

**ECONOMIC STIMULUS PACKAGE 3.0
(RENTAL REDUCTION FOR BUSINESS PREMISE)**

Updated 28 April 2020

SPECIAL DEDUCTION FOR CORPORATE TAXPAYERS AND OTHER TAXPAYERS ON RENTAL REDUCTION OFFERED TO SMALL AND MEDIUM ENTERPRISES (SMEs) TENANTS

Landlords of business premises that offer reduction or relief of rental payment to SMEs tenants from April 2020 to June 2020 are allowed to claim a special deduction equivalent to the rental reduction amount subject to the condition that the reduction should be at least 30% of the existing rental rate of the determined period.

FAQs

No.	Question	Answer									
1.	Who is eligible to claim this special deduction?	<p>To be eligible to claim this special tax deduction, the following conditions must be fulfilled:</p> <ul style="list-style-type: none"> i) Any taxpayers (corporate, individual, cooperative or other business and non-business entities) renting out their business premises to any qualified SMEs tenants ii) The rented premises must be used by the tenant for purpose of carrying out his business. iii) The landlord must be a taxpayer with rental income under subsection 4(a) and subsection 4(d) Income Tax Act 1967. 									
2.	What is the definition of SME for this special deduction purpose?	<p>The definition of SME for this purpose follows the National SME definition.</p> <p>A business can qualify as SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower.</p> <p>Definition by Size of Operation</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Type of enterprises</th> <th>Sector</th> <th>Criteria</th> </tr> </thead> <tbody> <tr> <td>Micro</td> <td>All</td> <td>Sales turnover of less than RM300,000 OR less than 5 full-time employees.</td> </tr> <tr> <td>Small</td> <td>Manufacturing</td> <td>Sales turnover of less than RM300,000 to less than</td> </tr> </tbody> </table>	Type of enterprises	Sector	Criteria	Micro	All	Sales turnover of less than RM300,000 OR less than 5 full-time employees.	Small	Manufacturing	Sales turnover of less than RM300,000 to less than
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3.	Can a company claim the deduction if the tenant is a company excluded from National SME definition under SME Guideline?	<p data-bbox="587 1552 1337 1585">The landlord is not eligible for this special deduction.</p> <p data-bbox="587 1624 1541 1697">A tenant is not considered as SMEs † according to SME Guideline as follows:</p> <ol data-bbox="635 1697 1541 1993" style="list-style-type: none"> 1. Entities that are public-listed on the main board; and 2. Subsidiaries of: <ol style="list-style-type: none"> a) Publicly-listed companies on the main board; b) Multinational corporations (MNCs); c) Government-linked companies (GLCs); d) Syarikat Menteri Kewangan Diperbadankan (MKDs); and e) State-owned enterprises. 												

No.	Question	Answer						
4.	If my company rents out premise to a related company, would my company qualify for this special deduction?	<p>If the tenant qualifies as SME as defined in question 2 above, the company (landlord) would be eligible to claim the Special Deduction.</p> <p>However, if the SME falls under the categories of exclusion from National SME definition under SME Guideline, the company (landlord) is not eligible for this special deduction.</p> <p>Please refer to Question 2 & 3 above.</p>						
5.	What is the meaning of business premises for this purpose?	<p>Business premises for this purpose means all premises used for carrying out a business.</p> <p>Example: Office, workshop, warehouse, childcare and rented lot/bazar/booth/stall.</p> <p>However, rental of a residential house used for both residential and business is excluded.</p>						
6.	What is the cut-off date used in determining the SME criteria of the tenant?	<p>The following cut-off dates are used in determining the SME criteria:</p> <table border="1" data-bbox="587 1106 1390 1816"> <thead> <tr> <th data-bbox="587 1106 836 1167">SME criteria</th> <th data-bbox="836 1106 1390 1167">Period</th> </tr> </thead> <tbody> <tr> <td data-bbox="587 1167 836 1473">Annual sales turnover</td> <td data-bbox="836 1167 1390 1473"> Annual sales turnover at the end of basis period of preceding year of assessment. Note: If SME's basis period ending 31/12/2019, sales turnover for that period must be used. </td> </tr> <tr> <td data-bbox="587 1473 836 1816">Number of full-time employees</td> <td data-bbox="836 1473 1390 1816">Number of full time employees at the end of the basis period for the year of assessment prior to the year of assessment in which the small and medium enterprise claims deduction for rental expenditure for the qualifying months or on 1 April 2020.</td> </tr> </tbody> </table>	SME criteria	Period	Annual sales turnover	Annual sales turnover at the end of basis period of preceding year of assessment. Note: If SME's basis period ending 31/12/2019, sales turnover for that period must be used.	Number of full-time employees	Number of full time employees at the end of the basis period for the year of assessment prior to the year of assessment in which the small and medium enterprise claims deduction for rental expenditure for the qualifying months or on 1 April 2020.
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7.	Is this special deduction applicable to rental of other than premises	This special deduction is for rental of business premises only. The rented business premises must be used for the purpose of carrying out a business.						

