LIST OF APPENDICES

APPENDIX 1

REVIEW OF TAX RELIEF FOR SOCSO CONTRIBUTION

Current position

From the year of assessment 2016, tax relief of up to RM250 is given to private sector employee contributing to the social security protection scheme regulated by the Social Security Organisation (SOCSO) through the Employees Social Security Act 1969.

Contribution by an employee to the Employment Insurance System under the Employment Insurance System Act 2017 for income protection due to job loss is not eligible for tax relief.

Proposal

To further encourage private sector employee contributing to SOCSO, focusing in protecting those at risk of losing employment, it is proposed the relief be reviewed as follows:

i. the scope of tax relief for SOCSO contribution be expanded to include employee's contribution through the Employment Insurance System; and

ii. the tax relief limit be increased from RM250 to RM350.

Effective Date

From the year of assessment 2022.

APPENDIX 2

REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR UP-SKILLING AND SELF-ENHANCEMENT COURSES FEES

Current Position

Individual income tax relief of up to RM1,000 from the total education fees relief of RM7,000 is given on fees paid for up-skilling or self-enhancement courses in any field recognised by the Department of Skills Development, Ministry of Human Resources. This relief is given for the year of assessment 2021 and year of assessment 2022.

Proposal

To encourage Malaysian citizens to improve and enhance their skills as well as to venture into new field, it is proposed the tax relief limit be increased from up to RM1,000 to up to RM2,000 for the year of assessment 2022 and extended to year of assessment 2023.

Effective Date

For the year of assessment 2022 and year of assessment 2023.

APPENDIX 3

EXPANSION OF SCOPE FOR TAX RELIEF ON CONTRIBUTIONS TO EMPLOYEES PROVIDENT FUND

Current Position

From the year of assessment 2019, individual income tax relief is given on mandatory contributions of employees or self-employed to Employees Provident Fund (EPF), takaful contributions or life insurance premium payments as follows :

No.	Type of Contribution	Relief Amount
1.	Payment of life insurance premiums or takaful contributions.	Up to RM3,000
2.	Contributions to approved schemes (NOT including private retirement schemes) or contributions under any written law.	Up to RM4,000
	Total	**Up to RM7,000**

For public servants under the pension scheme, the income tax relief on takaful contributions or payment for life insurance premiums is given up to RM7,000.

Proposal

To encourage savings in preparation for old age, it is proposed the scope of tax relief for EPF contributors be expanded to include voluntary contributors including pensionable civil servants.

Effective Date

From the year of assessment 2022.

APPENDIX 4

EXPANSION OF SCOPE OF INCOME TAX RELIEF ON MEDICAL TREATMENT EXPENDITURE

Current Position

Income tax relief of up to RM8,000 is eligible to be claimed by individual taxpayer on medical expenses for serious diseases for taxpayer, spouse and child as well as fertility treatment for taxpayer and spouse. Tax relief claims must be proved by receipt and certification issued by medical practitioner registered with the Malaysian Medical Council confirming the treatment is given to the taxpayer, spouse and child. This relief includes the amount of up to RM1,000 for full medical check-up expenses and RM1,000 for vaccination expenses.

Proposal

To assist *rakyat* who are experiencing mental health impact due to COVID-19 pandemic, it is proposed the scope of individual income tax relief for full medical check-up expenses be expanded to cover the cost of check-up or consultation service related to mental health from:

i. a psychiatrist registered with the Malaysian Medical Council under the Mental Health Act 2001 (Act 615); or

ii. a clinical psychologist registered with the Malaysian Allied Health Professions Council under the Allied Health Professions Act 2016 (Act 774); or

iii. a counsellor registered with Board of Counsellors Malaysia under the Counsellors Act 1998 (Act 580).

Effective Date

From the year of assessment 2022.

APPENDIX 5

EXTENSION OF SPECIAL RELIEF FOR INDIVIDUAL INCOME TAX ON DOMESTIC TOURISM EXPENSES

Current Position

Special relief for individual income tax of up to RM1,000 is given for domestic tourism expenses incurred between 1 March 2020 until 31 December 2021 for:

i. accommodation expenses in accommodation premises registered with the Ministry of Tourism, Arts and Culture Malaysia (MOTAC); and

ii. entrance fee to tourist attraction centres.

In March 2021, through PEMERKASA, this special relief is expanded to include expenses on tourism packages purchased with local tourism operators registered with MOTAC that comprises of:

i. payment for local tour guide services;

ii. purchase of local handicrafts;

iii. food and beverages; and

iv. transportation including hop-on hop-off.

Proposal

To assist the recovery phase of the tourism industry affected by COVID-19 pandemic, it is proposed this special relief for individual income tax be extended for expenses incurred from 1 January 2022 to 31 December 2022.

Effective Date

For the year of assessment 2022.

APPENDIX 6

EXTENSION OF INDIVIDUAL INCOME TAX RELIEF FOR CHILD CARE CENTRE OR KINDERGARTEN FEES

Current Position

Effective from the year of assessment 2020, individual income tax relief of up to RM2,000 is given to a parent on fees paid to a child care centre registered with the Social Welfare Department or kindergarten registered with the Ministry of Education Malaysia. Through PENJANA, the relief limit is increased up to RM3,000 for the year of assessment 2021 and year of assessment 2022.

Proposal

To ease parents' financial burden in providing early education for children, it is proposed the relief of up to RM3,000 be extended for 2 years.

Effective Date

For the year of assessment 2022 and year of assessment 2023.

