

SALIHIN Tax2Share

| Budget Highlights

Friday, 6 November 2020

BUDGET 2021



Safeguarding the welfare
of the rakyat



Driving economic growth



Enabling sustainable living



Enhancing public service
delivery

Resilient as One, Together we Triumph

Budget Overview

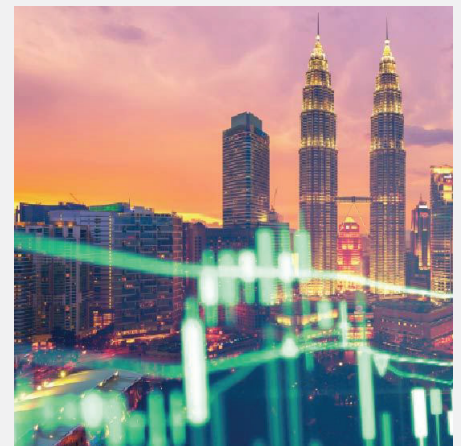
The Budget 2021, as announced on 6 November 2020, is formulated based on Three Integral Goals: Rakyat’s Well-being, Business Continuity, and Economic Resilience.



Rakyat’s Well-being



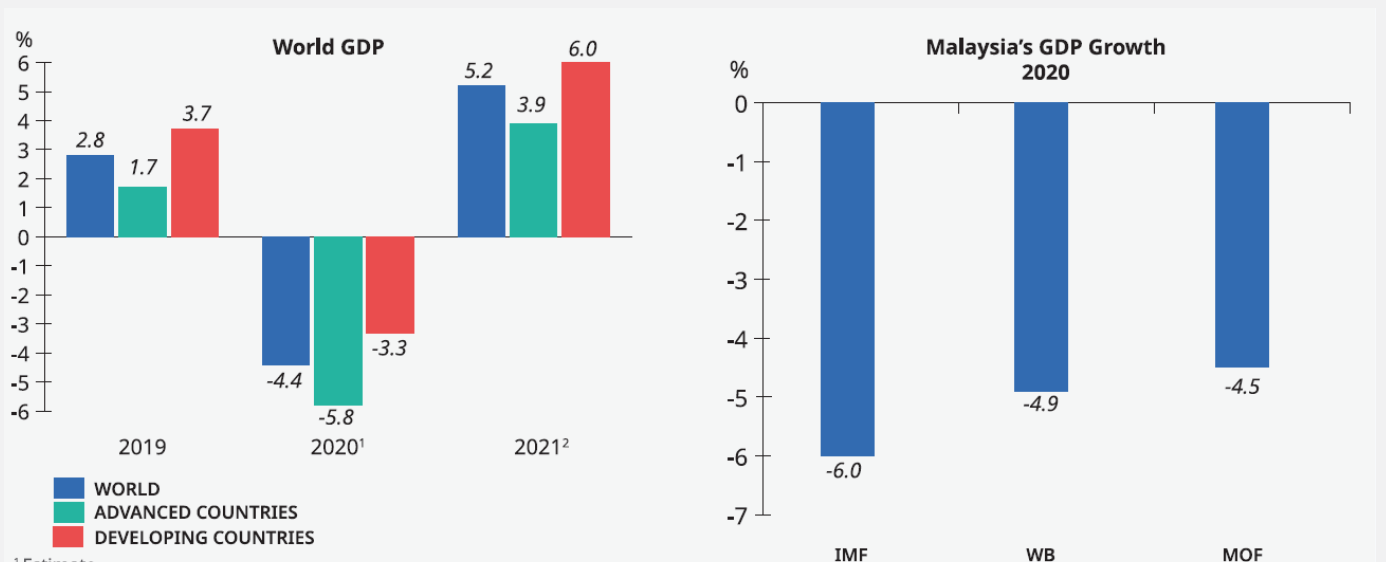
Business Continuity



Economic Resilience

It is in this spirit and undertaking, that Budget 2021 has been formulated for Malaysians with the theme **“Resilient as One, Together we Triumph”**.

