

2021

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Budget Edition

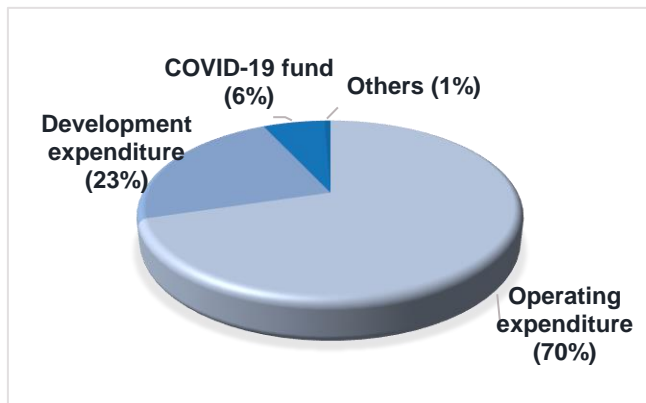
SPECIAL EDITION: 2022 BUDGET (PART 1)

IN THIS INSIGHTS

Introduction	1
Economic Outlook	2
Key Highlights	4
Corporate Tax	6
Individual Tax	12
Tax Incentives	15
Real Property Gains Tax	18
Stamp Duty	20
Indirect Tax	24
Others	30
Conclusion	33

INTRODUCTION

The Malaysian 2022 Budget was announced on 29 October 2021 by the Minister of Finance. The 2022 Budget has a total allocation of RM332.1 billion which can be broadly distributed as follows:



The 2022 Budget was built upon the concept of ‘*Keluarga Malaysia*’ or the Malaysian Family aimed at elevating and healing the nation. It was crafted to protect and drive recovery of livelihoods post-pandemic, rebuilding national resilience and catalysing reforms. It was conceptualised as a recovery budget to support the Government’s wider and longer-term reform efforts under the 12th Malaysian Plan. At the same time, the 2022 Budget is a continuation of the eight stimulus packages introduced since the pandemic.

As part of its Fiscal Reform Agenda (FRA), the Ministry of Finance (MOF) has since published a public consultation paper to obtain input and feedback on the formulation of the FRA. The consultation paper includes the rationale, issues related to fiscal management and the proposed framework for FRA.

The consultation paper was made available to the public on the MOF Budget 2022 portal from 3 to 15 September 2021. MOF has received positive feedback from the public on the proposed FRA framework as outlined in the consultation paper. In general, the public were very supportive of the Government’s efforts to enhance its governance, transparency and accountability in fiscal management through the introduction of the FRA. Feedback from industry players were taken into account in drafting the 2022 Budget.

As the global economy remains uncertain, there is a need to revitalise domestic economic and social activities to expedite the recovery.

Notably, one key change to the tax system is the removal of the exemption on foreign sourced income received in Malaysia. This measure essentially seeks to widen the country’s tax base. Another bold measure is the introduction of the one-off special tax on companies earning high-income for the year 2022.

Some other welcomed measures introduced are:

- (i) Special voluntary disclosure programme for indirect tax
- (ii) Introduction of the Fiscal Responsibility Act in 2022
- (iii) Tax Compliance Certificate for government tender projects
- (iv) Implementation of the Tax Identification Number
- (v) Tax Expenditure Statement
- (vi) Expansion of the scope of tax on the digital economy via service tax on low value goods and delivery services.

The year 2022 is a critical year for the country. There is an uphill task to jumpstart not just an economic recovery, but the recovery of industries, livelihoods, and jobs due to the impact of the pandemic.

In the ensuing pages of this report, we present the economic outlook for 2022 and key tax measures introduced. These have been prepared based on the 2022 Budget Speech. The draft legislation to enact these proposals have yet to be issued. We will provide another round of update once the draft legislation is issued.

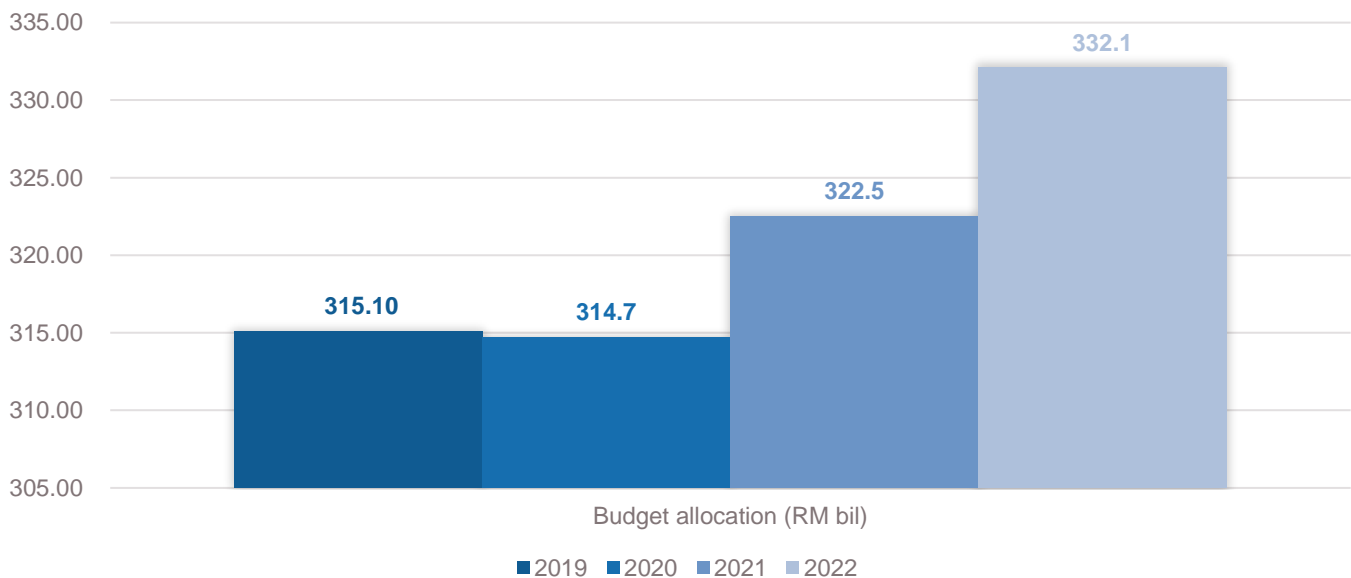
ECONOMIC OUTLOOK

OVERVIEW

Prior to the 2022 Budget, the Government had announced eight stimulus and assistance packages amounting to RM530 billion. These packages have promoted growth in the first half of 2021 where the Gross Domestic Product (“GDP”) has increased by 7.1% as compared to a contraction of 8.4% in the same period last year.