APPENDIX 7

EXTENSION OF SPECIAL RELIEF FOR INDIVIDUAL INCOME TAX FOR PURCHASE OF MOBILE PHONE, COMPUTER AND TABLET

Current Position

Under PENJANA, the Government has announced a special individual income tax relief for the purchase of mobile phone, computer and tablet of up to RM2,500 for the year of assessment 2020. This is an addition to the relief given on the purchase of mobile phone, computer and tablet of up to RM2,500 under lifestyle relief. The special individual income tax relief has been extended until the year of assessment 2021 under PERMAI.

Proposal

In line with the new norm and work from home practices as well as *Pengajaran dan Pembelajaran di Rumah* (PdPR) approach, it is proposed the special individual income tax relief of up to RM2,500 on the purchase of mobile phone, computer and tablet be extended for 1 year.

Effective Date

For the year of assessment 2022.

APPENDIX 8

EXTENSION OF INDIVIDUAL INCOME TAX RELIEF FOR DEFERRED ANNUITY

Current Position

Income tax relief of up to RM3,000 on premium payment for deferred annuity and contribution in the Private Retirement Scheme (PRS) is eligible to be claimed annually by individual taxpayers from the year of assessment 2012 to the year of assessment 2021. In Budget 2021, the income tax relief for contribution in PRS has been extended until the year of assessment 2025**.**

Proposal

Following the extension of the income tax relief for contribution in PRS, it is proposed the income tax relief for deferred annuity premium payment be extended for 4 years.

Effective Date

From the year of assessment 2022 until the year of assessment 2025.

APPENDIX 9

TAX ON INCOME RECEIVED FROM OUTSIDE MALAYSIA

Current Position

Income tax is imposed on any person for income accrued in Malaysia or derived from Malaysia or received in Malaysia from sources outside Malaysia.

To enhance investment by encouraging foreign source income to be remitted for reinvestment in Malaysia, such income is exempted from income tax through the amendment of Paragraph 28, Schedule 6 of the Income Tax Act 1967. However, the tax exemption is not applicable to the resident company in Malaysia carrying on the business of banking, insurance or air or sea transport.

Proposal

To provide equitable tax treatment with the income accrued in Malaysia or derived from Malaysia and in line with Malaysia's commitment towards compliance with the international tax best practices, it is proposed income tax be imposed to residents in Malaysia on income derived from foreign sources and received in Malaysia.

Effective Date

From 1 January 2022.

APPENDIX 10

IMPOSITION OF CUKAI MAKMUR

Current Position

A company with paid-up capital not exceeding RM2.5 million and an annual sale of not more than RM50 million is categorised as Small Medium Enterprises (SME) and subjected to income tax rate of 17% on chargeable income up to RM600,000. The remaining chargeable income is taxed at 24%.

For companies other than the above categories will be taxed at 24%.

Proposal

To support the Government's initiative in assisting the affected parties, it is proposed a one-off special tax known as Cukai Makmur be imposed on companies other than MSMEs generating high income during the COVID-19 pandemic period as follows:

i. the chargeable income up to the first RM100 million is subject to 24% tax rate; and

ii. the remaining chargeable income is taxed at 33%.

Effective Date

For the year of assessment 2022.

APPENDIX 11

INCOME TAX EXEMPTION FOR SOCIAL ENTERPRISE

Current Position

Cash contributions to Social Enterprise accredited by the Ministry of Entrepreneur Development and Cooperatives is given income tax deduction of 10% from aggregate income under Subsection 44 (11C) of the Income Tax Act 1967.

However, income of Social Enterprise including cash contributions received is subject to income tax.

Proposal

To assist Social Enterprise in raising funds that create positive social or environmental impact, it is proposed:

i. tax exemption be given on all income for up to 3 years of assessment subject to the validity period of Social Enterprise Accreditation; and

ii. to establish a Joint Committee on Accreditation comprising Yayasan Hasanah and the Ministry of Entrepreneur Development and Cooperatives. This committee is responsible for reviewing applications for accreditation by Social Enterprises.

Effective Date

i. For application of tax exemption received by Ministry of Finance from 1 January 2022 to 31 December 2023.

ii. For application of accreditation received by Yayasan Hasanah from 1 January 2022 to 31 December 2023.

APPENDIX 12

REVIEW OF TAX TREATMENT ON UNABSORBED LOSSES

Current Position

From the year of assessment 2019, unabsorbed losses in current year of assessment are allowed to be carried forward for a maximum period of 7 consecutive years of assessment and the balance if any, shall be disregarded. The unutilised accumulated losses up to the year of assessment 2018 can be carried forward until the year of assessment 2025 only. This limitation is to strengthen the tax treatment on unabsorbed losses and to minimise the revenue loss to the Government.

Proposal

To support the recovery of businesses that suffered losses due to the COVID-19 pandemic, it is proposed the current tax treatment be reviewed as follows:

i. the current unabsorbed business losses that can be carried forward from year of assessment 2019 onwards be extended from a maximum period of 7 consecutive years of assessment to a maximum period of 10 consecutive years of assessment; and

ii. the accumulated unabsorbed losses up to the year of assessment 2018 that can be carried forward until the year of assessment 2025 be extended until the year of assessment 2028.

Effective Date

From the year of assessment 2019.

APPENDIX 13

EXTENSION OF SPECIAL TAX DEDUCTION FOR RENTAL REDUCTION FOR BUSINESS PREMISES

Current Position

Owners of buildings or business premises who provide rental reduction or relief to tenants are given special tax deduction equivalent to the amount of the rental reduction until December 2021. This special tax deduction is given subject to the condition that the rental reduction shall be at least 30% from the original rental rate for the period.

Proposal

To assist companies that are affected by the COVID-19 pandemic and to reduce the companies' operating costs, it is proposed this incentive be extended for another 6 months.

Effective Date

For rental reduction in January 2022 until June 2022.

