



HSS ADVISORY SDN BHD
(722956-M)

Tax & Business Advisors

SUMMARY OF BUDGET 2022

**Strengthening Recovery, Building Resilience and
Driving Reforms**

Prepared by: HSS Advisory Sdn Bhd



Special programme for voluntary disclosure 2.0 for the coming 2022 Budget — Harjit Singh Sidhu

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OCTOBER 11 — As the 2022 budget announcement set forth on 29th of October 2021, which is edging closer by day, not only the Rakyat wishes to have a reduction in tax rates since pay cut or losing jobs thanks to the pandemic seemed inevitable, businesses are in hope to have their own cash assistance to keep them afloat.

Although majority of the businesses are open, many are still cautious to actually spend their money in fear that another lockdown may arise. Many restaurants are still not operating at 100 per cent capacity. The owners have to juggle between keeping a positive cash flow and not risking their staff's exposure. We have yet to win against the Delta Variant of Covid-19 virus, but life must go on.

Food for thought — How many businesses can survive before it fully recovers? The ripple effect seems endless.

To sustain the Rakyat, the Government will need to consider its revenue stream. Malaysia currently has Direct and Indirect Taxes collection. The examples of direct taxes are Corporate Tax, Personal Tax,

https://www.malaymail.com/news/what-you-think/2021/10/11/special-programme-for-voluntary-disclosure-2.0-for-the-coming-2022-budget-h/2012421?utm_source=headtopics&utm_medium=news&utm_campaign=2021-10-11



Keluarga Malaysia, Makmur Sejahtera

- **The Largest Budget to-date amount – RM 332.1 billion**
- **The government intends to allocate :-**
 - RM 233.5 billion for operating expenditure
 - RM 75.6 billion for development expenditure;
 - RM 23 billion under COVID-19 fund; and
 - RM 2 billion for the Contingency Reserve Advance Warrant.

Direct Cash Assistance and Welfare

Income	Number of Beneficiaries / Assistance		
Household	Child 0	Children 1-2	Children \geq 3
< RM 2,500	RM 1,000	RM 1,500	RM 2,000
RM 2,501 – RM 5,000	RM 400	RM 600	RM 800

Additional Assistance:

Single Parents with Children (IBT)	RM 500
Senior Citizen Household	RM 300
Senior Citizen / Singles <RM 5,000	RM 600
Singles < RM 2,500	RM 350



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Tax Implication on Individuals

Imposition of Tax on Foreign Sources

- At present, foreign income remitted into Malaysia is exempted from income tax under Schedule 6, Para 28 of ITA 1967 except for air, banking, insurance and sea industries.
- It is proposed that income tax to be imposed to Malaysian residents (both individuals and companies) on income derived from foreign sources and received in Malaysia starting from 1st January 2022.



Disposal of Real Property and Real Property Company's (RPC) Share after 5-Year Holding Period – Zero 0% RPGT

- At present, RPGT will be imposed on the gain from disposal of real property/ real property company [RPC] shares made by an individual citizen and permanent resident at a rate of 5% when the disposal is happened in the 6th year and thereafter from the date of acquisition of such assets.
- It is proposed that the RPGT rate on gain from disposal of real property/ RPC shares made by individual citizen and permanent resident for disposal happened in the **6th year and thereafter from the date of acquisition** of such assets to be reduced from **5% to 0%** starting from **1st January 2022**.



Disposal of Real Property and Real Property Company's (RPC) Share after 5-Year Holding Period – Zero 0% RPGT

Disposal Rates	Unchanged	Unchanged	Current	Proposed
	Company	Individuals – Non-Citizens and Non Permanent Resident	Individuals – Citizen & Permanent Residents	Individuals – Citizen & Permanent Residents
Within 3 years	30%	30%	30%	30%
In the 4 th year	20%	30%	20%	20%
In the 5 th year	15%	30%	15%	15%
In the 6 th and subsequent years	10%	10%	5%	0%