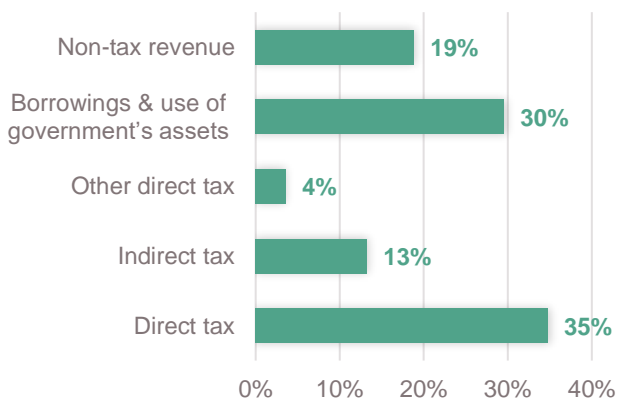
The 2022 Budget aims to address both near-term and medium-term economic rejuvenation for the post COVID-19 economy.

The allocation of RM332.1 billion for the 2022 Budget is an increase of approximately 3% from the 2021 Budget (RM322.5 billion) and the highest allocation thus far.

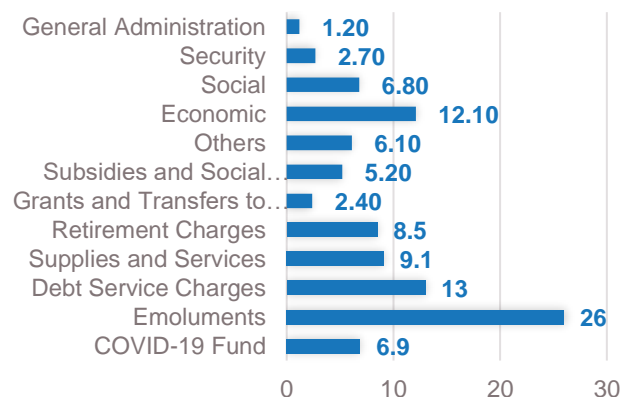


An overview of the revenue and expenditure of the 2022 Budget is graphically depicted below:

WHERE IT COMES FROM (%)



WHERE IT GOES (%)

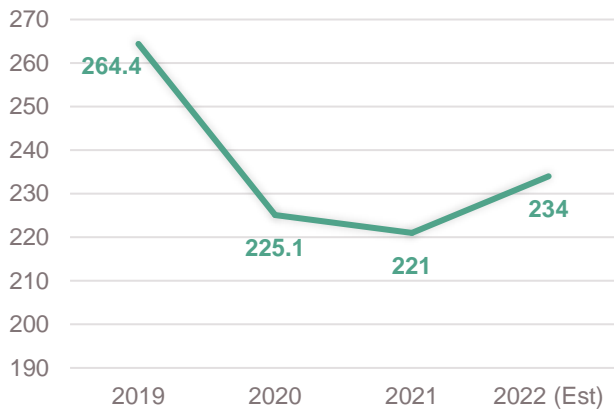


(*) Total revenue from non-tax revenue, other direct, indirect and income tax = RM234 billion

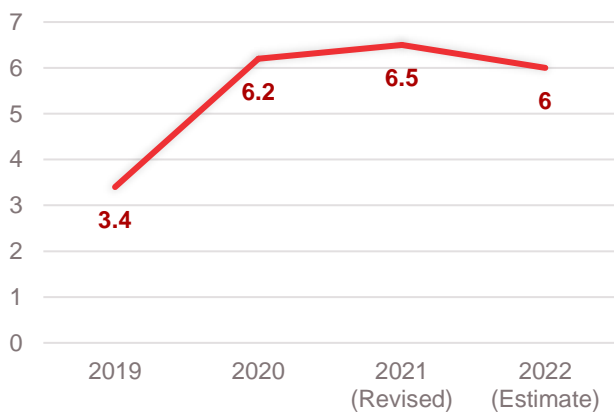
ECONOMIC OUTLOOK

KEY INDICATORS

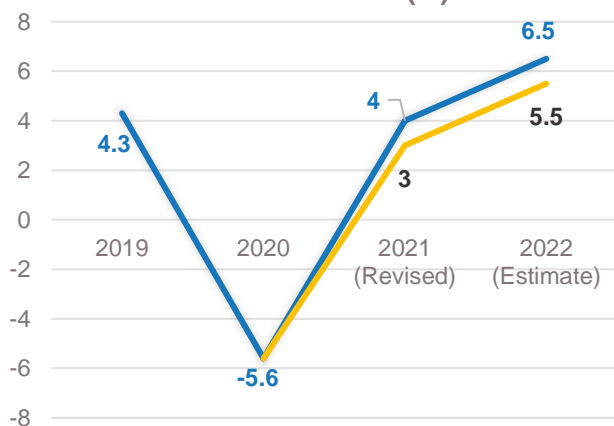
REVENUE (RM BIL)



BUDGET DEFICIT (%)



GDP GROWTH (%)



FEDERAL GOVERNMENT REVENUE

	2021# (RM bil)	2022* (RM bil)
Corporate income tax	60.9	65.5
Individual income tax	36.4	37.5
Petroleum	11.5	12.4
Other direct tax (WHT / RPGT / Stamp duty)	11.2	11.9
Indirect tax	41.8	44.1
Non-tax revenue	59.2	62.6
TOTAL	221.0	234.0

#Revised estimate, *Budget estimate

Source: 2022 Fiscal Outlook and Federal Government Revenue Estimates

KEY TAKEAWAYS

- An unprecedented COVID-19 pandemic has indeed made the budgeting process a tricky one.
- Due to the pandemic, the Government's fiscal deficit is on an increasing trend year-on-year. The fiscal deficit is expected to be at 6.0% in 2022.
- Corporate tax will still be the largest contributor at RM65.5 billion with an increase of 8.1% from 2021.
- The introduction of various incentives for individuals and businesses are aimed at spurring economic growth and increase domestic spending.