APPENDIX 14

STAMP DUTY EXEMPTION ON LOAN/FINANCING AGREEMENTS FOR PEER-TO-PEER FINANCING (P2P)

Current Position

Peer-to-peer (P2P) financing was introduced in Malaysia in 2016. P2P financing is an innovative form of alternative fundraising that allows Micro, Small and Medium Enterprises (MSMEs) to raise capital in the form of loan or financing through online P2P platform registered with the Securities Commission Malaysia (SC).

P2P financing is aimed to meet the MSMEs funding requirements, especially start-up and micro enterprise facing difficulties in accessing financing or loan facilities from financial institutions that impose stringent requirements. The P2P platform connects the MSMEs with multiple investors who then invest their fund according to request made by MSMEs through digital platform.

Every successful fundraising by the MSMEs through the P2P platform is subjected to stamp duty on the loan/financing agreement at the rate between 0.05% to 0.50%.

Proposal

To facilitate broader access by MSMEs to alternative financing and reduce financing cost, it is proposed 100% stamp duty exemption be given on P2P loan/financing agreement between MSMEs and investors for 5 years.

This exemption is only applicable for P2P financing made through P2P financing platform registered and recognised by the SC.

Effective Date

For P2P loan/financing agreement executed from 1 January 2022 to 31 December 2026.

APPENDIX 15

REVIEW OF STAMP DUTY TREATMENT ON INSURANCE POLICIES OR TAKAFUL CERTIFICATES WITH SMALL PREMIUM/ANNUAL CONTRIBUTION VALUE

Current Position

Stamp duty exemption is given on the purchase of insurance policies or takaful certificates for Produk Perlindungan Tenang with small annual premium or contribution value not exceeding RM100. This treatment is provided to assist the low-income group (B40) in obtaining insurance policies covering life, fire and flood at a lower cost. This stamp duty exemption is given until 31 December 2025.

Proposal

In line with the Government's efforts to enhance the accessibility to the insurance and takaful products for low-income group (B40) and Micro, Small and Medium Enterprises (MSMEs) at a lower cost, it is proposed the stamp duty treatment be reviewed as follows:

i. the annual premium for insurance policies or annual contribution for takaful certificates eligible for stamp duty exemption under the Produk Perlindungan Tenang be increased from RM100 to RM150;

ii. stamp duty exemption be given to individuals on the purchase of other insurance policies or takaful certificates with an annual premium or contribution value not exceeding RM150; and

iii. stamp duty exemption be given to MSMEs on the purchase of insurance policies or takaful certificates with an annual premium or contribution value not exceeding RM250.

Insurance policies or takaful certificates products given stamp duty exemption as per items (ii) and (iii) are as follows:

a) Fire Insurance;
b) Fire Business Interruption Insurance;
c) Personal Accident Insurance;
d) Travel Insurance;
e) Liability Insurance; and
f) Engineering Insurance.

Effective Date

For insurance policies or takaful certificates issued from 1 January 2022 to 31 December 2025.

APPENDIX 16

REVIEW OF STAMP DUTY ON CONTRACT NOTES FOR TRADING OF LISTED SHARES

Current Position

Trading of listed shares on Bursa Malaysia is charged stamp duty on contract notes at the rate of 0.1% equivalent to RM1.00 for every RM1,000 and part thereof subject to a cap of RM200 for each contract note. The RM200 stamp duty limit was introduced in 2003 to boost the capital market in Malaysia.

Proposal

To ensure fair and equitable treatment to investors, it is proposed stamp duty treatment for trading of listed shares on Bursa Malaysia be reviewed as follows:

i. the rate of stamp duty on contract notes be increased to 0.15% which is equivalent to RM1.50 for every RM1,000; and

ii. the stamp duty limit of RM200 for each related contract note is abolished.

Effective Date

From 1 January 2022.

APPENDIX 17

EXTENSION OF STAMP DUTY EXEMPTION ON RESTRUCTURING OR RESCHEDULING LOAN/FINANCING AGREEMENT

Current Position

Under the 2020 Economic Stimulus Package, the Government has provided 100% stamp duty exemption on restructuring or rescheduling loan/financing agreement between borrowers and financial institutions executed from 1 March 2020 to 31 December 2021 subject to the following conditions:

i. original loan/financing agreement has been duly stamped; and

ii. restructuring or rescheduling loan/financing agreement does not contain the element of additional value to the original amount of loan/financing.

Proposal

To reduce the cost of borrowing to borrowers who restructure or reschedule loan/financing, it is proposed 100% stamp duty exemption on restructuring or rescheduling of loan/financing agreement be extended for 1 year.

Effective Date

For restructuring or rescheduling loan/financing agreement executed from 1 January 2022 to 31 December 2022.

APPENDIX 18

EXTENSION OF STAMP DUTY EXEMPTION FOR INSTRUMENTS RELATED TO MERGER AND ACQUISITION

Current Position

Micro, Small and Medium Enterprises (MSMEs) that carry out merger or acquisition scheme is given stamp duty exemption on instruments executed from 1 July 2020 to 31 December 2021 on the following documents:

i. contracts or agreements for the sale or lease of property (land, buildings, machinery and equipment);

ii. instrument of transfer and memorandum of understanding;

iii. loan or financing agreements; and

iv. the first rental agreement.

For merger or acquisition approved by the Ministry of Entrepreneur Development and Cooperatives from 1 July 2020 to 30 June 2021.

Proposal

MSMEs are the most important component of the Malaysian economy. Thus, to ensure MSMEs resiliency against the economic downturn, it is proposed the existing incentive be extended for 1 year.

Effective Date

For application of merger or acquisition received by the Ministry of Entrepreneur Development and Cooperatives from 1 July 2021 to 30 June 2022 and instruments executed until 31 December 2022.

