HIGHLIGHTS

ANNUAL BUDGET 2022

MR MUSTAPHA RAJ CHARTERED ACCOUNTANTS

HIGHLIGHTS OF BUDGET 2022

The Malaysian Budget 2022 tabled on 29th October, themed **'Keluarga Malaysia, Makmur Sejahtera'**, is the largest budget to date, with an allocation of RM332.1 billion. The budget encompasses strategies and initiatives with three main focuses: **Rakyat's Wellbeing, Resilient Business, and A Prosperous and Sustainable Economy**.

2021 ECONOMIC PERFORMANCES AND CHALLENGES

The International Monetary Fund (IMF) has projected the global economy's upturn at 6.0% in 2021 after a contraction of 3.2% in 2020 due to the continued effects of the COVID-19 pandemic. In 2022, it is projected to expand further by 4.9%, seeing the recovery of global trade and supply chains. International trade, which contracted by 8.3% in 2020, is expected to recover with a growth of 9.7% in 2021 and further expand by 7.0% in 2022.

Malaysia's economic growth forecast for 2021 announced in March 2021 ranges between 6.0% and 7.5%. However, the re-enforcement of the MCO 3.0 in May, resulted in the projected growth rate of the country's GDP for the whole of 2021 to fall to between 3.0% and 4.0%.

The country's economy is projected to expand between 5.5 and 6.5% in 2022 while the fiscal deficit is projected to reduce to 6% compared to 6.5% in 2021.

MR MUSTAPHA RAJ CHARTERED ACCOUNTANTS

Proposed Budget Incentives

RAKYAT'S WELLBEING

- RM32.4 billion set aside for Health Ministry, second largest allocation after Education Ministry, with RM2 billion for vaccination expenses and RM2 billion for supplies. Education Ministry receives the highest allocation in Budget 2022 amounting to RM52.6 billion.

Initiatives for Families, Health and Lifestyle

- Government introduces Bantuan Keluarga Malaysia (BKM) which is an improvement to the Bantuan Prihatin Rakyat (BPR).
- Under BKM, RM2,000 will be given to households with three or more children with monthly income of less than RM2,500; Additional RM500 to single mothers or fathers who have dependents and a monthly income of less than RM5,000; Additional RM300 to be given to families with senior citizens; Single mothers and fathers with three or more children are eligible to receive a maximum payment of RM2,500.
- Individual income tax relief of up to RM3,000 for fees paid to a registered child care centre or kindergarten until the year of assessment 2023.
- For welfare assistance, the income eligibility requirement will be increased to RM 1,169 in line with the 2019 Food Poverty Line Income level from RM980.
- In support of a healthy lifestyle, Government to introduce excise duty on liquid, gel-based vaping e-liquids as well as excise duty on sugary drink products in the form of pre-mixed chocolate or cocoa, malt, coffee and tea.
- Individual income tax relief for full medical check-up expenses to cover the cost of check-up or consultation service related to mental health from a registered psychiatrist, clinical psychologist and counsellor.
- Special individual income tax relief of up to RM2,500 for the purchase of mobile phones, computers and tablets until 31 December 2022.

Initiatives for Schools and Education

- For the year 2022, the Government has agreed to provide an Early Schooling Assistance of RM150 per student that would benefit three million eligible students.
- RM100 one-time Special Incentive for Teaching Aids to more than 400,000 teachers under the Ministry of Education.
- Allocation of RM1 billion for school maintenance to more than 10,000 schools under the Ministry of Education. A total of RM120 million to benefit 1,800 National-Chinese Schools and National-Tamil Schools; RM140 million to JAKIM for registered tahfiz schools, rakyat religious schools and pondok religious schools; RM 50 million to strengthen the agenda for special needs education.
- PerantiSiswa Keluarga Malaysia initiative to supply a tablet to every B40 student in institutions of higher learning.

