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MALAYSIA BUDGET 2021

INCOME TAX | RPGT | SST

LATEST UPDATES &
COMPREHENSIVE TAX PLANNING

Budget 2021
- Self study essential slides

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25 & 26 Mar 2021

Sheraton Petaling Jaya

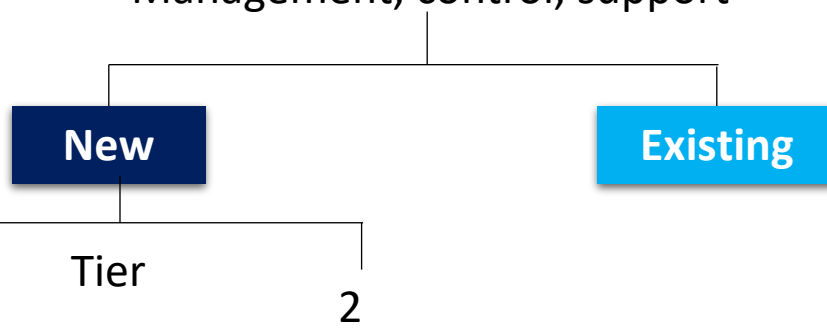
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Principal hub incentive

- Application to MIDA
1.1.2019-31.12.2020
(extended to 31.12.2022)
- Minimum conditions for the second 5 years relaxed

Resident company

- Use Malaysia as a centre for conducting business and regional or global operations
- Management, control, support



Tax rate 
Years of exemption

1

Tier

2

0%
5+5*

5%
5+5*

10%
5

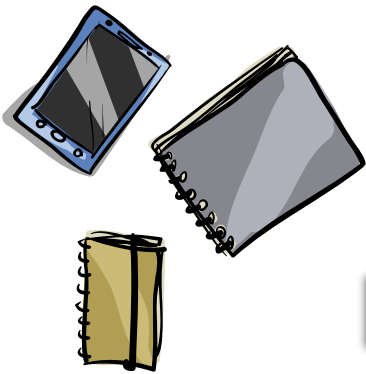
Conditions

(a) High value workers	≥ 50	≥ 30	≥ 30
(b) Key posts personnel	≥ 5	≥ 4	≥ 5
(c) Annual operating expenditure	≥ RM10 million	≥ RM5 million	≥ RM10 million



Principal hub incentive

- Resident company
- Paid up capital > RM2.5 million
- Annual sales \geq RM500 million (additional requirement for tax exemption on trading income)
- Serve and control network companies
(Tier 1: \geq 15; Tier 2: \geq 10)
 - (a) Related companies, companies within same group
 - (b) Non related companies have contractual agreement for at least 3 years



↓

Tax exemption on

- trading income
- services

Exclude

- royalty
- other income derived from intellectual property rights

Tax incentive for global trading centre

Principal Hub Incentive

New company

- income tax exemption:
0% - 5% tax rate on statutory income
- 5 + 5 years (renewable)
- on qualifying trading and services incomes

Existing company

- 10% tax rate on statutory income
- 5 years
- on qualifying trading and services incomes

Conditions

- local company incorporated under Companies Act 2016
- tax resident in Malaysia
- paid-up capital > RM2.5 million
- annual sales \geq RM500 million
- serve and control a minimum number of network companies
- application 1.1.2019 – 31.12.2020

