

WHAT ARE YOU ENTITLED UNDER THE ECONOMIC STIMULUS PACKAGES 2020?

Due to the COVID-19 pandemic, the Government has come up with several packages to combat the impacts on the economy. In this article we compile the benefits given to businesses and individuals.



ESP FEBRUARY

The first economic stimulus package was announced by our ex-Prime Minister Tun Dr Mahathir Mohammad back on 27th February 2020 valued at RM 20 billion. The package targets the businesses and individuals in the travel and tourism sectors.

The stimulus package is designed to focus on these three objectives. **Firstly to mitigate the impact of COVID-19, secondly to spur the economic growth and thirdly to promote**

"First economic stimulus package"

quality investments. As a result it is estimated that the fiscal deficit to increase to 3.4% of GDP compared to the original target of 3.2% GDP.[1]

The package goes beyond the tourism sector, with individuals are given incentives. We are highlighting the benefits for businesses and individuals which run from April to September 2020.

FOR BUSINESSES

- Businesses are permitted to defer monthly income tax instalment payments.
- Businesses are also permitted to revise their profit estimates for 2020 with respect to monthly income tax instalment payments without penalty.
- A 15% discount in the monthly electricity bills to hotels, travel agencies, airlines, shopping malls, conventions and exhibitions centres.
- Human Resource Development Fund (HRDF) levies are exempted for hotels and travel related companies.
- An exemption of 6% service tax is granted to hotels, from March to August 2020.
- Bank Negara Malaysia (BNM) to issue a RM 2 Billion Special Relief facility at an interest rate of 3.75%, in the form of working capital for Small Medium Enterprises.
- BNM is also tasked to ensure all banks provide financial relief in the form of payment moratorium comprising restructuring and rescheduling loans for affected entities.

**"Benefits for
businesses which run
from April to
September 2020"**

FOOTNOTES

[1]<https://www.nst.com.my/news/nation/2020/02/569732/2020-economic-stimulus-package-full-speech-text-english>

FOR INDIVIDUALS

- Government staff directly involved in the containment efforts will be eligible for a special monthly critical allowance of RM400 for medical doctors and other medical personnel, as well as RM200 for immigration and related front line staff commencing February.
- BNM is also tasked to ensure all banks provide financial relief in the form of payment moratorium comprising restructuring and rescheduling loans for affected entities.
- Bank Simpanan Nasional (BSN) is to allocate a total of RM200 million in microcredit facility at an interest rate of 4%.
- Approval process for existing loan funds will be further streamlined such as Bank Pembangunan's Tourism Infrastructure Fund of RM1.5 billion.
- Malaysia Airport Holdings Berhad (MAHB) will be providing rebates on rental for premises at the airport, and its landing and parking charges.
- One off payment of RM600 each to Taxi drivers, tourist bus drivers, tourist guides.
- Personal income tax relief of up to RM1,000 on expenditure related to domestic tourism.
- Digital vouchers worth up to RM100 per person to all Malaysians for domestic flights, rails and hotel accommodations.

"Benefits for individuals which run from April to September 2020"

- The minimum Employees Provident Fund contribution by employees will be reduced from 11% to 7%, from 1 April 2020 to 31 December 2020. However, Malaysian employees are allowed to opt out from this scheme.
- Bantuan Sara Hidup (BSH) recipients will receive RM200 in March 2020, RM100 in May 2020, and an additional RM50 in the form of e-tunai.
- BNM will provide RM1 billion Agrofood facility at an interest cost of 3.75% to promote food production activities in order to meet domestic and export demand. FAMA also will be allocated RM10 million for food storage facilities to help reduce food prices.
- Local entrepreneurs will be provided grants worth RM1,000 to RM10,000 to promote sales of their respective products on e-commerce platforms.

PRIHATIN RAKYAT PACKAGE

On 27 March 2020, the Government announced a Second Economic Stimulus Package 2020 (ESP2) focusing on the welfare of the people. The package is an additional to the package announced in February 2020 and the additional measures announced by the Prime Minister on 16 March and 23 March 2020.[2]

"Benefits for individuals which run from April to September 2020"

"Second Economic Stimulus Package 2020 (ESP2)"

FOOTNOTES

[2]<https://www.aseanbriefing.com/news/malaysia-issues-second-stimulus-package-combat-covid-19-salient-features/>

This package valued at RM 250 billion includes:

- RM128 billion for the protection of Rakyat welfare;
- RM100 billion to support Small and Medium Enterprises;
- RM2 billion to strengthen the country's economy;
- RM20 billion to pursue measures announced under ESP

We set out below the key highlights from the PRIHATIN Package for both businesses and individuals:

FOR BUSINESSES

- Deferment of monthly tax instalments for a period of 3 months for Small and Medium Enterprises (SME) beginning 1 April 2020.
- Introduction of Wage Subsidy Program to subsidise affected employers RM600 per month for each employee earning less than RM4,000 for a period of 3 months.
- Exemption from payment of Human Resources Development Fund levy for all business sectors for a period of 6 months beginning April 2020.
- Special Relief Facility fund will be increased from RM2 billion to RM5 billion whilst interest rate will be reduced from 3.75% to 3.5%.

