

ECONOMIC STIMULUS PACKAGE 3.0
(RENTAL REDUCTION FOR BUSINESS PREMISE)
 Amended 15 June 2020

SPECIAL DEDUCTION FOR CORPORATE TAXPAYERS AND OTHER TAXPAYERS ON RENTAL REDUCTION OFFERED TO SMALL AND MEDIUM ENTERPRISES (SMEs) TENANTS

Landlords of business premises that offer reduction or relief of rental payment to SMEs tenants from **April 2020 to September 2020** are allowed to claim a special deduction equivalent to the rental reduction amount subject to the condition that the reduction should be at least 30% of the existing rental rate of the determined period.

FAQs

No.	Question	Answer
1.	Who is eligible to claim this special deduction?	To be eligible to claim this special tax deduction, the following conditions must be fulfilled: <ul style="list-style-type: none"> i) Any taxpayers (corporate, individual, cooperative or other business and non-business entities) renting out their business premises to any qualified SMEs tenants ii) The rented premises must be used by the tenant for purpose of carrying out his business. iii) The landlord must be a taxpayer with rental income under subsection 4(a) and subsection 4(d) Income Tax Act 1967.
2.	What is the definition of SME for this special deduction purpose?	The definition of SME for this purpose follows the National SME definition. Please refer to the SME Definition Guideline for more information at: https://smecorp.gov.my/images/pdf/2020/Guideline-SMEDefinition_updated.pdf <p>SMEs that are eligible for this special tax deduction are registered SMEs and have obtained SME Status Certificate from SME Corp. Malaysia</p> <p>Any queries regarding eligibility or registration as an SME can be directed to SME Corp at SME Corp Malaysia at 1300-30-6000 or email to info@smecorp.gov.my</p>

No.	Question	Answer
3.	Can a company claim the deduction if the tenant is a company excluded from National SME definition under SME Guideline?	<p>The landlord is not eligible for this special deduction.</p> <p>A tenant is not considered as SMEs † according to SME Guideline as follows:</p> <ol style="list-style-type: none"> 1. Entities that are public-listed on the main board; and 2. Subsidiaries of: <ol style="list-style-type: none"> a) Publicly-listed companies on the main board; b) Multinational corporations (MNCs); c) Government-linked companies (GLCs); d) Syarikat Menteri Kewangan Diperbadankan (MKDs); and e) State-owned enterprises.
4.	If my company rents out premise to a related company, would my company qualify for this special deduction?	<p>If the tenant qualifies as SME as defined in question 2 above, the company (landlord) would be eligible to claim the Special Deduction.</p> <p>However, if the SME falls under the categories of exclusion from National SME definition under SME Guideline, the company (landlord) is not eligible for this special deduction.</p> <p>Please refer to Question 2 & 3 above.</p>
5.	What is the meaning of business premises for this purpose?	<p>Business premises for this purpose means all premises used for carrying out a business.</p> <p>Example: Office, workshop, warehouse, childcare and rented lot/bazar/booth/stall.</p> <p>However, rental of a residential house used for both residential and business is excluded.</p>
6.	Is this special deduction applicable to rental of other than premises such as machines, parking spaces, telecommunication towers etc.?	<p>This special deduction is for rental of business premises only. The rented business premises must be used for the purpose of carrying out a business.</p>