KEY HIGHLIGHTS OF THE 2022 BUDGET

Special Voluntary Disclosure Programme (SVDP) for Indirect Tax

- An indirect tax SVDP will be introduced by the Royal Malaysian Customs Department in phases. Penalty remission of up to 100% may apply.

(Effective date is yet to be announced).

Tax on Foreign Sourced Income

- Existing tax exemption on foreign sourced income will be removed. Malaysian residents will be subject to tax on foreign income remitted into Malaysia.

(Effective from 1 January 2022).

Carry Forward of Unabsorbed Business Losses

- Unabsorbed business losses can be carried forward for 10 consecutive years of assessment (YAs) compared to the existing period of 7 YAs.

(Effective from YA 2022).

Cukai Makmur

- One-off special tax at the rate of 33% on companies with chargeable income of more than RM100 million

(YA 2022 only)

Tax on Digital Economy

- Expansion of sales tax coverage on low value goods from online vendors delivered by air effective 1 January 2023
- Expansion of scope of service tax on e-commerce delivery service providers effective 1 July 2022

CORPORATE TAX



CORPORATE TAX

TAX ON FOREIGN SOURCED INCOME

Existing	Proposed
Pursuant to Paragraph 28, Schedule 6 of the Income Tax Act 1967 (“the Act”), income of any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) derived from sources outside Malaysia and received in Malaysia is exempted from tax.	Income of a person resident in Malaysia derived from sources outside Malaysia and received in Malaysia will be subject to tax in Malaysia. (Effective: 1 January 2022)

This proposal aims to provide an equitable tax treatment on income accruing in, derived from and received in Malaysia and is in line with Malaysian’s commitment towards compliance with international best practices. In actual fact, this proposal brings Malaysia’s income tax system back to what it was some years ago.

The types of income (e.g. interest income, etc) which are assessable to tax under this new proposal are unclear. As this tax proposal will take effect from 1 January 2022, companies which are currently deriving foreign sourced income will need to consider this proposal in computing the estimated tax payable for YA 2022. However, it is expected that if the foreign income had suffered tax outside Malaysia, a tax credit should be applicable when imposing Malaysian tax on the income.

IMPOSITION OF CUKAI MAKMUR (PROSPERITY TAX)

A one-off special tax known as *Cukai Makmur* will be imposed on companies (other than Micro, Small and Medium Enterprises (MSMEs)) generating high income during the COVID-19 pandemic period as follows:

- Chargeable income up to RM100 million is subject to tax at 24%
- Chargeable income in excess of RM100 million is taxed at 33%

This will be effective for YA 2022.

This is a revenue raising initiative and is rather abrupt given the numerous occasions when the Ministry of Finance officials have been quoted as saying that there would be no new taxes. Nevertheless, it is hoped that the tax collected for the one year would be channelled to shore up Malaysia’s healthcare system.

CORPORATE TAX

UNABSORBED LOSSES CARRY FORWARD

Existing	Proposed
<p>With effect from YA 2019, any unabsorbed business losses can only be carried forward for a maximum period of seven (7) consecutive YAs for utilisation against business income.</p> <p>The unabsorbed business losses up to YA 2018 can only be carried forward until YA 2025.</p>	<p>It is proposed that:</p> <ul style="list-style-type: none"> The period to carry forward unabsorbed business losses be extended from 7 consecutive YAs to 10 consecutive YAs. Unabsorbed business losses up to YA 2018 can be carried forward until YA 2028. <p>(Effective: YA 2019)</p>

TAX REBATE FOR NEWLY INCORPORATED SME COMPANY

Existing	Proposed
<p>An income tax rebate of up to RM20,000 for each YA for the first 3 YAs is given to newly incorporated MSMEs which commenced operations during the period 1 July 2020 to 31 December 2021.</p>	<p>Income tax rebate is extended to 31 December 2022</p>

EXTENSION OF SPECIAL REINVESTMENT ALLOWANCE (RA)

Existing	Proposed
<p>Under the previous stimulus package known as PENJANA, a special RA of 3 years from YA 2020 to YA 2022 is given to companies that have exhausted its first RA period of 15 years. The RA is for capital expenditure incurred on expansion projects.</p>	<p>It is proposed that the special RA be extended for another 2 years until YA 2024 for existing companies in Malaysia that have exhausted eligibility the RA and special RA.</p>

CORPORATE TAX

DEFERMENT OF TAX INSTALMENT PAYMENT FOR MSMES

It is proposed that a deferment of income tax instalment payments be given to MSMEs for 6 months until 30 June 2022.

REVISION OF ESTIMATED TAX LIABILITY

It is proposed that all businesses be allowed to revise the estimate of tax payable in the 11th month of the basis period before 31 October 2022.