Personal Reliefs

Summary of changes in personal tax relief

Relief Type	Present Limit	Proposed Limit	Proposed Changes	Period
Contribution to SOCSO	RM 250	RM 350	Scope to be expanded to include employee's contribution through the EIS	Effective from YA 2022 onwards
Education fees (self) for up-skilling or self-enhancement	RM 1,000	RM 2,000	-	Effective for YA 2022 and 2023 only
EPF contributions	RM 4,000	RM 4,000	Scope to be expanded to include voluntary contributors including pensionable civil servants	Effective from YA 2022 onwards
Medical expenses	RM 8,000	RM 8,000	Scope to be expanded to include check-up and consultation service for mental health	Effective from YA 2022 onwards



Personal Reliefs

Summary of changes in personal tax relief

Relief Type	Present Limit	Proposed Limit	Proposed Changes	Period
Local tourism expense	RM 1,000	RM 1,000	-	To be extended until 31.12.2022
Child care fees to a registered child care centre or kindergarten	RM 3,000	RM 3,000	-	To be extended to cover YA 2022 and 2023
Special relief – Purchase of personal computer, smartphone or tablet	RM 2,500	RM 2,500	-	To be extended to cover YA 2022
Deferred annuity	RM 3,000	RM 3,000		To be extended to cover the periods until YA 2025



Other Tax Developments in 2022 Budget for Individuals

- Extension of sales tax exemption for passenger cars (e.g. 100% on CKD and 50% on CBU) until 30th June 2022
- Excise duty imposed on any liquid or gel (non-nicotine) for e-cigarettes is proposed to be increased from RM 0.40 to RM 1.20 per ml effective 1st January 2022. Also, any liquid or gel containing nicotine for e-cigarettes will also be subjected to excise duty at the same rate



Other Tax Developments in 2022 Budget for Individuals

- To boost the local tourism sector, the exemption of tourism tax of RM 10 / room / night for accommodation premises is proposed to be further extended until 31st December 2022
- Exemption on entertainment duty on admission fees to entertainment venues such as theme parks, stage performances, sports events and competitions and cinema held in the Federal Territories (Kuala Lumpur, Labuan and Putrajaya) announced under PEMERKASA is to be extended until 31st December 2022



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Tax Implication on Businesses



One-Off Prosperity Tax For 2022

- At present, Malaysian income tax on company categorised as small and medium enterprise [SME] is 17% on the first RM 600,000.00 chargeable income and 24% on the chargeable income exceeded the RM 600,000.00, whereas the income tax on company which is not a SME is 24% on the chargeable income
- The 2022 budget proposes imposition of an additional of 9% tax on company for the chargeable income exceeded RM 100 million for the YA 2022



Tax Rebate for Establishment of New Entities for Micro, Small and Medium Enterprises

- Newly established Micro, Small and Medium Enterprises (MSMEs) which established and operate from 1 July 2020 to 31 December 2021 and fulfil the conditions required under this incentive will be given income tax rebate up to RM20,000 for each year of assessment for the first three years of assessment
- It proposed that establishment and operational period for new MSMEs including MSMEs that perform business activities through online platform to be extended to 31 December 2022



Special Voluntary Disclosure Programme (SVDP) for Indirect Taxes

- It has been proposed that a SVDP is introduced for indirect taxes (GST and SST) under the Royal Malaysian Customs Department (“RMCD”)
- The program will be implemented in two (2) phases, as follows –

Phase 1	Full penalty remission
Phase 2	50% penalty remission

The due dates for Phase 1 and 2 are yet to be announced

Flexibility for Monthly Tax Payments

- Under the self-assessment regime, taxpayers are required to make monthly tax instalments throughout the year. In light of Covid-19, the following flexibilities have been announced –

Flexibility	Period	Category of Taxpayer
Deferment of the monthly tax instalments	6 months until 30 th June 2022	Micro, Small and Medium Enterprises (MSME)
Option to amend estimated tax payable on the 11 th month of the basis period	Before 30 th October 2022	All businesses.



