

## **ECONOMIC STIMULUS PACKAGE 2020**

*“Bolstering Confidence, Stimulating Growth, Protecting Jobs”*

**27 FEBRUARY 2020**

### **FOREWORD**

*The global economic prospect which was weakened by the prolonged trade conflict between the United States and China, was further dampened following the outbreak of the Coronavirus Disease 2019 (COVID-19) in early 2020. With China being a leading trading partner of Malaysia, our economy has been adversely affected by COVID-19. Consequently, Malaysia experienced a sharp decline in tourists particularly from China which impacted the tourism industry as well as tourism related sectors.*

*On 27 February 2020, the Government of Malaysia has proactively introduced a RM20 billion Economic Stimulus Package themed “Bolstering Confidence, Stimulating Growth and Protecting Jobs”. The stimulus package focuses on improving the cashflow of affected businesses, stimulating private consumption as well as accelerating domestic investment activities.*

*The key changes are as follow:*

- *Changes affecting Direct Tax*
- *Changes affecting Indirect Tax*
- *Loans & government spending*
- *Government grant & subsidies*
- *Others*

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## CHANGES AFFECTING DIRECT TAX

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### ***Stamp duty on restructuring of loans***

*Stamp duty exemption of 100% will be given on loan agreements arising from such restructuring and rescheduling of business loans between borrowers and financial institutions.*

### ***Double Deduction for training expenses***

*Companies are encouraged to send employees for training in courses relating to tourism industry, hotel operators or tour operating business approved by the Ministry of Tourism, Arts and Culture (MOTAC).*

### ***Tax deduction on equipment provided to employees***

*Expenses incurred by companies to provide employees with disposable Personal Protective Equipment (PPE) such as face masks are eligible for tax deduction.*

### ***Deferment of tax estimation***

*Businesses in the tourism industry such as travel agencies, hoteliers and airlines will be given a deferment of their monthly tax instalments for six (6) months from 1 April 2020 to 30 September 2020. Other businesses affected by current economic developments, will be allowed to revise their monthly tax instalments earlier, on taxable amount due in the third month of instalments, should the third instalment falls in the year of 2020.*

### ***Double deduction for establishment of regional office***

*International shipping companies that established and operate business in Malaysia be given double deduction on pre-commencement expenditure for setting up regional offices in Malaysia.*

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## **CHANGES AFFECTING DIRECT TAX — CONT'D**

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### ***Special income tax relief on domestic travel***

*A special income tax relief of up to RM1,000 will be provided to individuals for expenses on domestic tourism made from 1 March 2020 to 31 August 2020, but limited to accommodation expenses at premises registered with Ministry of Tourism, Arts and Culture Malaysia (MOTAC) and entrance fees to tourist attractions.*

### ***Accelerated Capital Allowance (ACA) for machinery and equipment including ICT equipment***

*Qualifying capital expenditures on machinery and equipment including ICT equipment are given ACA which can be claimed within a two year period (IA: 20%, AA: 40%) for expenses incurred from 1 March 2020 to 31 December 2020.*

### ***Securities Commission and Bursa Malaysia will waive their listing fees***

*Both the Securities Commission and Bursa Malaysia will waive for a period of 12 months, their listing fees for companies seeking listing on LEAP or ACE Market, as well as companies with market capitalization of less than RM500 million seeking listing on the Main Market.*

### ***Special tax deduction on costs of renovation & refurbishment***

*Businesses that undertake renovation and refurbishment for business premises will be given tax deduction on qualifying expenditures incurred from 1 March 2020 to 31 December 2020 (restricted to RM300,000).*

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## CHANGES AFFECTING INDIRECT TAX

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### ***Service tax exemption (hotels)***

*Service tax provided by operators of accommodation premises are exempted from levying service tax on taxable services provided for a period of six (6) months commencing 1 March 2020.*

### ***Duty-free goods***

*The eligibility period for the purchase of duty-free goods by tourists or individuals entering Malaysia is reduced from 72 hours to 48 hours and the threshold for duty-free goods is increased from RM500 to RM1,000 from 1 April 2020.*

### ***Port operators***

*Port operators will be given import duty and sales tax exemption on imported or locally purchased of equipment and machinery used directly in port operation from 1 April 2020 to 31 March 2023.*

### ***Licensed Manufacturing Warehouse (LMW) and Free Industrial Zone (FIZ)***

*The approval and facilitation process of LMW and FIZ in conducting value-added activities to be improved and simplified at the RMCD level and the list of approved activities to be expanded.*

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## **LOANS & GOVERNMENT SPENDING**

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### ***Restructuring and rescheduling of loans***

*All financial institutions will provide financial relief to viable borrowers by restructuring or rescheduling loans, including potentially payment moratoriums.*

### ***Special Relief Facility (SRF) for Covid-19***

*BNM will establish a RM2 billion Special Relief Facility, which will be offered through commercial banks as loans for working capital at an interest rate of 3.75% per annum to borrowers.*

### ***Employment Insurance System (EIS)***

*EIS will relax the eligibility criteria for retrenched workers from affected sectors, such as waiving the minimum requirement of three (3) months contribution. EIS will be enhanced by increasing the training fee ceiling from RM4,000 to RM6,000 and provide trainees with a training allowance of RM30 per day.*

