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Strategic Programme to Empower the People and Economy (PEMERKASA)

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On 17 March 2021, the Prime Minister unveiled the RM20 billion Strategic Programme to Empower the People and Economy (PEMERKASA). This follows the announcement of previous economic stimulus packages which were discussed in our earlier alerts (see *Take 5: Economic Stimulus Package 2020*, *Take 5: COVID-19: Second Economic Stimulus Package 2020*, *Special Tax Alert No. 6/2020*, *Take 5: COVID-19: Short-term Economic Recovery Plan* and *Special Tax Alert No. 1/2021*). PEMERKASA comprises 20 strategic initiatives to help spur the country's economic growth, support businesses and continuously provide targeted assistance to the people and sectors that are still affected by the COVID-19 pandemic.

The key tax measures are highlighted below.

Additional deduction for expenditure incurred on rental of premises and workers' dormitories

To incentivize companies to participate in the Safe@Work initiative and provide their employees with conducive work and living environments, it has been proposed that an additional deduction be given to manufacturing companies and manufacturing-related services companies for expenditure incurred on the rental of premises and workers' dormitories.



The qualifying expenditure eligible for the additional deduction is capped at RM50,000 for each company. The company must be registered with the Ministry of International Trade and Industry (MITI) and must pass the Safe@Work compliance audit. Registration for the Safe@Work programme will commence on 1 April 2021.

Further information on the Safe@Work initiative is available via the following link:

<https://www.miti.gov.my/redir/safeatwork/safeatwork.html>

Double deduction for COVID-19 screening costs

PEMERKASA reiterates the earlier announcement by the Finance Minister of Malaysia, Tengku Dato' Sri Zafrul Tengku Abdul Aziz, that employers would be eligible for a double deduction on COVID-19 screening costs incurred for their employees up to 31 December 2021 (see *Tax Alert No. 4/2021*). The Finance Minister had earlier announced that the costs eligible for double deduction would need to be incurred between 1 January and 31 December 2021, but PEMERKASA did not indicate the commencement date.

Expansion of scope of tax relief for domestic travel expenditure

Currently, a personal tax relief of up to RM1,000 is given to resident individuals for the following qualifying domestic travel expenses incurred between 1 March 2020 and 31 December 2021:

- (i) Accommodation expenses at premises registered with the Ministry of Tourism, Arts and Culture (MOTAC), and
- (ii) Entrance fees to tourist attractions

It has been proposed that the scope of the tax relief be expanded to include the purchase of tourism packages from travel agents registered with MOTAC. At this stage, it is unclear whether the overall relief cap will remain at RM1,000, or whether an additional RM1,000 relief will be provided for the purchase of tourism packages.

HRDF levy exemption

In Budget 2021, a six-month exemption from the payment of the Human Resource Development Fund (HRDF) levy was proposed, effective 1 January 2021. The exemption was only available to companies in the tourism sector and companies affected by the COVID-19 crisis. Thereafter, under the Perlindungan Ekonomi & Rakyat Malaysia (PERMAI) Assistance Package announced on 18 January 2021, it was proposed that the HRDF levy exemption be made available to companies that were unable to operate during the Movement Control Order (MCO) and Conditional Movement Control Order (CMCO) periods (see *Special Tax Alert No. 1/2021*).

Under PEMERKASA, it has now been proposed that the HRDF levy exemption be made available to affected companies in the tourism and retail sectors until June 2021.

Excise duty exemption on locally assembled motorcycles under the TEKUN Mobilepreneur programme

In order to support entrepreneurs in the informal sector, 100% excise duty exemption will be given on locally assembled motorcycles with an engine capacity of 150cc and below, under the TEKUN Mobilepreneur programme. This exemption is applicable from 1 April to 31 December 2021.

Extension of service tax and tourism tax exemption on accommodation premises

On 5 June 2020, the Prime Minister announced a Short-Term Economic Recovery Plan to support the recovery of the tourism sector and to alleviate the burden of operators of accommodation premises (i.e., hotels, inns, service apartments, homestays or any other establishments), by way of the following:

- ▶ **Service tax exemption** on accommodation services and any other relevant taxable services under Group A, First Schedule of the Service Tax Regulations 2018, and
- ▶ **Tourism tax exemption** for tourists staying in accommodation premises

The above service tax exemption and tourism tax exemption are extended to 31 December 2021, under PEMERKASA.

Entertainment duty exemption on entrance fee within the Federal Territories

Under PEMERKASA, it has been proposed that full entertainment duty exemption be given on entrance fees to theme parks, stage performances, sports events and movie screenings within the Federal Territories of Kuala Lumpur, Putrajaya and Labuan. However, there was no mention of the effective date.

Enhancement of the National Authorised Economic Operator (AEO) facility

In order to strengthen Malaysia's business environment, the National AEO programme has been enhanced to provide a green lane for eligible companies in the export and import business, as well as by shortening the investment application processing period.

