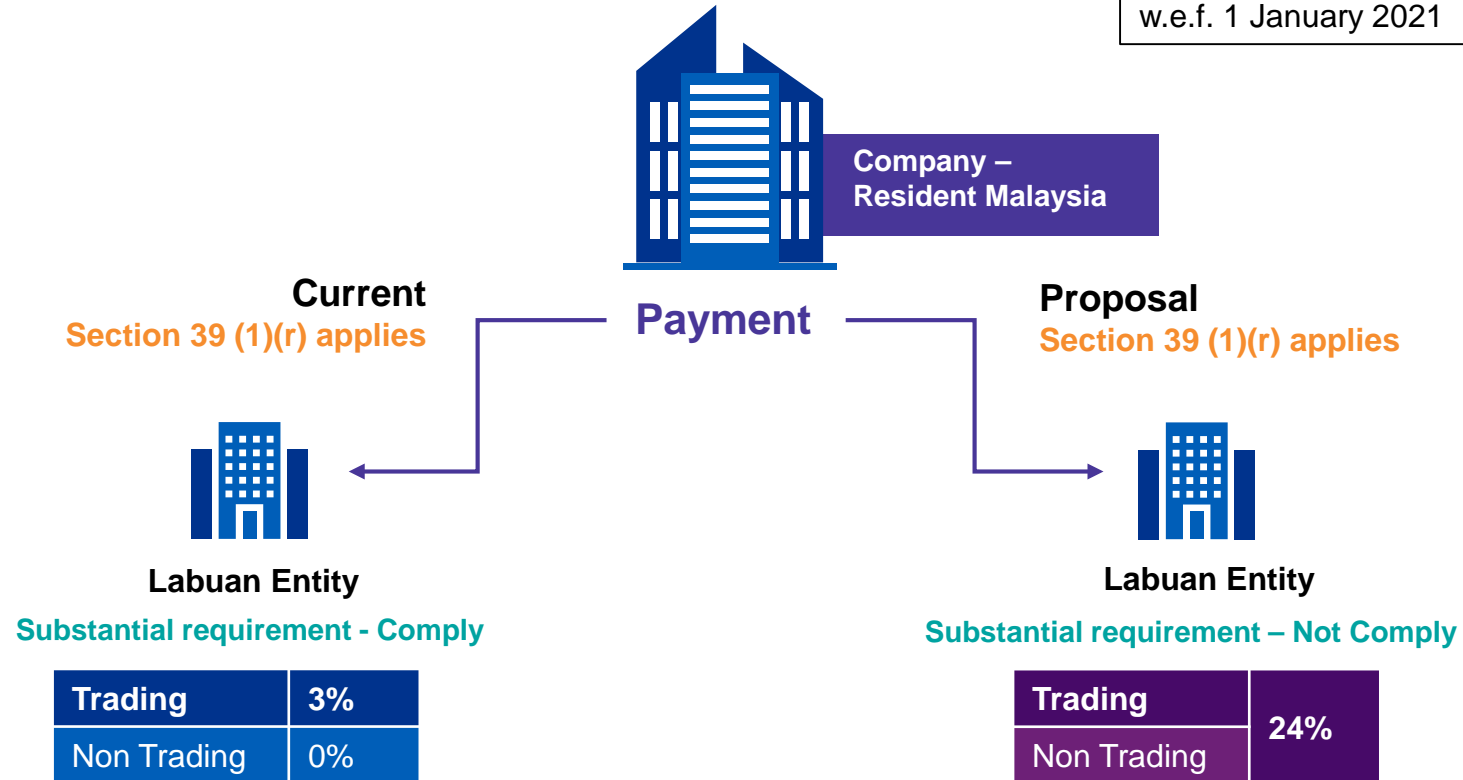
RA can be claimed from YA 2020 until YA 2022

