

2021 Budget Summary Updated

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 and fertility treatment" 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 and self enhancement courses (effective for Y/A 2021 till 2022) where relief can be claimed of up to RM1000 per year. The courses must be conducted by the body recognized by the Department of Skills Development of the Ministry of Human Resources.
- 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 inclusive of purchase of reading materials (and expanded in Y/A 2021 to cover subscription to online or electronic newspaper) personal computer, smartphone or tablet, sports equipment, gym membership and internet subscription) is proposed to be increased by another RM500 (proposed New section 46(1)(u) effective from Y/A 2021) to RM3000 and will be expanded in scope to cover expenses relating to sports, and participation in sports competition, rental of and entrance to sport facility (but excluding club membership and subscription) effective from Y/A 2021. In addition, a separate proposed New Section 46(1)(t) available for a limited period of between 1 June 2020 till 31 December 2020 (applicable in Y/A 2020) for taxpayers to claim up to RM2500 relief for the purchase of computer, smartphone or tablets.
- 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 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.
- l) Proposed increase in child care fee reliefs for a child at aged 6 or lower from RM2000 to RM3000 for Y/A 2020 to 2021.
- m) Proposed cost of accommodation at premise registered with tourism Malaysia and entrance fee to tourist attraction incurred between 1 March 2020 till 31 December 2021 be given reliefs of up to RM1000 for Y/A 2020 & 2021.

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 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.
- i) A proposed preferential corporate tax rate of 10% will be introduced in Y/A 2021 for Global Trading Centre companies for 5 years (Renewal for a further 5 years). Application is available through Malaysia Investment Development Authority (MIDA) from 1 January 2021 until 31 December 2022.
- ii) 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.
- iii) Proposed tax exemption for the export of private healthcare services to be extended to Y/A 2022.
- iv) Proposal for key employees of foreign manufacturer relocating to Malaysia under PENJANA initiatives be given preferential tax rate on employment income of 15%.

Other proposals

Stamp Duty

- 1) Proposed stamp duty exemption given to the first residential property buyer for value of property up to RM500000, where Sales and Purchase and loan agreements (LA) are executed from 1st January 2021 till 31st December 2025.
- 2) Proposed further exemption of stamp duty extended until 2025 on instrument of transfers and LA on the revived abandon housing projects for rescued contractors and original house buyers.

Tourism Tax

- 3) Proposal for online booking operators be subject to tourism tax from 1st July 2021.

Custom excise duty

- 4) Proposal for all kinds of electronic and non-electronic cigarette devices including vape will be subjected to ad valorem excise duty of 10%. Electronic cigarette liquid will be subject to the rate of 40 sen per millimeter. The duties will cover vape, tobacco heating electronics products, shisha and pipes from 1st January 2021. In addition, from 1 January 2021, the government to proposed a tax (on full market price) on cigarettes and tobacco products on all Langkawi Duty Free Islands, Labuan, Tioman and Pangkor.

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

2021/2