



30-3-2020

**Y.B. SENATOR TENGKU DATO' SRI ZAFRUL TENGKU ABDUL AZIZ
MENTERI KEWANGAN**

Kementerian Kewangan Malaysia
No. 5, Persiaran Perdana, Presint 2,
Pusat Pentadbiran Kerajaan Persekutuan,
62592 WP Putrajaya.

Dear Yang Berhormat Senator Tengku Dato' Sri Zafrul,

SIX MAIN ISSUES FOR AN IMMEDIATE CONSIDERATION OF THE GOVERNMENT

The Associated Chinese Chambers and Industry of Malaysia (ACCCIM) is pleased to participate in the meeting held at Kementerian Kewangan, chaired by YB Minister of Finance and were attended by YB Minister in the Prime Minister's Department (Economic Affairs), and Minister of Transport.

We found the meeting very productive and were able to discuss various pressing issues regarding the plight and survival of SMEs and corporates, which require the Government's immediate policy intervention to help keeping the cash strapped businesses and companies going in hard times. Corporates too need the compassionate support of financial institutions in granting automatic moratorium on loans during these extraordinary times. Good financial shape companies not only not immune to severe business disruptions but also dragged by the debtors and suppliers having financial difficulties along the supply chains.

We append in the Appendix the six main issues raised at the meeting. We sincerely hope that YB Minister can put forward our issues for the Government's favourable consideration.

Thank you

Yours sincerely,

Tan Sri Datuk Ter Leong Yap

President of The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) cum President of National Chamber of Commerce and Industry of Malaysia (NCCIM)



**SIX MAIN ISSUES FOR AN IMMEDIATE CONSIDERATION OF THE GOVERNMENT
SUBMITTED BY THE ASSOCIATED CHINESE CHAMBERS AND INDUSTRY OF
MALAYSIA (ACCIM), 30 MARCH 2020**

General Feedback

- Businesses were generally disappointed over the provision of financial relief to ease cash flows, especially on wage subsidy and employment retention program.
- The financial assistance package must be further enhanced to provide the much-needed relief to businesses struggling to survive as many are facing **SEVERE CASH FLOWS, NO OR SHARP DIP IN REVENUE, HIGH OVERHEAD EXPENSES**.
- Corporates too need the compassionate support of financial institutions in granting automatic moratorium on loans during these extraordinary times. Good financial shape companies not only not immune to severe business disruptions but also dragged by the debtors and suppliers having financial difficulties along the supply chains.
- The Government's enhanced financial assistance and relief are much needed not only for now but also for post Covid-19 recovery. This is a worldwide virus attack and it is likely to take at least 6-12 months from containment, stabilization and recovery before people and businesses are returning to normalcy.
- Acute cash flows and the collapse in revenue would push many businesses to the brink of bankruptcies, and hence cause massive layoffs and job reductions. Rising number of retrenchments not only cause hardship to households but also inflict downward spiral effects on domestic demand and would grind the economy to a halt.
- **SAVE BUSINESSES = SAVE JOBS = SAVE OUR ECONOMY.**

(1) MITI'S PROCESSING AND APPROVALS OF ESSENTIAL SERVICES

- (a) To expedite the approval of backlog cases as businesses are severely disrupted as orders are waiting to be filled. In the approval process, there were cases of discrimination due to the inconsistency in the interpretation of what is considered Essential and Non-Essential services. It must be noted that the supply chain is wholly integrated.
- (b) To allow the approved industries to operate on 50% of workers' capacity to meet orders. Some were given about 30% workforce.
- (c) **The manufacturing sector, and export-oriented industries, construction, mining and e-Commerce should be allowed for continuity in operations.** As domestic services sector is severely impacted by a plunge in tourist arrivals, cautious consumer spending as well as the restricted spending and



consumption as well as travelling during MCO, **it is vital to keep the manufacturing, construction and mining sectors running** to help holding up the economy. Given that Malaysia's manufacturing sector integrates with global supply chains, MCO's inflicted disruptions not only cause loss of sales through orders' diversion but also "collateral damage" on a permanent basis. Wuhan in China and Singapore did not shut down their production plants.