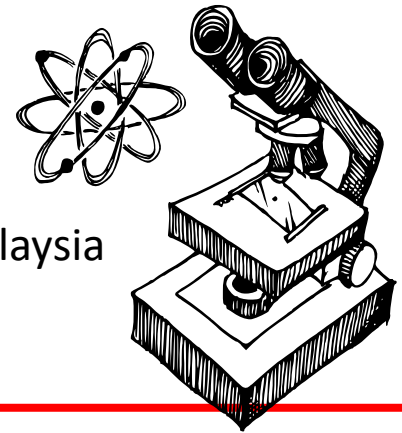


Global Trading Centre

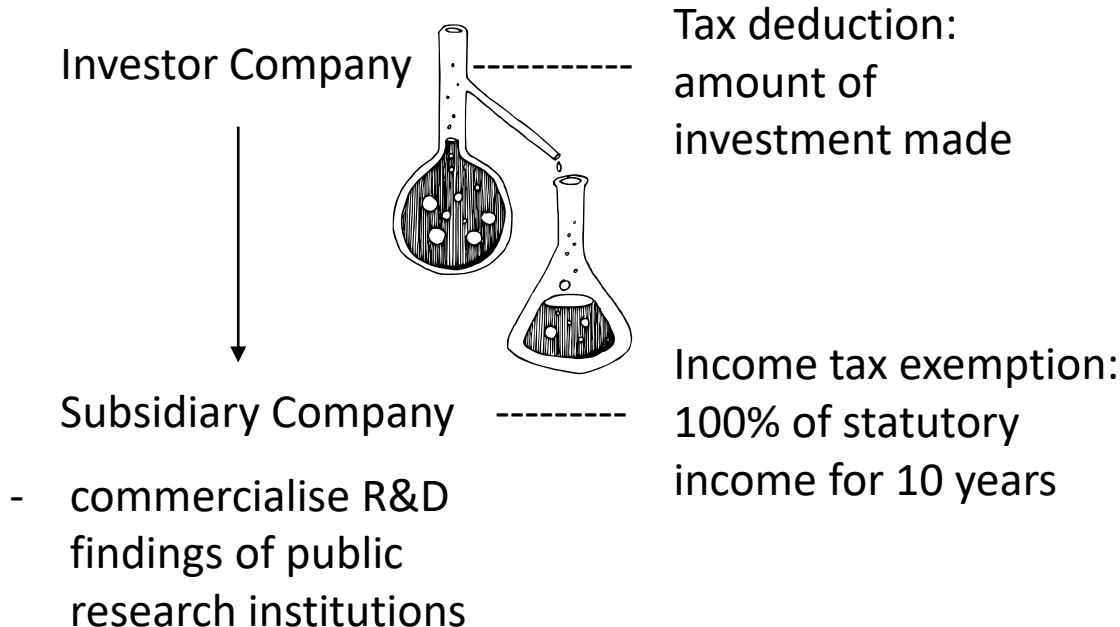
- 10% income tax rate
- 5 + 5 years (renewable)
- simplified and reduced criteria from Principal Hub Incentive for trading activities
- application from MIDA
1.1.2021 – 31.12.2022

Tax incentive for commercialization of research and development findings

- Research and development (R&D) findings of public research institutions including public higher learning institutions in Malaysia



Resource-Based



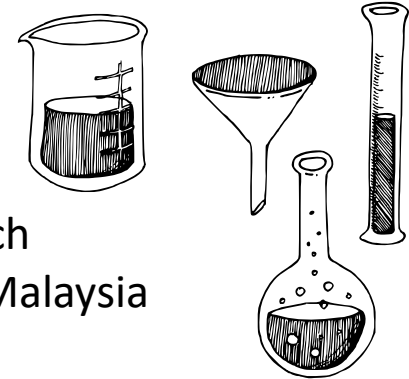
BUDGET
2021

Include R&D findings from private higher education institutions

Application from 07.11.2020 – 31.12.2025

Applications received by MIDA from 11.09.2004

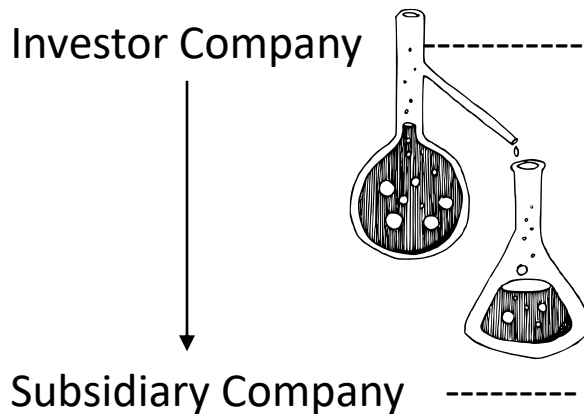
Tax incentive for commercialization of research and development findings



- Research and development (R&D) findings of public research institutions including public higher learning institutions in Malaysia

Non-Resource Based

Subject to the list of activities or products under Promotion of Investment Act 1986



Tax deduction:
amount of investment
made

Income tax exemption:
100% of statutory
income for 10 years

- commercialise R&D findings of public research institutions

Applications received by MIDA:
29.09.2012 – 31.12.2017

BUDGET
2021

Re-introduced
Include R&D findings
from private higher
education institutions

Application from
07.11.2020 – 31.12.2025

Non resource based

- Limited to promoted activities listed under Promotion of Investment Act 1986
- Result of the R&D commercialisation must be in the form of
 - ❑ New non research based products/activities
 - ❑ New process technology



Resource based R&D findings

- (a) Agriculture; and agriculture and food processing
- (b) Oil palm products
- (c) Wood and wood-based products
- (d) Rubber-based products
- (e) Non-metallic mineral products
- (f) Natural products including pharmaceuticals
- (g) R&D on natural resources

Tax relief on medical treatment, special needs and parental care



- Parents
- Medical treatment
 - Special need
 - Carer
- Performed in Malaysia

	2020	2021
YA		
RM		
	5,000	8,000

Cost incurred

Evidenced by receipts

Certified the necessity by doctor registered with MMC

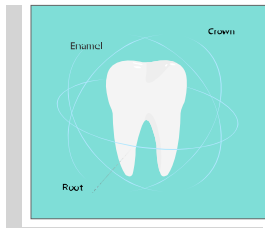
Tax relief on medical treatment, special needs and parental care