SPECIAL DEDUCTION ON RENTAL REDUCTION

Existing	Proposed
Landlords who provide rental reduction of at least 30% are given a special deduction equivalent to the amount of the rental reduction until December 2021.	It is proposed that this incentive be extended for another 6 months from January 2022 to June 2022

SPECIAL DEDUCTION ON RENOVATION AND REFURBISHMENTS OF BUSINESS PREMISES

Existing	Proposed
A tax deduction of up to RM300,000 has been given on costs of renovation and refurbishment of business premises from 1 March 2020 until 31 December 2021	It is proposed that this incentive be extended for another 1 year from 1 January 2022 to 31 December 2022

CORPORATE TAX

DOUBLE DEDUCTION FOR SCHOLARSHIPS

Existing	Proposed
<p>For the years 2019 to 2021, double tax deduction is given to companies that sponsor scholarships for Malaysian students pursuing studies at the Technical and Vocational levels, Diploma and Degree in engineering and technology, subject to certain conditions.</p>	<p>It is proposed that the scope of qualifying studies be expanded to all fields of study at the Technical and Vocational, Diploma, Degree levels including Masters and Doctorate degrees.</p> <p>(Effective: YA 2022 to YA 2025)</p>

FURTHER DEDUCTION ON RENTAL EXPENSES OF EMPLOYEES' ACCOMMODATION PREMISES (SAFE@WORK)

To encourage companies in the manufacturing sector to comply with Standard Operating Procedures under the National Recovery Plan and Safe@Work programme led by the Ministry of International Trade and Industry, **rental expenses of employees' accommodation premises** which comply with standards under the Minimum Standards of Accommodation and Housing for Employees Act 1990 (Act 446) are eligible for a **further deduction** of up to **RM50,000** from 1 January 2021 to 31 December 2021.

It is proposed that this incentive be extended until 31 December 2022.

INCOME TAX EXEMPTION ON INCOME OF SOCIAL ENTERPRISES

To assist a Social Enterprise to raise funds to create a positive or environmental impact, it is proposed:

- A tax exemption be given on all income for up to **3 YAs** subject to the validity period of the Social Enterprise Accreditation; and
- To establish a Joint Committee on Accreditation comprising Yayasan Hasanah and the Ministry of Entrepreneur Development and Cooperatives. This committee is responsible for reviewing applications for accreditation from Social Enterprises.

Effective date:

- Application for tax exemption received by Ministry of Finance from 1 January 2022 to 31 December 2023.
- Application for accreditation received by Yayasan Hasanah from 1 January 2022 to 31 December 2023.

CORPORATE TAX

TAX INCENTIVE FOR ORGANISING ARTS, CULTURAL, SPORTS AND RECREATIONAL ACTIVITIES IN MALAYSIA

Existing	Proposed
<p>Income tax exemption of 50% on statutory income is given to organisers for organising the approved activities from YA 2020 to YA 2022 as follows:</p> <ul style="list-style-type: none"> arts and cultural activities approved by the Ministry of Tourism, Arts and Culture; and international sports and recreational competitions approved by the Ministry of Youth and Sports. 	<p>It is proposed that this incentive be extended for another 3 years from YA 2023 to YA 2025</p>

ACCELERATED CAPITAL ALLOWANCE FOR EXCURSION BUSES

Existing	Proposed
<p>A new locally assembled excursion bus is eligible for Accelerated Capital Allowances (i.e. initial allowance of 20% and annual allowance of 40%) from YA 2020 to YA 2021.</p>	<p>It is proposed that the existing tax incentive be extended for another 3 years from YA 2022 to YA 2024.</p>

TAX DEDUCTION ON COSTS ASSOCIATED WITH BOOSTER VACCINES

The Government proposes to allow a tax deduction to employers on costs associated with the adoption of self-funded booster vaccines.

Effective: YA2022

INDIVIDUAL TAX



INDIVIDUAL TAX

PERSONAL RELIEFS

To alleviate the burden of the people, the 2022 Budget offers a list of personal reliefs for individuals. A summary of the key measures for individuals are tabulated below:

	Existing	Proposed
Medical expenses for self, spouse and child	<ul style="list-style-type: none"> Tax relief of RM8,000 is inclusive of <ul style="list-style-type: none"> (i) RM1,000 for full medical check-up; and (ii) RM1,000 for vaccination expenses 	<ul style="list-style-type: none"> Tax relief is expanded to include check-up or consultation services in respect of mental health <p>(Effective: YA 2022)</p>
Lifestyle relief (additional tax relief)	<ul style="list-style-type: none"> Tax relief up to RM2,500 on the purchase of mobile phones, computers and tablets for purchases made from 1 June 2020 to 31 December 2021 	<ul style="list-style-type: none"> Relief is extended to YA 2022
Upskilling and self-enhancement courses	<ul style="list-style-type: none"> Tax relief on education fees for self of RM7,000 is inclusive of tax relief of RM1,000 on up-skilling or self-enhancement courses 	<ul style="list-style-type: none"> Tax relief on up-skilling or self-enhancement courses is increased to RM2,000 <p>(Effective: YAs 2022 and 2023)</p>
Approved provident fund and payment for life / takaful insurance	<ul style="list-style-type: none"> Tax relief up to RM7,000 comprising of <ul style="list-style-type: none"> (i) RM4,000 for contributions to approved provident funds such as the Employee Provident Fund (EPF) (ii) RM3,000 for payments for life / takaful premiums 	<ul style="list-style-type: none"> Scope of contributions to approved provident funds includes voluntary contributions <p>(Effective: YA 2022)</p>
SOCSSO	<ul style="list-style-type: none"> Tax relief of RM250 is applicable 	<ul style="list-style-type: none"> Tax relief amount is increased to RM350 Scope of relief covers employee contributions as well <p>(Effective: YA 2022)</p>