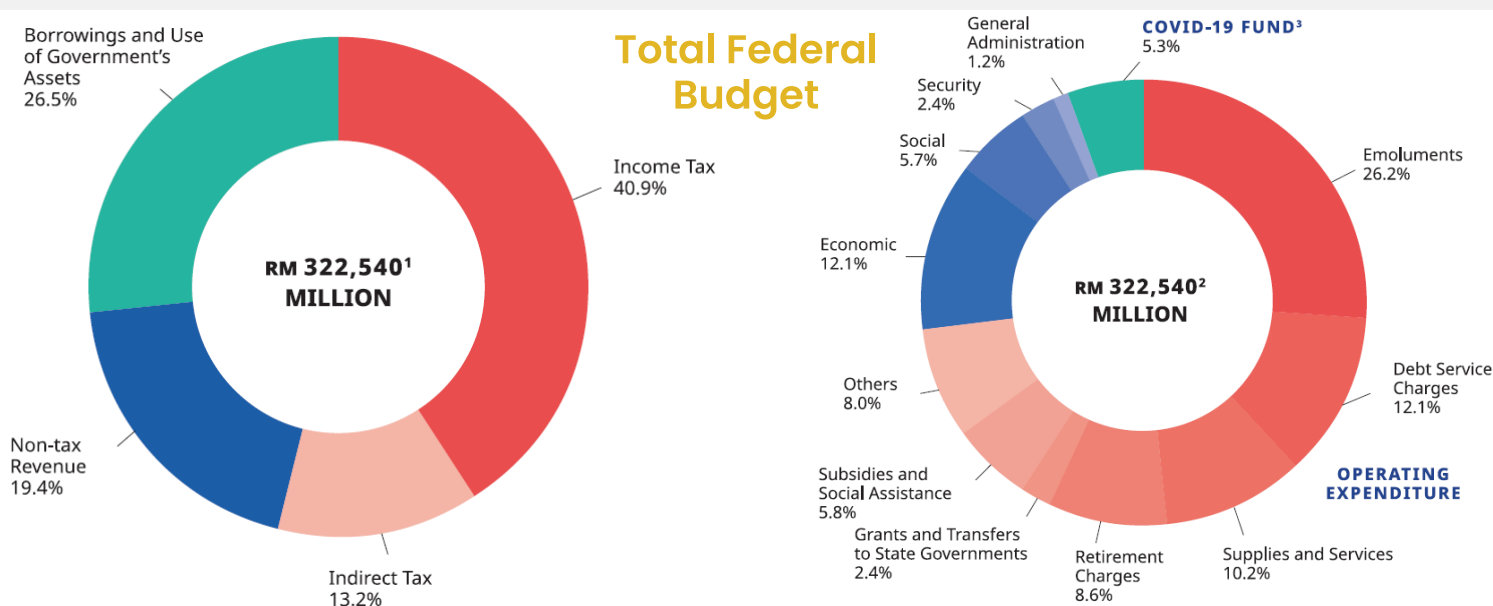
For 2021, our economy is expected to recover and expand at a rate between 6.5 to 7.5 percent. This is in line with the proactive measures undertaken by the Government through the economic stimulus packages, the Budget 2021 initiatives and supported by the recovery of the global economy, which is forecasted to rebound by 5.2 percent.



¹ Estimate
² Forecast
Source: International Monetary Fund, World Bank and Ministry of Finance, Malaysia

Budget Overview

Despite the revenue collection for the year 2021 is expected to increase to RM236.9 billion, the Government has decided on expansionary budget. The total expenditure for the year 2021 is the largest expenditure in Malaysia's history with a value of RM322.5 billion. The 2021 fiscal deficit is projected at 5.4 percent of GDP.



The Government intends to allocate RM236.5 billion for operating expenses, RM69 billion for development expenditure and RM17 billion under the COVID-19 Fund. Meanwhile, RM2 billion is allocated for Contingency Reserve Advance Warrant.