- a. Medical treatment
- ❖ Suffer from diseases
 - ❖ Physical disabilities
 - ❖ Mental disabilities

- ✓ Medicine and treatment in clinic
- ✓ Medicine and treatment in hospital
- ✓ Treatment at nursing homes
- ✓ Dental treatment



b. Dental services



- ✓ Tooth extraction, filling, scaling and cleaning
- ✗ Cosmetic dental treatment
- ✗ Teeth restoration and replacement (crowning, root canal and dentures)

c. Parental carer

- ✓ Treatment at home
- ✓ Day care centres
- ✓ Home care centres
- ✗ Carer shall not be
 - ✗ Taxpayer himself / herself
 - ✗ His wife / Her husband
 - ✗ Child of that taxpayer
- ✗ Carer to physically and mentally healthy parents



Tax relief on medical treatment, special needs and parental care

d. Special needs

✓ Equipment allowable for deduction

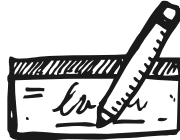
List of equipment – PR 8/2020

❖ Portable automatic blood pressure monitor	❖ Automatic adjustable bed	❖ Moist dressings
❖ Silicone ryles tube	❖ Ripple mattress	❖ Glucometer
❖ Common chair	❖ J-cushion	❖ Diapers
❖ Detachable arm rest wheel chair	❖ Transfer board	❖ Urinary condom and bag
❖ Standard wheel chair	❖ Accapella (for lung physiotherapy)	❖ Backpan
❖ Walking frame	❖ Long term oxygen therapy	❖ Nebulizer
❖ Quadripod	❖ Portable suction machine	❖ Inhalers
❖ Rollator with 2 wheel and brake	❖ Food thickener	❖ Insulin pen
❖ Roller with elbow support	❖ Clean intermittent catheterization	❖ Urinary catheter

Include other equipment as determined by medical practitioners registered with the MMC

Tax relief on medical treatment, special needs and parental care

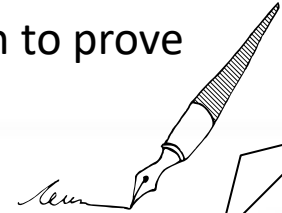
Supporting documents



- ✓ **Receipts issued by:**
 - ✓ Registered medical centres
 - ✓ Pharmacies
 - ✓ Licensed medical stores
 - ✓ Qualified medical practitioner registered with MMC
 - ✓ Carers

Receipts under the name of parents

- ✓ Endorsement of receipts by qualified medical practitioner registered with MMC
- ✓ Certificate of birth to prove relationship



