



# Budget 2020 Tax snapshots

Friday, 11 October 2019

## Highlights

The 2020 Budget was announced on Friday, 11 October 2019. The theme of this year's Budget is "**Driving Growth and Equitable Outcomes Towards Shared Prosperity**" which proposes four (4) focus areas and 15 key strategies to bring stability to the Government's finances, with a new growth trajectory under the foundation of "Shared Prosperity Vision 2030".

The tax highlights of Budget 2020 include:

- ▶ Introduction of a new 30% tax bracket for individuals, on chargeable income above RM2 million
- ▶ Customised tax incentives for Fortune 500 companies, global unicorns and Malaysian export-oriented businesses
- ▶ Enhanced tax incentives for Electrical & Electronics (E&E) and tourism sectors. The tax incentives for the E&E sector include special investment tax allowance for companies which have previously enjoyed reinvestment allowance.
- ▶ Introduction of a Tax Identification Number (TIN) for all companies as well as individuals above 18 years of age
- ▶ Cost base of property disposed after 5 years by citizens and permanent residents will be based on the market value on 1 January 2013.

Please find below a snapshot of the [key tax proposals](#) based on the Budget 2020 speech.

# Proposals affecting businesses / industries

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## Tax Identification Number (TIN)

With effect from January 2021, the Government will introduce TIN for all businesses as well as individuals above 18 years of age.

## Tax incentives for Electrical & Electronics (E&E) industry

- ▶ Income tax exemption of up to 10 years to E&E companies investing in selected knowledge-based services
- ▶ Special Investment Tax Allowance (ITA) of 50% on qualifying capital expenditure incurred within a period of five (5) years. This ITA can be set-off against 50% of statutory income for each year of assessment (YA), to encourage companies in the E&E sector that have exhausted the Reinvestment Allowance to continue to invest in Malaysia. This is applicable for applications received by the Malaysian Investment Development Authority (MIDA)

## Tax incentive for development of Intellectual Property (IP)

- ▶ Tax exemptions will be given on IP-generated income for a period of up to 10 years. Applicable for applications received by the MIDA from 1 January 2020 until 31 December 2022.

## Customised tax incentive

Customised tax incentive packages totaling RM10 billion for a period of five (5) years:-

1. To attract Fortune 500 companies and global unicorns in the high technology, manufacturing, creative and new economic sectors
2. To transform Malaysian export-oriented businesses

## Arts and Tourism sector

- ▶ Income tax exemption of 50% for organisers of approved arts and cultural activities and approved international sports recreational competitions
- ▶ Income tax exemption of 100% for entities whose main activities are other than promoting and organizing conferences, provided that the organizer brings in at least 500 foreign participants annually
- ▶ New investments in international theme park projects will be given income tax exemption of 100% of statutory income, or 100% Investment Tax Allowance to be utilized against 70% of statutory income, for five (5) years.
- ▶ Tax deductions given to companies sponsoring local arts, cultural and heritage activities in Malaysia increased from RM700,000 to RM1 million per year, effective YA2020
- ▶ Accelerated Capital Allowance (20% initial allowance and 40% annual allowance) for expenditure incurred on the purchase of new locally-assembled excursion buses.
- ▶ Excise duty exemption of 50% on purchase of new locally-assembled vehicles used for tourism

# Proposals affecting businesses / industries

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## Extension / expansion of existing tax incentives

- ▶ The first RM600,000 (instead of RM500,000) of the chargeable income of SMEs will be subject to the preferential 17% tax rate.
- ▶ The incentive application period for manufacturing companies incurring qualifying capital expenditure on automation equipment has been extended for another three (3) years.
- ▶ Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) incentives will be extended to 2023 and extended to solar leasing activities.
- ▶ Existing tax incentive for structured internship programmes is expanded to include Bachelor degrees, diplomas and vocational level in all academic fields.
- ▶ Tax incentive for companies participating in National Dual Training Scheme is extended for another two (2) years.
- ▶ Income tax deduction on repayment of Perbadanan Tabung Pendidikan Tinggi Nasional loan amounts by employers on behalf of employees is extended for a period of two (2) years.
- ▶ The existing tax treatment for investors in Real Estate Investment Trusts (REITs) is extended for another six (6) years.
- ▶ Existing tax incentives for issuance of Sukuk Wakalah and Sustainable and Responsible Investments (SRI) Sukuk are extended for another five (5) years and three (3) years respectively. Tax exemption on income from managing SRI and Shariah compliant funds has also been extended for another three (3) years.