Extension of Wage Subsidy Programme 3.0

The Wage Subsidy Programme (WSP) was introduced to help alleviate some of the financial burden of employers who did not retrench or reduce wages of employees earning RM4,000 and below, despite the economic hardship brought on by the COVID-19 pandemic. A summary of the WSPs announced previously is set out below:

Type	Applicable period	Sector(s)	Number of eligible employees (maximum per company)	Subsidy period
WSP 1.0	1 April 2020 to 30 September 2020	All sectors	200	6 months
WSP 2.0	1 October 2020 to 31 December 2020	All sectors	200	▶ 3 additional months for existing WSP recipients ▶ 6 months for new applicants
WSP 3.0 (Budget 2021)	1 January 2021 to 30 June 2021	Tourism and retail sectors only	500	▶ 3 additional months for existing WSP recipients ▶ 6 months for new applicants
WSP 3.0 (PERMAI Assistance Package)	19 January 2021 to 30 June 2021	All sectors operating in MCO states	500	▶ 1 month

Under PEMERKASA, it has been proposed that WSP 3.0 be extended by another three months with a more targeted approach, focusing on tourism, wholesale and retail traders, as well as other businesses (e.g. gymnasiums and spas) which were unable to operate during the MCO periods.

Other incentives for tourism and other affected sectors

To ease the burden and support the recovery of the tourism and other affected sectors, it has been proposed that:

- ▶ Companies in the tourism industry and selected industries (e.g. cinemas and spas) be allowed to defer their monthly tax instalment payments from 1 April until 31 December 2021
- ▶ The tax incentives for tour operators be extended until the year of assessment 2022

Contact details

Principal Tax

Yeo Eng Ping (EY Asia-Pacific Tax Leader)
eng-ping.yeo@my.ey.com
+603 7495 8288

Amarjeet Singh (EY Asean Tax Leader and Malaysia Tax Leader)
amarjeet.singh@my.ey.com
+603 7495 8383

People Advisory Services

Tan Lay Keng (EY Asean People Advisory Services Leader and Malaysia People Advisory Services Leader)
lay-keng.tan@my.ey.com
+603 7495 8283

Christopher Lim (EY Asean Immigration Leader)
christopher.lim@my.ey.com
+603 7495 8378

Irene Ang
irene.ang@my.ey.com
+603 7495 8306

Business Tax Services

Robert Yoon (EY Asia-Pacific Fixed Assets Services Leader)
robert.yoon@my.ey.com
+603 7495 8332

Wong Chow Yang
chow-yang.wong@my.ey.com
+603 7495 8349

Bernard Yap
bernard.yap@my.ey.com
+603 7495 8291

Global Compliance and Reporting

Julian Wong (EY Asean Global Compliance and Reporting Leader and EY Asean Managed Services Leader)
julian.wong@my.ey.com
+603 7495 8347

Farah Rosley
farah.rosley@my.ey.com
+603 7495 8254

Janice Wong (EY Asean Japan Business Services (JBS) Tax Leader)
janice.wong@my.ey.com
+603 7495 8223

Julie Thong
julie.thong@my.ey.com
+603 7495 8415

Liew Ai Leng
ai-leng.liew@my.ey.com
+603 7495 8308

Datuk Goh Chee San
(based in Sabah)
chee-san.goh@my.ey.com
+6088 532 000

Lee Li Ming
(based in Johor)
li-ming.lee@my.ey.com
+607 288 3299

Linda Kuang
(based in Kuching)
linda.kuang@my.ey.com
+6082 752 660

Mark Liow
(based in Penang)
mark.liow@my.ey.com
+604 688 1899

Jaclyn Tan (Payroll Operate Services)
jaclyn.tan@my.ey.com
+603 7495 8404

Contact details

International Tax and Transaction Services

Yeo Eng Ping

eng-ping.yeo@my.ey.com
+603 7495 8288

Amarjeet Singh

amarjeet.singh@my.ey.com
+603 7495 8383

Sockalingam Murugesan (EY Asean Transfer Pricing Leader and Malaysia Transfer Pricing Leader)

sockalingam.murugesan@my.ey.com
+603 7495 8224

Anil Kumar Puri

anil-kumar.puri@my.ey.com
+603 7495 8413

Asaithamby Perumal

asaithamby.perumal@my.ey.com
+603 7495 8248

Sharon Yong

sharon.yong@my.ey.com
+603 7495 8478

Sam Barrett (Operating Model Effectiveness)

sam.barrett@my.ey.com
+603 7495 8555

Gary Ling (Transfer Pricing)

gary.ling@my.ey.com
+603 7495 8388

Hisham Halim (Transfer Pricing)

hisham.halim@my.ey.com
+603 7495 8536

Vinay Nichani (Transfer Pricing)

vinay.nichani@my.ey.com
+603 7495 8433

Indirect Tax

Yeoh Cheng Guan

cheng-guan.yeoh@my.ey.com
+603 7495 8408

Aaron Bromley

aaron.bromley@my.ey.com
+603 7495 8314

Jalbir Singh Riar

jalbir.singh-riar@my.ey.com
+603 7495 8329

Financial Services

Koh Leh Kien

leh-kien.koh@my.ey.com
+603 7495 8221

Bernard Yap

bernard.yap@my.ey.com
+603 7495 8291

Gary Ling (Transfer Pricing)

gary.ling@my.ey.com
+603 7495 8388

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