



**ECONOMIC STIMULUS PACKAGE 3.0
(RENTAL REDUCTION FOR BUSINESS PREMISE)**

**FREQUENTLY ASKED QUESTIONS ON 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 June 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.

| No. | Question | Answer | | | | | | | | | |
|---------------------|---|---|---------------------|--------|----------|-------|-----|---|-------|---------------|---|
| 1. | Who is eligible to claim this special deduction? | <p>To be eligible to claim this special tax deduction, the following conditions must be fulfilled:</p> <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? | <p>The definition of SME for this purpose follows the National SME definition.</p> <p>A business can qualify as SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower.</p> <p>Definition by size of operation:</p> <table border="1" data-bbox="602 1581 1396 1936"> <thead> <tr> <th data-bbox="602 1581 805 1665">Type of enterprises</th> <th data-bbox="805 1581 1016 1665">Sector</th> <th data-bbox="1016 1581 1396 1665">Criteria</th> </tr> </thead> <tbody> <tr> <td data-bbox="602 1665 805 1780">Micro</td> <td data-bbox="805 1665 1016 1780">All</td> <td data-bbox="1016 1665 1396 1780">Sales turnover of less than RM300,000 OR less than 5 full-time employees.</td> </tr> <tr> <td data-bbox="602 1780 805 1936">Small</td> <td data-bbox="805 1780 1016 1936">Manufacturing</td> <td data-bbox="1016 1780 1396 1936">Sales turnover of less than RM300,000 to less than RM15 million OR full-time employees from 5 to 75</td> </tr> </tbody> </table> | Type of enterprises | Sector | Criteria | Micro | All | Sales turnover of less than RM300,000 OR less than 5 full-time employees. | Small | Manufacturing | Sales turnover of less than RM300,000 to less than RM15 million OR full-time employees from 5 to 75 |
| Type of enterprises | Sector | Criteria | | | | | | | | | |
| Micro | All | Sales turnover of less than RM300,000 OR less than 5 full-time employees. | | | | | | | | | |
| Small | Manufacturing | Sales turnover of less than RM300,000 to less than RM15 million OR full-time employees from 5 to 75 | | | | | | | | | |

| No. | Question | Answer | | |
|-----|---|--|--------------------------|--|
| | | | Services & Other Sectors | Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30 |
| | | Medium | Manufacturing | Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200 |
| | | | Services & Other Sectors | Sales turnover from RM 3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75 |
| | | <p>If a business fulfils either one criteria across the different sizes of operation, then the smaller size will be applicable.</p> <p>For example, in case where a company has sales turnover of RM100 million thus is not considered as SME but has a number of full-time employees of 150, the company would still be considered as SME.</p> <p>Reference to the SME Corporation's Guideline for the New SME definition: http://www.smecorp.gov.my/images/pdf/Guideline_New_SME_Definition_updated.pdf</p> | | |
| 3. | Do companies which are excluded from National SME definition under SME Guideline eligible for this special deduction? | <p>Those companies are not eligible for this special deduction.</p> <p>SMEs that are not eligible according to SME Guideline:</p> <ul style="list-style-type: none"> i) Publicly-listed companies on the main board; ii) Multinational corporations (MNCs); iii) Government-linked companies (GLCs); iv) Syarikat Menteri Kewangan Diperbadankan (MKDs); and v) 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 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 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. | What is the cut-off date used in determining the SME criteria of the tenant? | <p>The following cut-off dates are used in determining the SME criteria:</p> <table border="1" data-bbox="602 947 1398 1352"> <thead> <tr> <th data-bbox="602 947 850 999">SME criteria</th> <th data-bbox="850 947 1398 999">Period</th> </tr> </thead> <tbody> <tr> <td data-bbox="602 999 850 1230">Annual sales turnover</td> <td data-bbox="850 999 1398 1230">Annual sales turnover at the end of basis period of preceding year of assessment. Note: If SME's basis period ending 31/12/2019, sales turnover for that period must be used.</td> </tr> <tr> <td data-bbox="602 1230 850 1352">Number of full-time employees</td> <td data-bbox="850 1230 1398 1352">Number of full-time employees at the end of basis period of a year of assessment, before or on 1 April 2020.</td> </tr> </tbody> </table> | SME criteria | Period | Annual sales turnover | Annual sales turnover at the end of basis period of preceding year of assessment. Note: If SME's basis period ending 31/12/2019, sales turnover for that period must be used. | Number of full-time employees | Number of full-time employees at the end of basis period of a year of assessment, before or on 1 April 2020. |
| SME criteria | Period | | | | | | | |
| Annual sales turnover | Annual sales turnover at the end of basis period of preceding year of assessment. Note: If SME's basis period ending 31/12/2019, sales turnover for that period must be used. | | | | | | | |
| Number of full-time employees | Number of full-time employees at the end of basis period of a year of assessment, before or on 1 April 2020. | | | | | | | |
| 7. | 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> | | | | | | |
| 8. | What is the minimum required rental reduction in order for the landlord to enjoy the special deduction? | <p>The minimum required rental reduction must be at least 30% from the existing monthly rental rate.</p> | | | | | | |

