



MALAYSIA COVID-19: TAX AND ECONOMIC MEASURES

On 27 February 2020, the Government of Malaysia introduced several tax and economic measures via an Economic Stimulus Package to cushion the dampening economy caused by the COVID-19 outbreak.

On 16 March 2020, a nationwide 14-days Movement Control Order effective from 18 March to 31 March 2020 to contain the spread of COVID-19 was announced by the Prime Minister of Malaysia. In line with this announcement, the Inland Revenue Board and the Royal Malaysian Customs Department respectively made several announcements to ease the burden of taxpayers during this period.

The key tax and economic measures as a result of COVID-19 are summarised below.

Key direct tax measures

- Deferment of monthly income tax instalment payments for businesses in the tourism sector for a period of 6 months from April 2020 to September 2020.
- Other businesses affected by COVID-19 are allowed to revise their tax estimates in the 3rd month of installment payment for the year of assessment 2020 [in addition to the 6th and/ or 9th month revisions] without penalty.
- Special tax deduction of up to RM300,000 on costs for renovating and refurbishing business premises incurred from 1 March 2020 to 31 December 2020.
- Expenses incurred by employers to provide employees with face masks and personal protective equipment eligible for tax deduction and capital allowances respectively.
- Accelerated capital allowance to be claimed over a period for 2 years on qualifying expenditure for the purchase of machinery and equipment (including ICT equipment) incurred from 1 March 2020 to 31 December 2020.
- The deadline for filing of income tax return forms, which falls between March 2020 and June 2020, have been given an extension of two-months. The extension also applies to the payment of balance of tax payable.

Key indirect tax measures

- Service tax exemption on accommodation provided by hotels from 1 March to August 2020.
- Import duty and sales tax exemption for port operators from 1 April 2020 to 31 March 2023 on imported or locally bought equipment and machinery.
- The deadline for the submission of sales tax and service tax return forms falling on 31 March 2020 has been extended to 15 April 2020. The extension also applies to the payment of sales and service taxes due on 31 March 2020.

Other economic measures

- 15% discount on monthly electricity bills for hotels operators, travel agencies, local airlines, shopping malls, conventions and exhibition centres for the period from 1 April 2020 to 30 September 2020.
- Banks to postpone payments and to reschedule loans.
- Reduction of minimum Employees Provident Fund contribution by employees from 11% to 7% from 1 April 2020 to 31 December 2020. Employees can elect to maintain the contribution at 11%.

These are measures introduced up to 18 March 2020. A number of the tax proposals are expected to be enacted via amendments to the Income Tax Act 1967 and issuance of gazette orders.