Fees paid to child care centres and kindergarten	<ul style="list-style-type: none"> • Tax relief up to RM3,000 for payment of nursery and kindergarten fees 	<ul style="list-style-type: none"> • Relief is extended to YA 2023
Domestic travel expenses	<ul style="list-style-type: none"> • Tax relief of up to RM1,000 on domestic travel expenses incurred between 1 March 2020 to 31 December 2021 	<ul style="list-style-type: none"> • Tax relief is extended for the period 1 January 2022 to 31 December 2022
Contribution to Private Retirement Scheme / Annuity Premiums	<ul style="list-style-type: none"> • Tax relief of up to RM3,000 comprising of: <ul style="list-style-type: none"> (i) Contributions to private retirement schemes – YA 2012 to YA 2025 (ii) Deferred annuity payments – YA 2012 to YA 2021 	<ul style="list-style-type: none"> • Tax relief period for deferred annuity payments are extended for another 4 years (up to YA 2025)
New personal tax relief	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Tax relief of up to RM2,500 for installation costs, leasing or purchasing costs of Electric Vehicle charging facilities <p>(Effective: YA 2022 and YA 2023)</p>
Self-funded booster vaccines	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Tax relief on costs associated with adoption of self-funded booster vaccine <p>(Effective: YA2022)</p>

EXEMPTION

Currently, any income from e-sport activities earned by individuals are treated as being subject to tax. The Budget proposes an income tax exemption on eligible e-sports tournament prize money.

TAX INCENTIVES

mTabLayout

mViewPager

mFooter

```
initViewPager() {
```

```
    addOnPageChangeListener (page
```

```
    override fun onPageScrolled (stateChange
```

```
    override fun onPageScrolled (position
```

```
    override fun onPageSelected (position
```

```
    selectedTab = position
```

TAX INCENTIVES

1) Review of Tax Incentives for Anchor Companies under Vendor Development Programme

- To further increase the involvement of anchor companies in developing more competitive local Bumiputera vendors, existing tax incentives are reviewed as follows:-
 - i. Deduction for eligible operating expenses, increased up to RM500,000 per year of assessment;
 - ii. Tax incentives are extended for 5 years for a Memorandum of Understanding (MoU) signed between an anchor company and the Ministry of Entrepreneur Development and Cooperatives (MEDAC); and
 - iii. Deductions are given for 3 consecutive YAs.

[For MoU signed between anchor company and MEDAC from 1 January 2021 to 31 December 2025]

2) Tax Incentives for Late-Life Assets (LLA) Projects for Upstream Petroleum Industry

- To attract oil and gas companies to invest and carry out LLA projects, it is proposed that tax incentives be given as follows:-
 - i. Petroleum income tax at the rate of 25%;
 - ii. Accelerated Capital Allowance within 2 years;
 - iii. Losses from decommissioning activities are allowed to be carried back (carryback losses) to be absorbed with income for 2 consecutive years of previous assessment (consecutive immediate preceding year). The balance of the unabsorbed loss will be disregarded; and
 - iv. Export duty exemption on petroleum products.

[For LLA Production Sharing Contract given from 1 January 2020 to 31 December 2029]

3) Tax Incentive for Digital Ecosystem Acceleration Scheme

- To support the development of a comprehensive national digital ecosystem, tax incentives are proposed for activities under the Digital Ecosystem Acceleration Scheme (DESAC) as follows:-
 - i. **Digital Technology Provider**
 - a. **New company** - Income tax rate of 0% to 10% for 10 years
 - b. **Existing companies that diversify their new service activities or segments** - Income tax rate of 10% for 10 years.

ii. **Digital Infrastructure Provider**

Investment Tax Allowance up to 100% on qualifying capital expenditure for qualified activities until 10 years and can be used to set-off against up to 100% of statutory income.

(Applications received by Malaysian Investment Development Authority (MIDA) from 30 October 2021 to 31 December 2025)

4) Review of Tax Incentives for Structured Internship Programme (“SIP”)

- Double tax deduction to a company that conducts a TalentCorp endorsed SIP is extended for 4 years and expanded for students at the following academic level:-
 - i. Masters;
 - ii. Professional Certificate; and
 - iii. Malaysian Skills Certificate Level 1 and 2.

[Effective: YA 2022 to 2025]

5) Expansion of Scope of Tax Incentives for Green Technology

- To support the Sustainable Development Goals (SDGs) 2030 agenda, the tax incentives for green technology are extended to projects related to Rainwater Harvesting System (RHS) projects.
- This project should be certified by the Malaysian Green Technology Corporation (MGTC) in order to qualify for the tax incentives as follows:-
 - **Green Investment Tax Allowance (GITA)** - Investment Tax Allowance of 100% on capital expenditure for qualifying RHS project activities and can be set off against up to 70% of statutory income; or
 - **Green Investment Tax Exemption (GITE)** - Income tax exemption of 70% of statutory income for qualifying RHS project service activities.

[Applications received by MIDA from 1 January 2022 to 31 December 2023]

6) Extension of Special Income Tax Rate for Non-Resident Individuals Holding Key Positions in Companies Investing in New Strategic Investments

- Flat income tax rate of 15% is extended for 1 year

[Applications received by MIDA until 31 December 2022]

REAL PROPERTY GAINS TAX



REAL PROPERTY GAINS TAX

REAL PROPERTY GAINS TAX (RPGT) EXEMPTION

Existing	Proposed
<ul style="list-style-type: none"> RPGT rate of 5% applies on gains from disposal of real property or shares in real property company by an individual citizen, permanent resident and non-corporates in the 6th year onwards 	<p>RPGT rate is reduced from 5% to 0% on gains from disposal of real property and shares in real property company in the 6th year onwards</p> <p>(Effective: 1 January 2022)</p>

This measure is intended to ease the financial burden of homeowners.

Though many would welcome this, the impact on the property market will be minor. The tax revenue foregone is also insignificant. In actual fact, this change reverses the changes that were introduced a few years ago to ensure that all disposals of real property or shares in real property companies would be subject to the RPGT.

STAMP DUTY

A hand holding a pen over a notebook, with a world map and binary code overlaid.

