

THE MALAYSIAN SHORT-TERM ECONOMIC RECOVERY PLAN (PENJANA)

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CLIENT ALERT: THE MALAYSIAN SHORT-TERM ECONOMIC RECOVERY PLAN (PENJANA)



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Preventive measures against the Malaysian economic slowdown due to the Covid-19 pandemic were taken under the PRIHATIN and PRIHATIN Tambahan stimulus packages announced by the Government of Malaysia on 27 February 2020, 23 March 2020 and 6 April 2020. Nevertheless, the Government has acknowledged that more efforts are required to strengthen the economy and to enable its recovery.

In an effort to ameliorate the economic consequences of the pandemic, the Prime Minister Tan Sri Dato' Haji Muhyiddin bin Haji Mohd Yassin had on 5 June 2020 launched forty 40 initiatives worth RM35 billion collectively termed the Short-Term Economic Recovery Plan or Pelan Jana Semula Ekonomi Negara ("PENJANA"). This came amidst the Conditional Movement Control Order ("CMCO") and several days after the Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz provided a glimpse of PENJANA, naming its key objectives which are to empower people, propel businesses, and stimulate the economy.

This document sets out the key measures under PENJANA. We advise that this be read in tandem with our article on the PRIHATIN stimulus packages dated 8 April 2020. Please be minded that these points are based on the author's own research and the reader is advised to undertake his or her own research to validate the same.

A. EMPOWER PEOPLE

1. WAGE SUBSIDY PROGRAMME

The existing wage subsidy programme of RM600 per month per employee (for a maximum of 200 employees) will be extended for a further 3 months for eligible employers.

Further enhancements of the wage subsidy programme are as follows:

- (a) Employers receiving wage subsidy may implement a reduced work week and reduced pay (a maximum of 30%).
- (b) For the tourism sector as well as businesses which have not be allowed to operate during the CMCO, employers may apply for the wage subsidy for their employees (currently on unpaid leave) on the condition that the wage subsidy will be remitted directly to the aforesaid employees.

2. NATIONAL EMPLOYMENT SERVICES JOB PORTAL UPGRADE

The National Employment Services under the Social Security Organisation ("PERKESO") will be upgraded via the following efforts:

- (a) Enhancement of its job portal
- (b) Collaboration with private job sites

3. HIRING AND TRAINING ASSISTANCE FOR BUSINESSES

Incentives to encourage the hiring of the unemployed are as follows:

- (a) Youth
 - RM600 per month for up to 6 months for apprenticeships for school leavers and graduates
- (b) Unemployed Workers
 - Below 40 years old - RM800 per month for up to 6 months
 - 40 years old and above - RM1,000 per month for up to 6 months
 - Those retrenched but not covered under the Employment Insurance Scheme (EIS) will be entitled to RM4,000 training allowance

4. RESKILLING AND UPSKILLING PROGRAMMES

(a) The following measures will be taken to enhance the employability of the youth:

- Provision of a 1-to-1 matching fund of RM250 million to co-fund place-and-train and other upskilling programmes with the Human Resources Development Fund (“**HRDF**”)
- Optimisation of Government training facilities such as those under Majlis Amanah Rakyat (“**MARA**”), community colleges, IKBN and ILP
- Support of Securities Industry Development Corporation (“**SIDC**”) programmes and training subsidy of up to RM3,500 over the next 6 months
- Relaxation of conditions for the PROTÉGÉ Ready to Work (**RTW**) programme

(b) The following measures will be taken to provide upskilling of unemployed workers:

- Promoting public-private collaboration on upskilling in the electrics and electronics and information and communications technology sectors for key investors (e.g. Malaysian Investment Development Authority (“**MIDA**”) and corridor authorities)
- Incentivising further studies, focused on short courses in local universities
- Leveraging entrepreneurship programs delivered by the Ministry of Agriculture and Food Industries (MOA), MARA, Ministry of Entrepreneur Development and Cooperatives (MEDAC)
- Providing training subsidy of up to RM800 per month for 6 months through the SIDC