	RM MILLION			CHANGE (%)			SHARE OF GDP (%)		
	2019	2020 ³	2021 ⁴	2019	2020 ³	2021 ⁴	2019	2020 ³	2021 ⁴
Revenue	264,415	227,270	236,900	13.5	-14.0	4.2	17.5	15.8	15.1
Operating expenditure	263,343	226,720	236,540	14.0	-13.9	4.3	17.4	15.8	15.1
Current balance	1,072	550	360				0.1	0.0	0.0
Gross development expenditure	54,173	50,000	69,000	-3.4	-7.7	38.0	3.6	3.5	4.4
Less: Loan recovery	1,603	1,000	800	103.4	-37.6	-20.0	0.1	0.1	0.1
Net development expenditure	52,570	49,000	68,200	-4.9	-6.8	39.2	3.5	3.4	4.3
COVID-19 Fund ¹	-	38,000	17,000			-55.3		2.6	1.1
Overall balance	-51,498	-86,450	-84,840				-3.4	-6.0	-5.4
Primary balance²	-18,565	-51,505	-45,840				-1.2	-3.6	-2.9

¹ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

² Excluding debt service charges

³ Revised estimate

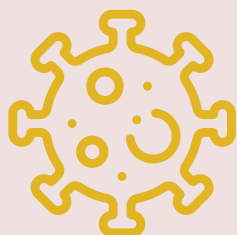
⁴ Budget estimate, excluding 2021 Budget measures

Source: Ministry of Finance, Malaysia

Budget 2021: 6R

Overall, SALIHIN believes that the Budget 2021 provides an economic and social safety net for the vulnerable populace while elevating confidence and laying a sound foundation for sustainable economic recovery and resilience. The measures are rightly targeted at the ordinary citizens and the hardest hit industries and economic sectors. These have the propensity to balance between life and livelihood amidst COVID-19 pandemic. Thus, we are confident that the growth target, between 6.5% to 7.5%, for 2021 is not far-fetched as driven by the 6Rs.

The 6R drivers of the budget:



Resolve



Resilience



Restart



Recovery



Revitalize



Reform

17 billion

ringgit allocated for
COVID-19 Fund

1 billion

ringgit will be allocated to
stem the third wave of
COVID-19.

500 ringgit

one-off payment to 100
thousand medical staff.



**Bersama
Hentikan
Wabak
Covid-19**

COVID-19 & Public Health

A welcome boost for the fight against COVID-19 pandemic and support for frontliners to save lives.

- Temporary measures to reduce the impact of Coronavirus 2019 (COVID-19) 2020 Act. This Act provides exemption or relief to individuals who are unable to fulfill their contractual obligations such as rent payments due to the spread of the epidemic.
- A COVID-19 Mediation Center was also established to assist the B40 and M40 groups as well as micro industries resolve disputes related to their contractual obligations.
- Temporary Measures for Government Financing (Coronavirus Disease 2019) Act allows the Government's statutory debt level to be temporarily raised up to 60 percent of GDP, from 55 percent. Under this Act, Parliament has approved an allocation ceiling of 45 billion ringgit for the COVID-19 Fund.
- The Government proposes to submit amendments to the Schedule of the Act to this esteemed House to raise the ceiling of the COVID-19 Fund, by 20 billion ringgit, to 65 billion ringgit.
- To acquire COVID-19 vaccine supplies at expected cost of more than 3 billion ringgit to meet the needs of Malaysians.



Our dedicated frontliners. #KitaJagaKita #StaySafe

1.4 billion

ringgit allocated for Islamic affairs and development under the Prime Minister's Department



Yayasan Waqaf Malaysia

Agency responsible for the National Wakaf Masterplan

PNB

Permodalan Nasional Berhad

One of the largest fund management companies in Malaysia



ASNB will introduce wakaf services to all ASNB unit trust holders

Shariah Endowment

The strategies highlighted in Budget 2021 in line with the concept of Maqasid al-Shariah for the Protection of Religion (al-Din), Life (al-Nafs), Intellect/Mind (al-Aql), Property (al-Mal), Human Being (al-Nasl)/ Family (al'Ird).

