

GMS Flash Alert

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Malaysia - COVID-19: Tax Relief and Stimulus Measures for Individuals

Malaysia's prime minister presented the National Economic Recovery Plan ("NERP" or "PENJANA") on 5 June 2020, which offers several new tax measures – or adjustments to existing ones – to support employees' work-from-home arrangements and to help individuals during the COVID-19 crisis.¹

These measures include some new personal tax reliefs, as well as increases in some existing ones. There is also a tax exemption for the gift of gadgets by employers namely handphones (i.e., mobile or cellular phones), notebooks, and tablets, and a real property gains tax ("RPGT") exemption for disposals of residential properties.

WHY THIS MATTERS

These measures should help employees working from home better cope with expenses incurred for certain electronic devices utilised when working from home during the COVID-19 health crisis. Individuals and their tax service providers should be aware of the new reliefs and the resultant potential tax benefits. Further, employers should consider taking advantage of a tax exemption for giving employees certain electronic devices to facilitate the working from home arrangement.

The RPGT measure should offer some helpful relief to individuals who, due to job losses or financial difficulties arising from the current situation, need to re-balance their financial affairs. However, at this moment, it is unclear if the disposal of residential properties jointly owned by an individual together with other individuals are regarded as part of the three properties limit.

Special Tax Relief

To support employees under work from home arrangements, a special tax relief of up to MYR 2,500 is available to resident individuals for the purchase of a handphone, notebook, or tablet from 1 June 2020 to 31 December 2020.

The special tax relief is claimable for YA2020 only.

The above is in addition to the existing “lifestyle relief” of MYR 2,500 whereby the cost of purchasing a handphone, notebook, or tablet is claimable by resident individuals as part of the “lifestyle relief.”

Tax Relief on Travel Expenses

Currently, personal tax relief of up to MYR 1,000 is given to resident individuals for the following domestic travel expenses incurred from 1 March 2020 to 31 August 2020:

- (i) accommodation expenses at premises registered with the Ministry of Tourism, Arts and Culture Malaysia; and
- (ii) entrance fees to tourist attractions (these are yet to be defined).

The prime minister announced that personal income tax relief in the amount of MYR 1,000 on travel expenses incurred from 1 March 2020 to 31 August 2020 is to be extended to 31 December 2021. Hence, the tax relief is claimable by resident individuals for YA2020 and YA2021.

Tax Relief for Fees Paid to Child-Care Centres or Kindergartens

The tax relief is to be increased from MYR 2,000 to MYR 3,000, for resident individuals who enroll their children aged up to six years old in child-care centres registered with Director General of Social Welfare under the Child Care Centre Act 1984 or kindergartens registered under the Education Act 1996. The tax relief is claimable by either parent of the child.

The above is effective from YAs 2020 until 2021.

Income Tax Exemption for Gifts of Handphones, Notebooks, and Tablets

To facilitate work from home arrangements, an individual income tax exemption of up to MYR 5,000 will be given to employees who receive gifts in the form of a handphone, notebook, and tablet from their employer effective 1 July 2020. It is advisable to have a written policy in place to document that the provision of the above benefit is to facilitate the work from home arrangement.

Currently, no tax exemption is given to the gift of a notebook and tablet to employees by their employer while there is a tax exemption granted on a gift of a handphone (restricted to one unit) to employees.

The above is for YA2020 only.

Real Property Gains Tax (“RPGT”) Exemption for Disposal of Residential Properties

To provide financial relief to Malaysian citizens who may be forced to dispose of their residential properties during this period, RPGT on gains arising from the disposal of residential properties by an individual who is a Malaysian citizen between 1 June 2020 and 31 December 2021 is exempted. The exemption is limited to the disposal of three units of residential properties for each individual. However, the residential properties should not have been acquired during the exemption period under a no gain, no loss transaction.

KPMG NOTE

The comments above are based on the prime minister's NERP Speech and hence are subject to release of the relevant gazette orders.

Taxpayers are reminded to retain documentary evidence to support their claims for tax relief. In the event of a tax audit, the absence of documentary evidence could attract penalties of up to 100 percent of the tax under-charged (i.e., additional tax that will arise from the disallowance of the claims).

FOOTNOTE:

1 The prime minister's 5 June 2020 NERP (or PENJANA) speech can be found (in Malaysian) at:
<https://www.pmo.gov.my/2020/06/teks-ucapan-pelan-jana-semula-ekonomi-negara-penjana/> .

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MYR 1 = USD 0.234

MYR 1 = EUR 0.208

MYR 1 = GBP 0.189

MYR 1 = AUD 0.341

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