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Malaysia's Budget Highlights 2021

2021 Budget: 'Resilient as One, Together we Triumph'.



Expansionary Budget

On 6 November 2020, the Minister of Finance Tengku Datuk Seri Zafrul Abdul Tengku Abdul Aziz unveiled the annual budget speech for 2021, which is the first Budget tabled by Mr Muhyiddin's administration (the "**Budget**"). The expansionary Budget targets domestic activity amid the backdrop of the

unprecedented economic challenge presented by the COVID-19 pandemic.

The Budget 2021 represents the 5th R in the government's 6R strategy, namely Resolve, Resilience, Restart, Recovery, Revitalise, and Reform. The new Budget 2021 therefore continues the previous 2020 Economic Stimulus Package

(MYR 20 billion), PRIHATIN (MYR 250 billion), PRIHATIN for SMEs (MYR 10 billion) and PENJANA (MYR 35 billion).

The Budget 2021 is worth MYR 322.54, equivalent to 20.6% of the gross domestic product ("GDP"), and is the largest budget ever announced in Malaysia. The Budget is allocated as follows:

- Operational expenditure: MYR 236.54 billion;
- Development expenditure: MYR 69 billion; and
- COVID-19 Fund: MYR 17 billion.

Despite the large fiscal deficit in 2020 (6% of the GDP) and the projected fiscal deficit for 2021 being 5.4% of the GDP, Malaysia's economy is expected to respond positively to the government's 6R strategy and see growth of 6.5 to 7.5% next year. In 2021, government revenue is expected to be MYR 236.9 billion (up 4.2%). The Malaysian government has therefore tabled this Budget 2021 as targeting the protection of the earnings, welfare and financial recovery of both individuals and businesses, without introducing any new taxes to bridge the 2020 deficit.

Three pillars: Rakyat's well-being, businesses continuity and economic resilience

The Budget is formulated on the government's prevailing approach to dealing with the pandemic and its economic consequences, which is summarised by three pillars: Rakyat's well-being, businesses continuity and economic resilience. According to the Finance Minister, the Budget strives to balance healthcare capacity needs, while building upon the current economic recovery momentum and developing better resilience for the future.

Among the proposals announced in the Budget Speech are the following significant measures:

■ For individuals

Emphasis is placed on the well-being of the Rakyat and measures are aimed at helping individuals recover from the impact of the pandemic through tax relief, increased training, creation of job opportunities and financial aid. Notably, the Ministry of Education receives the largest allocation of MYR 50.4 billion or 15.6% of the total Government expenditure, thus enhancing access to quality education. Other key strategies include a reduction in personal income tax, targeted wage subsidies, MySTEP (a short-term employment programme), improving digital connectivity and providing significant funding for health (both physical and mental) programmes, such as MySalam and the Healthy Malaysia National Agenda.

■ For businesses

The focus of the Government will be to build on the continuity of the now-evolved business environment through facilitating access to investment funds and financing, in addition to empowering key sectors, such as agriculture, commodity, tourism and technology. Key measures include encouraging the production of locally manufactured products, micro credit financing worth nearly MYR 1.2 billion and significant funding for the tourism sector infrastructure, including MYR 50 million to provide training and placements for airline company employees.

■ For the economy

The third goal of the Budget is economic resilience and it will be aligned with the priorities of the Twelfth Malaysian Plan and the Shared Prosperity Vision 2030. Despite the lower revised revenue, the government has increased expenditure to finance the stimulus package and economic recovery. In addition to the expansionary budget, key strategies include focusing on sustainability of the government revenue (the Budget is aligned with the 17 Sustainable Development Goals) and allocating funding for regional development.

Tax measures announced in the Budget 2021

The table below contains some of the major tax measures announced in the Budget 2021 for businesses and individuals. These tax measures are only proposals and remain subject to the vote of the Malaysian Parliament.