- The Government will also enhance the management of endowment (wakaf) through collaboration between Yayasan Wakaf Malaysia with Federal Government agencies, GLCs and Government Linked Investment Companies (GLIC).
- A National Wakaf Masterplan will be created to ensure a more efficient endowment management to maximise the mobilization of future endowment assets.
- Permodalan Nasional Berhad (PNB) through Amanah Saham Nasional Berhad or ASNB will introduce wakaf services to all ASNB unit trust holders. Under this service, unit holders can endow some of their units into ASNB wakaf fund and be eligible for an income tax deduction. Returns from the wakaf fund will be channelled to the wakaf projects of national interest that will be identified by PNB.



Masjid Seri Sendayan, Nilai
waqf by Tan Sri Abdul Rashid Hussain, Founder of the RHB Bank

11.1 billion

will be provided to support Bumiputera development agenda

4.6 billion

allocated to boost and empower Bumiputera entrepreneurs



750 million ringgit will be provided to Pelaburan Hartanah Berhad (PHB)

SJPP

Wholly owned by Minister of Finance Incorporated

2 billion ringgit allocated to assist the financing of Bumiputera SMEs

Bumiputera Agenda

Supporting Bumiputera agenda for inclusive national development and reduce the disparity among the races.

- A total of 11.1 billion ringgit will be provided to support Bumiputera development agenda.
- Among others, a total of 6.5 billion ringgit will be allocated to provide access to quality education to Bumiputera institutions such as Majlis Amanah Rakyat (MARA) and Universiti Teknologi MARA (UiTM) to offer specific programmes such as digitalization of TVET learning methods, and upgrading from certificate level programmes to diploma.
- To boost and empower Bumiputera entrepreneurs, a total of 4.6 billion ringgit will be provided for the following purposes:
 - 510 million ringgit for the purpose of financing Bumiputera SMEs and micro SMEs through TEKUN and PUNB;
 - 800 million ringgit for capacity building programmes by Bank Pembangunan Malaysia and SME Bank;
 - 2 billion ringgit allocated to assist the financing of Bumiputera SMEs through Syarikat Jaminan Pembiayaan Perniagaan (SJPP); and
 - 1.3 billion ringgit for various capacity building programmes, including professional development, Dana Kemakmuran Bumiputera as well as specific programmes or projects specifically for Bumiputeras.
- The Government intends to optimize the value of Malay reserve land in strategic locations. For this purpose, a total of 750 million ringgit will be provided to Pelaburan Hartanah Berhad (PHB) under the Twelfth Malaysia Plan (RMKe-12) to increase the value of Bumiputera holdings in real estate especially for commercial developments on Malay reserve land.

500 million

ringgit to implement the
**National Digital Network
initiative**



The regulator of the
communications and
multimedia industry in Malaysia

**YAYASAN
HASANAH**



complement the effort of
Khazanah in developing
Malaysia into a globally
competitive nation



an agency under Ministry of
Communications and
Multimedia Malaysia (KKMM)
leading ICT and digital economy
growth in Malaysia.

Digital Connectivity

For the new norm, the Government intends to expand the development of necessary infrastructure and upgrading of basic telecommunications networks to meet the needs of virtual services and digital lifestyle.

- The Government will allocate 500 million ringgit to implement the National Digital Network initiative, JENDELA to ensure the connectivity of 430 schools throughout Malaysia covering all states.
- At the same time, Malaysian Communications and Multimedia Commission (MCMC) will allocate 7.4 billion ringgit for year 2021 and 2022 to build and upgrade broadband services.
- GLCs to contribute RM150 million to the Cerdik fund for the purchase of laptops for 150,000 students in 500 schools.
- The Government will allocate 20 million ringgit to the Malaysian Global Innovation and Creativity Center or MaGIC and selected agencies.
- 100 million ringgit to MDEC to transition existing workforce to fill the growing needs in the ICT industry.
- The Government through BPMB has provided the Industrial Digitalization Transformation Scheme valued at 1 billion ringgit.
- Additional funds amounting to 150 million ringgit will be provided under the SME Digitalization Grant Scheme and the Automation Grant.