Section 39 (1)(r) ITA 1967: Restriction on Deduction to Labuan Company

w.e.f. 1 January 2021

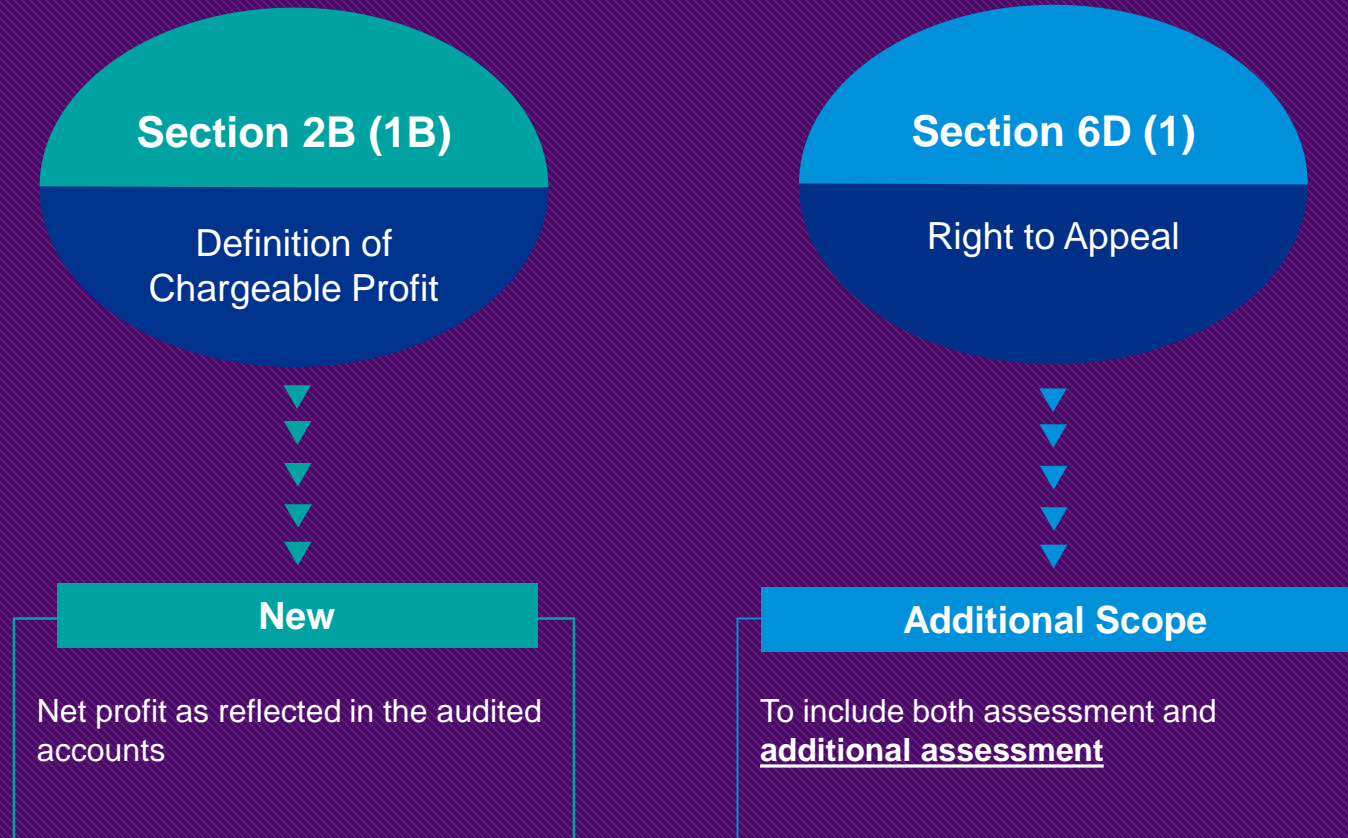
Tax under ITA

Tax under LBATA



LBATA 1990: Consequential Amendments from Finance Act 2019

Deemed effective YA 2020



Section 3A (2) LBATA 1990: Election on Chargeability to ITA 1967



Current

- Taxpayer is given 3 months after the beginning of the basis period for year of assessment to make election.
- DG has no power to give extension of time (“EOT”)