Proposed Budget Incentives

RAKYAT'S WELLBEING

Initiatives for Employers and Employees

- RM 6.6 Billion allocations to strengthen the Technical and Vocational Education and Training (TVET) sector with various initiatives to meet labour demands.
- Under the JaminKerja initiative, for employers who hire Malaysians who have not been actively employed, there will be an incentive of 20% of the monthly salary for the first six months and 30% for the next six months subject to jobs with a salary of RM1,500 and above.
- For the employment of targeted groups, Orang Asli and ex-convicts, there will be an incentive of 30% of the monthly salary for the first six months and 40% for the next six months for hires with a salary of RM1,200 and above. This incentive is also applicable to hiring unemployed women, single mothers and housewives.
- The minimum employee EPF contribution rate reduction from 11% to 9% will be extended up to June 2022.
- Individual Income Tax relief of RM2,000 to RM7,000 for expenses incurred in attending upskilling courses and is extended to the year of assessment 2023.
- Discounts on PTPTN repayments beginning Nov 1, 2021 to April 30, 2022. First: A discount of 15% on the outstanding debt for full settlement; Second: A discount of 12% for repayment of at least 50% of the outstanding debt made in a single payment; and Third: A discount of 10% for repayment through salary deductions or direct debit according to the repayment schedule.
- The Government will match a minimum of 15% for Voluntary Contribution with Retirement Incentive (i-Saraan) limited to a maximum of RM250 per year for those who are self-employed and do not earn a regular income, including those aged between 55 and 60 years.
- For 2022, the minimum pension rate under the Skim Keilatan is increased from RM475 to RM550.
- RM150 as a one-off payment into the e-wallet accounts of youths aged 18 to 20 under the eStart Programme.
- Tax relief of up to RM4,000 for EPF contributors to also include voluntary contributions, such as those who are self-employed in the gig economy.

Initiatives for Housing and Vehicle

- The Government will not impose Real Property Gains Tax on the disposal of real property from the 6th year onwards and is applicable to only individual citizens and permanent residents.
- Allocation of RM2 billion under the housing credit guarantee scheme to assist those without a steady income, such as gig economy workers, to purchase homes.
- To reduce the cost of vehicle ownership, 100% sales tax exemption on CKD passenger vehicles and 50% on CBU including SUV and MPV for six months will be extended until 30 June 2022.
- The Government will bear the full cost of Motor Vehicle Road Tax on all private vehicles owned by the disabled, for the Year 2022.

Proposed Budget Incentives

RESILIENT BUSINESSES

- In 2022, microcredit financing worth about RM1.8 billion will be provided through various agencies such as TEKUN, Agrobank, BSN, Bank Rakyat and Bank Negara Malaysia.
- TEKUN will be introducing a financing scheme for microenterprises and the informal sector which will offer financing at zero % interest for a maximum loan amount of up to RM10,000, with a moratorium period of up to 12 months. BSN and Agrobank will also offer microcredit loans of up to RM75,000 at a zero % interest rate for the first six months of the loan tenure, with a six-month moratorium.
- The government will continue supporting equity crowdfunding and peer-to-peer financing with RM80 million allocation in matching grants under Malaysia Co-Investment Fund, in addition to Bank Pembangunan Malaysia Berhad's RM100 million investment.
- RM14.2 billion worth of funds will be available in 2022 for SMEs, through SME Bank, PUNB, BPMB, AgroBank, MIDF, and MARA and through BNM's Funds for SMEs. Under BNM's Funds for SMEs, the Targeted Relief and Recovery Facility (or TRRF) is upsized by RM2 billion, bringing the total available funds under various SME facilities administered by BNM to RM11.2 billion.
- Tax deduction of up to RM300,000 on the cost of renovating and refurbishing business premises until 31 December 2022 in order to comply with relevant SOP requirements such as ventilation and customer seating.
- For companies registered under Safe@Work, tax deduction of up to RM50,000 on rental expenses of employees' accommodation premises will be extended until 31 December 2022.
- RM250 million allocated for Shop Malaysia Online and Go-eCommerce Onboarding.
- For franchise entrepreneurs, the Government through PERNAS will provide RM74 million, among others, to provide training programs and business guidance and a simple zero financing scheme for the first six months together with a moratorium.
- A matching grant of RM100 million will be provided to Bumiputera SMEs to explore business opportunities in the aerospace segment.
- The Government will allocate RM100 million to provide Smart Automation matching grants to 200 companies in the manufacturing and services sector to automate their business processes.
- The Government will also extend the Additional Reinvestment Allowance (or RA) for two years for existing companies in Malaysia that have exhausted their RA and Special RA eligibility.