Pushing the digital boundaries for the new normal.

1.4 billion

ringgit for National Development Scheme (NDS)



A National Development Scheme (NDS) valued at RM1.4 billion by Bank Pembangunan Malaysia

150 million

ringgit allocated to implement the Shop Malaysia Online



RM50 million under the Skim Pembiayaan Kontrak Ekspres, SPIKE

Entrepreneurship

Supporting entrepreneurs and encouraging domestic production and consumption of locally produce goods and services.

- A National Development Scheme (NDS) valued at RM1.4 billion by Bank Pembangunan Malaysia will be introduced to support the implementation and development of domestic supply chain and increase the production of local products such as medical devices.
- Targeted Assistance and Rehabilitation facility worth RM2 billion to assist affected SMEs.
- RM1.9 billion of soft loan funds and grants have been provided to help SMEs and micro-SME entrepreneurs who have difficulty accessing financing.
- RM25 million allocated for the Micro Franchise Development and Affordable Franchise programmes as well as Buy Made in Malaysia programme.
- RM150 million allocated for training programmes and sales assistance as well as digital equipment for 100,000 local entrepreneurs to encourage adoption of e-commerce.
- RM150 million allocated to implement the Shop Malaysia Online initiative together with the e-commerce platform.
- RM35 million allocated to promote Malaysian-made products and services under the Trade and Investment Mission.
- High Technology Fund worth RM500 million to support high technology and innovative companies.
- MARA will also provide RM50 million as financing access to construction contractors under the Skim Pembiayaan Kontrak Ekspres, SPIKE.
- Grant Khas Prihatin of 1,000 ringgit will be given to 20,000 traders and hawkers including taxi drivers, e-hailing, rental cars and tour drivers in Sabah.

1 percentage

point reduction for the taxable income range of RM50,001 - RM70,000



Tax relief up to RM8,000 for SSPN net savings extended until YA 2022

1,000 ↑

ringgit tax relief limit for the scope of full health screening, increased from 500 ringgit

Individual Tax Highlights

- The scope of tax relief for medical treatment expenses includes vaccination expenses such as pneumococcal, influenza and Covid-19. Limited RM1,000 for self, spouse and children.
- Tax relief limits on personal, spouse and child medical treatment expenses for serious illnesses increase from RM6,000 to RM8,000.
- The tax relief limit on expenses for medical treatment, special needs and parental care will be increased from RM5,000 to RM8,000.
- The scope of tuition tax relief will be expanded to include the cost of attending skills improvement courses by accredited bodies limited to RM1,000 per year of assessment.
- Individual income tax relief of up to RM3,000 on Private Retirement Scheme or PRS contributions up to YA2025.
- The income tax relief limit for lifestyle was raised from RM2,500 to RM3,000. Sports-related including sports competition participation fees as well as electronic newspaper subscriptions.
- Extend the special income tax rate at a flat rate of 15% for a period of 5 years to non-citizen individuals holding key positions for the company's strategic new investment transfer operations to Malaysia.
- Extend income tax exemption for export of private healthcare services until 2022.