### ***Micro credit scheme***

*BSN will offer a RM200 million micro-credit scheme for companies in the tourism and other affected sectors at an interest rate of 4%.*

### ***Small scale projects nationwide***

*Government will allocate close to RM2 billion worth of projects which will be carried out at various levels including Federal, State and Local Governments.*

### ***SME Automation and Digitalization Facility (ADF)***

*BNM to establish RM300 million ADF for SMEs to upgrade, modernize and rejuvenate their productive assets. Tenure offered will be up until 10 years and RM3 million per SME. Financing will be offered at up to 3.75% interest p.a.*

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## **LOANS & GOVERNMENT SPENDING — CONT'D**

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### ***Accelerating public investment***

- *On development expenditure projects, the Government will ensure that allocations are channeled to implementing agencies by the 1st quarter and in addition, Ministry of Finance will oversee the procurement plans of ministries to ensure timely implementation.*
- *Malaysian Communications And Multimedia Commission (MCMC) will spend in 2020 an estimated RM3 billion on works relating to the National Fiberisation and Connective Programme.*
- *Ministry Of Energy, Science, Technology, Environment And Climate Change (MESTECC) will open for bids in 2020, a quota of 1,400 MW of solar power generation, which is expected to translate to RM5 billions of investments.*
- *Government linked companies will focus on accelerating capital expenditure particularly works with higher local content.*

### ***Agrofood***

- *BNM expanded fund utilization specifically for SMEs involved in food production at the size of RM1 billion that can be used not only for working capital but also for capital expenditure. Fund will be offered at maximum 8 years tenure, financing rate at 3.75% and RM5 million per SMEs.*
- *The Government will allocate RM40 million towards helping SMEs involved in agriculture and food production enhance their incomes.*

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## **LOANS & GOVERNMENT SPENDING — CONT'D**

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### ***Securities Commission Co-investment fund of RM500 million***

*The Government through Government Linked Investment Companies (GLIC) will co-invest up to RM500 million alongside private investors in early stage and growth stage Malaysian companies. The fund will be provided on a matching basis involving at least RM1.5 billion of private funds.*

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## **GOVERNMENT GRANT & SUBSIDIES**

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### ***Discounts vouchers and tourism promotion***

*To offer discount vouchers up to RM100 per person, Galakan Melancong Malaysia (GAMELAN) matching grant and tourism promotion.*

### ***One-off cash incentive of RM600***

*Government will provide a one-off cash incentive of RM600 in April 2020 to taxi drivers, tour bus drivers, tour guides and trishaw drivers who are active and registered since 31 December 2019.*

### ***Special allowance for civil servants directly involved COVID-19***

*Government servant who are directly exposed to coronavirus risk in performing duty will be given a special allowance of RM400 per month for doctors and other medical personnel and RM200 for frontline personnel, namely Immigration officers at entry points directly involved in the management and containment of this outbreak. The allowance is payable effective from 1 February 2020 until the outbreak is contained.*

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## GOVERNMENT GRANT & SUBSIDIES — CONT'D

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### *Bantuan Sara Hidup (BSH) enhancements*

- *Bring forward BSH payment of RM200 scheduled by May 2020 to be paid in March 2020.*
- *Additional one-off cash payment of RM100 will be made to all BSH recipients in May 2020.*
- *A further RM50 will be subsequently channeled through e-tunai.*

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## OTHERS

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### *Exemption from Human Resources Development Fund (HRDF) Levy*

*An exemption from HRDF levies for a period of six (6) months effective 1 April 2020 to 30 September 2020 will be given. The eight (8) categories of businesses covered by this exemption are air travel, domestic ground transport, convention centres, shopping mall, travel tour operators, hotels, franchises & hypermarkets.*

### *Electricity discount of 15%*

*For a period of six (6) months from 1 April 2020 to 30 September 2020, a special discount of 15% on monthly electricity bills will be given to six categories of businesses, namely hotel operators, travel agencies, local airline offices, shopping malls, convention centres and theme parks.*

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## **OTHERS — CONT'D**

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### **Skills Training Fund**

*The Government will provide HRDF with a matching grant of RM100 million on a one to one basis, prioritizing training for sectors affected by COVID-19, which includes hotels, tourism and retail.*

*The Government will provide a further RM50 million to provide a subsidy towards financing short courses, particularly in digital skills.*

*The Government will provide an allocation of RM20 million to fund short courses focusing on TVET skills training.*

*Institusi Latihan Kemahiran Awam (ILKA/public training institution) will be encouraged to conduct short courses in collaboration with industry. The ILKA trust accounts can be utilized to collect revenue on such courses and for related expenses such as material consumables and also where relevant to enable recruitment of trainers from industry.*

### **Government use of hotels**

*The Government will now relax Circular PB 3.1 “Garis Panduan Langkah-langkah Mengoptimumkan Perbelanjaan Kerajaan” with regards to use of hotels but subject to ministries and agencies using their existing allocation without requiring additional funds.*

### **Hospital equipment outbreak**

*An allocation of RM150 million was approved in providing thermal scanners at point of entries and all other equipment and consumables identified by the Ministry of Health.*

### **Reduction in Employee Provident Fund (EPF) Employee Contribution**

*For the period of nine months from 1 April to 31 December 2020, the minimum employee contribution to the EPF will be reduced by 4% from 11% to 7%.*

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