No.	Question	Answer																
	such as machines, parking spaces, telecommunication towers etc.?																	
8.	What is the minimum required rental reduction in order for the landlord to enjoy the special deduction?	The minimum required rental reduction must be at least 30% from the existing monthly rental rate.																
9.	What is the special deduction amount?	The special deduction amount is equivalent to the amount of monthly rental reduction offered by the landlord to the eligible SME tenants.																
10.	Which period is eligible for this special deduction?	This special deduction is for a period of rental reduction offered from April 2020 until June 2020.																
11.	How is this special deduction granted?	<p>This special deduction will be granted under Income Tax Rules.</p> <p>Example of deduction calculation:</p> <p>A Sdn. Bhd rents a shop lot to B which is an eligible SME for RM5,000 a month (RM60,000 yearly). A Sdn. Bhd. has agreed to offer rental reduction to B for the month April, May and June 2020 of RM2,500 a month.</p> <table border="1" data-bbox="587 1491 1506 2049"> <thead> <tr> <th data-bbox="587 1491 799 1648"></th> <th data-bbox="799 1491 1007 1648"></th> <th data-bbox="1007 1491 1270 1648">Without special deduction (RM)</th> <th data-bbox="1270 1491 1506 1648">With special deduction (RM)</th> </tr> </thead> <tbody> <tr> <td data-bbox="587 1648 799 1771">Monthly rental income</td> <td data-bbox="799 1648 1007 1771"></td> <td data-bbox="1007 1648 1270 1771">5,000</td> <td data-bbox="1270 1648 1506 1771">5,000</td> </tr> <tr> <td data-bbox="587 1771 799 1895">Annual rental income</td> <td data-bbox="799 1771 1007 1895"></td> <td data-bbox="1007 1771 1270 1895">60,000</td> <td data-bbox="1270 1771 1506 1895">60,000</td> </tr> <tr> <td data-bbox="587 1895 799 2049">Rental reduction of 50% for April, May</td> <td data-bbox="799 1895 1007 2049">RM5,000 x 50% x 3 months</td> <td data-bbox="1007 1895 1270 2049">(7,500)</td> <td data-bbox="1270 1895 1506 2049">(7,500)</td> </tr> </tbody> </table>			Without special deduction (RM)	With special deduction (RM)	Monthly rental income		5,000	5,000	Annual rental income		60,000	60,000	Rental reduction of 50% for April, May	RM5,000 x 50% x 3 months	(7,500)	(7,500)
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12.	If my company reduces the rental amount at a different rate every month, can my company claim this special deduction?	Yes, the company must ensure that the reduction amount should not be less than 30% for each eligible month. If in any of these eligible months, the rental reduction is less than 30%, then the company is not eligible to claim the special deduction for that particular month/months.																				
13.	I have received rental payment for months April until June 2020 earlier this year. Can I still offer rental reduction and claim the special deduction?	Yes, for landlord that have received the rental payment for April, May and June 2020 in advance, the landlord can still offer rental reduction subject to the fulfilment of the conditions.																				
14.	What are the supporting documents required?	The supporting documents required to be kept by the taxpayers (landlords) who claim this special deduction are: <ul style="list-style-type: none"> <li data-bbox="635 1944 1098 1977">i. Valid tenancy agreement; <li data-bbox="635 1977 1098 2009">ii. Rental income statement; 																				

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		<ul style="list-style-type: none">iii. Details of the tenant as SME such as number of business registration, tax file number etc.;iv. Details of the rental reduction <p>*item iii & iv will have to be provided in Working Sheet (HK) of Company Return Form.</p>