## Other proposals

- ▶ Full capital allowance claim for small value assets of RM2,000 or less - For non-SMEs, the maximum deduction is restricted to RM20,000.
- ▶ Tax deduction for Corporate Social Responsibility activities is now expanded to include expenses incurred for environmental preservation and conservation projects for heritage buildings.
- ▶ Expenses of up to RM1.5 million incurred for listing of technology-based companies and SMEs on the ACE and LEAP markets of Bursa Malaysia will be allowed a deduction.

## Proposals affecting individuals

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### Introduction of new 30% tax bracket for high-income earners and non-residents

For individuals with chargeable income exceeding RM2 million, a new 30% tax bracket is introduced, i.e. a two (2) percentage point increase from the current tax rate of 28%. For non-resident individuals, the tax rate has also increased from 28% to 30%. This is effective from YA2020.

### Introduction of new departure levy rebate for individual performing umrah and pilgrimage

An income tax rebate is introduced for departure levy imposed on outbound air passengers performing umrah and pilgrimage to holy places. This tax rebate can be claimed twice in a lifetime.

## Indirect tax

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GST will not be re-introduced. Digital Service Tax will be implemented effective from 1 January 2020.

### Service Tax (effective 1 January 2020)

- ▶ Intragroup exemption is relaxed by allowing the company to also provide professional taxable services to a third party. This is provided that income from the third party does not exceed 5% of the total value of services provided by the company within 12 months.
- ▶ Training and coaching services to disabled persons are exempted from Service Tax.

### Sales Tax (effective 1 July 2020)

- ▶ Full sales tax exemption to traders and manufacturers of exempted goods upon importation / purchase, without the requirement to reconcile the importation / purchase with the quantity of goods to be exported.

### Customs, Excise, and Entertainment Duty

- ▶ Decrease of export duty rate for crude palm oil, effective 1 January 2020
- ▶ Full entertainment duty exemption given on admission tickets for stage performances by local and international artists held at any venue in KL, Labuan and Putrajaya, subject to local authorities' approval.

### Extension of existing personal tax reliefs and exemptions

- ▶ Application period for income tax exemption submitted to TalentCorp by women returning to the workforce is extended to 31 December 2023.
- ▶ Tax relief for fees paid to approved child care centres and kindergartens is increased from RM1,000 to RM2,000.
- ▶ Tax relief for medical expenses expanded to include the cost of fertility treatment.
- ▶ Tax deduction for individuals making cash donations to charitable and sports activities, as well as projects of national interest, is increased from 7% to 10% of aggregate income.
- ▶ Scope of abovementioned tax deduction expanded to include cash wakaf contributions to state religious authorities, bodies established by the state religious authorities to administer wakaf, and public universities approved by the state religious authorities to receive wakaf and cash endowment contributions to public universities. Such scope expansion also applies to contributions by companies.

## Other taxes

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### Review of acquisition price of real property

Previously, where real property was disposed, the acquisition price for Real Property Gains Tax (RPGT) purposes was deemed to be the market value on 1 January 2000. Effective from 12 October 2019, the acquisition price will be revised to the market value on 1 January 2013, with respect to disposals after five (5) years by Malaysian citizens and permanent residents.

### Proposals affecting stamp duty

- ▶ Introduction of rent-to-own ("RTO") financing scheme whereby the Government will provide stamp duty exemptions on the instruments of transfer between the developer and financial institution for SPAs executed between 1 January 2020 and 31 December 2022, and between financial institution and the buyer in the RTO scheme for SPAs executed between 1 January 2020 and 31 December 2022
- ▶ The stamp duty remittance of 50% for instrument of transfer of real property between parent and child, and vice versa, is limited to Malaysian citizens only.
- ▶ Maximum stamp duty on foreign currency loan agreements is increased from RM500 to RM2,000, for loan agreements executed from 1 January 2020.

# EY 2020 Budget and Tax Conference

**Date:**

Thursday,  
17 October 2019

**Time:**

8:00 a.m. - 5:00 p.m.

**Venue:**

Mandarin Oriental Kuala Lumpur

**Registration**

To register your attendance, please send the completed registration form to [seminar@my.ey.com](mailto:seminar@my.ey.com) by **14 October 2019**

**For more information**

Contact:

Sheblyn Hasnita

Jan Lim

Abdul Maji

+603 2388 7361

+603 7495 8458

E-mail:

[seminar@my.ey.com](mailto:seminar@my.ey.com)

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