Subject matter	Nature of the proposal	Effective date	Details of the proposal
A. BUSINESSES			
I. Tax Incentives			
Tax incentive for Equity Crowd Funding	New	For investments made from 1 January 2021 to 31 December 2023	<p><u>Current position:</u> Tax incentives exist for companies and individuals that make investments in companies as follows:</p> <ul style="list-style-type: none"> ■ Investment in Venture Capital (“VC”), under which companies or individuals with business income from investment in VC are given tax deduction equivalent to the investment amount in VC, ■ Investment in Venture Capital Company (“VCC”), under which companies or individuals with business income from investment in VCC are given tax deduction equivalent to the investment amount made in VCC, limited to a maximum of MYR 20 million per year, and ■ Angel Investor, under which an angel investor who invests in an investee company is given tax exemption equivalent to the investment amount made. <p><u>Proposition:</u> To encourage individual investors to invest in the Equity Crowd Funding (“ECF”), the Budget 2021 proposes that individual investors be given income tax exemption on aggregate income equivalent to 50% of the investment amount, subject to the following:</p> <ul style="list-style-type: none"> ■ The exemption is limited to MYR 50,000 for each year of assessment, ■ The deduction is limited to 10% of the aggregate income for that year of assessment, ■ The investor, investee company and amount of investment must be verified by the Securities Commission Malaysia, ■ The investor must not have any family relationship with the investee company, ■ The investment must be made through an ECF platform approved by the Securities Commission Malaysia, and ■ The investment must not be disposed of, in full or in part, within 2 years from the date of investment.

Subject matter	Nature of the proposal	Effective date	Details of the proposal																
Review of tax incentive for companies relocating their operations to Malaysia and undertaking new investments	Revision of the tax incentive introduced by PENJANA plan	<p>For applications received by the MIDA:</p> <ul style="list-style-type: none"> by 31 December 2022 for the manufacturing sector from 7 November 2020 until 31 December 2022 for selected service sectors. 	<p><i>Current position:</i> In the PENJANA plan, the government has put in place the following incentives to attract foreign companies in the manufacturing sector (subject to conditions being met):</p> <table border="1"> <thead> <tr> <th rowspan="2">Investment in fixed asset</th> <th colspan="2">New companies</th> <th colspan="2">Existing companies</th> </tr> <tr> <th>Tax incentive</th> <th>Period</th> <th>Tax incentive</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>MYR 300 million to MYR 500 million</td> <td rowspan="2">Income tax rate 0%</td> <td>10 years</td> <td rowspan="2">Investment tax allowance 100%</td> <td rowspan="2">5 years</td> </tr> <tr> <td>Above MYR 500 million</td> <td>15 years</td> </tr> </tbody> </table> <p><i>Proposition:</i> To further attract foreign companies, the Budget 2021 proposes that:</p> <ul style="list-style-type: none"> The application period be extended for another year (until 31 December 2022), The scope of tax incentives be expanded to companies in selected service sectors, including companies adapting Industrial Revolution 4.0 and digitalisation technology for certain investments, and The new incentives be as follows: <ul style="list-style-type: none"> 0% to 10% tax rate for a period up to 10 years for new company, and 10% tax rate for a period up to 10 years for existing company with new services segment. 	Investment in fixed asset	New companies		Existing companies		Tax incentive	Period	Tax incentive	Period	MYR 300 million to MYR 500 million	Income tax rate 0%	10 years	Investment tax allowance 100%	5 years	Above MYR 500 million	15 years
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MYR 300 million to MYR 500 million	Income tax rate 0%	10 years	Investment tax allowance 100%	5 years															
Above MYR 500 million		15 years																	
Tax incentive for Global Trading Centre	New	For applications received by MIDA from 1 January 2021 to 31 December 2022	<p>A new incentive scheme, namely Global Trading Centre, is proposed for companies* to benefit from 10% income tax rate for a period of 5 years and renewable for another 5 years.</p> <p>*Further guidance regarding the eligibility criteria is expected from MIDA.</p>																