APPENDIX 19

REVIEW OF REAL PROPERTY GAINS TAX RATE FOR CITIZEN AND PERMANENT RESIDENT AND OTHER THAN COMPANY

Current Position

Real Property Gains Tax (RPGT) is imposed on gains from the disposal of real property or shares of a real property company by an individual citizen, permanent resident and other than a company as follows:

Disposal	RPGT Rates
Within 3 years	30%
In the 4^{th} year	20%
In the 5^{th} year	15%
In the 6^{th} and subsequent years	5%

Proposal

To ease the financial burden of individual citizen and permanent resident as well as other than company, it is proposed the RPGT rate on gains from the disposal of real property and shares in real property company in the 6th year and onwards be reduced from 5% to 0%.

Effective Date

From 1 January 2022.

APPENDIX 20

TAX INCENTIVES TO SUPPORT THE DEVELOPMENT OF THE ELECTRIC VEHICLE INDUSTRY

Current Situation

Electric vehicle (EV) consist of passenger vehicles including SUV and MPV commercial vehicles and motorcycles are subject to the following duties and taxes:

Types of Duty / Tax	Electric Vehicle Duty / Tax Rates		
	Passenger Vehicle (including SUV and MPV)	Motorcycle	Commercial Vehicle
Import Duty (Completely Built-Up, CBU)	30%	30%	30%
Excise Duty	10%	10%	Nil
Sales Tax	10%	Nil	10%

Tax exemption is given to locally assembled vehicles including EV as follows:

i. import duty exemption on Completely-Knocked-Down (CKD) components; and

ii. partial exemption of excise duty and sales tax on CKD vehicles.

These exemptions are subject to evaluation by the Automotive Business Development Committee (ABDC).

Companies that provide green services related to EV are eligible for income tax exemption of 70% of statutory income for 3 years of assessment. The qualifying services include:

i. installation, maintenance and repair of charging equipment, infrastructure and charging station;

ii. operation of the charging station; and

iii. maintenance, repair and overhaul.

No incentive is provided to individuals for the installation, rental, or subscription of EV charging station services.

Proposal

To support the development of the local EV industry and encourage domestic demand in line with the Low Carbon Mobility Blueprint (LCMB), EV Roadmap and National Automotive Policy (NAP) 2020, it is proposed tax incentives for EVs which includes passenger vehicles (including SUV and MPV), commercial vehicles and electric motorcycles be given as follows:

No.	Tax Measures	Incentive Period
1.	Full import duty exemption on components for locally assembled EV.	01.01.2022 to 31.12.2025
2.	Full excise duty exemption and sales tax on CKD EV.	
3.	Full import duty and excise duty exemption on imported CBU EV.	01.01.2022 to 31.12.2023
4.	Individual income tax relief up to RM2,500 on expenses related to cost of installation, rental, purchasing including hire-purchase equipment or subscription fees for EV charging facilities.	YA 2022 and YA 2023

Effective Date

From 1 January 2022.

APPENDIX 21

TAX INCENTIVES FOR LATE-LIFE ASSETS (LLA) PROJECT FOR UPSTREAM PETROLEUM INDUSTRY

Current position

From 30 November 2010, tax incentives have been provided to the upstream petroleum industry to encourage investments in oil and gas with high-risk operation and requires substantial capital investment as follows:

Qualifying Projects	Tax Incentives
Marginal Field	i. The **income tax rate** reduced from 38% to 25%; ii. **Capital allowance accelerated** from 10 years to 5 years; and iii. **Exemption of export duty** on petroleum products produced.
1. Enhancement Oil Recovery 2. High Carbon Dioxide Gas 3. High Pressure High Temperature - (HPHT) 4. Deepwater 5. Infrastructure asset	i. **Investment Tax Allowance (ITA**) of 60% of qualifying capital expenditure to be deducted from 70% of statutory income for a period of 10 years for oil production activities; and ii. **Qualified exploration expenses are allowed to be deducted** with income from Production Sharing Contract (PSC) areas that do not share boundaries.

The LLA is a project operated in a brownfield that has remaining economic lifespan of not more than 10 years from the year of contract awarded. It involves high field abandonment cost which is a challenge faced by the oil and gas industry in Malaysia to attract investor to venture in such activities.

Proposal

To attract oil and gas companies to invest and venture into LLA, it is proposed tax incentives be provided as follows:

i. petroleum income tax rate at 25%;

ii. Accelerated Capital Allowance within 2 years;

iii. losses from decommissioning activities are allowed to be carried back and set-off against the income for 2 consecutive immediate preceding years of assessment. Any unabsorbed carry back losses will be disregarded; and

iv. export duty exemption on petroleum products.

Effective Date

For Late-Life Assets (LLA) Production Sharing Contracts awarded between 1 January 2020 and 31 December 2029.

APPENDIX 22

TAX INCENTIVES FOR DIGITAL ECOSYSTEM ACCELERATION SCHEME

Current Position

Companies carrying out approved activities under the Multimedia Super Corridor (MSC) Malaysia are given tax incentives from 1 January 2019 as follows:

i. **Premises within the MSC location**

  a. Income tax exemption of 100% for 10 years; or

  b. Investment Tax Allowance of 100% of the qualifying capital expenditure to be set-off against 70% of the statutory income for each year of assessment for 5 years.

ii. **Premises outside the MSC location**

  Income tax exemption of 70% for 5 years.

In addition, the Government also provides tax incentives for companies relocating their operation to Malaysia and undertaking new investment in selected services sectors including companies adapting Industrial Revolution 4.0 technology and digitalisation as follows:

i. **New company**

  Income tax rate of 0% to 10% for up to 10 years.

ii. **Existing company with new services segment**

  Income tax rate of 10% for up to 10 years.