Proposal

- DG has power to give EOT on irrevocable election for Labuan business activity chargeable to ITA 1967

w.e.f. YA 2021



Q & A



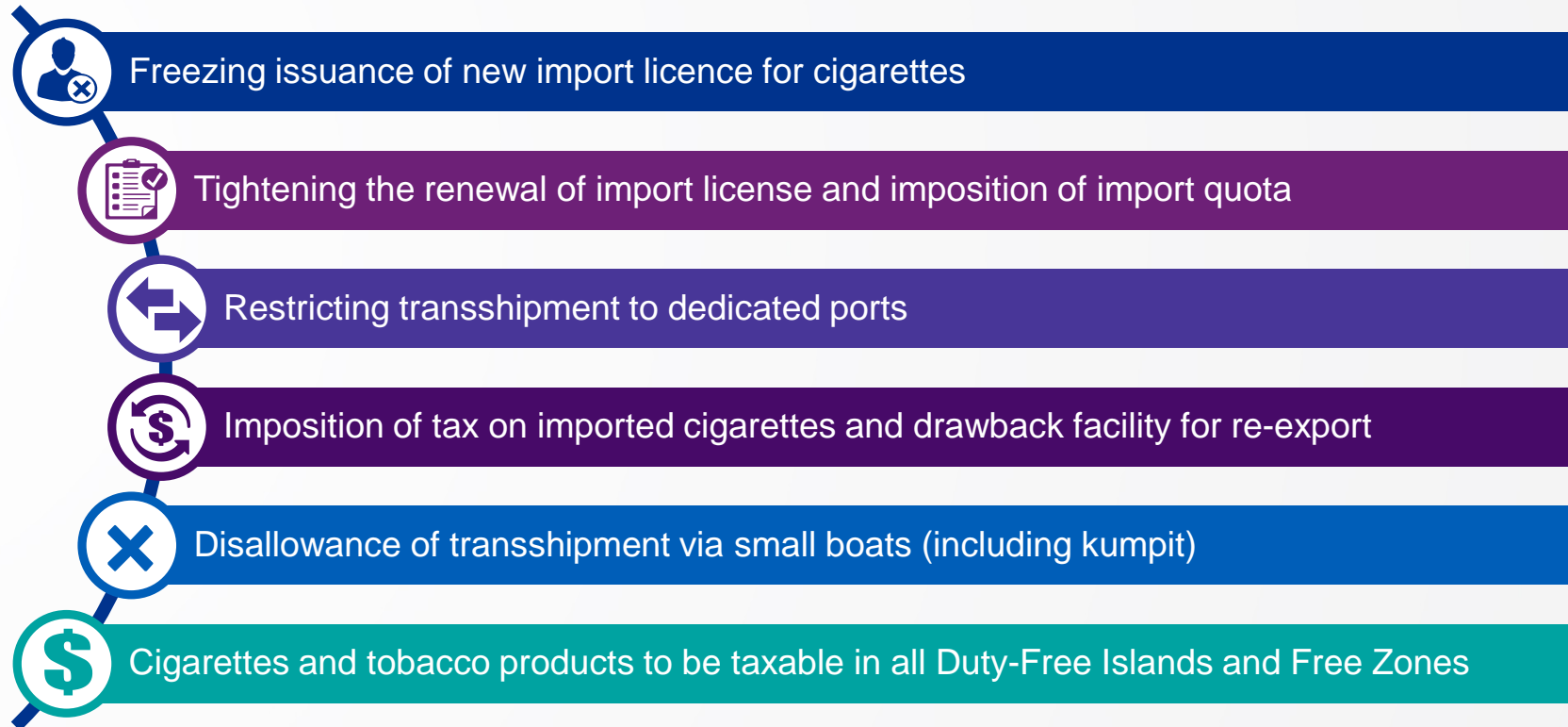
Indirect Tax

Budget Proposals - Indirect Tax



