



Malaysia Budget 2022 Highlights

Strengthening Recovery,
Building Resilience and
Driving Reforms

ShineWing



Key Takeaways

- ❖ Effective from 1 January 2022, **income derived from foreign sources** and received in Malaysia by Malaysian tax residents will be subject to income tax
- ❖ For YA 2022, **Cukai Makmur**, a special one-off tax to be imposed on companies with taxable income of more than 100 million ringgit
- ❖ **Unutilised business losses** to be carried forward for 10 consecutive YAs
- ❖ Additional **Reinvestment Allowance** will be extended for 2 years until YA 2024
- ❖ Effective from 1 January 2022, RPGT rate of an **individual citizen, permanent resident and other than a company** for disposal in the 6th year and onwards be **reduced** from 5% to 0%.

On 29 October 2021, our Finance Minister, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz tabled the 2022 National Budget with the theme, 'Keluarga Malaysia, Makmur Sejahtera' as Malaysia enters the recovery phase of COVID-19 and makes preparation to revitalise its economy.

Numerous tax measures were introduced revolving around the three key pillars of the 2022 National Budget, namely **Strengthening Recovery, Building Resilience and Driving Reforms**.

This edition of our Tax Alert is prepared based on the 2022 National Budget speech and a follow-up edition will be issued to cover key tax proposals and updates, after the Finance Bill is issued.



Key Tax Proposals

Affecting Individuals

- **Tax relief** on costs associated with the adoption of **self-funded booster vaccines**.
- The scope for individual income tax relief for full medical check-up expenses is **expanded** to cover the **cost of check-up or consultation service related to mental health from registered psychiatrist, clinical psychologist and counsellor**.
- In line with the new norm and work from home practices, the special individual income tax relief of up to RM2,500 on the **purchase of mobile phone, computer and tablet** be **extended** until 31 December 2022.
- The limit of individual income tax relief for **up-skilling and self-enhancement course fees** will be **increased** from RM1,000 to RM2,000 and **extended** to year of assessment 2023. In addition, those who undertake **courses with any professional bodies** will be eligible for a **tax relief** of up to RM7,000. Approved courses include professional courses in accounting, finance and environmental, social and governance (ESG)-related.
- Tax relief of up to RM4,000 for Employees' Provident Fund (EPF) contributors is **expanded** to include **voluntary contributions**, such as those who are self-employed in the gig economy including pensionable civil servants.
- Tax relief limit will be **increased** from RM250 to RM350 and the scope of relief for Social Security Organisation (SOCSO) contributions will also be **expanded** to cover employee contributions through the **Employment Insurance Scheme (EIS)**.
- Tax relief of up to RM3,000 for fees paid to **registered child care centre or kindergarten** is **extended** until the year of assessment 2023.
- **Income tax exemption** on **recognised e-sports tournament** prize money.
- Special individual income tax relief for **domestic tourism expenses** up to RM1,000 be **extended** until year of assessment 2022.
- **Tax relief** up to RM2,500 on expenses related to **cost of installation, rental, purchasing including hire-purchase equipment or subscription fees for EV charging facilities**.
- Income tax is **imposed** to residents in Malaysia on **income derived from foreign sources and received in Malaysia** from 1 January 2022.
- Tax relief for **deferred annuity premium** payment be **extended** until the year of assessment 2025 (to be in line with the extension of the income tax relief for contribution in Private Retirement Scheme (PRS)).



Key Tax Proposals

Affecting Corporates and Businesses

- **Tax deduction** to employers on costs associated with the adoption of **self-funded booster vaccines**.
- **Double tax deduction** to companies that provide scholarships to students in institutions of higher learning:
 - i. the scope of qualifying studies be **expanded** to all fields of study at the Technical and Vocational, Diploma, Degree including Master's and Doctorate; and
 - ii. the tax incentive be **extended** for 4 years from the year of assessment 2022 to the year of assessment 2025.
- Tax incentive for the **Structured Internship Program** is **extended** until the year of assessment 2025 and this incentive is also **expanded** for students in the Master's Degree, Professional Certificate and Malaysian Skills Certificate Levels 1 and 2.
- Tax deduction of up to RM300,000 on the cost of **renovating and refurbishing business premises** is **extended** until 31 December 2022.
- For manufacturing and manufacturing-related service companies **registered under Safe@Work**, a further tax deduction of up to RM50,000 on rental expenses of employees' accommodation premises will be **extended** until 31 December 2022.
- Special tax deduction to the owners of buildings or business premises who provide **rental reduction to tenants of at least 30%** from the original rate be **extended** until June 2022.
- Treatment of **accumulated unabsorbed business losses**:
 - i. the current unabsorbed business losses that can be carried forward from year of assessment 2019 onwards be **extended** from a maximum period of 7 consecutive years of assessment to a maximum period of 10 consecutive years of assessment; and
 - ii. the accumulated unabsorbed losses up to the year of assessment 2018 that can be carried forward until the year of assessment 2025 be **extended** until the year of assessment 2028.
- The **Additional Reinvestment Allowance (RA)** provided for the year of assessment 2020 to year of assessment 2022 be **extended** for 2 years until year of assessment 2024 for existing companies in Malaysia that have exhausted RA and Special RA eligibility. Such extension will make up the total period of Additional RA to 5 years.
- Income tax exemption for **organizers of arts and cultural activities as well as international sports and recreational competitions** is **extended** for 3 years, ie. from the year of assessment 2023 until year of assessment 2025.
- **Income tax exemption on all income of Social Enterprises** up to 3 years of assessment based on the validity period of accreditation approved by the Joint Accreditation Committee by the Ministry of Entrepreneur and Cooperative Development and Yayasan Hasanah.
- **One-off tax** known as **Cukai Makmur**, companies with taxable income up to the first 100 million ringgit will be subject to income tax at the rate of 24 percent and the remaining taxable income will be subject to income tax at the rate of 33 percent for the year of assessment 2022
- Income tax is **imposed** to residents in Malaysia on **income derived from foreign sources and received in Malaysia** from 1 January 2022.