- ✓ **Written certification**



- ✓ **Work permit and valid Visa (foreigner carer)**



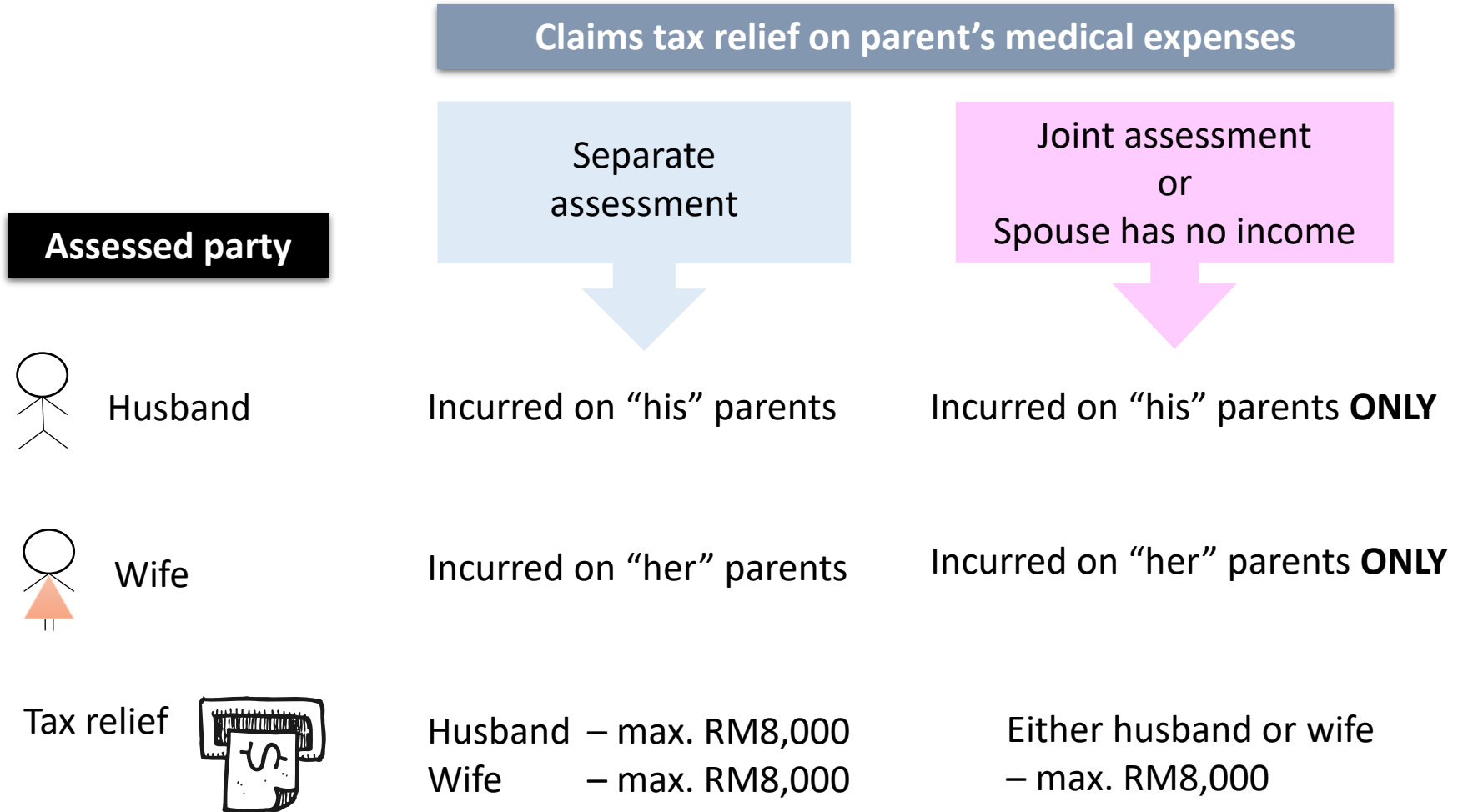
Joint expenses between siblings

- ✓ Apportionment on incurred expenses between children



Tax relief on medical treatment, special needs and parental care

- Available to each children



Medical expenses for serious disease [s 46(1)(g), (h)]