Proposed Budget Incentives

RESILIENT BUSINESSES

Initiatives for MSME Entrepreneurs:

- **First:** A deferment of income tax installment payments for MSMEs for six months until 30 June 2022;
- **Second:** That all businesses are allowed to amend their estimated income tax payable on the 11th month before 31 October 2022;
- **Third:** A special tax deduction to the owners of buildings or business premises who provide rental reduction to tenants of at least 30% from the original rate be extended until June 2022; and
- **Fourth:** That accumulated unabsorbed business losses tax treatment that can be carried forward be reviewed from 7 consecutive years of assessment to a maximum of 10 consecutive years of assessment.
- Micro SME entrepreneurs are eligible to receive benefits of up to RM2,000 for e-commerce implementation activities, training in marketing and digital payments.

Initiatives for Tourism Industry

- **First:** With an allocation of RM600 million, the implementation of the Wage Subsidy Program (WSP) targeted for the tourism industry players who experienced a decline in revenue of at least 30%.
- **Second:** Specific financing for the tourism sector of RM600 million under PENJANA Tourism Financing and BPMB Rehabilitation Scheme;
- **Third:** Special Assistance to more than 20,000 tour operators registered under the Ministry of Tourism, Arts and Culture for a period of three months with an allocation of RM85 million;
- **Fourth:** Maintenance of tourism infrastructure with an allocation of RM50 million including the Sultan Abdul Samad Building and Lembah Bujang in Kedah;
- **Fifth:** Granting of matching grants for repair purposes to 738 budget hotels registered under MOTAC as well as repair grants for registered homestay owners with an allocation of RM30 million;
- **Sixth:** Granting of matching grants to companies who organize programs related to arts and culture with an allocation of RM50 million; and
- **Seventh:** Incentive fund for the purpose of promotional activities as well as domestic tourism with an allocation of RM60 million.
- Income tax exemptions for organisers of artistic and cultural activities, as well as sports competitions and international-level recreational activities, are to be extended until 2025.
- Special individual income tax relief for domestic tourism expenses of up to RM1,000 to be extended until the year of assessment 2022.

Proposed Budget Incentives

A PROSPEROUS AND SUSTAINABLE ECONOMY

- For 2022, the Government will increase the windfall levy threshold value for palm oil from RM2,500 to RM3,000 for Peninsular Malaysia and from RM3,000 to RM3,500 for Sabah and Sarawak. Meanwhile, the Sabah and Sarawak levy rates are adjusted to 3%, similar to the levy rates in the Peninsula.
- The Government proposes to provide import duty, excise duty and sales tax exemptions on Electric Vehicles (EVs). Road tax exemptions of up to 100% will also be given to the vehicle owners. Individual income tax reliefs of up to RM2,500 will be given for the purchase and installation, rental and hire-purchase of EV charging facilities as well as payment of EV charging facility subscription fees.
- The Government will continue the implementation of national infrastructure development projects worth RM3.5 billion such as the construction of the Pan Borneo Highway and Central Spine Road.