For applications received by Malaysian Investment Development Authority (MIDA) from 7 November 2020 to 31 December 2022.

Proposal

To support the comprehensive development of national digital ecosystem, it is proposed tax incentives for activities under Digital Ecosystem Acceleration Scheme (DESAC) be given as follows:

i. **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.

ii. **Digital Infrastructure Provider**

Investment Tax Allowance (ITA) of 100% on capital expenditure for qualifying activities for up to 10 years. This allowance can be set-off against up to 100% of statutory income.

Effective Date

For application received by Malaysian Investment Development Authority (MIDA) from 30 October 2021 to 31 December 2025.

APPENDIX 23

REVIEW OF TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME

Current Position

Double deduction is given on qualifying expenditure incurred by companies that implement Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad as follows:

Budget	Exemption Period (Year of Assessment)	Academic Level
Budget 2012	2012 – 2016	Bachelor’s Degree or equivalent
Budget 2015	2015 – 2016	Expansion of scope to: • Diploma • Vocational [Diploma Kemahiran Malaysia (DKM) Level 4 and 5]
Budget 2017	2017 – 2019	Extension of time and expansion of scope to include: • Vocational – [Sijil Kemahiran Malaysia (SKM) Level 3]
Budget 2019	2019 – 2021	Extension of period and provision only for students pursuing Bachelor’s Degree, Diploma and Vocational level (minimum SKM Level 3) in the field of engineering and technology in accordance with Industry4WRD policy.
Budget 2020	2020 – 2021	Extension of period to all academic field pursuing Bachelor’s Degree, Diploma and Vocational level (DKM Level 4 and 5) and SKM Level 3

Students’ eligibility and companies that are eligible to claim these incentives are as follows:

i. students are Malaysian citizens;

ii. students must complete the approved internship programme before the end of the final semester;

iii. minimum internship period of at least 10 weeks; and

iv. monthly allowance of at least RM500 for each student.

The number of internship students and certified companies involved in SIP are as follows:

Year	No. of internship students	No. of certified companies
2018	5,454	371
2019	6,284	529
2020	6,434	737
TOTAL	**18,172**	**1,637**

*source: Talent Corporation Malaysia Berhad

Proposal

To entice continuous involvement of companies and industries in executing talent pipeline strategies through structured internship programme, it is proposed the existing tax incentive be extended for 4 years and expanded to include students at the academic levels of:

i. Master's Degree;

ii. Professional Certificate; and

iii. SKM Level 1 and 2.

Effective Date

From the year of assessment 2022 until year of assessment 2025.

APPENDIX 24

REVIEW OF TAX INCENTIVES FOR ANCHOR COMPANIES UNDER THE VENDOR DEVELOPMENT PROGRAMME

Current Position

The Vendor Development Programme (VDP) was introduced in Budget 2014 with the objective of developing local vendors among Micro, Small and Medium Enterprises (MSMEs). VDP is one of the Bumiputera empowerment initiatives which started in 1998 under the Ministry of International Trade and Industry (MITI) and placed under the purview of the Ministry of Entrepreneur Development and Cooperatives (MEDAC) since 2018.

Anchor companies that developed local vendors under the VDP and signed the Memorandum of Understanding (MoU) with MITI/MEDAC were given double tax deduction on operating expenses as follows:

i. cost of product development, research and development (R&D), innovation and quality improvement;

ii. cost of improvement on vendor company capabilities such as ISO/Kaizen/5S certifications, programme evaluation and business process reengineering; and

iii. cost of vendor skills training, capacity building, lean management system and financial management system.

The eligibility criteria for this double deduction are as follows:

i. qualifying operating expenses must be verified by MITI/MEDAC before the anchor company claims the deduction;

ii. deductions for qualifying operating expenses is limited to RM300,000 per year of assessment; and

iii. deductions are given for 3 consecutive years of assessment.

This tax incentive was given to anchor companies that signed the MoU with MITI/MEDAC from 1 January 2014 to 31 December 2020.

Proposal

To further encourage the participation of anchor companies in developing more competitive local Bumiputera vendors, it is proposed the existing tax incentives be reviewed as follows:

i. deductions for qualifying operating expenses be increased up to RM500,000 per year of assessment;

ii. the tax incentive be extended for 5 years for anchor companies that have signed MoU with MEDAC; and

iii. deductions are given for 3 consecutive years of assessment.

Effective Date

For MoU signed between anchor companies and Ministry of Entrepreneur Development and Cooperatives (MEDAC) from 1 January 2021 to 31 December 2025.

APPENDIX 25

REVIEW OF TAX INCENTIVES FOR SCHOLARSHIP

Current Position

Companies that provide scholarships to students at Diploma, Degree including Master’s and Doctorate level are eligible for tax deduction under Section 34(6)(l) Income Tax Act 1967.

From year 2012, double tax deduction is given to companies that sponsor scholarships to Malaysian students as follows:

Exemption Period (Year of Assessment)	Academic Level and Criteria
2012 – 2016	Diploma or Bachelor’s Degree in a Higher Education Institution. The criteria are as follows: i. Malaysian citizen; ii. Pursue full-time studies; iii. Has no source of income; and iv. The total household income of the parents or guardians does not exceed RM5,000 per month.
2015 – 2016	Expanded to technical and vocational study programmes for the Malaysian Skills Certificate recognized by the Malaysian Qualifications Agency or the Department of Skills Development.
2019 – 2021	Re-introduced to students pursuing studies at the Technical and Vocational levels, Diploma and Bachelor's Degree in engineering and technology. The criteria are as follows: i. Malaysian citizen; ii. Pursue full -time studies; iii. Has no source of income; and iv. The total household income of the parents or guardians does not exceed RM10,000 per month.