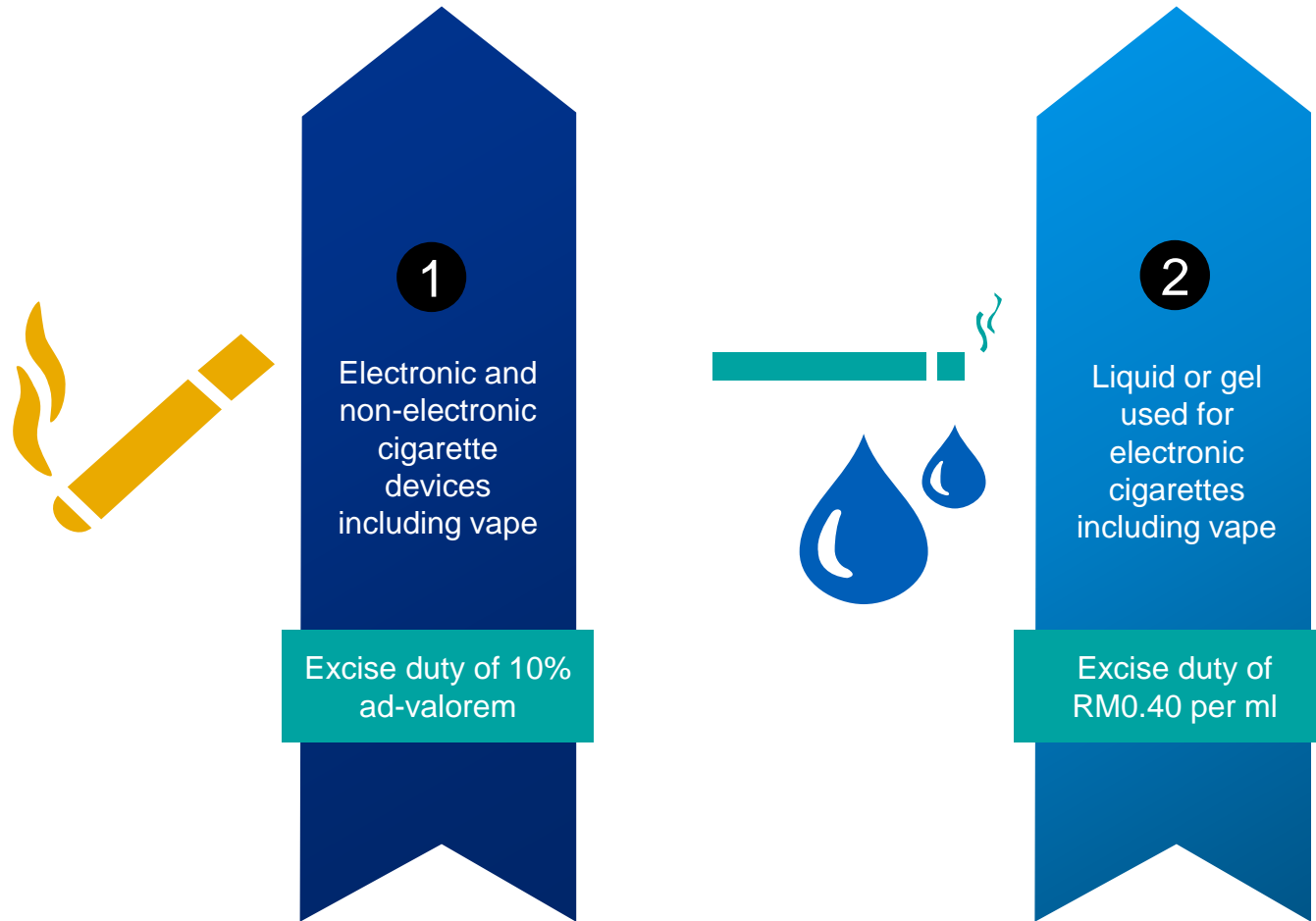
Cigarettes and Tobacco Products

As part of the initiatives to overcome the illicit trade of tobacco and related products and to ensure sustainable collection of revenue, the Government has proposed the following:



