

2022 Budget Summary

The Malaysian government is planning to spend RM332.1 billion in the year 2022 (more by RM11.5 billion as compare to 2021) as announced on Friday the 29th October 2021 amidst the ongoing covid pandemic, where revenue is expected to be RM234 billion (5.9% more compare to 2021). The shortfall of RM98.10 billion is expected to be secured by borrowings and aggressive tax collections via investigations and compliance audits.

Here are the key points from the budget proposal:

A. Businesses

- 1) Increased in corporate tax rate from 24% to 33% (applicable only for Year of assessment (Y/A) 2022 for companies having chargeable income exceeding RM100 million.
- 2) Foreign sourced income will be taxed if remitted or brought into the country effective from 1st January 2022. (Pending further clarification on the type of income taxable)
- 3) Reinvestment allowance to be extended for another two years to the year of assessment 2024. (Effective for Y/A 2023 & 2024)
- 4) Deferment of tax payments for micro, small and medium enterprises (MSMEs) The proposal to allow MSMEs to defer tax instalment payments for six months until June 30, 2022. (referring to CP204 and CP38 installment schemes for Y/A 2022 to be confirmed later.)
- 5) Carrying forward of tax losses utilization extended. Currently, businesses are only allowed to carry forward tax losses for a maximum of seven years. Budget 2022 proposes to extend it to 10 years. (Effective from Y/A 2019)
- 6) Revision of estimates of tax payable in the 11th month. Currently, businesses are allowed to revise their tax estimates in the sixth and ninth months without any imposition of penalties. (Pending clarification that is applicable to companies from which financial year/period ended)
- 7) Stamp duty on contract notes for trading of listed shares is to increase from 0.1% to 0.15% per RM1000. Maximum cap of RM200 is removed.
- 8) Special Voluntary Disclosure Programme (SVDP) for indirect taxes. (eg. SST, custom duty, excise duty etc.) Remission of penalties between 50% to 100% valid over a certain timeframe and on selective basis. (Further details are pending.)
- 9) Tax deductions of up to RM300,000 on costs of renovation and refurbishment of business premises to be extended until 31 December 2022. (Budget 2021 until 31.12.2021)
- 10) Double tax deduction up to RM50,000 on expenses spent on workers' hostel rental. Applicants must be registered with MITI under Safe@Work programme and must passed the audit test. Expenses for staff accommodation and hostel incurred will be eligible of up to RM50,000 for each company.
- 11) Tax deduction on rental reduction for owner of business premises extended from Jan to June 2022. (2020 budget among conditions imposed applicable for 30% discount or more,

- SME tenant from 1st March 2020 till 31st December 2020 and all tenants from 1st January till 31st December 2021)
- 12) Income tax exemption on social enterprise income. Exemption up to 3 Y/As of all income received, but must have Ministry of Finance income tax exemption and Social enterprise accreditation with Yayasan Hasanah during periods of exemption. Application is opened to both bodies from 1st January 2022.
 - 13) Tax deduction for employers that self-funded booster vaccines. (Pending effective date to be announced)
 - 14) Extended Accelerated capital allowances for purchase of excursion buses. IA & AA at 20% and 40% respectively from Y/A 2020 to 2024)
 - 15) Tax rebates of RM 20000 for first 3 years for newly established MSMES entities extended to 31st December 2022. (It is not known as yet whether the initial list of conditions imposed in 2021 budget remained substantially similar.)
 - 16) Double deduction for scholarships provided by companies. (extended to all courses at technical, vocational, diploma, bachelor, master and doctorate levels) Effective from Y/A 2022 to 2025.
 - 17) Investment tax allowance and Income Tax exemption for Green Technology.
 - 18) Existing Income tax exemption for organizing culture, arts, sports and recreational activities approved under Ministry of Tourism, arts and culture and Ministry of Youth and Sport for Y/A 2020 to 2022 be extended to Y/A 2025.

B. Individuals

- 1) Extended the special individual income tax relief (in addition to the lifestyle relief) of up to RM2,500 on the purchase of mobile phones, computers and tablets until 31 December 2022.
- 2) Increased tax relief for expenses in attending reskilling and upskilling courses from RM1,000 to RM2,000 until Y/A 2023.
- 3) Increased tax relief up to RM7,000 for course fees with any approved professional body.
- 4) Existing tax relief up to RM4,000 for EPF contributors is enlarged to cover voluntary contributions.
- 5) Increase in the tax relief limit from RM250 to RM350 and the scope of relief for SOCSO contributions to be expanded to cover employee contributions through the Employment Insurance System (EIS).
- 6) Special individual tax relief on tourism expenses. Extension of tax relief for domestic tourism. The tax relief for domestic travel expenses for tourism has been extended from January 1, 2022, to December 31, 2022. This incentive provides tax relief of up to RM1,000.

- 7) Real Property Gains tax will be exempted on disposal of properties after the 5th year from the date of acquisition for Malaysian citizens and Permanent residents.
- 8) Expansion of the tax relief for medical expenses. The scope of relief under this incentive is presently expanded to include costs incurred for examination or consultation relating to mental health.
- 9) Extended Tax relief for 6 years old or below of fees up to RM3000 paid to Child Care Centre [registered under](#) the Social Welfare Department or kindergarten registered under the Education Act 1996 be extended for another 2 years. Effective from Y/A 2020-2021, plus 2022 to 2023.