- (d) The industries allow to operate must be made to bear the responsibility to maintain and undertake the necessary health prevention measures at all times against the Covid-19. The enforcement agencies will conduct sporadic checks on the sites to ensure the compliance of health prevention. The failure to comply will be subjected to a closure of operation.

(2) EMPLOYMENT RETENTION PROGRAMME (ERP) AND WAGE SUBSIDY

Current measures

- (a) The ERP provides financial aid of RM600 per employee on a monthly basis for a maximum period of six (6) months to assist employees, who are forced to take unpaid leave. The condition is a minimum one-month unpaid leave.
- (b) Provide RM600 per month wage subsidy per employee for a period of 3 months (Apr-June 2020) for the employees.
- The employee is registered and contributing to Employment Insurance System (EIS) and his wages is not exceeding RM4,000 per month. Any company that has suffered a decline of revenue of more than 50% since 1st January 2020.
 - The employer must ensure that he/she does not retrench/terminate the services of employees; the employer does not instruct employees to take unpaid leave; the employer is not allowed to reduce the employees' existing salaries.

Our proposals

- (a) The Government should amend the **DIRECTIVE** to "**encourage**" not "**compulsory**" to pay full salaries. This will give the SME flexibility to deal with the issue, especially those FW. We intend to pay FW 50% salaries only during MCO. So, the government must review their directive asking us to pay full salaries to all employees during MCO period.
- (b) For the MCO, the employers should be given flexibility to engage with the employees on unpaid leave; pay adjustment and offsetting with annual leave. It is proposed that **a guideline allowing 50% of the MCO period (1 -14 April) to be offset against annual leave or be treated as unpaid leave or a pay cut.**



- (c) It is proposed to (a) **increase the amount of wage subsidy to RM1,200** (which is at least 50% of the median salary level of RM2,308 per month per employee) from RM600; (b) to **raise the duration of wage subsidy to six months** from 3 months given that the devastating impact could take a longer while to stabilize and recover.
- For the **wage subsidy of RM600 per employee, no conditions should be attached** with respect no retrenchment/termination of the services of employees; no unpaid leave; no reduce the employees' existing salaries.
 - The condition states that "**Any company that has suffered a decline of revenue of more than 50% since 1st January 2020**", **should be removed without condition and be made automatic.**
 - **For those earning above RM4,000 per month**, it is proposed that the employers be given the flexibility to engage with employees in bracing this tough time.

(3) EMPLOYER'S STATUTORY CONTRIBUTION

Current measures

- EPF Employer Advisory Services, includes options for deferral of payments, restructuring and rescheduling option of employers' contribution
- Exemption of HRDF for six months (April to Sept 2020)

Our proposals

- (a) **The suspension of SOSCO, EIS and Foreign workers' levy till end-year.**
- (b) **A complete exemption or a 3%-4% cut in EPF contribution rate till end-year.** It has to be crawled back after six months.

(4) SPECIAL PAYROLL LOAN FACILITY

- Propose a **Special Payroll Loan Facility** to assist companies facing difficulties to pay salaries and wages in efforts to help preserve jobs and income.
 - The **criteria and conditions** for approving the loan application must be made simpler and less stringent credit risk assessment.
- (a) **Companies can provide proof to banks of their payroll statement for past 6 months and be given an immediate loan facility at 0% p.a. interest rate** for an amount equivalent to 12 months payroll. This will help them to retain their employees for at least next one year. The Government to provide guarantee on the loan and Bank Negara Malaysia to implement KPI for the financial institutions to facilitate this loan facility.



- (b) **Less stringent credit risk assessment.** The loan facility will be approved based on the proof of payroll statement of the said applicant and the company must be in business for 5-10 years.
- (c) **This loan facility to be drawn down solely to pay salaries and wages,** and be credited directly to the employees' salary account opening with the respective banks. This is to ensure that NO company/employer will abuse this special facility.