Full stamp duty exemption for first time home buyers

0-10

percent income tax exemption for manufacturers of pharmaceutical products

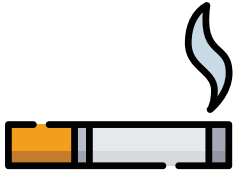


Suruhanjaya Sekuriti
Securities Commission
Malaysia

Income tax exemption of 50% for participation in equity crowdfunding (ECF) platforms

Corporate Tax Highlights

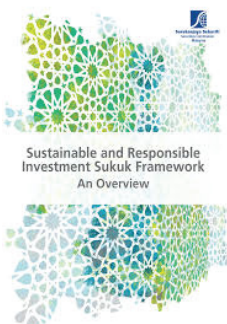
- Further tax deduction on remuneration given to employers who employ ex-convicts, parolees, supervised persons and ex-drug dependants is extended until year of assessment 2025.
- Full stamp duty exemption will be given to transfer of ownership document and loan agreement for the purchase of a first home worth not more than RM500,000. This exemption will be for the purchase agreement from January 2021 to Dec 31, 2025.
- Extension for 2 years from YA 2020 until YA 2022 for the Principal Hub incentive and relaxing tax incentive requirements.
- Implementation of tax for the establishment of "global trading centre" at a concession rate of 10 per cent for five years.
- Sales value limit for added-value and additional activities in the Free Industrial Zone and licensed manufacturing warehouse has been raised from 10 per cent to 40 per cent of sales value.
- Special reinvestment allowance for manufacturing and selected agriculture activity from YA 2021 to YA 2022.
- Extension for two years from 2020 until 2022 on tax incentives for MRO activities for aerospace, building and repair of ships, Bionexus status and economic corridor developments.
- Income Tax exemption between 0 to 10 percent for first 10 years, to encourage manufacturers of pharmaceutical products including vaccines to invest in Malaysia.
- RM35 million allocated to the Malaysia Healthcare Travel Council to increase competitiveness in the local health tourism sector. The government will also extend the tax exemption for private healthcare service exports from 2020 to 2022.
- To encourage more individual investors to participate in equity crowdfunding (ECF) platforms, an income tax exemption of 50% from the invested amount or limited to RM50,000 will be given. RM30 million is allocated to a matching grant that will be invested into ECF platforms under the supervision of the Securities Commission.



no new cigarette import licences



Extension of existing tax incentives



Extension of tax deduction on cost of issuing Sustainable and Responsible Investment Sukuk

Corporate Tax Highlights (cont'd)

- Beginning January 2021, freezing the issuance of new cigarette import licences. Such licence renewals will also be tightened and the conditions revised, including imposing import quotas.
- The transshipment of cigarette exports will be limited to selected ports. Taxes will be imposed on drawbacks on all imported cigarettes for the purpose of transshipment and re-export.
- The government will also not allow transshipment activities and re-exports of cigarettes using pump boats. Taxes will also be imposed on cigarettes and tobacco products at all duty-free islands.
- Extension for two years from 2020 until 2022 on existing tax incentives for East Coast Economic Region (ECER), Iskandar Malaysia and Sabah Development Corridor (SDC).
- Extension for two years from 2023 until 2025 on tax deduction on cost of issuing Sustainable and Responsible Investment Sukuk.



KEMENTERIAN KEWANGAN MALAYSIA

Be a responsible corporate citizen

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About SALIHIN

SALIHIN is one of the largest and leading home-nurtured accountancy firms in Malaysia providing audit and assurance, tax, advisory and corporate finance, digital consultancy, and shariah advisory.

With our existence anchored on culturing Shariah values towards a sustainable world, SALIHIN aspire to be the best global leader in providing Shariah-value-based services and education.

Our 20 years of hardwork and commitment to our vision propelled our growth with footprints in Malaysia and across the world, having over 200 professionals and consultants.

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BUDGET
SALIHIN 2021

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**MALAYSIA BUDGET 2021
COMPLIMENTARY WEBINAR**

The Malaysia Budget 2021 comes amid growing uncertainty and COVID-19 pandemic challenges to life and livelihood.

- How will this Budget 2021 instill confidence in building a resilient economy and sustainable future for all?
- How will the new budget proposals impact you and your business?

“Join our Malaysia Budget 2021 webinar where our tax professionals will interrogate the budget for better understanding.”

REGISTER HERE



10:00 A.M. - 12:00 P.M.

13th November 2020

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