"Second Economic Stimulus Package 2020 (ESP2)"

"Key highlights from the PRIHATIN Package for businesses"

- All Economic Sectors Facilities Fund will be increased from RM5.8 billion to RM6.8 billion.
- No 8% withholding tax on pre-retirement withdrawal from Private Retirement Scheme (PRS) Sub-Account B of up to RM1,500 until December 2020.
- Syarikat Jaminan Pembiayaan Perniagaan will provide RM5 billion guarantee facility while increasing the guarantee rate from 70% to 80% for SMEs with difficulty in obtaining financing.
- Introduction of RM50 billion guarantee scheme to guarantee up to 80% of the financing amount for the purpose of financing working capital.
- SME with less than 4 years business record can apply for BizMula-I and BizWanita-I Syarikat Jaminan Kredit Malaysia Bhd with financing scheme of up to RM300,000.
- Social Financing Program to assist B40 entrepreneurs and individuals who lost their source of income.
- The Micro Credit Scheme will be increased from RM500 million to RM700 million with an interest rate of 2%.

FOR INDIVIDUALS

- Special monthly critical allowance increased from RM400 to RM600 per month until the end of the pandemic for Government and medical personnel.

**"Key highlights from
the PRIHATIN
Package for
businesses"**

**"Key highlights from
the PRIHATIN
Package for
individuals"**

- RM200 per month until the end of the pandemic for police, army personnel, civil defence members, and RELA.
- RM1600 will be given to households with income less than RM 4,000.
- RM 1000 will be given to households with income between RM 4,000 and RM 8000.
- Single individuals above the age of 21 and earning less than RM2,000 per month will receive RM800.
- Single individuals above the age of 21 and earning between RM2,000 -RM4,000 per month, RM 400 will be given in April and May.
- Higher education students of all levels will receive RM200 one-off payment.
- Repayments delayed for 6 months for PTPN loans.
- Civil servants Grade 56 and below (including contract worker) will be given RM500 one-off payment. RM600 per month for employee if the business has had a 50% dip in earnings since January 1 2020.
- E-hailing driver will be given RM50 one-off payment.
- Up to 50% discount on electricity usage.
- 6 months rent-free period for tenants under Projek Perumahan Rakyat dan Perumahan Awam (PPR).
- 6 months rent-free period for tenants occupying premises owned by Federal Government such as school canteen, kindergarten, cafeteria and others.

**"Key highlights from
the PRIHATIN
Package for
individuals"**

- Deferment of monthly insurance premium and takaful contribution for a period of 3 months.
- An allocation of RM10 million will be provided to pay contractors providing services such as cleaning and preparing food in government agencies.
- Free internet plans from April 1 until the end of the MCO.

THIRD STIMULUS PACKAGE

On 6th April 2020, the Prime Minister announced another package primarily targeting Small Medium Enterprises (SME). With SME's contributing up to 40% of the country's economy, therefore it is commended that the government introduced this package to help the economy to stay afloat.[3]

Small Medium Enterprise is defined as sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 workers for manufacturing sector. For other sectors, it is defined as Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers.[4]

Again here we highlight the key measures of this package:

"Key highlights from the PRIHATIN Package for individuals"

"Third Stimulus Package"

FOOTNOTES

[3]<https://www.pmo.gov.my/>

[4]https://www.bnm.gov.my/files/2013/sme_cir_028_1_new.pdf

For SME

- For companies that employ more than 200 people, the number of workers who will be eligible for the subsidy is increased from 100 previously, to 200.
- For companies that employ between 76-200 employees, the company will receive a wage subsidy of RM800 for each worker.
- For companies that employ between 1-76 employees, the company will receive a wage subsidy of RM1,200 for each worker.
- The creation of a RM2.1 billion Prihatin Special Grant for all SME companies that qualify.
- The Government will provide a special grant of RM3,000 to each company, which is expected to benefit nearly 700,000 micro SME's nationwide.
- These SME's must register with the Inland Revenue Board (IRB) to enjoy this facility.
- The government will obtain a list of eligible SME's from the Local Authorities and Companies Commission of Malaysia (SSM).
- Under the Bank Simpanan Nasional, the government will be abolishing the 2% interest rate for the RM500 million Micro Credit Scheme.
- The micro loan scheme for micro businesses extended to Tekun Nasional with a maximum loan limit of RM10,000 per company at no interest. For this purpose, a sum of RM200 million will be provided. Applicants can only choose from one of these schemes.

""Key measures of
Third Stimulus
Package for SME"

- The government has agreed to encourage negotiations between employers and employees on the terms of their employment, including the option to deduct salaries, and to allow unpaid leave during the MCO.
- The government has granted an automatic moratorium of 30 days to allow companies to submit statutory documents to the SSM from the last date of the MCO.
- The filing of the companies' financial statements is also extended for three months from the last date of the MCO. The flexibility is given to companies with financial years ending Sept 30 until Dec 31. Companies will have to apply for this flexibility from SSM and no late charges will be charged.
- Landlords are qualified to get addition tax deduction with the condition they provide rent reduction for at least 30% from April to June.

We believe the measures taken by the Government in order to ease the burden faced by businesses and the people should be applauded. However additional packages will be required if the government fails to contain the COVID-19 epidemic by end-May. In long-term, Malaysia's slowdown in economic growth will also make it challenging to undertake fiscal consolidation.

**""Key measures of
Third Stimulus
Package for SME""**

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