

Shearn Delamore & Co.

Dear valued clients and friends,

Earlier today the Prime Minister announced an economic stimulus package valued at RM250 billion for the country.

We have set out the following summary which may be of aid to your business needs in addressing mechanisms to deal with the unprecedented challenges Covid 19 has presented.

Business (Wages Subsidy Programme)

- The Government will provide a salary of RM600 a month per employee subject to a maximum of three months subject to several qualifying criteria. The employer must have had a 50% reduction in its business since 1 January 2020 and it is only for employees earning below RM4,000.
- Additionally, employers must ensure that the affected employees services are not terminated nor compel them to take unpaid leave for a period of three months after the implementation of the Programme.
- Salary deduction is prohibited.

Business (Cash Flow Issues)

- An Employer Consultation Service programme (program *Khidmat Rundingan Majikan*) will be launched on 15 April 2020. This service encapsulates deferred payment options, restructuring and rescheduling of the employer's contribution.
- The levies towards the Human Resource Development Fund (*Tabung Pembangunan Sumber Manusia*) will be exempted for all sectors for six months commencing from April 2020.
- Income tax payment for all SMEs will be suspended for a period of three months commencing from 1st April 2020. This is in addition to measures announced earlier in which the Government has provide tax deferral of instalment payments to affected businesses in the tourism sector during the six months from 1st April 2020. For other affected sectors, they are permitted to revise the income tax imposed on the third, sixth and ninth months of instalment.
- For the banking sector the Bank's income from interest or profits accrued on loans which are involved in deferred repayments of loans, tax will only be imposed once the said income has been received after the moratorium period.

Business (E-hailing services)

- A one-off sum of RM500 financial assistance will be provided for full-time e-hailing drivers.

Insurance

- Insurance industry and takaful will be subsidising the sum of RM300 screening cost for the policy holders and takaful medical certificate holders whom have been ordered by the Ministry of Health to undergo tests in private hospitals or private labs.
- Insurance Companies will offer deferred payments of premiums or contribution for three months for contributors whose source of income has been affected by this pandemic.

Front-liners

- The Government will increase their special allowance from RM400 to RM600 per month starting 1 April 2020 until the pandemic end

M40 Group (Which includes private sector employees, FELDA settlers, farmers, fishermen, small business owners)

- RM1,600 for household whose salary is RM4000 and below. RM1000 will be paid on April 2020 and RM600 will be paid on May 2020. RM1,000 for a household whose salary is between RM4,000 to RM 8,000. RM 500 will be paid in April 2020 and the remaining RM 500 will be paid in May 2020.
- RM800 for singles aged 21 years and above whose salary is RM2,000 and below. RM 500 will be paid in April 2020 and the remaining RM 300 will be paid in May 2020.
- RM500 for singles aged 21 years and above whose salary is between RM2,000 to RM4,000. RM 250 will be paid in April 2020 and the remaining RM 250 will be paid in May 2020.

EPF Members

- EPF members can withdraw RM1,500 from their Account B Private Retirement Scheme without any tax penalties from April to December 2020.

B40 Group

- PPR rentals are exempted for six months.

Rentals for Federal Government Owned Premises

- six months rental exemption for premises owned by the Federal Government, for example school canteens, nurseries, cafeteria and others.

The above is a snapshot of what lies ahead. More importantly for businesses is the need to examine their financials to ascertain how they will weather through these difficult times.

Whilst the clarion call has come from the Government not to retrench, those who are in a predicament to meet their financial obligations will have no alternative but to examine their ability to sustain itself. Particularly affected are the tourism and hotel industries.

Employees too have to recognise that they have an important role to play in cooperating with their employers towards cost-saving measures which may involve salary reductions with lesser working hours or a reduced work week. This should as such be effected with the consent of employees in efforts at maintaining industrial harmony in joint efforts towards rebuilding the business. However, in the event businesses are faced with a situation where there is an inability to even pay out salaries then this may result in more draconian measures being implemented unilaterally.

Whilst the risk of litigation is always inherent desperate times call for desperate measures. How the courts will view such measures remain to be seen; however, it is a question of balancing both interests of the business to sustain itself as well as the interests of employees.



All rights reserved. This Update is issued for the information of the clients of the Firm and covers legal issues in a general way. The contents are not intended to constitute any advice on any specific matter and should not be relied upon as a substitute for detailed legal advice on specific matters or transactions.