Initiatives for Revenue Sustainability Measures

- **First:** The rate of stamp duty on contract notes be increased from 0.1% to 0.15%; the stamp duty limit of RM200 for each related contract note is abolished; brokerage services related to the trading of shares listed on Bursa Malaysia be exempted.
- **Second:** Income tax to be imposed on residents in Malaysia on income derived from foreign sources and received in Malaysia from 1 January 2022.
- **Third:** Sales tax to be imposed on goods not exceeding RM500 from abroad sold online by seller and sent to consumers in Malaysia via air courier services.
- **Fourth:** Service tax to be imposed on goods delivery services provided by delivery service providers including E-Commerce platforms. Food and beverages delivery services and logistic services are excluded.
- **Fifth:** A Special Voluntary Disclosure Program to be introduced by the Royal Malaysian Customs Department in phases with a penalty remission incentive of 100% for the first phase and a penalty remission of 50% for the second phase. Tax remission will also be considered for certain cases.
- **Sixth:** The Tax Compliance Certificate issued by the Inland Revenue Board Malaysia to be made as part of the pre-requisite for companies to participate in government procurement beginning 1 January 2023; and
- **Seventh:** The implementation of tax identification number (TIN) to be implemented beginning 2022 to broaden the income tax base.
- Introduction of a one-off special windfall tax ‘Cukai Makmur’ to non-SME companies that generate extraordinary revenue. Companies with chargeable income of up to the first RM100 million will be subjected to income tax at a rate of 24% while the remaining chargeable income will be subject to income tax at the rate of 33% for the year of assessment 2022.

Proposed Budget Incentives

Quick Snapshot of Tax Incentives

CORPORATE TAX		
FOREIGN SOURCE INCOME	RESIDENT COMPANY TO PAY TAX ON ALL FOREIGN-SOURCED INCOME RECEIVED IN MALAYSIA	WITH EFFECT FROM 1 JANUARY 2022
CUKAI MAKMUR	NON-SME COMPANIES THAT GENERATE HIGHER REVENUE PAY MORE TAX	TAX ON THE FIRST RM100 MILLION @ 24%, REMAINING CHARGEABLE INCOME AT 33%, WITH EFFECT YA 2022
UNABSORBED BUSINESS LOSSES	TO INCREASE THE 7 YEAR LIMIT ON UNABSORBED LOSSES FROM YA 2019 TO 10 CONSECUTIVE YEARS	UNABSORBED LOSSES FROM YA 2018 ARE TO BE CARRIED FORWARD UNTIL YA 2028
COVID-19 VACCINE BOOSTER SHOT	EMPLOYERS ALLOWED TO CLAIM ON EXPENSES FOR BOOSTER VACCINE GIVEN TO THEIR EMPLOYEES	CONDITIONS TO BE ANNOUNCED BY LHDN
LOCAL BUMIPUTERA VENDORS	DOUBLE DEDUCTION ON OPERATING EXPENSES FROM RM300,000 TO RM500,000	LOCAL VENDORS UNDER VDP AND SIGNED MOU WITH MITI/MDEC FROM 1/1/2014 O 31/12/2020
SCHOLARSHIP FOR STUDENTS	DOUBLE DEDUCTION ON EXPENSES EXPANDED TO STUDENTS PURSUING STUDIES AT THE TECHNICAL AND VOCATIONAL LEVELS, DIPLOMA AND BACHELOR'S DEGREE IN ENGINEERING AND TECHNOLOGY	CRITERIA: • MALAYSIAN • PURSUING FULL-TIME STUDIES • HAS NO SOURCE OF INCOME • TOTAL HOUSEHOLD INCOME NOT EXCEEDING RM8,000 PER MONTH • YA 2022 TO YA 2025

Proposed Budget Incentives

Quick Snapshot of Tax Incentives

CORPORATE TAX		
SOCIAL ENTERPRISE	TAX EXEMPTIONS ON ALL SOCIAL ENTERPRISE INCOME FOR A PERIOD OF UP TO 3 YEARS OF ASSESSMENT	THE EXEMPTION IS SUBJECT TO THE VALIDITY PERIOD OF SOCIAL ENTERPRISE ACCREDITATION FROM THE JOINT COMMITTEE ON ACCREDITATION OF THE YAYASAN HASANAH AND MINISTRY OF ENTREPRENEUR DEVELOPMENT AND COOPERATIVES
DIGITAL ECOSYSTEM ACCELERATION SCHEME	**DIGITAL TECHNOLOGY PROVIDER** NEW COMPANY INCOME TAX RATE OF 0% TO 10% FOR UP TO 10 YEARS 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 (ITA) OF 100% ON CAPITAL EXPENDITURE FOR QUALIFYING ACTIVITIES FOR UP TO 10 YEARS THIS ALLOWANCE CAN BE SET OFF AGAINST 100% OF STATUTORY INCOME	FOR APPLICATIONS RECEIVED BY MIDA FROM 30 OCTOBER 2021 TO 31 DECEMBER 2025

