

Malaysia announces Economic Stimulus Package 2020 including Indirect Tax measures

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

Following the global outbreak of the Coronavirus Disease 2019 (COVID-19) in early 2020, the interim Prime Minister of Malaysia, Tun Dr. Mahathir Mohamad, announced, on 27 February 2020, the Economic Stimulus Package 2020 to mitigate the economic impact of COVID-19 and reinvigorate economic growth in Malaysia. The Package introduces several measures to improve the cashflow of affected businesses, stimulate private consumption and accelerate domestic investment activities.

The specific Indirect Tax measures introduced in the Economic Stimulus Package are:

1) Exemption of accommodation services from service tax

- ▶ To improve cash flow and reduce the costs of businesses affected by COVID-19, any operator of accommodation premises (i.e., hotels, inns, service apartments, homestays or any other establishments as prescribed under Group A, First Schedule of the Service Tax Regulations 2018) is exempted from charging service tax on accommodation services and any other relevant taxable services under Group A, First Schedule of the Service Tax Regulations 2018.
- ▶ This exemption will be applicable for the period from 1 March 2020 to 31 August 2020.

2) Review of conditions for purchase of duty-free goods by persons entering Malaysia

- ▶ To improve the sales of duty-free goods by affected retail businesses at Malaysian international airports, the conditions for the purchase of duty-free goods from duty-free shops will be relaxed, as follows:
 - The eligibility period for the purchase of duty-free goods by tourists or individuals entering Malaysia will be reduced from 72 hours to 48 hours.
 - The threshold value of duty-free goods will be increased from RM500 to RM1,000. This only applies to items other than goods which are already eligible for exemptions under specified limits, such as liquor, cigarettes, clothes, shoes, food and personal electrical appliances.
- ▶ This measure will come into effect from 1 April 2020.

3) Exemption of sales tax and import duty on the importation and purchase of equipment and machineries for port operators

- ▶ To stimulate continuous investment into Malaysia, exemption of sales tax and import duty is provided for the local acquisition and importation of equipment and machineries by port operators, subject to the following conditions:

- Such machineries and equipment are essential and used directly in connection with the port operation.
- The sales tax and import duty exemption is not applicable to spare parts and finished goods, including those used for maintenance purposes.
- ▶ The above exemption is only applicable for applications submitted to the Ministry of Finance starting from 1 April 2020 to 31 March 2023 (i.e., three years).

4) Expansion of value-added activities in Licensed Manufacturing Warehouses (LMW) and Free Industrial Zones (FIZ) and simplification of the approval process

- ▶ The value-added activities conducted within the LMW and FIZ will be expanded to include supply-chain management, strategic procurement operation and total support solutions.
- ▶ The approval and facilitation process for LMW and FIZ to conduct value-added activities will be standardized and approved by the Royal Malaysian Customs Department at the state/zone level.
- ▶ This measure will come into effect from 1 April 2020.

The full and complete version of the Economic Stimulus Package 2020 (along with any periodic updates) can be found in the official link of the [Ministry of Finance](#).

For additional information with respect to this Alert, please contact the following:

Ernst & Young Tax Consultants Sdn Bhd, Indirect Tax, Kuala Lumpur

- ▶ Yeoh Cheng Guan, *Malaysia Indirect Tax Leader* cheng-guan.yeoh@my.ey.com
- ▶ Aaron Bromley aaron.bromley@my.ey.com
- ▶ Jalbir Singh Riar jalbir.singh-riar@my.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Indirect Tax

© 2020 EYGM Limited.

All Rights Reserved.

EYG no. 000989-20Gbl

1508-1600216 NY

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com