Extension of Incentives

Incentive	Key Details	Proposal
Special tax deduction for rental reductions	At least thirty 30% reduction in rental to both SME and non-SME tenants	To be extended to cover the period from January 2022 to June 2022
Extension of Additional Reinvestment Allowance	For companies in selected agriculture and manufacturing activities reinvesting for the purpose of expansion, modernisation, automation and diversification	To be extended to until YA 2024



Review of Tax Treatment on Unabsorbed Losses

- Effective year 2019, unabsorbed losses in current year of assessment is allowed to be carried forward to a maximum of 7 consecutive years of assessment
- The accumulated unabsorbed losses up to the year of assessment 2018 can be carried forward till year of assessment 2025
- It is proposed that the current year unabsorbed business loss that can be carried forward for 7 consecutive years of assessment to be extended to **10 consecutive years** of assessment from year of assessment 2019 onwards
- Furthermore, the accumulated unabsorbed losses up to the year of assessment 2018 that can be carried forward until the year of assessment 2025 will be **extended until the year of assessment 2028**



Stamp Duty Exemption on Loan / Financing Agreements For Peer – To- Peer Financing (P2P)

- At present, every successful fundraising by the Micro, Small and Medium Enterprises (MSMEs) through the P2P platform is subjected to stamp duty on the loan / financing agreement at the rate between 0.05% to 0.50%
- It is proposed that 100% stamp duty exemption be given on P2P loan / financing agreement between MSMEs and investors for 5 years which is only applicable for P2P financing made through P2P financing platform registered and recognized by the Securities Commission Malaysia



Tax Incentives for Digital Ecosystem Acceleration Scheme

	Proposed
Digital Technology Provider	a. New Company
	- Income tax rate of 0% to 10% for up to 10 years.
	b. Existing company that diversifies in new service activities or new service segments
	- Income tax rate of 10% for up to 10 years
Digital Infrastructure Provider	Investment Tax Allowance of 100% on capital expenditure for qualifying activities for up to 10 years. This allowance can be set-off up to 100% of statutory income

For application received by MIDA from 30.10.2021 to 31.12.2025



Review of Tax Incentive For Structured Internship Programme

- Double deduction in respect of Structured Internship Programme approved by Talent Corporation Malaysia Berhad is proposed to be extended by 4 years up to YA 2025 with expanded scope to include Master's Degree, Professional Certificate and Malaysian Skills Certificate Levels 1 and 2

Review of Tax Incentives For Scholarship

- At present, Companies that provide scholarships to students at Diploma, Degree including Master's and Doctorate level are eligible for double tax deduction under Section 34(6)(I) Income Tax Act 1967
- It is proposed that the double tax deduction to be reviewed as follows –
 - i. the scope of qualifying studies be expanded to all fields of study at the Technical and Vocational, Diploma, Degree including Master's and Doctorate; and
 - ii. the tax incentive be extended for 4 years from the year of assessment 2022 to the year of assessment 2025.

Extension of Tax Incentive For The Purchase of Tourism Vehicles

- At present, the purchase of new locally assembled excursion bus is eligible to claim Accelerated Capital Allowance (ACA) with an initial allowance of 20% and an annual allowance of 40%. The ACA can be claimed from the year of assessment 2020 until the year of assessment 2021
- It is proposed that the existing tax incentive to be extended for 3 years



Extension of Tax Incentive for Renovation and Refurbishment of Business Premises

- At present, the cost of renovation and refurbishment of business premises is given tax deduction on allowable expenses up to RM300,000 incurred from 1st March 2020 until 31st December 2021
- It is proposed that the existing tax incentives to be extended until 31st December 2022



Service Tax on Goods Delivery Services

- Courier delivery services for documents or parcels not exceeding 30 kilograms by service providers licensed under Section 10, Postal Services Act 2012 is subject to service tax under Group I, First Schedule of Service Tax Regulations 2018. While the goods delivery services by service providers not licensed under the Postal Services Act 2012 is not subject to service tax.
- It is proposed that service tax to be imposed on goods delivery services provided by service providers including E-Commerce platform except for food and beverages delivery services as well as logistic services

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