Step

- 1 It is available to each taxpayer
- Husband
 - Wife

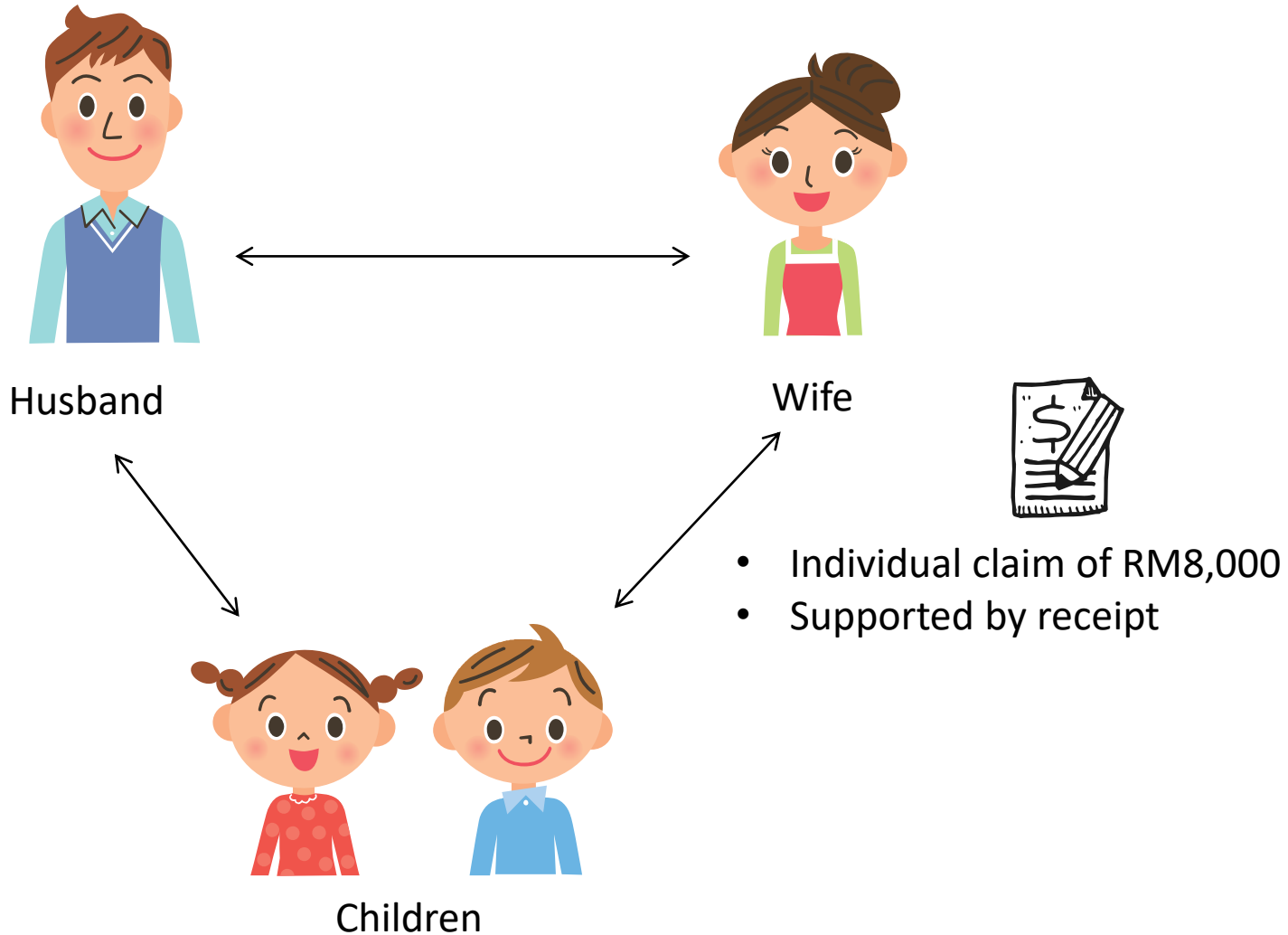


- 2 Scope
- Oneself
 - Spouse
 - Children



- 3  Quantum
RM8,000

Interrelation of relief

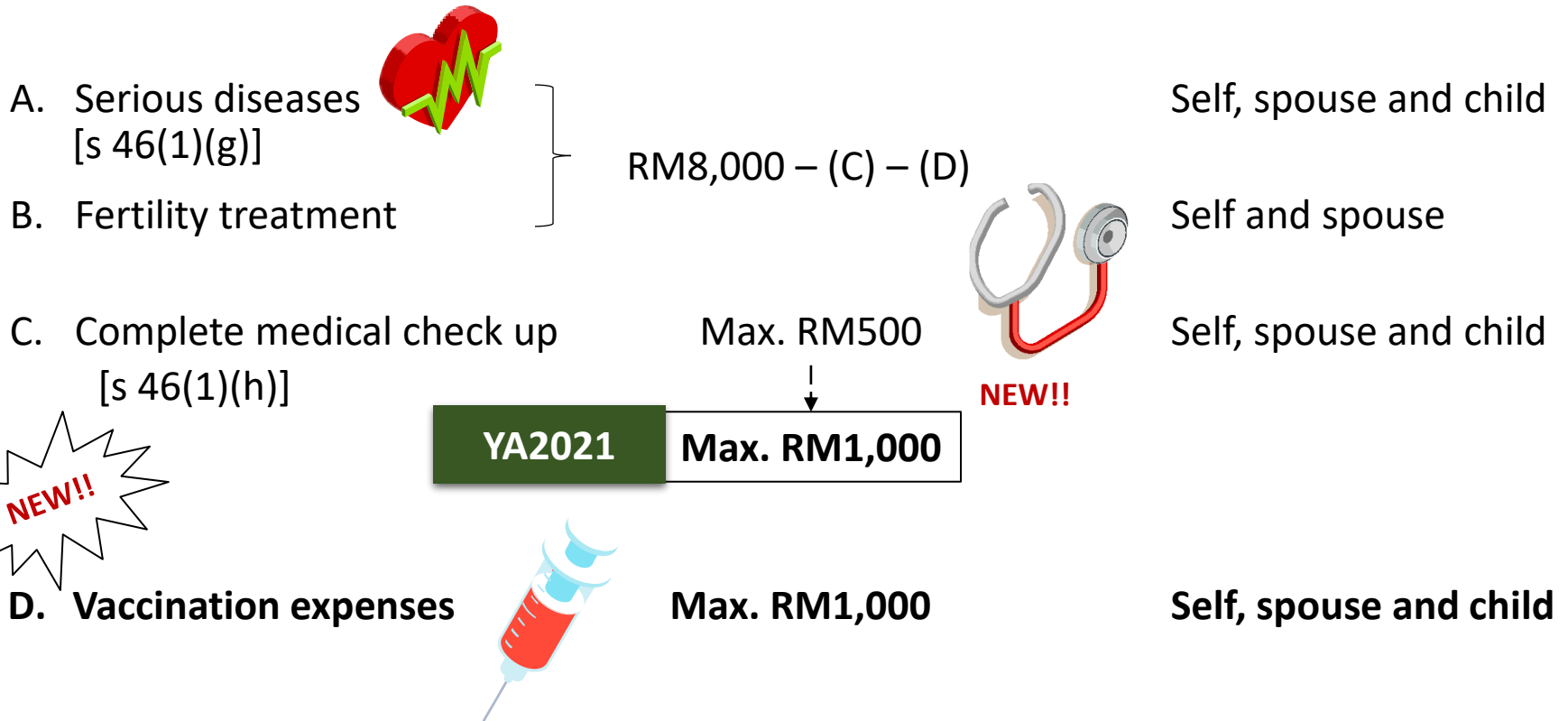


Tax relief on medical treatment expenses for self, spouse and child

Tax Relief

YA2020 Max. RM6,000 -----> YA2021 Max. RM8,000

Expense for



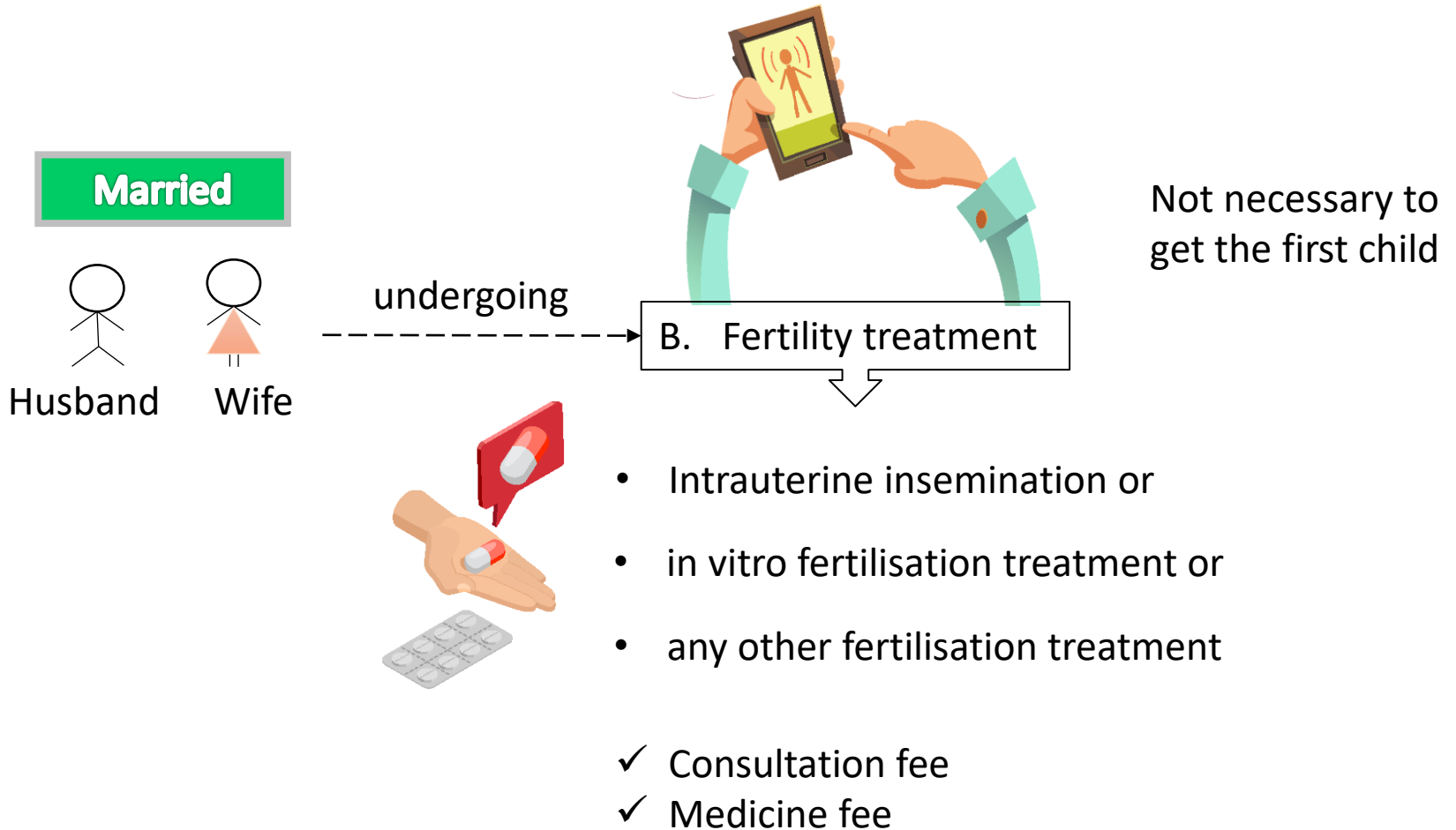
Tax relief on medical treatment expenses for self, spouse and child

A. Serious diseases

- Immune deficiency syndrome (AIDS)
- Parkinson's disease
- Cancer
- Renal failure
- Leukaemia
- Other similar diseases such as:
 - heart attack
 - pulmonary hypertension
 - chronic liver disease
 - fulminant viral hepatitis
 - head trauma with neurological deficit
 - brain tumour or vascular malformation
 - major burns
 - major organ transplant
 - major amputation of limbs.