5. GIG ECONOMY SOCIAL PROTECTION AND SKILLING

(To support the growth and welfare of the gig economy and its workers, the Government will be providing:

- (a) A matching grant of up to RM50 million for gig economy platforms who contribute for their gig workers towards PERKESO’s employment injury scheme of up to RM162 and Employees’ Provident Fund (“**EPF**”)’s i-Saraan contribution of up to RM250 yearly
- (b) MDEC with RM25 million for the Global Online Workforce (GLOW) programme to train Malaysians to generate income by serving international clients online

6. FLEXIBLE WORK ARRANGEMENT INCENTIVES

To encourage work-from-home arrangements:

- (a) Tax deduction for employers which implement Flexible Working Arrangements (FWAs) effective 1 July 2020
- (b) Individual income tax exemption of RM5,000.00 for employees who receive a handphone, notebook or tablet from their employer effective 1 July 2020
- (c) Special individual income tax relief of up to RM2,500 on the purchase of handphone, notebook or tablet effective 1 June 2020

Additionally, SOCSO will provide coverage under the EIS for workers involved in accidents while working at home.

“ Tax deduction for employers which implement Flexible Working Arrangements (FWAs) effective 1 July 2020 ”



7. CHILD CARE SUBSIDY

Working parents will be supported through the subsidy of child care expenses:

(a) E-Vouchers of RM800 per household for mobile childcare services (commencing now until the end of August 2020)

(b) Income tax relief for parents on childcare services expenses will be increased from RM2,000 to RM3,000 for the Years of Assessment (YA) 2020 and 2021

Incentives for child care centres and the certification of early education practitioners:

(a) One-off grant of up to RM5,000 per childcare centre registered with the Ministry of Women, Family and Community Development ("**KPWKM**") (up to 31st December 2020) to comply with new healthcare standard operating procedures ("**SOPs**")

(b) Incentives to train new practitioners for child-nursing and early education courses



8. MY30 PUBLIC TRANSPORT SUBSIDY

To reduce the burden of costs of transportation, the Government introduced an unlimited monthly travel pass on all rail services, RapidKL buses and MRT Feeder buses costing RM30 commencing 15 Jun 2020 until the end of the year.

9. SOCIAL ASSISTANCE SUPPORT FOR VULNERABLE GROUPS

(a) One-off RM300 financial assistance to:

- Registered persons with disabilities
- Single mothers with an income below the poverty line and registered with the KPWKM
- Home help services volunteers

(b) Grant for relevant registered NGOs

(c) PENJANA GLC Community: GLCs are encouraged to implement a social economic development project within an adopted community