| 9. | 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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|-----------------------------|--|--------------------------------|-----------------------------|-----------------------|--|-------|-------|----------------------|--|--------|--------|--|--------------------------|---------|---------|----------------------------|--|--------|--------|--------------------------------|--------------------|---|---------|----------------|--|--------|--------|--------------------------------------|--|---------------|---------------|
| 10. | Which period is eligible for this special deduction? | This special deduction is for a period of rental reduction offered from April 2020 until June 2020. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11. | 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, May and June 2020 of RM2,500 a month.</p> <table border="1" data-bbox="602 785 1398 1583"> <thead> <tr> <th colspan="2">Item</th> <th>Without special deduction (RM)</th> <th>With special deduction (RM)</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, May and June 2020</td> <td>RM5,000 x 50% x 3 months</td> <td>(7,500)</td> <td>(7,500)</td> </tr> <tr> <td>Annual gross rental income</td> <td></td> <td>52,500</td> <td>52,500</td> </tr> <tr> <td>Special deduction¹</td> <td>RM2,500 x 3 months</td> <td>-</td> <td>(7,500)</td> </tr> <tr> <td>Taxable income</td> <td></td> <td>52,500</td> <td>45,000</td> </tr> <tr> <td>Tax payable @ 24%²</td> <td></td> <td>12,600</td> <td>10,800</td> </tr> </tbody> </table> <p>¹ Assuming no other allowable expenses ² current corporate tax rate</p> <p>Total tax savings to be enjoyed by the landlord is as follows:</p> <p>Tax savings = RM12,600 – RM10,800 = RM1,800</p> | Item | | Without special deduction (RM) | With special deduction (RM) | Monthly rental income | | 5,000 | 5,000 | Annual rental income | | 60,000 | 60,000 | Rental reduction of 50% for April, May and June 2020 | RM5,000 x 50% x 3 months | (7,500) | (7,500) | Annual gross rental income | | 52,500 | 52,500 | Special deduction ¹ | RM2,500 x 3 months | - | (7,500) | Taxable income | | 52,500 | 45,000 | Tax payable @ 24%² | | 12,600 | 10,800 |
| Item | | Without special deduction (RM) | With special deduction (RM) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Monthly rental income | | 5,000 | 5,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Annual rental income | | 60,000 | 60,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rental reduction of 50% for April, May and June 2020 | RM5,000 x 50% x 3 months | (7,500) | (7,500) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Annual gross rental income | | 52,500 | 52,500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Special deduction ¹ | RM2,500 x 3 months | - | (7,500) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Taxable income | | 52,500 | 45,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tax payable @ 24%² | | 12,600 | 10,800 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | | For other taxpayers such as individuals, the tax savings is according to the income tax bracket. |
| 12. | 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. |
| 13. | I have received rental payment for months April until June 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, May and June 2020 in advance, the landlord can still offer rental reduction subject to the fulfilment of the conditions. |
| 14. | What are the supporting documents required? | <p>The supporting documents required to be kept by the taxpayers (landlords) who claim this special deduction are:</p> <ul style="list-style-type: none"> i) Valid tenancy agreement; ii) Rental income statement; iii) Details of the tenant as SME such as number of business registration, tax file number etc.; iv) Details of the rental reduction. <p>* item iii & iv will have to be provided in Working Sheet (HK) of income tax return form.</p> |