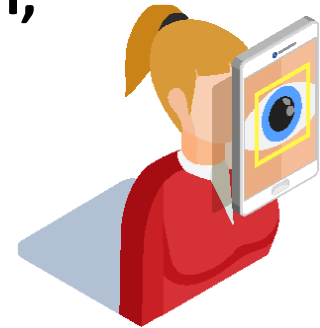
Tax relief on medical treatment expenses for self, spouse and child



Tax relief on medical treatment expenses for self, spouse and child



YA2021



C. Complete medical check up

Increased to max. RM1,000



such as eye, ear, nose, throat, neck, chest, heart, breast, abdomen, hand, foot, body weight examinations, blood pressure

Thorough examination

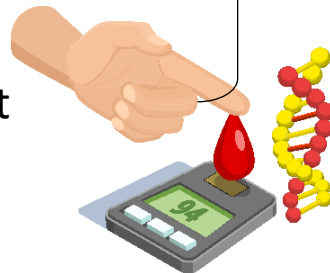
a. Physical examination

and / or

b. X-ray examination

and / or

c. Blood and urine test



+

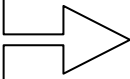


d. Discussion with the physician conducting the test on the results of the examination

Tax relief on medical treatment expenses for self, spouse and child

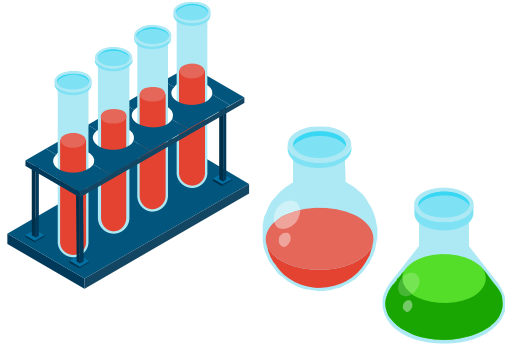
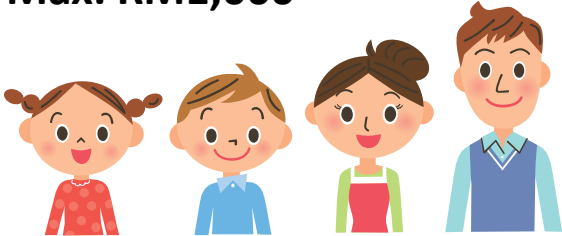
YA2021

D. Vaccination expenses



Self, spouse and child - Max. RM1,000

- ✓ Pneumococcal
- ✓ HPV
- ✓ Influenza
- ✓ Rotavirus
- ✓ Varicella
- ✓ Meningococcal
- ✓ Tdap
- ✓ COVID-19







Total tax relief max. RM8,000

Supported by receipts / certification from medical practitioner registered with the MMC



Tax Relief on Lifestyle

YA 2017 to YA 2020 Up to RM 2,500		YA 2021 Up to RM 3,000
1. Books / journals / magazines / printed newspapers / other similar publications.	+	Electronic newspapers 
2. Personal computer, smartphone or tablet.	=	remain
3. Purchase of sports equipment for sports activity and payment for gym membership. <div data-bbox="133 933 490 1086" style="border: 1px solid black; padding: 5px; display: inline-block;"> Act 576 SPORT DEVELOPMENT ACT 1997 </div>  <div data-bbox="610 918 857 1103" style="border: 1px solid black; padding: 5px; display: inline-block; margin-left: 10px;"> <i>Laws of Malaysia</i> FIRST SCHEDULE [Section 2] </div>	+	<u>Additional RM 500 [s 46(1)(u)]:</u> i. Cost of purchasing sports equipment ii. Entry/rental fees for sports facilities iii. Participation fees in sports competitions
4. Monthly bill for internet subscription. 	=	remain

Sport Activities under Sport Development Act 1997

- | | | |
|--------------------------|-------------------|------------------------|
| 1. Archery | 15. Football | 25. Sepak Takraw |
| 2. Athletics | 16. Golf | 26. Shooting |
| 3. Aquatics | 17. Gymnastics | 26A. Silambam |
| 4. Automobile Sports | 18. Handball | 27. Silat Olahraga |
| 5. Badminton | 19. Hockey | 28. Soft Tennis |
| 5A. Baseball | 19A. Ice Skating | 29. Softball |
| 6. Basketball | 20. Judo | 30. Squash |
| 7. Billiards and Snooker | 20A. Kabbadi | 31. Table Tennis |
| 8. Body Building | 21. Karate Do | 32. Tae kwan do |
| 9. Bowling | 22. Lawn Bowls | 33. Tennis |
| 10. Boxing | 22A. Martial Arts | 33A. Traditional Games |
| 10A. Canoeing | 23. Netball | 34. Volleyball |
| 11. Cricket | 23A. Paralimpiad | 35. Waterski |
| 12. Cycling | 23B. Petanque | 36. Weightlifting |
| 13. Equestrian Sports | 23C. Recreational | 37. Wrestling |
| 14. Fencing | 23D. Rowing | 38. Wushu |
| 14A. Fitness | 24. Rugby | 39. Yachting |

Tax Relief on Private Retirement Scheme (PRS) [s 49(1D)]

- 🎯 Voluntary long-term savings and investment scheme;
- 🎯 Opened to all individuals age 18 years and above;
- 🎯 Operates as a unit trust scheme with trustee;
- 🎯 Option to switch funds within same or different PRS Provider;
- 🎯 Both Individual or his employer* can make contributions; and
- 🎯 Contributions are flexible. No fixed amounts or fixed intervals.



