

2021 Budget Summary

Personal reliefs, exemptions and tax rates.

- a) Proposed 1% reduction in income tax rate for resident individuals having inclusive earning band of between RM50,001 to RM70,000 per year. The revision will be reflected in the 2021 year of assessment (Y/A) progressive tax rate (as well as the Schedular Tax Deduction or PCB in Bahasa) tables to be issued by the Inland Revenue Board (IRB).
- b) Proposed increase in the personal tax relief on medical expenses for self, spouse and child for "serious diseases" from RM 6,000 to RM 8,000 (expanded to include expenses incurred on immunization of up to RM1,000) and the proposal is inclusive of increased relief limit for expenses on full medical check-up from RM500 to RM1,000.
- c) Proposed increase of personal relief on expenses for medical treatment, for special needs (disabled persons) and other individuals claiming parental care as well as incurring parents medical expense, from RM5,000 to RM8,000.
- d) Proposed to incorporate under the existing RM7,000 relief not only certain courses of study up to tertiary level or any course of study at Masters or Doctorate level. but expanded to include upskilling courses (effective for Y/A 2021 till 2022) where relief can be claimed of up to RM1000 per year.
- e) Proposed to increase the relief for the disabled tax payer from RM3500 to RM 5000 for Y/A 2021.
- f) Existing Lifestyle relief of up to RM2500 (including purchase of reading materials, personal computer, smartphone or tablet, sports equipment, gym membership and internet subscription) is proposed to be increased by another RM500 to RM3000 and will be expanded in scope to cover expenses relating to sports, including participation in sports competition and subscription of online or electronic newspapers effective from Y/A 2021.
- g) Proposed extension of Private Retirement Scheme where the maximum relief allowable of RM3000 is given till Y/A 2025.
- h) Proposed extension of RM8000 relief on deposits with scheme Skim Simpanan Pendidikan Nasional (SSPN) is given till Y/A 2022.
- i) Exemption on an individual who received compensation for the loss of employment (the existing exempted sum is RM10000 per completed year of service) is proposed to be increased to RM20000 effective from Y/A 2020 till 2021
- j) Individual investment in equity of crowdfunding companies between 1st January 2021 till 31st December 2026 is proposed to be allowed to claim tax exemption of 50% of the fund invested subject to a maximum of RM50000 and the exemption is limited to 10% of the tax payer aggregate income or RM50000, whichever is lower.
- k) Returning Experts Program is proposed to be extended with the same flat rate of tax at 15% for 5 years on employment income and application period is opened till 31 December 2023.

Companies/businesses

Tax rates and exemptions

- i) Proposed extension of double deductions for companies hiring retirees, former convicts (including parolees and supervised persons) and ex drug addicts to Y/A 2025 (currently expiring in Y/A 2020) Based on the the existing incentive, the employee must work full time, and be remunerated not exceeding RM4000 per month and must not be related to the employer.
- ii) That application for existing tax incentives due to end in Y/A 2020 including in the economic corridors (they are the East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor) for principal hubs,(with flexible terms and condition as to hiring of employees and operating expenditures), foreign manufacturers relocating to Malaysia under PENJANA initiatives, maintenance, repairs and overhaul for aerospace companies, repairs and construction of ships and bionexus status industries are to be extended till 2022.
- iii) A proposed preferential corporate tax rate of 10% will be introduced in Y/A 2021 for Global Trading Centre companies for 5 years (plus a further 5 years extension on expiry). Application is available through Malaysia Investment Development Authority (MIDA) until 31 December 2022.
- iv) Proposal for manufacturers of pharmaceutical products to be given 10 years preferential tax rate of between nil to 10%. Application is immediately available through MIDA till 31 December 2022.
- v) Proposed tax exemption for the export of private healthcare services to be extended to Y/A 2022.

Note : Update will be made as soon as latest information are available from the IRB.

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