Double tax deduction is given on allowable expenses as follows:

i. tuition fees; and

ii. educational aid and cost of living expenses throughout the study period.

Proposal

To encourage company's participation in sponsoring students by providing scholarships to meet the demand of employment market, it is proposed double tax deduction incentive 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.

Effective Date

From the year of assessment 2022 until year of assessment 2025.

APPENDIX 26

EXPANSION OF SCOPE FOR GREEN TECHNOLOGY TAX INCENTIVES

Current Position

In Budget 2020, tax incentives for green technology were reviewed as follows:

i. **Green Investment Tax Allowance (GITA)**

Investment Tax Allowance of 100% on capital expenditure for qualifying green activities has been extended for 3 years. This allowance can be set-off against up to 70% of statutory income.

ii. **Green Investment Tax Exemption (GITE)**

a. Income tax exemption of 70% of statutory income for qualifying green services activities has been extended for 3 years of assessment; and

b. New tax incentive for solar leasing activities with income tax exemption of 70% of statutory income for up to 10 years of assessment be given to solar leasing companies certified by Sustainable Energy Development Authority (SEDA).

These tax incentives are for applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2022 to 31 December 2023.

Proposal

To support Goal 6: Clean Water and Sanitation, Goal 11: Sustainable Cities and Communities and Goal 12: Responsible Consumption and Production of the Sustainable Development Goals (SDGs) 2030, it is proposed the scope on the purchase of qualifying green assets and green services be expanded to include Rainwater Harvesting System (RHS) projects. This project must be verified by the Malaysian Green Technology Corporation (MGTC) to be eligible for tax incentives as follows:

i. **Green Investment Tax Allowance (GITA)**

Investment Tax Allowance of 100% on capital expenditure for qualifying RHS activities. This allowance can be set-off against up to 70% of statutory income; or

ii. **Green Investment Tax Exemption (GITE)**

Income tax exemption of 70% of statutory income for qualifying RHS services activities.

Effective Date

Applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2022 to 31 December 2023.

APPENDIX 27

EXTENSION OF SPECIAL INCOME TAX RATE FOR NON-RESIDENT INDIVIDUALS HOLDING KEY POSITIONS IN COMPANIES INVESTING IN NEW STRATEGIC INVESTMENTS

Current Position

The Government through PENJANA has announced tax incentive at the rate of 0% income tax for up to 15 years for manufacturing and services companies that relocate their operations to Malaysia.

In addition, individual income tax at a flat rate of 15% is given to non-residents holding key positions (C-Suite) for 5 consecutive years. This tax incentive is limited to 5 non-resident individuals employed in each company provided that these requirements are met:

i. receiving a monthly salary of not less than RM25,000; and

ii. a Malaysian tax resident for each year of assessment throughout the flat rate tax treatment.

This tax incentive is given for application received by Malaysian Investment and Development Authority (MIDA) from 7 November 2020 to 31 December 2021.

Proposal

To accelerate the economic recovery through investment activities and enhance the attractiveness for companies to relocate their operations to Malaysia, it is proposed this incentive be extended for 1 year.

Effective Date

For applications received by the Malaysian Investment and Development Authority (MIDA) until 31 December 2022.

APPENDIX 28

EXTENSION OF TAX INCENTIVE FOR ORGANISING ARTS, CULTURAL, SPORTS AND RECREATIONAL ACTIVITIES IN MALAYSIA

Current Position

Income tax exemption of 50% on statutory income for organising the approved activities is given to the organiser as follows:

i. arts and cultural activities approved by the Ministry of Tourism, Arts and Culture; and

ii. international sports and recreational competitions approved by the Ministry of Youth and Sports.

The incentive is effective from the year of assessment 2020 until the year of assessment 2022.

Proposal

To assist and support the arts, cultural, sports and recreational activities in Malaysia affected by the COVID-19 pandemic, it is proposed the existing tax incentive be extended for 3 years.

Effective Date

From the year of assessment 2023 until year of assessment 2025.

APPENDIX 29

EXTENSION OF TAX INCENTIVE FOR THE PURCHASE OF TOURISM VEHICLES

Current Position

Capital expenditure incurred on 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.

Proposal

To assist and support the tourism industry in Malaysia affected by the COVID-19 pandemic, it is proposed the existing tax incentive be extended for 3 years.

Effective Date

From the year of assessment 2022 until year of assessment 2024.

APPENDIX 30

EXTENSION OF TOURISM TAX EXEMPTION

Current Position

Tourism tax is imposed on tourists staying in accommodation premises registered under the Tourism Tax Act 2017 at a flat rate of RM10.00/room/night. Malaysian tourists and permanent residents are exempted from tourism tax.

To support the tourism industry affected by the COVID-19 pandemic, the tourism tax exemption has been given from 1 July 2020 to 30 June 2021 through the announcement of PENJANA and further extended until 31 December 2021 through PEMERKASA.

Proposal

To continuously support the recovery of the domestic tourism sector in line with the National Recovery Plan and to attract foreign tourist arrival, it is proposed the tourism tax exemption be extended for 1 year.

Effective Date

From 1 January 2022 to 31 December 2022.

APPENDIX 31

EXTENSION OF ENTERTAINMENTS DUTY EXEMPTION IN THE FEDERAL TERRITORIES

Current Position

Under PEMERKASA, entertainments duty exemption on admission fees to entertainment venues such as theme parks, stage performances, sports events and competitions as well as cinemas held in the Federal Territories of Kuala Lumpur, Labuan and Putrajaya are given from 1 April 2021 to 31 December 2021.