**Individual tax relief
up to RM 3,000**



**+ 4 years
(YA 2022 – YA 2025)**

*Employer tax relief up to 19% of the employees' remuneration contributed by employer. [ss 34(4) of the ITA].



Pre-retirement and Retirement Withdrawal

Partial / Full Withdrawal

Pre-retirement Withdrawal
(Before 55 years old)

Tax penalty **8%**

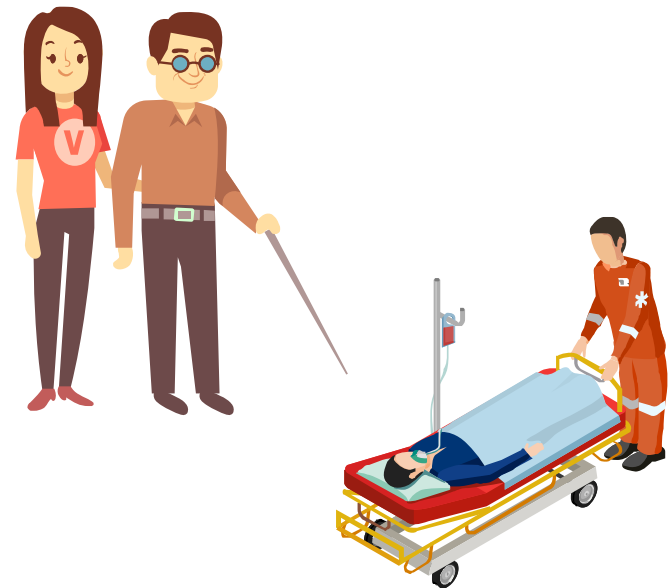
Income tax exemption on Pre-Retirement
Withdrawal [ss 6(1)(l), 109 G, Part XVI, Sch 1]

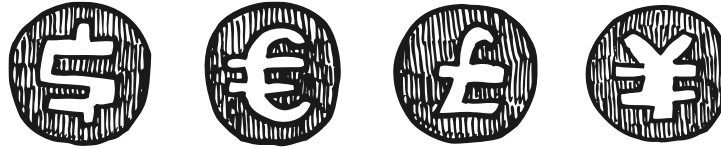
- Permanent total disability;
- Serious disease;
- Mental disability;
- Death;
- Permanent leaving Malaysia;
- Healthcare (w.e.f. 1.1.2020); and
- Housing (w.e.f. 1.1.2020).



Retirement Withdrawal
(Upon reaching 55 years old)

Tax Penalty **0%**





Historical SSPN-I dividend payout rate



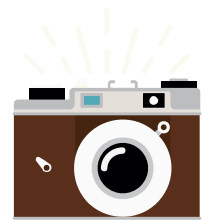
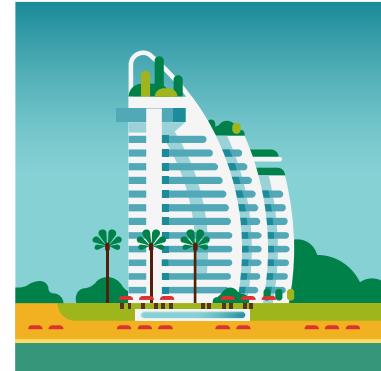
2019	4.00% + 1.00%(T&C)
2018	4.00%
2017	4.00%
2016	4.00%
2015	4.00%
2014	4.25%
2013	4.25%
2012	4.25%
2011	3.75%
2010	3.25%

* An additional 1% bonus, as long as making new deposit into the account within stipulated date.

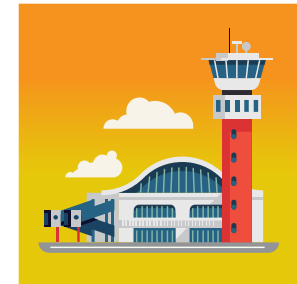
Dividends received are exempt from income tax.

Expenditure related to domestic tour

1. Accommodation
 - (i) Registered with Commissioner of Tourism Malaysia
2. Entrance fee
 - (i) Tourist attraction centre
3. Purchase tour package from tour agent registered with MOTAC (extended scope)



NEW



Maximum RM1,000
[s 46(1)(s)]

Period: 1.3.2020 – 31.12.2021 (YAs 2020 & 2021)

Retirement planning



A. New business

- Online platform
- Alliances with friends
- Aging centre
- Day care for elders
- Child care centre



B. Company secretaries

- For companies with paid up capital < RM 1 million
- LLP for services
- Alliances with friends
- Tax deduction:
 - Tax filing + company secretarial charges \leq RM15,000