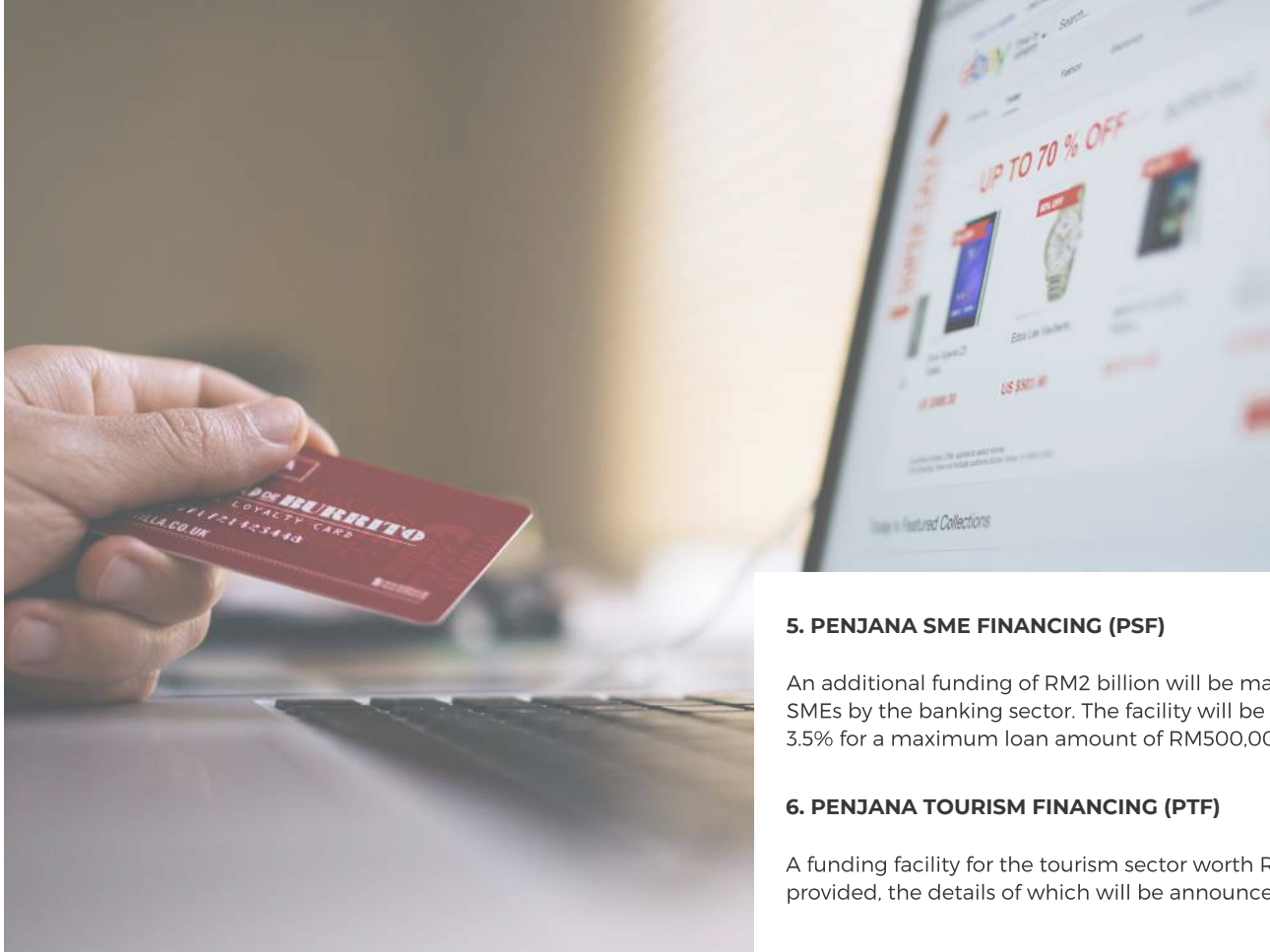
10. PEKA B40 HEALTHCARE SUPPORT

The allocation for the PEKA B40 programme will be increased by RM50 million (and therefore doubled to a total RM100 million) to fund health screenings, medical device assistance, cancer treatments and transportation for health for the B40 group.

11. INTERNET CONNECTIVITY FOR EDUCATION & PRODUCTIVITY

(a) Free 1GB per day from 8am to 6pm for education, productivity and news

(b) Free unlimited use of Government's COVID-19 applications and access to Government websites



B. PROPEL BUSINESSES

1. MICROS AND SMES E-COMMERCE CAMPAIGN

Via a co-funded programme with MDEC and e-commerce platforms, micro and small and medium enterprises (“MSMEs”) will be integrated to shift towards business digitalisation. Training, subsidies and sales support will be provided by participating e-commerce platforms.

2. “SHOP MALAYSIA ONLINE” FOR ONLINE CONSUMPTION

The Government and e-commerce platforms will co-fund digital discount vouchers to encourage online spending.

3. TECHNICAL AND DIGITAL ADOPTION FOR SMES AND MID-TIER COMPANIES (“MTCS”)

Programmes to provide grants and loans to eligible enterprises for adoption or subscription of digitalisation services:

- (a) SME Digitalisation Matching Grant
- (b) SME Technology Transformation Fund
- (c) Smart Automation Grant

4. MYASSIST MSME ONE STOP SHOP

A one-stop business advisory platform will be set up.