Proposed Budget Incentives

Quick Snapshot of Tax Incentives

CORPORATE TAX		
TAX DEDUCTION OF UPTO RM 300,000 ON THE COST OF RENOVATION	CURRENTLY EXPENSES INCURRED FOR RENOVATION FROM 1 MARCH 2020 TO 31 DECEMBER 2020 ARE GIVEN SPECIAL TAX DEDUCTIONS	THE SPECIAL TAX DEDUCTIONS IS EXTENDED TO 31 DECEMBER 2022 FOR EXPENSES INCURRED TO COMPLY WITH RELEVANT SOP REQUIREMENTS SUCH AS VENTILATION AND CUSTOMER SEATING
REVISION OF ESTIMATE OF TAX PAYABLE (FORM CP204A)	ALL COMPANIES ARE NOW ALLOWED TO REVISE THEIR ESTIMATED INCOME TAX PAYABLE ON THE 11TH MONTH	ON OR BEFORE 31 OCTOBER 2022
DEFERMENT OF INSTALMENT PAYMENTS (FORM CP204)	SME COMPANIES CAN DEFER ALL MONTHLY INSTALLMENTS FOR 6 MONTHS	JANUARY 2022 TO JUNE 2022
TAX DEDUCTION FOR SAFE@WORK EXPENSES	DOUBLE DEDUCTION OF RM 50,000 ON RENTAL EXPENSES OF EMPLOYEES' ACCOMMODATION PREMISES	EXTENDED TO 31 DECEMBER 2022

Proposed Budget Incentives

Quick Snapshot of Tax Incentives

PERSONAL TAX		
FOREIGN SOURCE INCOME	RESIDENT INDIVIDUAL TO PAY TAX ON ALL FOREIGN-SOURCED INCOME RECEIVED IN MALAYSIA	WITH EFFECT FROM 1 JANUARY 2022
DEFERRED ANNUITY AND PRIVATE RETIREMENT SCHEME (PRS)	RELIEF OF UP TO RM3,000 IS GIVEN FOR THE CONTRIBUTIONS MADE UNDER DEFERRED ANNUITY AND PRS	EXTENDED TO YA 2025
E-SPORTS PRIZE MONIES	TAX EXEMPTION ON PRIZE MONIES FROM E-SPORTS TOURNAMENTS	CONDITIONS TO BE ANNOUNCED BY LHDN
COVID-19 VACCINE BOOSTER SHOT	RELIEF OF RM1,000	CONDITIONS TO BE ANNOUNCED BY LHDN
INSTALLATION, RENTAL, OR SUBSCRIPTION OF ELECTRIC VEHICLE (EV) CHARGING STATION SERVICES	RELIEF OF RM2,500	YA 2022 AND YA 2023
SOCSO CONTRIBUTION	TO INCLUDE EIS CONTRIBUTION AS DEDUCTIONS INCREASE FROM RM250 TO RM350	WITH EFFECT FROM YA 2022
EDUCATION FEES (SELF) (MAXIMUM RM 7,000)	RELIEF CLAIM INCREASED TO RM2,000 FOR UP-SKILLING COURSE FEE	YA 2022 AND YA 2023