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7.	What is the minimum required rental reduction in order for the landlord to enjoy the special deduction?	The minimum required rental reduction must be at least 30% from the existing monthly rental rate.																																			
8.	What is the special deduction amount?	The special deduction amount is equivalent to the amount of monthly rental reduction offered by the landlord to the eligible SME tenants.																																			
9.	Which period is eligible for this special deduction?	This special deduction is for a period of rental reduction offered from April 2020 until September 2020.																																			
10.	How is this special deduction granted?	<p>This special deduction will be granted under Income Tax Rules.</p> <p>Example of deduction calculation:</p> <p>A Sdn. Bhd rents a shop lot to B which is an eligible SME for RM5,000 a month (RM60,000 yearly). A Sdn. Bhd. has agreed to offer rental reduction to B for the month April until September 2020 of RM2,500 a month.</p> <table border="1" data-bbox="624 1227 1474 2016"> <thead> <tr> <th></th> <th></th> <th>Without special deduction (RM)</th> <th>With special deduction</th> </tr> </thead> <tbody> <tr> <td>Monthly rental income</td> <td></td> <td>5,000</td> <td>5,000</td> </tr> <tr> <td>Annual rental income</td> <td></td> <td>60,000</td> <td>60,000</td> </tr> <tr> <td>Rental reduction of 50% for April until September 2020</td> <td>RM5,000 x 50% x 6 months</td> <td>(15,000)</td> <td>(15,000)</td> </tr> <tr> <td>Annual gross rental income</td> <td></td> <td>45,000</td> <td>45,000</td> </tr> <tr> <td>Special deduction¹</td> <td>RM2,500 x 6 months</td> <td>-</td> <td>(15,000)</td> </tr> <tr> <td>Taxable income</td> <td></td> <td>45,000</td> <td>30,000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						Without special deduction (RM)	With special deduction	Monthly rental income		5,000	5,000	Annual rental income		60,000	60,000	Rental reduction of 50% for April until September 2020	RM5,000 x 50% x 6 months	(15,000)	(15,000)	Annual gross rental income		45,000	45,000	Special deduction ¹	RM2,500 x 6 months	-	(15,000)	Taxable income		45,000	30,000				
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		<table border="1" data-bbox="624 282 1473 365"> <tr> <td data-bbox="624 282 895 365">Tax payable @24%²</td> <td data-bbox="895 282 1066 365"></td> <td data-bbox="1066 282 1313 365">10,800</td> <td data-bbox="1313 282 1473 365">7,200</td> </tr> </table> <p data-bbox="624 405 1201 477"> ¹ Assuming no other allowable expenses ² current corporate tax rate </p> <p data-bbox="624 517 1473 551">Total tax savings to be enjoyed by the landlord is as follows:</p> <p data-bbox="624 591 1150 663"> Tax savings = RM10,800 – RM7,200 = RM3,600. </p> <p data-bbox="624 703 1473 775">For other taxpayers such as individuals, the tax savings is according to the income tax bracket.</p>	Tax payable @24% ²		10,800	7,200
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11.	If my company reduces the rental amount at a different rate every month, can my company claim this special deduction?	Yes, the company must ensure that the reduction amount should not be less than 30% for each eligible month. If in any of these eligible months, the rental reduction is less than 30%, then the company is not eligible to claim the special deduction for that particular month/months.				
12.	I have received rental payment for months April until September 2020 earlier this year. Can I still offer rental reduction and claim the special deduction?	Yes, for landlord that have received the rental payment for April until September 2020 in advance, the landlord can still offer rental reduction subject to the fulfilment of the conditions.				
13.	What are the supporting documents required?	<p data-bbox="624 1536 1473 1608">The supporting documents required to be kept by the taxpayers (landlords) who claim this special deduction are:</p> <ol data-bbox="671 1608 1473 1783" style="list-style-type: none"> <li data-bbox="671 1608 1193 1641">i. Stamped tenancy agreement; <li data-bbox="671 1641 1134 1675">ii. Rental income statement; <li data-bbox="671 1675 1437 1709">iii. SME Status Certificate issued by SME Corp.; * <li data-bbox="671 1709 1473 1783">iv. Tenant’s information, rental information and rental reduction methods** <p data-bbox="624 1794 1473 1895">* Information regarding registration of SME can be referred at https://smereg.smecorp.gov.my or on the official website of SME Corp Malaysia.</p> <p data-bbox="624 1895 1473 1966">** To be provided in Working Sheet (HK) of Company Return Form. Please refer to example attached.</p>				