Key Tax Proposals

Affecting Corporates and Businesses (Cont.)

- Micro, Small and Medium Enterprises (MSMEs) with a paid-up capital of RM2.5 million and below with annual sales turnover not exceeding RM50 million will enjoy income tax rebate of up to RM20,000 for each year of assessment, for the first 3 years of assessment. The establishment and operational period for new MSMEs **including MSMEs that perform business activities through online platform** be **extended** to 31 December 2022 .
- Tax incentives for activities under **Digital Ecosystem Acceleration Scheme (DESAC)** is **expanded** as follows:
 - i. **Digital Technology Provider**
 - a. New company
Income tax rate of 0% to 10% for up to 10 years.
 - b. Existing company that diversifies in new service activities or new service segments
Income tax rate of 10% for up to 10 years.
 - ii. **Digital Infrastructure Provider**
Investment Tax Allowance (ITA) of 100% on capital expenditure for qualifying activities for up to 10 years which can be set-off against up to 100% of statutory income.
(For application received by Malaysian Investment Development Authority (MIDA) from 30 October 2021 to 31 December 2025.)
- Double tax deduction on operating expense of **Anchor companies that developed local vendors under the Vendor Development Programme (VDP)** and signed the Memorandum of Understanding (MoU) with the Ministry of International Trade and Industry (MITI) or the Ministry of Entrepreneur Development and Cooperatives (MEDAC) are **reviewed** as follows:
 - i. deductions for qualifying operating expenses be increased up to RM500,000 per year of assessment;
 - ii. the tax incentive be extended for 5 years for anchor companies that have signed MoU with MEDAC; and
 - iii. deductions are given for 3 consecutive years of assessment.

(For MoU signed between anchor companies and MEDAC from 1 January 2021 to 31 December 2025.)
- The scope on the purchase of qualifying green assets and green services qualifying for **Green Technology Tax Incentives** be **expanded** to include Rainwater Harvesting System (RHS) projects, verified by the Malaysian Green Technology Corporation (MGTC). To be eligible for Green Investment Tax Allowance (GITA) or Green Investment Tax Exemption (GITE), applications must be received by MIDA from 1 January 2022 to 31 December 2023.
- Tax incentive for individual income tax at a flat rate of 15% given to **non-resident individuals holding key positions** in companies investing in new strategic investments in Malaysia is **extended** for 1 year (for applications received by MIDA until 31 December 2022).



Key Tax Proposals

Indirect Tax

- 100% sales tax exemption on CKD passenger vehicles and 50% on CBU including SUV and MPV **extended** for six months until 30 June 2022.
- 100% stamp duty exemption on **restructuring or rescheduling of loan/financing agreement** **extended** to 31 December 2022.
- **Exemption on entertainment duty** for entertainment activities in all Federal Territories until 31 December 2022. State authorities are similarly advised to provide duty exemption on entertainment activities to support the recovery of this sector.
- **Full exemption on import duty, excise duty and sales tax exemptions** on **electric vehicles (EVs)**. Road tax exemptions of up to 100% will also be given to the vehicle owners.
- The rate of stamp duty on **contract notes** is **increased** from 0.1% to 0.15% and the stamp duty **limit** of RM200 for each related contract note is **abolished**. At the same time, brokerage **services related to the trading of shares** listed on Bursa Malaysia be **exempted** from service tax.
- Sales tax be **imposed** on goods not exceeding RM500 from **abroad sold online by seller and sent to consumers in Malaysia** via air courier service.
- Service tax is **levied** on delivery services provided by **service providers including e-Commerce platforms** except food and beverage delivery services and logistics services.
- The **Special Voluntary Recognition Program** of the Royal Malaysian Customs Department was **introduced** in phases with a penalty remission incentive of 100 per cent for the first phase and a penalty remission of 50 per cent for the second phase. Tax remission will also be considered in certain cases.
- For **P2P financing** made through P2P financing platform registered and recognised by the Securities Commission (SC), 100% **stamp duty exemption** on P2P loan/financing agreement between MSMEs and investors for P2P loan/financing agreement executed from 1 January 2022 to 31 December 2026.
- Extension of **stamp duty exemption** of one year for Micro, Small and Medium Enterprises (MSMEs) that carry out **merger or acquisition scheme** on instruments executed on the following documents:
 - i. contracts or agreements for the sale or lease of property (land, buildings, machinery and equipment);
 - ii. instrument of transfer and memorandum of understanding;
 - iii. loan or financing agreements; and
 - iv. the first rental agreement.

for application of merger or acquisition received by the Ministry of Entrepreneur Development and Cooperatives from 1 July 2021 to 30 June 2022 and instruments executed until 31 December 2022.
- **Tourism tax** exemption be **extended** for 1 year, from 1 January 2022 to 31 December 2022.



Key Tax Proposals

Real Property Gains Tax (RPGT)

- RPGT rate on gains from the disposal of real property and shares in real property company by an **individual citizen, permanent resident and other than a company** in the 6th year and onwards be **reduced** from 5% to 0%.

Tax Administration

- Deferment of income tax instalment payments for MSMEs for six months until 30 June 2022
- All businesses are allowed to amend the estimated income tax payable on the 11th month before 31 October 2022.
- The use of tax identification numbers (or TINs) will be implemented from 2022 to broaden the income tax base.

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