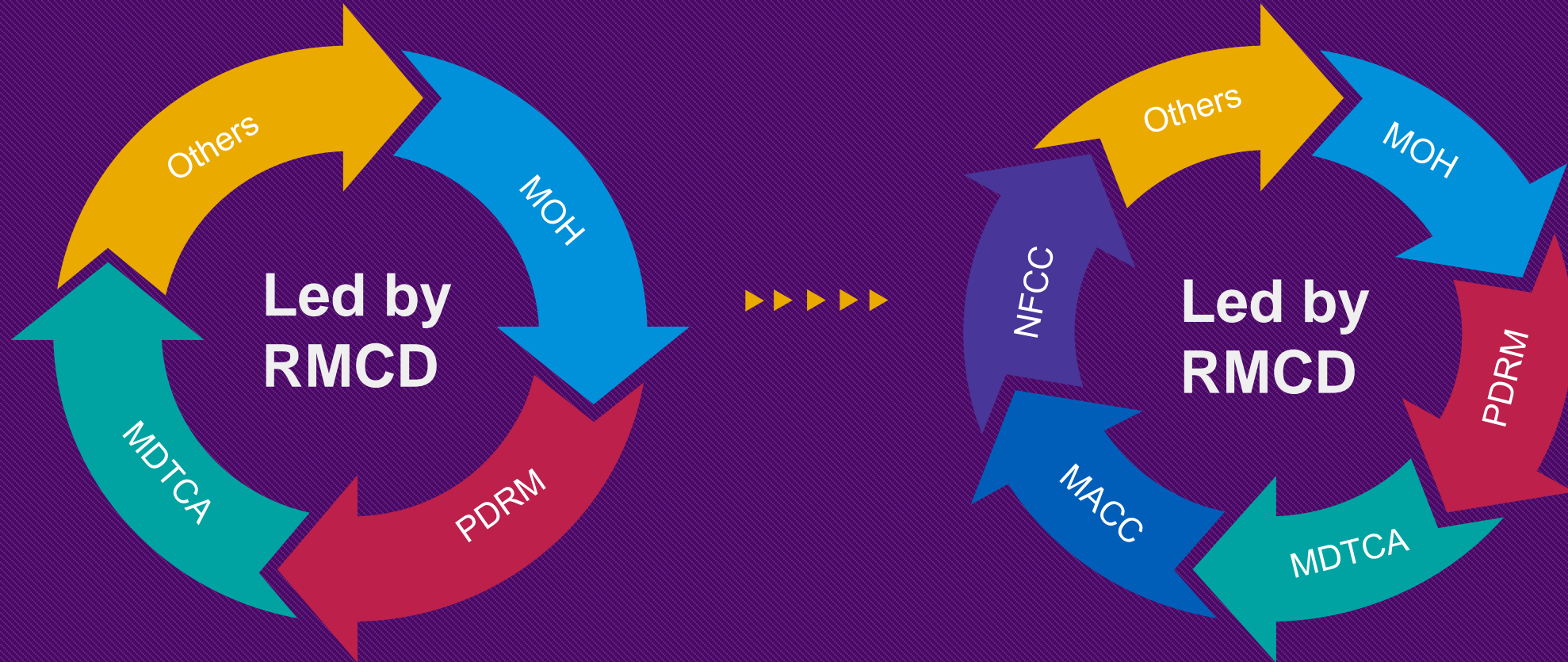
* Proposed to be effective 1 January 2021

Excise Duty on Electronic Cigarettes



* Proposed to be effective 1 January 2021

Multi Agency Task Force ("MATF")



Authorised Economic Operators ("AEO")



Accredited businesses with high compliance level who have achieved the required security standards



Expedited customs clearance, provisional declarations, deferred duty payment, dedicated customs officer



Approvals granted to mainly importers and exporters, lengthy process, no collaboration with other agencies

Proposals



Extend to logistics services providers and warehouse operators



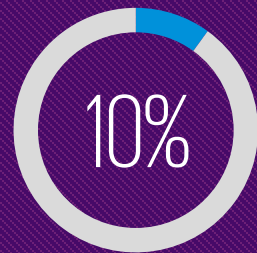
Integrate 43 other government agencies issuing permit and license to facilitate accreditation



Longer deferred payment period

Value-Added and Additional Activities in LMW / FIZ

Value added and additional activities (other than manufacturing) allowed to be carried out in Free Industrial Zone (“FIZ”) and Licensed Manufacturing Warehouse (“LMW”)



10%
of the total annual
sales value



40%
of the total annual
sales value

Examples:-

- Research and development
- Product design
- Quality control
- Labelling, packaging and re-packaging
- Remanufacturing, repairing and servicing

* Proposed to be effective for new applications and applications to increase the sales value limit received by the Royal Malaysian Customs Department from 7 November 2020