Subject matter	Nature of the proposal	Effective date	Details of the proposal
Review of tax incentive for Principal Hub	Revision	For applications received by MIDA from 1 January 2021 to 31 December 2022	<p><u>Current position:</u> Companies incorporated in Malaysia that use Malaysia as a centre to conduct business and regional or global operations for the purpose of management, control and support functions, including risk management, decision making, strategic business activities, commerce, finance, management and human resource management, would qualify for Principal Hub incentive with concessionary income tax rates as follows:</p> <ul style="list-style-type: none"> ■ <i>New company:</i> <ul style="list-style-type: none"> – Tier 1 : 0% income tax rate for a period of 5 years and eligible for renewal for another 5 years subject to the following criteria: (i.) employment of at least 50 high valued workers, (ii.) employment of at least 5 key posts personnel, and (iii.) annual operational expenditure of at least MYR 10 million. – Tier 2 : 5% income tax rate for a period of 5 years and eligible for renewal for another 5 years subject to the following criteria: (i.) employment of at least 30 high valued workers, (ii.) employment of at least 4 key posts personnel: and (iii.) annual operational expenditure of at least MYR 5 million. ■ <i>Existing company:</i> 10% income tax rate for a period of 5 years subject to the following criteria: (i.) employment of at least 30 high valued workers, (ii.) employment of at least 5 key posts personnel, and (iii.) annual operational expenditure of at least MYR 10 million. <p><u>Proposition:</u> To further encourage more companies to establish their Principal Hub in Malaysia, the Budget 2021 proposes that:</p> <ul style="list-style-type: none"> ■ The application period for Principal Hub incentive for companies undertaking qualifying service activities be extended for another 2 years, and ■ Minimum condition of the number of high value job, annual operating expenditure, and the number of key post for renewal of the tax incentive for the second 5 years be relaxed.

Subject matter	Nature of the proposal	Effective date	Details of the proposal
<p>Tax incentives for companies manufacturing pharmaceutical products including vaccines</p>	<p>Expansion</p>	<p>For applications received by MIDA from 7 November 2020 to 31 December 2022</p>	<p><u>Current position:</u> Manufacturers of pharmaceutical products are given tax incentives under the Promotion of Investment Act 1986 in high technology products category. Under certain conditions they can notably benefit from the Pioneer Status, the Investment Tax Allowance, specific tax incentives for BioNexus Status Companies and for Investors.</p> <p><u>Proposition:</u> To encourage manufacturers of pharmaceutical products, including vaccines (especially a COVID-19 vaccine), to invest in Malaysia, the Budget 2021 proposes that the following tax incentives be given:</p> <ul style="list-style-type: none"> ■ Income tax rate of 0% up to 10% for the first 10 years, and ■ Income tax rate of 10% for the subsequent period of 10 years. <p>Apart from the above tax incentives, strategic investments by such companies may be considered for other facilities including grants, import duty/sales tax exemption for machineries and equipment, as well as raw materials.</p>
<p>Extension of period of tax incentives for export of private healthcare services</p>	<p>Extension</p>	<p>Years of assessment 2021 and 2022</p>	<p><u>Current position:</u> Private healthcare companies are eligible for income tax exemption on income derived from providing private healthcare services to foreign patients either in Malaysia or from Malaysia, subject to meeting the following conditions:</p> <ul style="list-style-type: none"> ■ At least 10% of the total number of patients receiving private healthcare services for each year of assessment comprised of qualified healthcare travellers, and ■ At least 10% of the company's gross income for each year of assessment is derived from qualified healthcare travellers. <p>The income tax exemption is given at the statutory income level equivalent to 100% of the value of the increase in exports of services but limited to 70% of the statutory income derived from the export of healthcare services. This incentive is available until the year of assessment 2020.</p> <p><u>Proposition:</u> To promote the export of private healthcare services in Malaysia and attract high value healthcare travellers, the Budget 2021 proposes that the incentive be further extended until the year of assessment 2022.</p>

