

## LEGAL UPDATES

September 2021

### STAMP DUTY (EXEMPTION) – SME LOANS

Pursuant to Stamp Duty (Exemption)(No.10) Order 2021, which was deemed to have come into operation from 1 January 2021, certain loan or financing agreements executed by small and medium enterprises (“SMEs”) are, on application, to be exempt from stamp duty.

#### Application of the Exemption

The exemption relates to:

- Instruments for loan or financing facilities pursuant to Letters of Offers issued by Financial Institutions for the period 1 January 2021 to 31 December 2021
- Loan or financing facilities approved by Bank Negara Malaysia’s Fund for SMEs which can be characterized as:
  - All Economic Sectors Facilities
  - Small Medium Enterprises Automation and Digitalisation Facilities
  - Agrofood Facilities

The relevant SMEs to which this exemption order applies, is as determined by the National Small and Medium Enterprises Development Council. SMEs which are endorsed are as follows:

- *Manufacturing Sector*: Sales turnover not exceeding RM50m or full-time employees not exceeding 200 workers
- *Services and other Sectors*: Sales turnover not exceeding RM20m or full-time not exceeding 75 workers

The exemption from stamp duty is certainly a welcomed measure which will go towards reducing the cost of doing business for eligible SMEs impacted by the COVID-19 pandemic.

In practice, given the period of eligibility commencing from 1 January 2021, the question will be how this will impact eligible loans or facilities for which stamp duty has already been paid. With respect to the same, will a refund be available for such instruments?.

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