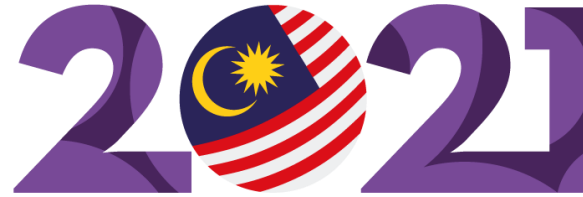


# 2021 Budget Malaysia

6 November 2020





**Kesejahteraan Rakyat  
(Rakyat's Prosperity)**

**Kelangsungan Perniagaan  
(Business Opportunity)**

**Ketahanan Ekonomi  
(Economic Resilience)**

*"Achieving Success Together"*

Budget 2021 is an expansionary budget. It will be especially important for Malaysians to be able to mitigate the unpredictable effect of the Covid-19 pandemic.

The Budget 2021 is themed as 'Rakyat's Prosperity, Business Continuity, Economic Resilience' to focus on the people and the business segments in hope to spur the national economy.

It will be a tough year ahead, as the government has to strike a balance between taking care of the people, especially the vulnerable, creating and protecting jobs and livelihoods, paving the way for sustainable growth and positioning us, Malaysians to be nimble enough to seize and realize opportunities. Remember, we are not alone.

Stay safe and stay healthy. Malaysia Boleh!

Budget 2021 is one of the most anticipated Budget for Malaysians especially during this unprecedented crisis in the wake of Covid-19 pandemic and global economy. Many of us expects that this year's Budget announcement will help to boost the economic growth in our beloved Country.

Earlier this year, Malaysia Government has announced in phases Economic Stimulus Packages, using 6R approach resolve, resilience, restart, recovery, revitalize and reform. In year 2021, total expenditure will be the largest in history with the value of RM 322.5 billion. Malaysia Government will allocate RM 236.5 billion for operating expenditure, RM 69 billion for development expenditure and RM 17 billion for the Covid-19 Fund.

We are pleased to present some of the salient tax aspects of Budget 2021 proposal. We believe that the Budget 2021 will play a vital roles in supporting Public and reviving our Country's microeconomics and macroeconomics.

*"Achieving Success Together"*

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# Budget Highlights – Personal Tax

**1.** Tax relief for medical treatment expenses covering vaccination expenses such as Pneumococcal, Influenza and Covid-19

**2.** Increase in tax relief on medical treatment for serious illness

**3.** Increase in tax relief on full health examination expenses from RM 500 to RM 1,000

**4.** Decrease in personal income tax rate

**5.** Increase in income tax exemption limit for compensation for loss of employment

**6.** Relief for tuition fees

**7.** Income tax deduction for unit holders that endow units into ASNB wakaf fund

**8.** Special income tax treatment at a flat rate of 15% for a period of 5 years to non-resident individuals holding key positions for strategic new investment by companies relocating their operations to Malaysia

**9.** Income tax exemption for individual investors which take part in financing through Equity Crowd Funding platform

# Budget Highlights – Corporate Tax

- 1.** Special tax rate to selected manufacturing and services sector companies
- 2.** Preferential tax rate of 0% to 10%
- 3.** Income tax exemption for the export of private healthcare services

**4.** Further tax deductions on remuneration given to employers who employ senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependents

**5.** Income tax exemption for SRI green sukuk grant is extended to all types of sukuk and bonds

# Budget Highlights – Tax Incentives

- 1.** Relaxation of tax incentive conditions for Principal Hub and the incentive will be extended until 31 December 2022
- 2.** New tax incentive for the establishment of Global Trading Centre at a concession rate of 10% for a period of 5 years and renewable for another 5 years
- 3.** Extension of tax incentives until year 2022

- 4.** Tax incentives for the East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor
- 5.** Tax incentives for non-resource based R&D product commercialization activities
- 6.** Tax incentives for commercialization of R&D product by public research institutions