Proposal

To continuously support the recovery of the tourism industry and to assist business supply chain affected by the COVID-19 pandemic, it is proposed the entertainments duty exemption on admission fees to entertainment venues such as theme parks, stage performances, sports events and competitions as well as cinema held in the Federal Territories be extended for 1 year.

Effective Date

From 1 January 2022 to 31 December 2022.

APPENDIX 32

EXTENSION OF TAX REBATE FOR ESTABLISHMENT OF NEW ENTITIES FOR MICRO, SMALL AND MEDIUM ENTERPRISES

Current Position

Micro, Small and Medium Enterprises (MSMEs) with a paid-up capital of RM2.5 million and below with annual sales turnover not exceeding RM50 million are subjected to income tax rate of 17% for the first RM600,000 of chargeable income and the remaining is subjected to income tax rate of 24%.

To stimulate the business activities of MSMEs, newly established MSMEs are given income tax rebate of up to RM20,000 for each year of assessment, for the first 3 years of assessment subject to the following conditions:

i. MSMEs registered under the Companies Act 2016;

ii. paid-up capital of RM2.5 million and below with annual sales turnover not exceeding RM50 million;

iii. the amount of rebate that MSMEs eligible to claim is equivalent to capital expenditure or operating expenditure incurred in each year of assessment subject to a maximum amount of RM20,000 per year of assessment;

iv. unutilised tax rebate in the current year of assessment are not allowed to be carried forward;

v. the new entity must use separate plant, equipment and facilities and not to be transferred from the existing company or its related companies; and

vi. other pre-determined conditions.

For new MSMEs established and operate from 1 July 2020 to 31 December 2021.

Proposal

To further implement the national economic recovery agenda and to ensure the sustainability of the MSMEs business ecosystem, it is proposed the establishment and operational period for new MSMEs including MSMEs that perform business activities through online platform be extended to 31 December 2022.

Effective Date

New Micro, Small and Medium Enterprises established and operate not later than 31 December 2022.

APPENDIX 33

EXTENSION OF ADDITIONAL REINVESTMENT ALLOWANCE

Current Position

Companies reinvesting for the purpose of expansion, modernisation, automation or diversification in manufacturing and selected agriculture activities are eligible to claim Reinvestment Allowance (RA) for 15 consecutive years under Schedule 7A, Income Tax Act 1967. The company is eligible to claim RA at 60% of the qualifying capital expenditure and to be set-off against:

i. up to 70% of statutory income for every year of assessment; or

ii. up to 100% of statutory income provided that the company achieves productivity level in the year of assessment as determined by the Minister of Finance.

Special RA of 3 years was given from the year of assessment 2016 to year of assessment 2018 for a company which has exhausted its 15 years RA.

Under PENJANA, Additional RA of 3 years is given to a company that has exhausted its RA and Special RA for the year of assessment 2020 until the year of assessment 2022.

Proposal

To continue the national economic recovery agenda due to the COVID-19 pandemic, it is proposed the Additional RA provided for the year of assessment 2020 to year of assessment 2022 be extended for 2 years until year of assessment 2024 for existing companies in Malaysia that have exhausted RA and Special RA eligibility. Such extension will make up the total period of Additional RA to 5 years.

Effective Date

For qualifying capital expenditure incurred from the year of assessment 2023 until the year of assessment 2024.

APPENDIX 34

EXTENSION OF TAX INCENTIVE FOR RENOVATION AND REFURBISHMENT OF BUSINESS PREMISES

Current Position

The cost of renovation and refurbishment of business premises is given tax deduction on allowable expenses up to RM300,000 incurred from 1 March 2020 until 31 December 2021.

Proposal

To further assist the company's cash flow as well as to encourage to improve their business premises facilities, it is proposed the existing tax incentives be extended until 31 December 2022.

Effective Date

For renovation and refurbishment cost of business premises incurred from 1 January 2022 to 31 December 2022.

APPENDIX 35

EXTENSION OF FURTHER TAX DEDUCTIONS ON EMPLOYEES ACCOMMODATION EXPENSES (SAFE@WORK)

Current Position

Under PEMERKASA, further tax deduction is given under Safe@Work programme to manufacturing and manufacturing-related service companies on rental expenses of premises used for employees' accommodation in accordance to the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446). The eligible rental expenditure is limited up to RM50,000 per company be given from 1 January 2021 to 31 December 2021.

Proposal

To encourage manufacturing and manufacturing-related services companies to comply with the Standard Operating Procedures (SOPs) under the National Recovery Plan and Safe@Work programme led by the Ministry of International Trade and Industry, it is proposed the existing tax incentive be extended for 1 year.

Effective Date

For rental expenses of premises incurred from 1 January 2022 to 31 December 2022.

APPENDIX 36

EXTENSION OF SALES TAX EXEMPTION ON PASSENGER CARS

Current Position

Under PENJANA, sales tax exemption was given on passenger cars (including SUV and MPV) from 15 June 2020 to 30 June 2021 to boost the sales affected by the COVID-19 pandemic as follows:

i. 100% sales tax exemption on Completely-Knocked-Down (CKD); and

ii. 50% sales tax exemption on new and used imported Completely Built-Up (CBU).

The sales tax exemption has been extended under PEMERKASA+ for 6 months from 1 July 2021 to 31 December 2021.

Proposal

To continuously drive the momentum of the automotive sector, it is proposed the existing sales tax exemption be extended for 6 months.

Effective Date

From 1 January 2022 to 30 June 2022.