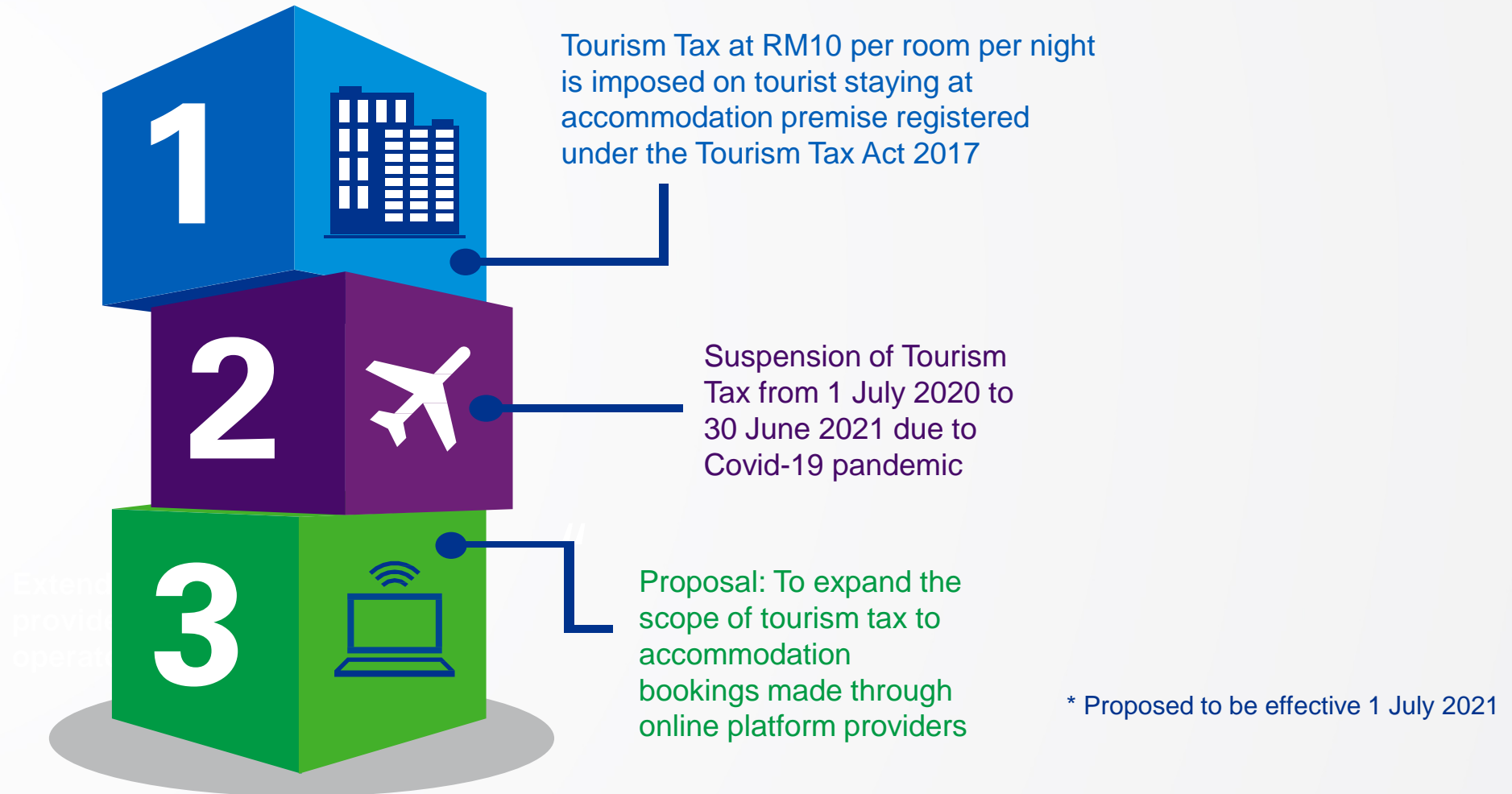
Sales Tax Exemption on Purchase of Locally Assembled Buses



- Purchase of locally assembled buses (including air-conditioner)
- Currently exempted from Sales Tax – effective until 31 December 2020
- Applications made to the Ministry of Finance prior to purchase

* Proposed to be extended for another 2 years, from 1 January 2021 to 31 December 2022

Tourism Tax on Online Platform Providers





Q & A



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