5. PENJANA SME FINANCING (PSF)

An additional funding of RM2 billion will be made available to eligible SMEs by the banking sector. The facility will be at a concession rate of 3.5% for a maximum loan amount of RM500,000 per SME.

6. PENJANA TOURISM FINANCING (PTF)

A funding facility for the tourism sector worth RM1 billion will be provided, the details of which will be announced in July 2020.

7. PENJANA MICROFINANCING

A new funding programme for SMEs will be made available at a subsidised interest rate of 3.5%. The financing will be capped at RM50,000 per enterprise. RM50 million out of the total RM400 million of this new fund will be reserved for women entrepreneurs.

8. BUMIPUTERA RELIEF FINANCING

(a) Perbadanan Usahawan Nasional Berhad (“PUNB”) will provide RM200 million dedicated financial assistance for Bumiputera-owned businesses for working capital, operational expenditure, system automation, equipment and financing.

(b) Via MARA, the Government will allocate RM300 million working capital loan for Bumiputera entrepreneurs and training colleges for a maximum loan of RM1 million at 3.5% interest rate.

9. SME GO-SCHEME FOR LIQUIDITY SUPPORT

Financing support by SME Bank will be made available for G2 and G3 contractors and vendors awarded with small government projects under the Pakej Rangsangan Ekonomi (PRE) 2020 and the PRIHATIN stimulus packages.

10. ACCELERATED PAYMENT TERMS FOR GLC AND LARGE CORPORATES’ SUPPLY CHAIN

GLCs and large corporations are encouraged to accelerate their vendors’ payment terms.

“I understand that the economy will take some time to recover and some groups in our community still requires aid as the economy recovers” Tan Sri Muhyiddin Yassin

11. TAX RELIEF FOR COVID-19 RELATED EXPENSES

The following will be included as expenses allowed as tax deductions or capital allowance for Covid-19 prevention:

- (a) Covid-19 testing
- (b) Purchase of personal protective equipment (“PPE”) and thermal scanners

12. FINANCIAL STRESS SUPPORT FOR BUSINESSES

- (a) 50% remission of penalty for late payment of sales tax and service tax due payable from 1 July 2020 to 30 September 2020
- (b) Special tax deduction for renovation and refurbishment of business extended to 31 December 2021
- (c) Accelerated capital allowance for eligible expenses extended to 31 December 2021
- (d) Special deduction equivalent to 30% reduction in rental to SMEs extended to 30 September 2020

13. SOCIAL ENTERPRISES ELEVATION

Via Malaysian Global Innovation & Creativity Centre (MaGIC), the Government will provide a matching grant totalling RM10 million to social enterprises which can crowdsource contributions and donations to undertake social projects.

14. SPUR SET UP OF NEW BUSINESSES

To encourage establishment of new businesses, the following financial reliefs will be provided:

- (a) Income tax rebate of up to RM20,000 per year for 3 years of assessment for SMEs established between 1 July 2020 to 31 December 2021
- (b) Stamp duty exemption on instruments executed for mergers and acquisition exercises undertaken by SMEs between 1 July 2020 to 30 June 2021





C. STIMULATE THE ECONOMY

1. DANA PENJANA NASIONAL

The Government will establish an investment fund which will match institutional private capital investment with selected venture capital and early stage tech fund managers.

2. TECHNOLOGY INNOVATION SANDBOX

An innovation sandbox will be set up to pilot new technology solutions and provide relaxation of new regulations for the testing of new technology solutions.

3. DIGITALISATION OF GOVERNMENT SERVICE DELIVERY

Government services such as stamp assessment and payment of stamp duty, checking and claiming of unclaimed moneys as well as interviews for Government scholarships will be digitalised.

4. NATIONAL “BUY MALAYSIA” CAMPAIGN

This campaign will be launched and promoted. Local product identification will be made compulsory for big supermarket chains.