(5) TAX ISSUES

- (a) Given the restricted movement order and inconvenience caused, we propose to **grant an extension of time on the filing of companies' annual returns, audited accounts, and all online or over-the counter lodgment of other secretarial statutory documents.**
- (b) For companies paying tax instalments (Form CP204), to **waive the tax instalments fall due in year 2020, i.e. from 1 Apr 2020 to 31 Dec 2020.** When the companies submitted income tax returns, the balance of tax (without deducting tax instalments) will be paid in due course.
- (c) For individuals (sole-proprietorship and partnership) paying tax instalments (Form CP500), to **waive the tax instalments for Year of Assessment 2020,** i.e. due within 1 Apr 2020 to 31 Jan 2021. When the individuals submitted income tax returns, the balance of tax (without deducting tax instalments) will be paid in due course.
- (d) As mentioned in the IRB's FAQ, all the required submission deadlines in respect of documents for tax audit and investigation deferred to 30 April 2020. However, in order to **ease the cash flow, all the relevant tax payments should be deferred to 31 December 2020 without any penalties imposed.**
- (e) To **abolish the restrictions on the carry forward of unabsorbed business losses with an immediate effect.**
- (f) **Request GLCs' and State Economic Development Corporations' owned buildings and premises to reduce rental for their tenants.** This would set in a trickle effect on private owners of shopping Malls, shops and business premises to consider reduce the rental. To incentivize the owners of malls and shops to reduce rental, the Government can provide a **special double tax deduction on the amount of rental rebate** provided during the same period.



(6) PROPERTY SECTOR

It is deeply concerned that the property sector, which had long been in the doldrums, is expected to stay sluggish for a longer given the sharp economic downturn. The stubbornly overhang in the property sector will have a reverberating effect on the economy given that it is an important sub-sector of the construction sector.

A protracted consolidation and over-adjustment in the property sector would drag down overall construction sector. With the construction sector supporting the growth of around 140 other downstream industries, a sustained weak growth would have ripple effects on the economy.

- (a) **Allow for an extension of time (especially for ongoing housing development scheme) or waiver of Liquidated Ascertained Damages (LADs)** arising from the delay of works at site caused by the MCO or other COVID-19 supply chain issues.
- (b) Utility companies, especially Water Konsortium Sdn Bhd (IWK), Syarikat Bekalan Air Selangor Sdn Bhd (Syabas), Telekom Malaysia Bhd (TM) and Tenaga Nasional Bhd (TNB) **should reduce capital contribution charges by 50%** since developers are already mandated to lay infrastructure at development projects. Moreover, the developers provide these utility companies with new customers whenever they have new developments. This also helps to reduce the cost of doing business, the savings can be passed on to house buyers in the form of more affordable housings.
- (c) **To revert the Real Property Gains Tax (RPGT) rate back to zero percent from 5% and 10%** for the disposal of properties held for more than five years by Malaysian citizens, permanent residents and foreigners respectively.
- (d) **Special waiver on RPGT (upon eventual sale by the buyer) for all properties** bought in 2020 up to 31 March 2021.
- (e) **Foreigners are allowed to purchase any Malaysian property** (excluding affordable housing schemes).
- (f) To extend the government-backed Home Ownership Campaign (HOC) for another year until 31 December 2021 with stamp duty exemption, to further encourage the increase in the level of home ownership and help reducing the number of unsold houses.
- (g) **The Ministry of Housing and Local Government (KPKT) should expedite the Approval of HDA Account (Regulation 9) Excess Money Release, (Pengeluaran Wang Lebihan, Peraturan 9) in less than 1 month** but not 2 to 4 months presently.
- (h) **Request LPPSA (Government Loan Department) to release payment to developers in less than 2 weeks** but not in 3 to 5 weeks presently.