Subject matter	Nature of the proposal	Effective date	Details of the proposal
<p>Review and expansion of scope of tax incentive for commercialisation of research and development findings</p>	<p>Expansion</p>	<p>For applications received by MIDA from 7 November 2020 until 31 December 2025.</p>	<p><u>Current position:</u> Incentives are currently granted for commercialisation of resource-based R&D findings of public research institutions, including public higher learning institutions in Malaysia. Incentives include:</p> <ul style="list-style-type: none"> ■ The investor company can benefit from a tax deduction of the amount of investment made in the subsidiary company that undertakes commercialisation of R&D findings of public research institutions, and ■ The subsidiary company that commercialises R&D findings of public research institutions can benefit from a 100% income tax exemption on statutory income for 10 years. <p><u>Proposition:</u> The Budget 2021 proposes that:</p> <ul style="list-style-type: none"> ■ Tax incentive for the commercialisation of non-resource-based R&D findings be reintroduced (such tax incentive ended on 31 December 2017); and ■ Tax incentives for the commercialisation of R&D findings by public research institutions, including public higher learning institutions, be expanded to private higher learning institutions. <p>Such as:</p> <ul style="list-style-type: none"> ■ The investor company could benefit from a tax deduction of the amount of investment made in a subsidiary company that commercialises the R&D findings of public research institutions, including public higher learning institutions and private higher learning institutions, and ■ The subsidiary company that commercialises R&D findings could benefit from a 100% income tax exemption on statutory income for 10 years. <p>Resource-based and non-resource based activities or products are subject to the list under the Promotion of Investments Act 1986.</p>
<p>Review of tax incentive for manufacturers of Industrialised Building System components</p>	<p>Revision</p>	<p>Applications received by MIDA from 1 January 2021 to 31 December 2025</p>	<p><u>Current position:</u> Manufacturers producing Industrialised Building System ("IBS") basic components and IBS systems can benefit from two types of incentives depending on the number of IBS basic components produced or used in the production of IBS systems.</p> <p><u>Proposition:</u> To further improve technology adaptation in the construction sector through usage of IBS, the Budget 2021 proposes that the current IBS tax incentives be extended for a period of 5 years and merged. Thus, companies producing at least 3 basic components of IBS or an IBS system that uses at least 3 basic IBS components, would be given an investment tax allowance of 60% on qualifying capital expenditure incurred within 5 years to be offset against 70% of statutory income.</p>

Subject matter	Nature of the proposal	Effective date	Details of the proposal
II. Indirect Tax			
<p>Increase in the permissible limit of value added activities and additional activities for companies operating in Free Industrial Zones and Licensed Manufacturing Warehouses</p>	<p>Revision</p>	<p>New applications or applications for increase in sales value limit that is received by the Royal Malaysian Customs Department (the “Customs”) from 7 November 2020</p>	<p><u>Current position:</u> Starting 1 April 2020, companies are requested to apply and get approval from the Zone or State Customs Office for value-added and additional activities conducting in Free Industrial Zones and Licensed Manufacturing Warehouses for the following activities: R&D, product design, marketing for companies with International Procurement Centre status only, distribution for companies with Regional Distribution Centre only, quality control, testing and commissioning including calibration and configuration, labelling, packaging and re-packaging, remanufacturing, repairing and servicing, and supply chain management, strategic procurement operation and total support solutions.</p> <p>Further, approval for the value-added and additional activities is subject to the condition of the sales value from these activities not exceeding 10% of the company's annual sales value.</p> <p><u>Proposition:</u> The Budget 2021 proposes that the current limit of 10% of the value added activities and additional activities permitted for companies operating in Free Industrial Zones and Licensed Manufacturing Warehouses, be increased to 40% of the company's annual sales turnover to give more flexibility.</p>
<p>Indirect tax on cigarettes, electronic cigarettes, and tobacco products</p>	<p>New</p>	<p>1 January 2021</p>	<p>With regard to cigarettes and tobacco products, the government will implement the following measures:</p> <ul style="list-style-type: none"> ■ Freezing the issuance of new import licenses for cigarettes, ■ Tightening the renewal of import licenses for cigarettes through review of license conditions, including the imposition of an import quota, ■ Limiting transshipment of cigarettes to dedicated ports only, ■ Imposition of tax on the importation of cigarettes with drawback facilities for re-export, ■ Disallowing transshipment of cigarettes and re-export of cigarettes by small boats, and ■ 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. <p>The Budget 2021 also proposes that excise duty of 10% be imposed on devices for all types of electronic and non-electronic cigarettes, including vape. Meanwhile, liquid used in electronic cigarettes will be imposed an excise duty at a rate of 40 cents per ml.</p>