Proposed Budget Incentives

Quick Snapshot of Tax Incentives

PERSONAL TAX		
CONTRIBUTION TO EPF/APPROVED SCHEME (RM4,000)	ALLOWED FOR VOLUNTARY CONTRIBUTIONS INCLUDING PENSIONABLE CIVIL SERVANTS	WITH EFFECT FROM 1 JANUARY 2022
MEDICAL EXPENSES ON SERIOUS DISEASES FOR SELF, SPOUSE OR CHILD MEDICAL EXPENSES ON FERTILITY TREATMENT FOR SELF OR SPOUSE COMPLETE MEDICAL EXAMINATION FOR SELF, SPOUSE OR CHILD (MAX RM500)	EXISTING RELIEF CLAIM OF RM500 TO BE INCREASED TO RM1000 AND ALSO TO INCLUDE CONSULTATION SERVICE RELATED TO MENTAL HEALTH	WITH EFFECT FROM YA 2022
PAYMENT FOR ACCOMMODATION AT PREMISES REGISTERED WITH THE MINISTRY OF TOURISM AND ENTRANCE FEE TO A TOURIST ATTRACTION	CURRENTLY THE RELIEF OF RM1,000 IS GIVEN FOR EXPENSES INCURRED UNTIL 31 DECEMBER 2020	EXTENDED UNTIL YA 2022 CHECK REGISTERED LIST HERE
SPECIAL RELIEF OF PURCHASE OF PERSONAL COMPUTER, SMARTPHONE OR TABLET FOR SELF, SPOUSE OR CHILD USE / BENEFIT AND NOT FOR BUSINESS USE	RELIEF CLAIM OF RM2,500 IS CURRENTLY GIVEN FOR PURCHASES FROM 1 JUNE 2020 TO 31 DECEMBER 2020	EXTENDED UNTIL YA 2022
CHILD CARE FEES FOR CHILD AGED 6 YEARS AND BELOW TO A REGISTERED CHILD CARE CENTRE OR A KINDERGARTEN	RELIEF OF UPTO RM3,000 IS ALLOWED FOR CHILD CARE CENTRES / KINDERGARTEN REGISTERED WITH THE RELEVANT AUTHORITIES	EXTENDED UNTIL YA 2023 CHECK REGISTERED LIST HERE

Proposed Budget Incentives

Quick Snapshot of Tax Incentives

OTHER TAX COMPLIANCE MATTERS		
TAX COMPLIANCE CERTIFICATE	IRB WILL INTRODUCE A TAX COMPLIANCE CERTIFICATE AS PART OF PRE-REQUISITE FOR COMPANIES TO PARTICIPATE IN GOVERNMENT PROCUREMENT	WITH EFFECT FROM 1 JANUARY 2023
TAX IDENTIFICATION NUMBER (TIN)	THE IRB WILL IMPLEMENT TAX IDENTIFICATION NUMBER (TIN) FOR ALL INDIVIDUALS ABOVE THE AGE OF 18 AND COMPANIES IN ORDER TO BROADEN THE INCOME TAX BASE	WITH EFFECT FROM 1 JANUARY 2022
SPECIAL TAX DEDUCTION FOR LANDLORDS ON THE RENTAL/WAIVER OF RENTAL ATTRACTION	ALL SME TENANTS ARE REQUIRED TO HAVE THE SME CERTIFICATE ISSUED BY THE SME CORP TO SUPPORT THE SME STATUS OF THE BUSINESS THE RENTED PREMISES MUST BE USED BY THE TENANT FOR PURPOSE OF CARRYING OUT HIS BUSINESS. THE LANDLORD MUST BE A TAXPAYER WITH RENTAL INCOME UNDER SUBSECTION 4(A) AND SUBSECTION 4(D) INCOME TAX ACT 1967	EXTENDED TO JUNE 2022
REAL PROPERTY GAIN TAX	TAX RATE FOR THE DISPOSAL IN THE 6TH YEAR OF 5% TO BE REDUCED TO 0% FOR INDIVIDUAL CITIZENS AND PERMANENT RESIDENTS	CONDITIONS TO BE ANNOUNCED BY LHDN
ENTERTAINMENT DUTY EXEMPTION	APPLICABLE FOR ENTERTAINMENT ACTIVITIES IN ALL FEDERAL TERRITORIES	UNTIL 31 DECEMBER 2022

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The Highlights on the Annual Budget 2022 produced herein are intended as a general guideline only. Kindly consult us or your Tax Advisers for further details.