00100111001100
11001100010010
01010100101100

STAMP DUTY

STAMP DUTY EXEMPTION ON PEER-TO-PEER FINANCING

Stamp duty exemption for each successful fundraising by Micro, Small and Medium Enterprises (“MSMEs”) via Peer-to-Peer (“P2P”) financing platforms:

Existing	Proposed
Stamp duty rate between 0.05% to 0.50% for P2P loan/financing agreement	<p>100% stamp duty exemption on P2P loan/financing agreement between MSMEs and investors for a period of 5 years</p> <p>Exemption is only applicable for P2P financing via P2P financing platforms registered and recognised by the Securities Commission</p> <p>(Effective: Agreements executed from 1 January 2022 to 31 December 2026)</p>

STAMP DUTY EXEMPTION ON CONTRACT NOTES FOR TRADING OF LISTED SHARES

Stamp duty exemption on contract notes for trading of listed shares:

Existing	Proposed
Rate of 0.1% (RM1.00 for every RM1,000), subject to a cap of RM200 on each contract note	<p>Rate of 0.15% (RM1.50 for every RM1,000)</p> <p>Abolishment of stamp duty limit of RM200 on each related contract note</p> <p>(Effective: 1 January 2022)</p>

STAMP DUTY

STAMP DUTY EXEMPTION ON PURCHASE OF INSURANCE POLICIES OR TAKAFUL CERTIFICATES

Existing	Proposed
<p>Stamp duty exemption on purchase of insurance policies or takaful certificates for Produk Perlindungan Tenang with annual premium / contribution value not exceeding RM100</p>	<ul style="list-style-type: none"> • Stamp duty exemption on Produk Perlindungan Tenang is increased to RM150 • Stamp duty exemption to individuals on the purchase of other insurance policies or takaful certificates for annual premium / contribution value not exceeding RM150 • Stamp duty exemption to Micro, Small and Medium Enterprises (MSMEs) on the purchase of insurance policies or takaful certificates with an annual premium / contribution value not exceeding RM250 <p>(Effective: Insurance policies or takaful certificates issued from 1 January 2022 to 31 December 2025)</p>

STAMP DUTY

STAMP DUTY EXEMPTION ON RESTRUCTURING OR RESCHEDULING LOAN/FINANCING AGREEMENT

Existing	Proposed
100% stamp duty exemption on restructuring or rescheduling loan/financing agreements executed between 1 March 2020 and 31 December 2021	Stamp duty exemption is extended for 1 year (Effective: Restructuring or rescheduling loan/financing agreement executed from 1 January 2022 to 31 December 2022)

STAMP DUTY EXEMPTION FOR INSTRUMENTS RELATED TO A MERGER AND ACQUISITION (M&A)

Existing	Proposed
<p>Stamp duty exemption applies on the following instruments:</p> <ul style="list-style-type: none"> • Contracts or agreements for the sale or lease of properties (land, buildings, machinery and equipment) • Instrument of transfer and memorandum of understanding • Loan or financing agreement • First rental agreement 	<p>Stamp duty exemption is extended for 1 year</p> <p>Exemption is only applicable for M&As approved by the Ministry of Entrepreneur Development and Cooperatives</p> <p>(Effective: Application of M&As received by MEDAC from 1 July 2021 to 30 June 2022 and instruments executed until 31 December 2022)</p>

INDIRECT TAX



INDIRECT TAXES

SPECIAL VOLUNTARY DISCLOSURE PROGRAM (SVDP)

The indirect tax SVDP will be introduced by the Royal Malaysian Customs Department in phases, offering remission on penalties as follows:-

	1 st phase	2 nd phase
Penalty remission	100%	50%

Penalty remissions will be considered on a case-by-case basis. Further details of the SVDP are expected to be announced in due course. This SVDP follows the previous SVDP on income taxes which managed to raise a substantial amount of taxes. It is hoped that the issues faced in the previous SVDP would have been ironed out when this SVDP for indirect taxes commences. It is also expected that all indirect taxes would be covered though the devil is in the details that will be announced soon.

INCENTIVES FOR THE TOURISM SECTOR

To stimulate local tourism and assist the local tourism and arts industry, the following is proposed:

Existing	Proposed
<ul style="list-style-type: none"> Hotel tourism tax exemption of RM10 per room per night for foreign tourists is granted from 1 July 2020 to 31 December 2021 Entertainment duty exemption on entrance to theme parks, live shows, sporting events and cinemas is granted from 1 April 2021 to 31 December 2021 in the Federal Territories of Kuala Lumpur, Putrajaya and Labuan 	<p>Exemption period is extended to 31 December 2022</p>

INDIRECT TAXES

INCENTIVES ON PURCHASE OF ELECTRIC VEHICLES (EV)

Tax exemptions	Exemption period
100% import duty exemption on components used for local assembly of EVs	1 January 2022 to 31 December 2025
100% excise duty and sales tax exemption on Completely-Knocked-Down EVs	
100% import duty and excise duty exemption on Completely Built-Up (CBU) imported EVs	1 January 2022 to 31 December 2023

This exemptions above is intended to encourage the growth of the local EV industry and encourage consumer shift to environmentally friendly vehicles in line with the Government's commitment to reducing carbon emissions. EVs include passenger and commercial vehicles including motorbikes.

EXCISE DUTY ON SUGAR SWEETENED BEVERAGES

The Government is desirous of tackling the issue of obesity and diabetes among Malaysians. An excise duty of 47 cents per 100 grams will be imposed on pre-mixed drinks containing chocolate or cocoa, malt, coffee and tea. This proposal is effective from 1 April 2022. With this measure in place, consumers can now anticipate a price increase in these beverages. This measure is also an extension of the measures introduced a few years ago on certain sweetened beverages.