Subject matter	Nature of the proposal	Effective date	Details of the proposal
Expansion of tourism tax to accommodation premises booked through online platforms	Expansion	1 July 2021	<p><u>Current position:</u> The tourism tax is imposed on tourists staying at any accommodation premises at a rate of MYR 10 per night. Malaysian tourists and permanent residents are exempted from the tourism tax. In practice, the operators are required to register with Customs and collect the tourism tax.</p> <p>By exception, some operators who provide accommodation premises to tourists are exempted from registering with the Customs, including homestay operators, private educational institutions that provide accommodation facilities to foreign students, religious bodies or charitable bodies, and operators of accommodation premises having fewer than 5 accommodation rooms.</p> <p>Further, the imposition of tourism tax has been exempted from 1 July 2020 until 30 June 2021 to support economic recovery for the tourism sector affected by COVID-19.</p> <p><u>Proposition:</u> To ensure equal treatment between tourists, the Budget 2021 proposes that the imposition of tourism tax be expanded to accommodation premises reserved through online platform providers.</p>
Extension of sales tax exemption on the acquisition of locally assembled buses by bus operators	Extension	1 January 2021 to 31 December 2022	It is proposed that the sales tax exemption granted on the acquisition of locally assembled buses by bus operators be extended from 1 January 2021 until 31 December 2022.
Extension of the existing tax incentives for the East Coast Economic Region Development Corridor, Iskandar Malaysian and Sabah Development Corridor	Extension	For applications made to the relevant authorities until 31 December 2022	In the Budget 2021, it is proposed that the existing tax incentives for the East Coast Economic Region Development Corridor, Iskandar Malaysian and Sabah Development Corridor be extended until 2022.

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B. INDIVIDUALS																																										
I. Income Tax																																										
Review of income tax rate for resident individuals	Revision	Year of assessment 2021	<p>To increase the disposal income of individuals, the Budget 2021 proposes that the income tax rate for resident individuals be reduced by 1 percentage point for the chargeable income band of MYR 50,001 to MYR 70,000 from 14% to 13% as follows:</p> <table border="1"> <thead> <tr> <th>Chargeable income (MYR)</th> <th>Tax rate YA 2020</th> <th>Proposed tax rates YA 2021</th> </tr> </thead> <tbody> <tr> <td>0 – 5,000</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>5,001 – 20,000</td> <td>1%</td> <td>1%</td> </tr> <tr> <td>20,001 – 35,000</td> <td>3%</td> <td>3%</td> </tr> <tr> <td>35,001 – 50,000</td> <td>8%</td> <td>8%</td> </tr> <tr> <td>50,001 – 70,000</td> <td>14%</td> <td>13%</td> </tr> <tr> <td>70,001 – 100,000</td> <td>21%</td> <td>21%</td> </tr> <tr> <td>100,001 – 250,000</td> <td>24%</td> <td>24%</td> </tr> <tr> <td>250,001 – 400,000</td> <td>24.5%</td> <td>24.5%</td> </tr> <tr> <td>400,001 – 600,000</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>600,001 – 1,000,000</td> <td>26%</td> <td>26%</td> </tr> <tr> <td>1,000,001 – 2,000,000</td> <td>28%</td> <td>28%</td> </tr> <tr> <td>2,000,001 and above</td> <td>30%</td> <td>30%</td> </tr> </tbody> </table>	Chargeable income (MYR)	Tax rate YA 2020	Proposed tax rates YA 2021	0 – 5,000	0%	0%	5,001 – 20,000	1%	1%	20,001 – 35,000	3%	3%	35,001 – 50,000	8%	8%	50,001 – 70,000	14%	13%	70,001 – 100,000	21%	21%	100,001 – 250,000	24%	24%	250,001 – 400,000	24.5%	24.5%	400,001 – 600,000	25%	25%	600,001 – 1,000,000	26%	26%	1,000,001 – 2,000,000	28%	28%	2,000,001 and above	30%	30%
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Review in the limit of income tax relief on expenditures of medical treatment, special needs and parental care	Revision	Year of assessment 2021	<p>To alleviate the cost incurred on treatment and care for parents, income tax relief on medical expenses paid by resident individual on medical expenses and parental care, the Budget 2021 proposes to increase the limit of tax relief from MYR 5,000 to MYR 8,000.</p>																																							

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Review of resident individual income tax relief on self, spouse, children medical expenses	Revision	Year of assessment 2021	<p>The Budget 2021 proposes that the relief on medical expenses incurred on self, spouse, children on serious illness will be increased from MYR 6,000 to MYR 8,000 of which:</p> <ul style="list-style-type: none"> ■ The complete medical examination expenses will be increased from MYR 500 to MYR 1,000, and ■ The tax relief on medical expenses incurred on self, spouse, children will be expanded to include vaccination expenses up to MYR 1,000 for the following vaccines: pneumococcal, human Papillomavirus, influenza, rotavirus, varicella, meningococcal, combination of tetanus, diphtheria and acellular pertussis, and COVID-19 (subject to availability of vaccine).
Review of resident individual income tax relief on disabled spouse	Revision	Year of assessment 2021	It is proposed that additional tax relief for a resident individual with a disabled spouse be increased from MYR 3,500 to MYR 5,000.
Extension of resident individual income tax relief on Private Retirement Scheme	Extension	Years of assessment 2022 to 2025	It is proposed that the MYR 3,000 income tax relief on Private Retirement Scheme be extended for another 4 years.
Review of resident individual income tax relief on lifestyle expenses	Revision	Year of assessment 2021	<p>In the Budget 2021, it is proposed that:</p> <ul style="list-style-type: none"> ■ The relief on lifestyle expenses, incurred on the purchase of reading materials, printed daily newspapers, sports equipment, computers, smartphone or tablets, subscription of broadband internet, and gymnasium membership fee be increased from MYR 2,500 to MYR 3,000, where the additional MYR 500 be allocated for the cost of purchasing sports equipment, entry / rental fees for sports facilities and participation fees in sports competitions, and ■ The scope of relief for printed daily newspapers will be expanded to include subscription of electronic newspapers.

Subject matter	Nature of the proposal	Effective date	Details of the proposal
Increase in the limit of income tax exemption on compensation for loss of employment	Increase	Years of assessment 2020 and 2021	<p><u>Current position:</u> The compensation for loss of employment is taxable on individuals. However, individuals who become unemployed are eligible to claim for exemptions under the following circumstances:</p> <ul style="list-style-type: none"> ■ Full tax exemption on the compensation for loss of employment due to health problems, or ■ MYR 10,000 income tax exemption for each full year of service with the same employer or companies within the same group. <p><u>Proposition:</u> To assist taxpayers who lose their jobs due to the COVID-19 pandemic, the Budget 2021 proposes that the exemption limit in the second scenario be increased from MYR 10,000 to MYR 20,000 for each full year of service.</p>
Special income tax rate for non-resident individuals holding key positions in companies investing in new strategic investments	New	Applications received by MIDA from 7 November 2020 until 31 December 2021	<p>In the Budget 2021, it is proposed that non-citizen individuals who hold key positions / C-Suite positions in these companies be taxed at a flat rate of 15%, subject to the following conditions:</p> <ul style="list-style-type: none"> ■ Holding the key position for a period of 5 consecutive years, ■ Receiving a monthly salary of not less than MYR 25,000, and ■ Being a Malaysian tax resident for each year of assessment throughout the flat rate tax treatment. <p>This tax incentive is limited to 5 non-citizen individuals employed in each company that has been granted relocation tax incentive under PENJANA initiative.</p>
Further tax deduction on remuneration given to employers who employ senior citizens, ex-convicts, and former drug addicts	Extension	Years of assessment 2021 to 2025	<p><u>Current position:</u> For years assessment 2019 and 2020, employers are eligible to claim further deduction on remuneration paid to the following categories of employees: senior citizens who are 60 years and above, ex-convicts, parolees, supervised persons who are prisoners directed by an Officer in Charge, or ex-drug dependents, under the following conditions:</p> <ul style="list-style-type: none"> ■ The employee is employed on a full-time basis, ■ The monthly remuneration does not exceed MYR 4,000, ■ The employer and the employee are not the same person, and ■ The employer is not a relative of the employee. <p><u>Proposition:</u> To further encourage employers to provide job opportunities to people who fall under the above categories, the Budget 2021 proposes that such further tax deduction be extended until year of assessment 2025.</p>

Subject matter	Nature of the proposal	Effective date	Details of the proposal
II. Stamp duty			
Stamp duty exemption for first residential property	Revision and extension	Sale and Purchase Agreement executed from 1 January 2021 until 31 December 2025	<p><i>Current position:</i> There is a full stamp duty exemption on the instrument of transfer and loan agreement for the purchase of the first residential property by Malaysian citizens priced up to MYR 300,000. Further, for purchase of the first residential house valued between MYR 300,000 to MYR 500,000, full stamp duty exemption is limited to the first MYR 300,000 of the value of the property or loan amount; the remaining value of the property being subject to the prevailing rate of stamp duty.</p> <p><i>Proposition:</i> To increase the ownership of a first residential home by Malaysian citizens, the Budget 2021 proposes that full stamp duty exemption on both the instrument of transfer and loan agreement for the purchase of the first residential property by a Malaysian citizen, be increased from MYR 300,000 to MYR 500,000. In addition, the period of full exemption from stamp duty is proposed to be extended for another 5 years.</p>
Extension of stamp duty exemption for abandoned housing projects	Extension	Loan agreement and instrument of transfer executed from 1 January 2021 until 31 December 2025	<p><i>Current position:</i> The rescuing contractor/developer and original house purchaser in the abandoned project are given stamp duty exemption on loan agreements to finance the revival of the abandoned housing project and instruments of transfer of the land and house. The eligible abandoned housing projects must be certified by the Ministry of Housing and Local Government.</p> <p><i>Proposition:</i> To further alleviate the financial burden borne by the original house purchaser and encourage the involvement of rescuing contractors/developers to revive the abandoned housing projects, the Budget 2021 proposes that such stamp duty exemption be extended for another 5 years.</p>

Other measures for business and employers

The Malaysian government have also proposed the following non-tax related measures in the Budget 2021, which are of particular interest for businesses and employers:

■ **Extended moratorium and other forms of repayment assistance:** Starting December 2020, banks will enhance the Targeted Loan Repayment Assistance (“**TRA**”) to the bottom 40% of income earners (“**B40**”) borrowers who are recipients of the Household Living Aid (“**BSH**”) or Bantuan Prihatin Rakyat (“**BPR**”), and to micro enterprises with loans of up to MYR 150,000. Borrowers in this category will be given the following options:

- Option 1: A moratorium on their instalments for a period of three months; or
- Option 2: Reduce their monthly repayment by 50% for a period of six months.

Eligible borrowers will only need to contact their banks to choose the options and complete the documentation.

The application process for repayment assistance for the middle 40% of income earners (“**M40**”) borrowers, will be simplified. Borrowers would only need to make a self-declaration of the reduction in income in order to secure the repayment assistance.

■ **Reduced minimum Employee Provident Fund (“EPF”) contribution:** from January 2021, the minimum employee EPF contribution rate is reduced from 11% to 9% for a period of 12 months to increase take-home pay.

■ **Enhanced Penjana Kerjaya Incentive (Hiring Incentive):** MYR 2 billion is allocated to enhance the hiring incentive programme under PERKESO, which is now known as PenjanaKerjaya:

- Incentive for employees earning MYR 1,500 and above will be enhanced from a flat rate of MYR 800 per month to 40% of monthly income, subject to a maximum incentive of MYR 4,000;
- To encourage employment for the disabled, long-term unemployed, and retrenched workers, employers will be

given an additional incentive equivalent to 20% of the employee's monthly income making the total incentive to employers' amount to 60%; and

- For sectors with a high reliance on foreign workers, such as construction and plantations, a special incentive of 60% of monthly wages will be provided whereby 40% will be channelled to the employer while 20% will be channelled as a wage top-up to the local worker replacing the foreign worker.

The above three incentives will be given for a period of six months.

- Finally, for those employed under the PenjanaKerjaya, the maximum training rate which can be claimed by employers will be increased from MYR 4,000 to 7,000 to enable workers to take up high skilled training and professional certifications.

■ **Targeted Wage Subsidy:** MYR 1.5 billion is allocated to extending the implementation of the Wage Subsidy Program for another three months, specifically targeting the tourism sector, which includes the retail sector, at a rate of MYR 600 per month for workers earning MYR 4,000 and below. Further, the limit of 200 employees per application is increased to 500 employees.

Furthermore, the Budget 2021 has also unveiled the allocation of the government's revenue to specific sectors, including the agriculture sector, the commodity sector and the tourism industry:

■ **The agriculture sector** is projected to grow at 4.7% of the GDP next year. The government has allocated funding for several key initiatives, including:

- MYR 30 million for extending the Community Farming Programme to the semi-urban and rural communities. This programme provides equipment up to MYR 500 per individual or MYR 50,000 per community;
- MYR 50 million for the implementation of the Organic Agriculture Project as a community project;
- MYR 10 million in the form of matching grants up to MYR 30,000 to the Pertubuhan Peladang Kawasan (“**PPK**”) for the implementation of the e-Satellite Farm Programme for the purpose of purchasing agriculture equipment;

- Agrobank will provide MYR 150 million to finance the Vessel Modernisation and Capture Mechanisation Programme of up to MYR 5 million at a rate of 3.5% for a period of 10 years to fishermen in zones A and B to upgrade equipment, nets and boats;
 - Agrobank will provide MYR 60 million towards the Agrofood Value Chain Modernisation Programme, which funds up to MYR 1 million at a rate of 3.5% for a period of 10 years for agricultural entrepreneurs to procure equipment and technology based on IR4.0;
 - MYR 10 million through matching grants of up to MYR 20,000 to the implementation of Aquaculture Development Programme, which allows micro entrepreneurs to purchase equipment to develop high-value aquaculture livestock; and
 - MYR 100 million through collaboration with State governments for the implementation of impactful and high-value farming projects, such as pineapple farming in Johor and freshwater prawns in Negeri Sembilan.
- **The commodity sector:** to further boost longevity of the commodity sector, the government has allocated the following funds for the following steps in 2021:
- MYR 20 million to continue the Malaysian Sustainable Palm Oil Certification or MSPO to boost growth and enhance the competitiveness of the country's palm oil industry. Matching grants of MYR 30 million will also be introduced to encourage the industry's investment in mechanisation and automation;
 - MYR 16 million as an incentive to encourage latex production;
 - A revolving fund amounting to MYR 500 million will also be provided for the Forest Plantation Development Loan (PPLH) programme. The funds are dedicated for the development of forest plantations with an area of 4 hectares and above.
- **The tourism industry** was one of the sectors most badly affected by the Pandemic. The government has therefore allocated:
- MYR 50 million for the maintenance and repair of tourism facilities throughout the country.
 - MYR 20 million to improve the infrastructure and intensify the promotion of Cultural Villages in Terengganu, Melaka, Sarawak and Negeri Sembilan.
 - MYR 10 million to ensure that national heritage buildings will continue to be preserved and become tourism icons.
 - MYR 35 million to the Malaysia Healthcare Travel Council. Income tax exemption will also be extended for the export of private healthcare services until year of assessment 2022.

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