5. E-PENJANA CREDITS IN E-WALLET

RM50 of e-wallet credit and an additional RM50 in value through vouchers, cashbacks and discounts will be made available for Malaysians aged 18 and above with an annual salary of less than RM100,000. This may be utilised for contactless payments and only for offline/physical purchases between July to September 2020.

6. INCENTIVES FOR PROPERTY SECTOR

(a) Home Ownership Campaign (“HOC”)

The HOC will be reintroduced whereby stamp duty exemption on instruments of transfer (up to the first RM1 million of the purchase price) and loan agreements (exemption of the full amount) for purchases of residential homes priced between RM300,000 and RM2.5 million and executed between 1 June 2020 and 31 May 2021.

(b) Real Property Gains Tax (“RPGT”) Exemption

RPGT will be exempted for the disposal of residential homes from 1 June 2020 to 31 December 2021 (for up to three units per individual).

(c) Financing margin for third housing loan

The 70% margin of financing for loans with respect to third and subsequent properties valued at RM600,000 and above will be uplifted between 1 June 2020 and 31 May 2021, subject to internal risk management policies of banks.

7. TAX INCENTIVES FOR PURCHASE OF PASSENGER CARS

(a) 100% sales tax exemption on locally-assembled cars

(b) 50% sales tax exemption on imported cars

8. EXTENDED SERVICE HOURS IN THE NEW NORMAL

Commencing 1 July 2020, operating hours of Urban Transformation Centres (“UTCs”) will be extended to ease transactions with Government agencies.

9. MALAYSIA AS AN ATTRACTIVE HORIZON FOR BUSINESSES

- Foreign companies which relocate their businesses to Malaysia and commence operations within 1 year from the date of approval will enjoy the following the tax incentives:

(a) 0% tax rate for 10 years for new investments in the manufacturing sector with a capital investment of between RM300 million to RM500 million

(b) 0% tax rate for 15 years for new investments in the manufacturing sector with a capital investment of RM500 million and above

- Malaysian companies which relocate their overseas facilities to Malaysia will enjoy a 100% investment tax allowance for 5 years.
- RM50 million operating expenditure will be provided to MIDA for marketing and promotional activities.
- Project Acceleration and Coordination Unit (“PACU”) will be established to expedite approved investment projects. Approval of manufacturing licences will be expedited to 2 days for non-sensitive industries.

10. TOURISM SECTOR SUPPORT

(a) Extension of period for deferment of tax instalment payment for businesses in the tourism industry for a further 3 months to 31 December 2020

(b) Tourism tax exemption from 1 July 2020 to 30 June 2021

(c) Extension of service tax exemption for hotels from 1 September 2020 to 30 June 2021

(d) Extension of period for income tax relief of RM1,000 for tourism expenses to 31st December 2021

11. ARTS, CULTURE, ENTERTAINMENT, EVENTS AND EXHIBITIONS SECTOR SUPPORT

A total of RM225 million for programmes and financing facilities will be provided via a collaboration by MyCreative Ventures, MDEC and the private sector.

12. AGRICULTURE AND FOOD SECTOR SUPPORT

(a) Micro credit financing for agropreneurs totalling RM350 million

(b) Agrofood workforce mobility enhancement efforts via incentives for pioneer companies to train and educate the workforce

(c) In-kind benefits worth RM500 per person and RM50,000 per community for urban farming entrepreneurs

13. COMMODITY SECTOR SUPPORT

Export duty will be exempted from 1 July 2020 until 31 December 2020 for crude palm oil, crude palm kernel oil and refined bleached deodorized palm kernel oil.

14. PROPOSED COVID-19 TEMPORARY MEASURES ACT

COVID-19 (Temporary Measures) Bill, to provide relief from certain contractual obligations, will be drafted and tabled in Parliament in July.

15. SUKUK PRIHATIN

This Islamic debt instrument will be issued in the third quarter of 2020 with a fully-digital subscription process and available for subscription by individuals and companies. Proceeds will be utilised for funding for micro enterprises (focused on women entrepreneurs), specific development programmes such as connectivity of schools (especially in rural areas) and research grants for infectious diseases.



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