REVIEW OF WINDFALL PROFIT LEVY

The crude palm oil (CPO) price threshold for the imposition of windfall tax is increased and the levy imposed on palm oil producers in Sabah and Sarawak is now aligned with those in Peninsula Malaysia as follows:

Location	CPO price threshold (RM/tonne)		Levy
	Existing	Proposed	
Peninsula Malaysia	2,500	3,000	3%
Sabah and Sarawak	3,000	3,500	

In view that CPO prices have hit RM5,000 per tonne in October 2021, the Government's move to increase the price threshold is timely and the alignment of levy rate will help to level the playing field between producers in Peninsula Malaysia and Sabah and Sarawak.

INDIRECT TAXES

SERVICE TAX EXEMPTION FOR PROVISION OF BROKERAGE SERVICES ON TRADING OF LISTED STOCK

Existing	Proposed
Brokerage and underwriting services are subject to 6% service tax under Group I, First Schedule, Service Tax Regulations 2018	Brokerage fee on listed shares on Bursa Malaysia is not subject to service tax (Effective: 1 January 2022)

SERVICE TAX ON DELIVERY SERVICES

The service tax treatment on courier delivery services and goods delivery services has been streamlined as follows:

Existing	Proposed
<ul style="list-style-type: none"> Courier delivery services for documents or parcels not exceeding 30kg by a service provider licenced under Section 10, Postal Services Act 2012 is subject to service tax under Group I, First Schedule of the Service Tax Regulations 2018. Delivery service providers not licenced under Postal Services Act 2012 are not subject to service tax. 	<p>Service tax to be imposed on goods delivery services provided by <u>any service provider including e-commerce platforms</u></p> <p>Logistics services and food and beverage delivery services are not subject to this proposal.</p> <p>(Effective: 1 July 2022)</p>

Delivery services which are growing in popularity due to the rise in online sales will now be subject to service tax. The introduction of sales tax on imported low value goods and service tax on delivery of goods will increase the cost of purchasing goods from online shopping platforms.

EXTENSION OF SALES TAX EXEMPTION ON PASSENGER VEHICLES

Sales tax exemption on passenger vehicles is extended for another 6 months (i.e. to 30 June 2022). The current sales tax exemption is until 31 December 2021. The exemptions are as follows:-

- 100% sales tax exemption on Completed Knocked-Down (CKD); and
- 50% sales tax exemption on newly imported and used Completely Built-Up (CBU).

The measure is intended to continue to assist the revival of the automotive industry which has been affected by the pandemic to a certain extent.

SALES TAX ON LOW VALUE GOODS (LVG)

Currently, goods (excluding cigarettes, tobacco and intoxicating liquor) imported via air courier are exempt from sales tax if the value per consignment does not exceed RM500. To ensure fair treatment between taxable goods manufactured in Malaysia and imported goods, it is proposed that:-

- Imported goods valued not more than RM500, sold by online traders and sent via air courier service to Malaysia consumers will be subject to sales tax.
- The exemption under Item 24, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 is revoked, and sales tax on imported LVG will be enacted in a new provision in the Sales Tax Act 2018
- Under the new provision, traders in Malaysia or abroad who sell LVG to Malaysian consumers shall register and impose sales tax.

(Effective date: 1 January 2023)

With the shift in consumer purchasing habits from brick and mortar stores to digital platforms, rise of e-commerce giants and monthly online mega sales, imported goods purchased online are now subject to sales tax. As goods costing less than RM500 from overseas vendors were previously exempt from sales tax, this will give parity to local traders who are already subject to sales tax on goods manufactured and sold in Malaysia.

With the introduction of digital service tax from 1 January 2020, the focus is now on traders selling goods in Malaysia via various online platforms.

INDIRECT TAXES

This measure is intended to regulate the use of electronic cigarettes and vapes in Malaysia as a whole and ensure fair tax treatment on all cigarette and tobacco products,

Existing	Proposed
<p>Effective from 1 January 2021, devices and liquids or gels used in electronic and non-electronic cigarettes including vape are subject to excise duty as follows:</p> <ul style="list-style-type: none"> • Ad valorem rate of 10% on all types of electronic and non-electronic cigarette devices including vape; and • Nicotine-free liquids or gels used in e-cigarettes including vape devices are levied at 40 cents per millilitre. 	<p>Scope of excise duty is extended to cover all liquid or gels containing nicotine or without nicotine used in e-cigarettes and vape devices.</p> <p>Excise duty will be levied at RM1.20 per millilitre for both nicotine and nicotine-free liquid and gels used in e-cigarettes and vape devices.</p> <p>(Effective: 1 January 2022)</p>

OTHERS

```
mTabLayout
```

```
mViewPager
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```
mFooterBar
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initViewPager() {
```

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    addOnPageChangeListener (000
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    override fun onPageScrolled (000
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    override fun onPageSelected (000
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    override fun onPageScrolled (000
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```
    override fun onPageSelected (000
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    selectedTab = position
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OTHERS

REVENUE SUSTAINABILITY




One of the initiatives under the Government’s fiscal consolidation and revenue sustainability strategy is ensuring revenue sustainability. In line with international regulations. The Government proposes to provide equitable tax treatment as follows:

	<p>Tax Compliance Certificate</p> <ul style="list-style-type: none"> A Tax Compliance Certificate issued by the Inland Revenue Board Malaysia will be a prerequisite for companies to participate in Government procurement contracts <p>[Effective date: 1 January 2023]</p>
	<p>Tax Identification Number (TIN)</p> <ul style="list-style-type: none"> Implementation of TIN to broaden the income tax base. The TIN was actually announced two years ago but this time, it is expected to be actually implemented <p>[Effective: Beginning 2022]</p>
	<p>Tax Expenditure Statement</p> <ul style="list-style-type: none"> A Tax Expenditure Statement will be published in order to improve fiscal discipline and transparency while complementing the Medium-Term Revenue Strategy and the ongoing tax incentive framework review. This is crucial in determining the costs incurred by the Government in providing tax incentives, one-off exemptions and other tax policies.

