



Tax measures affecting individuals



KPMG in Malaysia

7 November 2020

Overview and Commentary



Long Yen Ping

Executive Director
Head of Global Mobility
Services

Key Message

“The Budget 2021’s key focus is on the Rakyat’s well being by reducing financial impact on individuals caused by the COVID-19 pandemic. Amongst measures proposed are reduction in personal income tax rates, increase in tax relief limit, extension and expansion of scope of existing tax relief. ”

Rakyat’s Well Being



Every year, included in the wish list of any individual taxpayer is a reduction in the personal income tax rate. Their wish has been granted as the Government has just announced the reduction of personal income tax rate of 1% on the chargeable income band of RM50,001 to RM70,000. This effectively translates to a tax saving of RM200 for taxpayers having chargeable income exceeding RM50,000. Questions may be asked to why only taxpayers having chargeable income of RM50,000

and more get to enjoy the RM200 tax saving. It should be noted that the Government is also extending significant cash assistance to the lower income group under the Bantuan Prihatin Rakyat package, which will only be provided for families with monthly household income not exceeding RM5,000. Added to that the various other financial assistance programmes offered during the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and National Economic Recovery Plan (PENJANA), significant assistance has already been made available to the B40 groups.

It should nevertheless be noted that certain categories of taxpayers may end up not benefitting at all from the initiatives proposed by the Government.

As an example, a married couple who are both working and having salary of RM5,500 per month respectively, would not be benefiting from both the initiatives as follows:-

- a) Not eligible for tax saving of RM200 each where their chargeable income (under separate assessment and with reliefs claimed) is below RM50,000.
- b) May not receive any cash assistance where their monthly household income exceeds the threshold as determined by the Government.

Hopefully, the Government will review this and perhaps to provide for reductions in the scale tax rates for below RM50,000 as well in the future.

2020 has been an unprecedented year whereby the world has been hit by the Covid-19 pandemic. During this pandemic, the rakyat will be more cautious in taking care of the health of their family members especially the elderly, the disabled and young ones. When anyone in the family has a slight discomfort, medical attention will be sought to ensure that their health is not compromised. It is heartening to note that the Government has felt the rakyat's pain and has expanded some of the existing tax reliefs. However, the proposed reliefs is with effect from year 2021 instead of 2020. During these trying times especially in 2020, it would benefit the taxpayers greatly if these proposed reliefs can be effective retrospectively back to YA 2020.

These reliefs can be summarized as follow:

- Additional RM3,000 relief on medical expenses on parents. However, the relief is still confined to own parents and not extended to parents-in-law.
- Additional RM2,000 relief on medical expenses for self, spouse and child. It is noted that the relief is still restrictive as it is for expenses on serious illness, full medical check up and now extended to cover vaccination expenses only.
- Existing relief on Private Retirement Scheme of RM 3,000 and the contribution to the Skim Simpanan Pendidikan Nasional (SSPN) of RM8,000 be extended to Year of Assessment 2025 and 2022 respectively. With the extension on the relief and the reduced interest rate on savings in financial institutions, this may encourage taxpayers to continue contributing to these schemes for their future retirement and children's education purposes.



- Expansion of tax relief of study fees up to RM1,000 for each Year of Assessment 2021 and 2022 to cover fees for attending up-skilling and self enhancement courses. In this new normal, in order to keep abreast with technology development and be competitive in the employment market, individual taxpayers will certainly be incentivised to upskill themselves.
- Additional lifestyle relief of RM500 on cost of purchasing sports equipment, entry/rental fees for sports facilities and participation fees in sports competition is given to promote a healthy lifestyle which is important for the wellbeing of an individual during this pandemic. With the increase in the tax relief, individuals would hopefully be encouraged to exercise more to maintain a healthy lifestyle. Additionally, due to the increased use of electronic gadgets in our day to day life, the relief is now expanded to include subscriptions paid for electronic newspapers. This is a welcome move in this era of technology where almost everything can be done online.
- The Government has also taken care of individuals who are less fortunate. To further assist an individual taxpayer with a disabled spouse, the further deduction on the tax relief limit for disabled spouse is increased from RM3,500 to RM5,000. Therefore, the total relief for a disabled spouse will be RM9,000 (i.e. existing spouse relief of RM4,000 and proposed further relief of RM5,000).



Authors



Long Yen Ping
Executive Director
Head of Global Mobility Services
yenpinglong@kpmg.com.my



Wee Chong Eng
Director
Global Mobility Services
chongengwee@kpmg.com.my



May Leong
Associate Director
Global Mobility Services
shleong@kpmg.com.my



Lee Pui Yee
Assistant Tax Manager
Global Mobility Services
puiyeelee@kpmg.com.my

Contact Us

Petaling Jaya Office

Tai Lai Kok

Executive Director –
Head of Tax and Head of Corporate Tax
ltai1@kpmg.com.my
+603 7721 7020

Bob Kee

Executive Director – Head of Transfer Pricing
bkee@kpmg.com.my
+603 7721 7029

Soh Lian Seng

Executive Director –
Head of Tax Dispute Resolution
lsoh@kpmg.com.my
+603 7721 7019

Long Yen Ping

Executive Director –
Head of Global Mobility Services
yenpinglong@kpmg.com.my
+603 7721 7018

Ng Sue Lynn

Executive Director – Head of Indirect Tax
suelynng@kpmg.com.my
+603 7721 7271

Outstation Offices

Penang Office

Evelyn Lee

Executive Director – Penang Tax
evewflee@kpmg.com.my
+604 238 2288 (ext. 312)

Kota Kinabalu Office

Titus Tseu

Executive Director – Kota Kinabalu Tax
titustseu@kpmg.com.my
+6088 363 020 (ext. 2822)

Ipoh Office

Crystal Chuah Yoke Chin

Tax Manager – Ipoh Tax
ycchuah@kpmg.com.my
+605 253 1188 (ext. 320)

Kuching & Miri Offices

Regina Lau

Executive Director – Kuching Tax
reglau@kpmg.com.my
+6082 268 308 (ext. 2188)

Johor Bahru Office

Ng Fie Lih

Executive Director – Johor Bahru Tax
flng@kpmg.com.my
+607 266 2213 (ext. 2514)

KPMG Offices

Petaling Jaya

Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor
Tel: +603 7721 3388
Fax: +603 7721 3399
Email: info@kpmg.com.my

Penang

Level 18, Hunza Tower,
163E, Jalan Kelawei,
10250 Penang
Tel: +604 238 2288
Fax: +604 238 2222
Email: info@kpmg.com.my

Kuching

Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak
Tel: +6082 268 308
Fax: +6082 530 669
Email: info@kpmg.com.my

Miri

1st Floor, Lot 2045,
Jalan MS 1/2,
Marina Square, Marina Parkcity,
98000 Miri, Sarawak
Tel: +6085 321 912
Fax: +6085 321 962
Email: info@kpmg.com.my

Kota Kinabalu

Lot 3A.01 Level 3A,
Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah
Tel: +6088 363 020
Fax: +6088 363 022
Email: info@kpmg.com.my

Johor Bahru

Level 3, CIMB Leadership Academy,
No. 3, Jalan Medini Utara 1,
Medini Iskandar,
79200 Iskandar Puteri, Johor
Tel: +607 266 2213
Fax: +607 266 2214
Email: info@kpmg.com.my

Ipoh

Level 17, Ipoh Tower,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh, Perak
Tel: +605 253 1188
Fax: +605 255 8818
Email: info@kpmg.com.my

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com.my/Tax

 facebook.com/KPMGMalaysia

 twitter.com/kpmg_malaysia

 linkedin.com/company/kpmg-malaysia

 instagram.com/kpmgmalaysia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG Tax Services Sdn. Bhd., a company incorporated under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.