

Tax measures affecting individuals

KPMG in Malaysia

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Overview and Commentary



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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:-

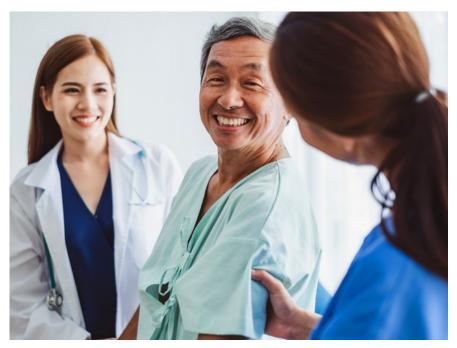
- a) Not eligible for tax saving of RM200 each where their chargeable income (under separate assessment and with reliefs claimed) is below RM50,000.
- b) May not receive any cash assistance where their monthly household income exceeds the threshold as determined by the Government.

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).



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