OTHERS

DIRECT CASH ASSISTANCE

In the coming year, cash assistance initiatives will be enhanced. The Government will introduce the Bantuan Keluarga Malaysia (or BKM) cash assistance with specific enhancements to ensure that those who are really affected, will be given greater attention. The proposals are effective from the year 2022.

	<p>The BKM will channel assistance of RM2,000 to households</p> <ul style="list-style-type: none"> • with three or more children; and • earning less than RM2,500 per month. <p>This assistance is an increase compared to the previous Bantuan Prihatin Rakyat (or BPR) where the highest assistance rate was RM1,800.</p>
	<p>As an enhancement for 2022, in addition to the B40 senior citizens who have insufficient retirement savings and no fixed income, the Government will also provide an additional assistance of RM500 to single parent households earning a monthly income of up to RM5,000</p>
	<p>An additional assistance of RM300 will also be provided to senior citizen households</p>


OTHERS

GENERATING EMPLOYMENT

The COVID-19 pandemic has left a significant impact on lives and livelihoods, with the unemployment rate rising to 5.3% in May 2020. While it has moderated to 4.6% in August 2021, nearly 750,000 Malaysians remain unemployed and in need of assistance.

In line with the spirit of guaranteeing jobs, for the upcoming year, the Government under the Jamin Kerja Keluarga Malaysia (JaminKerja) initiative will guarantee 600,000 job opportunities with an allocation of RM4.8 billion.

The Government via SOCSO will continue with the hiring incentive via the JaminKerja initiative with a target of 300,000 people and an allocation of RM2 billion. Under this initiative, the Government will provide the following incentives to employers who hire:

	<p>Malaysians who have not been actively employed</p> <ul style="list-style-type: none"> • 20% of the monthly salary for the first six months: and • 30% for the next six months <p>(subject to jobs with a salary of RM1,500 and above)</p>
	<p>Targeted groups (the disabled, Orang Asli, ex-convicts)</p> <ul style="list-style-type: none"> • 30% of the monthly salary for the first six months; and • 40% for the next six months <p>(subject to jobs with a salary of RM1,200 and above)</p>

EMPLOYEE CONTRIBUTION RATE TO EMPLOYEE PROVIDENT FUND (EPF)

The Government proposes to extend the period for the reduced minimum employee EPF contribution rate from 11% to 9% up to June 2022.

CONCLUSION

The 2022 Budget is a feel-good budget with many initiatives, funding and allocations for various segments of society. If not for the pandemic blues that we are facing, this would be termed an 'election' budget. Nevertheless, it is essential to plant the seeds of a solid recovery and the focus of the Budget is certainly appropriate.

The Budget, however, falls short in terms of outlining initiatives to enable Malaysia to build a sustainable tax revenue base. The review of the tax incentives regime has yet to be finalised. As such, the 2023 Budget is expected to outline a more structured reform of the tax system in order to increase the country's revenue as well as implement a broad-based consumption tax.

Nevertheless, the introduction of the Fiscal Responsibility Act in 2022, the Tax Expenditure Statement in future budgets, the need for a Tax Compliance Certificate for government tender projects, the implementation of the Tax Identification Number and the Indirect Tax Voluntary Disclosure Programme are all welcomed measures and a pre-cursor to the much talked about tax reforms that the country needs.









11 NOVEMBER 2021 | 9.00am – 1.00pm

2021 has been a challenging year for all businesses as the COVID-19 pandemic continues to run its course. As a token of appreciation to all our valued clients, Tricor Taxand is pleased to invite you to this **Complimentary Webinar on the 2022 Malaysian Budget**.

PROGRAMME

9.00am – 9.30am	 Welcome & Opening Remarks on the 2022 Budget <i>Dr. Veerinderjeet Singh (Non-Executive Chairman, Tricor Malaysia)</i>
9.30am – 10.30am	 Current Economic Outlook in Malaysia <i>Pankajkumar Bipinchandra (Economist)</i>
10.30am – 10.45am	 Break
10.45am – 12.00pm	 The 2022 Budget Tax Proposals <i>Leow Mui Lee (Senior Executive Director, Tricor Taxand)</i>
12.00pm – 12.30pm	 Recent Tax Development Highlights on latest key tax development involving: <ul style="list-style-type: none"> ▪ Global minimum tax – what to expect ▪ Transfer pricing – importance of compliance <i>Vivian New (Executive Director, Tricor Taxand)</i>
12.30pm – 1.00pm	 Q & A session

- Limited spots available. Registration closes on 10 November 2021.
- A fee of RM50 will be levied on participants who fail to attend the webinar.
- The event will be held via Zoom.
- Please feel free to extend the link to your colleagues.
- If you have any questions, please email to events@my.tricorglobal.com

REGISTRATION

Contact

If you require further information on the above, please contact our team: -

Service Line	Name	Email
Corporate Tax and Advisory	Thang Mee Lee Lim Kah Fan	Mee.Lee.Thang@my.tricorglobal.com Kah.Fan.Lim@my.tricorglobal.com
Transfer Pricing	Leow Mui Lee Vivian New Sarah Chew	Mui.Lee.Leow@my.tricorglobal.com Vivian.New@my.tricorglobal.com Sarah.Chew@my.tricorglobal.com
Individual Tax	Thang Mee Lee	Mee.Lee.Thang@my.tricorglobal.com
Tax Audit and Investigation	Lim Kah Fan Thisha Gunasilan	Kah.Fan.Lim@my.tricorglobal.com Thisha.Gunasilan@my.tricorglobal.com
Knowledge Management	Vivian New	Vivian.New@my.tricorglobal.com
Indirect Tax	Leow Mui Lee Thisha Gunasilan	Mui.Lee.Leow@my.tricorglobal.com Thisha.Gunasilan@my.tricorglobal.com

For other Tricolor services, please email to info@my.tricorglobal.com or visit www.tricorglobal.com

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Tricolor Taxand Sdn Bhd
200601026227 (745982-X)

Address:
Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia