

Tax Whiz

Tax highlights from your advisers

27 March 2020

Prihatin Rakyat Economic Stimulus Package 2020 ("PRIHATIN Package")

Our honorable Prime Minister, Tan Sri Muhyiddin Yassin, has unveiled the PRIHATIN Package worth RM250 billion on 27 March 2020. This is the second economic stimulus package which aims to protect the welfare of the people, support businesses including Small and Medium Enterprises ("SMEs") as well as strengthen the country's economy to weather the effects of the COVID-19 pandemic. Some of the key non-tax measures which are announced to help businesses are:

Exemption from payment of HRDF levy for 6 months from April 2020

Salary subsidy of RM600 per month for employees with monthly income below RM4,000 for 3 months where the employer encountered drop in income of more than 50% since 1 January 2020, subject to conditions

Introduction of "Program Khidmat Rundingan Majikan" on 15 April 2020 providing the option to defer, restructure or reschedule employer's contributions to EPF

Additional allocation for the Micro Credit Scheme and relaxation of the application condition for qualifying micro entrepreneurs

The following are the proposed tax measures in the PRIHATIN Package.

1 Deferment of Tax Instalment Payments

SMEs are given a deferment of their monthly tax instalment payments for 3 months from 1 April 2020.

The deferment mechanism will need to be explained further (whether it results in an increase in the number of tax instalments or whether the remaining instalments will be of higher amounts) and whether the definition of SME for the above purposes would follow that of the preferential tax rate regime as provided in the Income Tax Act 1967.

For the preferential tax rate regime, SME refers to a company resident and incorporated in Malaysia which has a paid-up capital in respect of ordinary shares and a Limited Liability Partnership with the total contribution of capital of RM2.5 million and less at the beginning of the basis period for a Year of Assessment and having gross income from business source(s) of not more than RM50 million. [subject to proviso]

2 Withholding Tax Exemption for Early Withdrawals of Contribution from Account B of Private Retirement Scheme ("PRS")

Currently, early withdrawals from a private retirement scheme by an individual before age 55 (other than specified reasons) would be subject to a withholding tax at 8%.

Based on the PRIHATIN Package, withdrawals of up to RM1,500 from Account B of the PRS from April to December 2020 will be exempted from withholding tax.

3 Bank Moratorium – Deferment of Loan/Financing Repayment

Under this deferment package, borrowers/customers with loan/financing that meet the conditions do not need to make any repayment (principal and interest) for a period of 6 months from 1 April 2020, and no late payment charges or penalties will be imposed.

For financial institutions that are not waiving the interest/profit during this period, they will continue to accrue the interest/profit on loan/financing repayments that are deferred and borrowers/customers will need to honour the deferred repayments after the deferment period.

To assist financial institutions to cope with the financial and cash flow impact of the deferment scheme, it is proposed that they will only be taxed on the accrued interest income / profit upon receipt after the moratorium period. With this deferment, there may be practical issues on how financial institutions can keep track and segregate their interest income which is to be taxed on accrual / receipt basis.

The deferment mechanisms mentioned above are subject to the release of gazetted orders.

Contact Us

Petaling Jaya Office

**Tai Lai Kok**

Executive Director – Head of Tax and
Head of Corporate Tax
ltai1@kpmg.com.my
+603 7721 7020

**Long Yen Ping**

Executive Director –
Head of Global Mobility Services
yenpinglong@kpmg.com.my
+603 7721 7018

**Bob Kee**

Executive Director – Head of Transfer
Pricing
bkee@kpmg.com.my
+603 7721 7029

**Ng Sue Lynn**

Executive Director – Head of Indirect Tax
suelynng@kpmg.com.my
+603 7721 7271

**Soh Lian Seng**

Executive Director –
Head of Tax Dispute Resolution Practice
lsoh@kpmg.com.my
+603 7721 7019

**Nicholas Crist**

Executive Director – Corporate Tax
nicholasrist@kpmg.com.my
+ 603 7721 7022

**Dato' Leanne Koh**

Executive Director – Corporate Tax
leannekoh@kpmg.com.my
+603 7721 7026

**Neoh Beng Guan**

Executive Director – Corporate Tax
bneoh@kpmg.com.my
+ 603 7721 7025

**Ong Guan Heng**

Executive Director – Corporate Tax
guanhengong@kpmg.com.my
+ 603 7721 7027

**Chang Mei Seen**

Executive Director – Transfer Pricing
meiseenchang@kpmg.com.my
+ 603 7721 7028

**Ivan Goh**

Executive Director – Transfer Pricing
ivangoh@kpmg.com.my
+ 603 7721 7012

Outstation Offices

Penang Office**Evelyn Lee**

Executive Director – Penang Tax
evewflee@kpmg.com.my
+604 238 2288 (ext. 312)

Kuching & Miri Offices**Regina Lau**

Executive Director – Kuching Tax
reglau@kpmg.com.my
+6082 268 308 (ext. 2188)

Kota Kinabalu Office**Titus Tseu**

Executive Director – Kota Kinabalu
Tax
titustseu@kpmg.com.my
+6088 363 020 (ext. 2822)

Johor Bahru Office**Ng Fie Lih**

Executive Director – Johor Bahru Tax
flng@kpmg.com.my
+607 266 2213 (ext. 2514)

Ipoh Office**Crystal Chuah Yoke Chin**

Tax Manager – Ipoh Tax
ycchuah@kpmg.com.my
+605 253 1188 (ext. 320)

KPMG Offices

Petaling Jaya

Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor
Tel: +603 7721 3388
Fax: +603 7721 3399
Email: info@kpmg.com.my

Penang

Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +604 238 2288
Fax: +604 238 2222
Email: info@kpmg.com.my

Kuching

Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +6082 268 308
Fax: +6082 530 669
Email: info@kpmg.com.my

Miri

1st Floor, Lot 2045,
Jalan MS 1/2,
Marina Square, Marina Parkcity,
98000 Miri, Sarawak
Tel: +6085 321 912
Fax: +6085 321 962
Email: info@kpmg.com.my

Kota Kinabalu

Lot 3A.01 Level 3A,
Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah
Tel: +6088 363 020
Fax: +6088 363 022
Email: info@kpmg.com.my

Johor Bahru

Level 3, CIMB Leadership Academy,
No. 3, Jalan Medini Utara 1,
Medini Iskandar,
79200 Iskandar Puteri, Johor
Tel: +607 266 2213
Fax: +607 266 2214
Email: info@kpmg.com.my

Ipoh

Level 17, Ipoh Tower,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh, Perak
Tel: +605 253 1188
Fax: +605 255 8818
Email: info@kpmg.com.my

kpmg.com/my

 facebook.com/KPMGMalaysia

 twitter.com/kpmg_malaysia

 linkedin.com/company/kpmg-malaysia

 instagram.com/kpmgmalaysia

© 2020 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.