APPENDIX 37

SALES TAX ON LOW VALUE GOODS

Current Position

Sales tax is imposed and levied on all taxable goods manufactured in Malaysia or imported into Malaysia. However, sales tax exemption is given on imported goods not exceeding RM500 (except for cigarettes, tobacco and intoxicating liquor) using air courier services through designated international airports. The exemption is provided under Item 24, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018.

Proposal

To ensure fair treatment between taxable goods manufactured in Malaysia and imported goods, it is proposed goods not exceeding RM500 from abroad (Low Value Goods - LVG) sold online by seller and delivered to consumers in Malaysia via air courier service is subject to sales tax. With the imposition of sales tax on LVG, exemption under Item 24, Schedule A, Sales Tax (Persons Exempted From Payment Of Tax) Order 2018 will be revoked.

The imposition of sales tax on LVG is to be implemented through the new provision in Sales Tax Act 2018. Through this provision, sellers from Malaysia or abroad who sell LVG to consumers in Malaysia are required to register and charge sales tax.

Effective Date

From 1 January 2023.

APPENDIX 38

SERVICE TAX ON GOODS DELIVERY SERVICES

Current Position

Courier delivery services for documents or parcels not exceeding 30 kilogrammes 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.

Proposal

To streamline service tax treatment on courier and goods delivery services, it is proposed service tax 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.

Effective Date

From 1 July 2022.

APPENDIX 39

SERVICE TAX EXEMPTION ON BROKERAGE SERVICES RELATED TO TRADING OF LISTED SHARES

Current Position

Services related to financial services for the use or provision of brokerage and underwriting are subject to service tax under Group I, First Schedule of Service Tax Regulations 2018. Brokerage and underwriting service providers including services related to trading of listed shares shall charge service tax on such services.

Proposal

To further boost and ensure the stock market activity in Malaysia remains competitive, it is proposed as follows:

i. recipients of brokerage services related to trading of shares are exempted from paying service tax;

ii. brokerage service providers related to trading of shares are exempted from charging service tax; and

iii. the exemption as per items (i) and (ii) are applicable to services related to trading of shares listed on Bursa Malaysia.

Effective Date

From 1 January 2022.

APPENDIX 40

EXCISE DUTY ON LIQUID OR GEL USED FOR ELECTRONIC CIGARETTES AND VAPE

Current Position

Effective from 1 January 2021, devices and liquid or gel used for electronic and non-electronic cigarette including vape are subjected to excise duty as follows:

i. all types of electronic and non-electronic cigarette devices including vape at the rate of 10% *ad valorem*; and

ii. non-nicotine liquid or gel used for electronic cigarette including vape at the rate of RM0.40 per millilitre.

Proposal

As a holistic approach to regulate the use of electronic cigarettes and vape in Malaysia and to ensure equal tax treatment for all types of cigarettes and tobacco products, it is proposed the scope of excise duty be expanded to include liquid or gel containing nicotine used for electronic cigarettes and vape. Excise duty will be imposed at the rate of RM1.20 per millilitre.

Excise duty for non-nicotine liquid or gel will be increased from RM0.40 per millilitre to RM1.20 per millilitre similar to excise duty for liquid or gel containing nicotine.

Effective Date

From 1 January 2022.

APPENDIX 41

EXPANSION OF SCOPE FOR EXCISE DUTY ON SUGAR SWEETENED BEVERAGES

Current Position

Effective from 1 July 2019, ready-to-drink sugar sweetened beverages are subjected to excise duty at the rate of RM0.40 per litre based on the threshold of sugar content as follows:

Tariff Code	Product Description	Sugar Content Threshold
22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured including other non-alcoholic beverages	>5g/100ml
22.02	Milk flavoured beverages containing lactose, excluding soy bean milk product	>7g/100ml
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml

Proposal

To continuously support and implement the strategies outlined by the National Plan of Action for Nutrition of Malaysia III (2016-2025) in addressing the issue of obesity, diabetes and other non-communicable diseases associated with nutrition, it is proposed the scope of excise duty for sugar sweetened beverages products be expanded to include pre-mixed preparations of chocolate or cocoa based, malt, coffee and tea such as 2 in 1 or 3 in 1 pre-mixed beverages.

Excise duty will be imposed on pre-mixed preparations products categorised under tariff codes 18.06, 19.01 and 21.01 at the rate of RM0.47 per 100g and will be based on the threshold of sugar content as follows:

Tariff Code	Product Description	Sugar Content Threshold
18.06	Mixed chocolate or cocoa preparations	>33.3g/100g
19.01	Mixed malt preparations	>33.3g/100g
21.01	Pre-mixed coffee and mixed tea preparations	>33.3g/100g

Effective Date

From 1 April 2022.

APPENDIX 42

REVIEW OF WINDFALL PROFIT LEVY

Current Position

The windfall profit levy was imposed on oil palm fruit from 15 July 2008. The levy rate is 3.0% for Peninsular Malaysia and 1.5% for Sabah and Sarawak with the threshold of Crude Palm Oil (CPO) price at RM2,000 per metric tonne.

Effective from 10 March 2009, the threshold of CPO prices has been reviewed as follows:

Location	Threshold of CPO Prices (RM/metric tonne)	Rates of Levy (%)
Peninsular Malaysia	RM2,500	3.0
Sabah and Sarawak	RM3,000	1.5

Proposal

To continuously support the sustainability of the oil palm industry, it is proposed the threshold of CPO prices for imposition of windfall profit levy be reviewed for both locations, while the levy rate for Sabah and Sarawak be streamlined with the rate for Peninsular Malaysia as follows:

Location	Threshold of CPO Prices (RM/metric tonne)	Rates of Levy (%)
Peninsular Malaysia	RM3,000	3.0
Sabah and Sarawak	RM3,500	3.0

Effective Date

From 1 January 2022.