

A Look at the **2022 BUDGET** - Personal Tax Viewpoint

By: Wan Asma Wan Nasrudin

COVID-19 has resulted in the emergence of problems in the fields of public health and economic management. Despite the fact that 2021 was predicted to be a year of recovery, the ramifications of the pandemic have hampered Malaysia's ambitions for more robust economic growth. Malaysia's economy appears to be on the mend as a result of the country's immunisation campaign and the resumption of business operations. Malaysia's economy is forecast to improve in 2022. The gross domestic product (GDP) is expected to climb between 5.5% and 6.5%, while the country's budget deficit is projected to be 6% (2021: 6.5%).

Malaysian National Budget for the coming year 2022 is unquestionably an attempt to take an inclusive stance in the country's economic recovery, with the theme "Keluarga Malaysia, Makmur Sejahtera" or "A Prosperous Malaysian Family" presented by Finance Minister YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz on October 29, 2021. Malaysians' wellbeing, business resilience, and a thriving and sustainable economy were three critical areas addressed in this much-anticipated budget.

These priorities are designed to guarantee that no one is left behind on the country's recovery path, allowing people and companies to get back on their feet as quickly as possible.



In addition, the budget provides some incentives to individual taxpayers. Listed below are some concise summaries of the most significant changes to personal taxation made by the budget:

First Focus: The People's Wellbeing

- The government is to provide individual tax relief for self-funded COVID-19 vaccine booster shots and related costs.
- RM1,000 tax relief for expenses for full medical check-ups is expanded to include the cost of check-ups or consultation services related to mental health from psychiatrists, clinical psychologists and registered counsellors.
- Imposition of excise duty on gel or liquid used for electronic cigarettes and vaping
 - The introduction of excise duty of RM1.20 per millilitre on nicotine contained in gel or liquid used for electronic cigarettes and vaping.
 - Increase in excise duty rate per millilitre on non-nicotine contained gel or liquid used for electronic cigarettes and vaping from RM0.40 to RM1.20.
 - Effective from January 1, 2022.
- Expansion of excise duty on sugar-sweetened beverages
 - The imposition of excise duty on sugar-sweetened beverages to be expanded to include pre-mixed preparations of chocolate or cocoa, malt, coffee and tea such as 2-in-1 or 3-in-1 pre-mixed beverages effective from April 1, 2022.
- Extension of personal tax reliefs
 - RM2,500 special individual income tax relief on the purchase of smartphones, personal computers or tablets is extended until December 31, 2022.
 - RM3,000 relief on fees paid to childcare centres and kindergartens is extended to 2023.

- Education Fees
 - The amount of tax relief available for fees paid for upskilling or self-enhancement courses has been increased from RM1,000 to RM2,000 for the year of assessment (YA) 2022 and has been extended to YA 2023.
 - RM7,000 tax relief for approved professional courses in accounting, finance and those related to Environmental, Social and Governance (ESG).
- Contributions to the EPF, PRS and SOSCO
 - The income tax relief for contributions to a Private Retirement Scheme (PRS) has been extended until YA 2025.
 - Tax relief for Social Security Organisation (SOCSO) contributions has been increased to RM350 and expanded to include employee contributions made through the Employment Insurance System (EIS).
 - RM4,000 tax relief for Employees Provident Fund (EPF) contributions has been expanded to include voluntary contributions by self-employed individuals and pensionable civil servants.
- Extension of sales tax exemption on the purchase of passenger cars
 - The sales tax exemption of 100% on locally assembled passenger cars (CKD) and 50% on imported passenger cars (CBU), which includes MPVs and SUVs, will be extended for six months until June 30, 2022.
- Exemption of Real Property Gains Tax (RPGT)
 - For disposal in the 6th year and onwards, the RPGT rate is reduced to 0% from 5%.
 - Applicable to individual Malaysian citizens, permanent residents and persons other than companies from January 1, 2022.
- For 2022, the government has also agreed to bear the full cost of Motor Vehicle Road Tax on all private vehicles owned by the disabled.



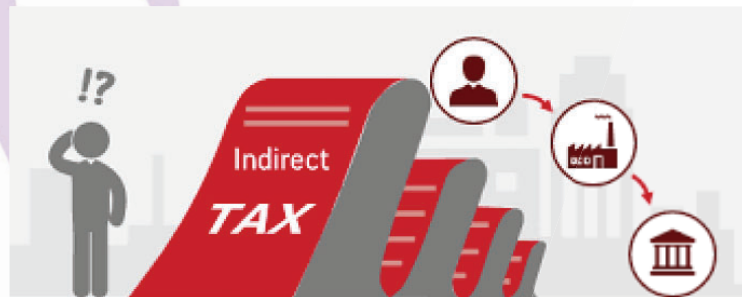
Second Focus: Resilient Businesses

- RM1,000 special individual income tax relief on domestic tourism expenditure is extended to YA 2022.
- Extension of tourism tax and entertainment duty exemption
 - The exemptions for the following are further extended until December 31, 2022:
 - Tourism tax
 - Entertainment duty on admission fees to entertainment venues such as theme parks, stage performances, sports events and competitions, and cinemas in the Federal Territories.

Third Focus: A Prosperous and Sustainable Economy

- Exemptions on purchase of Electric Vehicles (EVs) with Energy Efficient Vehicle (EEV)
 - Full import duty exemption on components for locally assembled EVs
 - From January 1, 2022, to December 31, 2025
 - Full excise duty and sales tax exemption on CKD EVs
 - From January 1, 2022, to December 31, 2025
 - Full import duty and excise duty exemption on imported CBU EVs
 - From January 1, 2022, to December 31, 2023
- RM2,500 individual income tax relief will be given for the purchase and installation, rental and hire-purchase of EV charging facilities as payment of EV charging facilities subscription fees.

- Removal of tax exemption on foreign source Income
 - Effective January 1, 2022, foreign source income derived by Malaysian tax residents, which is received in Malaysia, will no longer be exempt from income tax.



- Indirect tax
 - Sales tax on low-value goods
 - Effective from January 1, 2023, the imposition of sales tax on goods from abroad with a value not more than RM500 sold online by traders (both local and overseas) and delivered to consumers in Malaysia via air courier service will be implemented in Malaysia.
 - Imposition of service tax
 - With effect from July 1, 2022, service tax will be imposed on goods delivery services provided by service providers, including e-commerce platforms, with the exception of food and beverages delivery services and logistical services.
 - Service tax will be exempted on brokerage services related to trading shares listed on the Malaysian Stock Exchange (Bursa Malaysia) with effect from January 1, 2022.

Malaysia's government has committed to an inclusive economic recovery and growth strategy in the National Budget 2022, which would be implemented in phases. This ensures that no one is left behind in our recovery journey, which is necessary so that the people and businesses may get back on their feet. To achieve the vision of the National Budget 2022, we must all work together to improve the health of our economy and the overall health of our nation.

References:

EY Budget 2022 Comments - https://www.ey.com/en_my/news/2021/10/budget-2022-comments

KPMG 2022 Budget Snapshots - <https://home.kpmg/my/en/home/insights/2021/10/2022-budget-snapshots.html>

Ministry of Finance Malaysia - <https://budget.mof.gov.my/pdf/2022/ucapan/bs22.pdf>

Ministry of Finance Malaysia - <https://www.mof.gov.my/portal/en/news/press-citations/budget-2022-highlights-summary>

PwC Budget 2022 - <https://www.pwc.com/my/en/issues/budget2022.html>

BUDGET 2022