# Budget Highlights – Other taxes

**1.** Full stamp duty exemption given for the purchase of the first residential house worth up to RM 500,000

**2.** Stamp duty exemption given to rescuing contractors and original house purchaser

**3.** Sales tax exemption for the purchase of locally assembled bus including air conditioner

**4.** Imposition of tax on the importation of cigarettes with drawback facility

**5.** Making cigarettes and tobacco products as taxable goods in all Duty-free Islands and any free zones that have been permitted retail sales of duty free cigarettes

**6.** Imposition of excise duty effective from 1 January 2021

# Personal Tax

## Tax relief for medical treatment expenses covering vaccination expenses such as Pneumococcal, Influenza and Covid-19

- i. Limited to RM 1,000 for self, spouse and children

## Increase in tax relief on medical treatment for serious illness

- i. From RM 6,000 to RM 8,000 for self, spouse and children

## Increase in tax relief on full health examination expenses from RM 500 to RM 1,000

## Decrease in personal income tax rate

- i. 1% reduction for chargeable income band of RM 50,001 to RM 70,000

## Increase in income tax exemption limit for compensation for loss of employment

- i. From RM 10,000 to RM 20,000 for every completed year of service for years of assessment 2020 and 2021

## Relief for tuition fees

- i. Expanded to cover expenditures incurred for attending up-skilling courses provided by certified bodies
- ii. Limited to RM 1,000 for each year of assessment

## Income tax deduction for unit holders that endow units into ASNB wakaf fund

**Special income tax treatment at a flat rate of 15% for a period of 5 years to non-resident individuals holding key positions for strategic new investment by companies relocating their operations to Malaysia**

## Income tax exemption for individual investors which take part in financing through Equity Crowd Funding platform

- i. Income tax exemption of 50% of the investment amount or limited to RM 50,000

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# Corporate Tax

## Special tax rate to selected manufacturing and services sector companies

- i. For manufacturing companies which relocate businesses to Malaysia and bring in new investments until 31 December 2022
- ii. The scope will also be extended to companies in the selected services sector which have a significant multiplier effect by providing an income tax rate of 0% to 10% for a period of 10 years

## Preferential tax rate of 0% to 10%

- i. For manufacturers of pharmaceutical products including vaccines to invest in Malaysia

## Increase tax exemption for the export of private healthcare services

- i. Extended until the year of assessment 2022

## Further tax deductions on remuneration given to employers who employ senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependents

- i. Extended until the year of assessment 2025

## Income tax exemption for SRI green sukuk grant is extended to all types of sukuk and bonds

- i. Extended until the year of assessment 2025

# Tax Incentives

**Relaxation of tax incentive conditions for Principal Hub and the incentive will be extended until 31 December 2022**

**New tax incentive for the establishment of Global Trading Centre at a concession rate of 10% for a period of 5 years and renewable for another 5 years**

## **Extension of tax incentives until year 2022**

- i. For MRO activities for aerospace, building and repair of ships, Bionexus status and economic development corridor developments

**Tax incentives for the East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor**

- i. Extended until year 2022

**Tax incentives for non-resource based R&D product commercialization activities**

- i. Tax incentives will be reintroduced to create competitive R&D ecosystem

**Tax incentives for commercialization of R&D product by public research institutions**

- i. Will be extended to private higher education institutions

# Other Taxes

## Full stamp duty exemption given for the purchase of the first residential house worth up to RM 500,000

- i. Exemption is given on instrument of transfer and loan agreement
- ii. For Sale & Purchase Agreement executed from 1 January 2021 to 31 December 2025

## Stamp duty exemption given to rescuing contractors and original house purchaser

- i. For loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing projects certified by the Ministry of Housing and Local Government

## Sales tax exemption for the purchase of locally assembled bus including air conditioner

- i. Extended for a period of 2 years with effect from 1 January 2021 to 31 December 2022

## Imposition of tax on the importation of cigarettes with drawback facility

- i. For the purpose of re-export

## Making cigarettes and tobacco products as taxable goods in all Duty-Free Islands and any free zones that have been permitted retail sale of duty free cigarettes

## Impose of excise duty effective from 1 January 2021

- i. 10% on all types of electronic and non electronic cigarette devices Including vape
- ii. 40% per milliliter on electronic cigarette liquids

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