

Budget 2024 updates

# Indirect Tax

# Service tax rate increase from 6% to 8%

Effective 1 March 2024

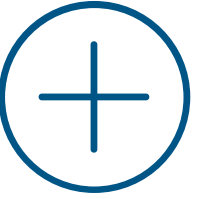


- The Government propose to increase the rate of service tax from 6% to 8%.
- The increased rate will not apply to the following taxable services, where service tax will remain at 6%:
  - Food and beverages;
  - Telecommunication services;
  - Vehicle parking space services; and
  - Logistics services (new).
- Matters to consider:
  - Follow up for guidelines for details e.g., classification
  - Potential cost increase
  - For those in scope, customer management – contract terms and pricing
  - Change in systems and documentation
  - Transitional provision



# New prescribed taxable services

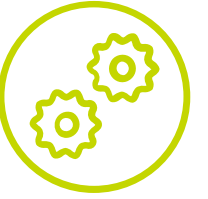
Effective 1 March 2024



- The Government proposes to expand the scope of taxable services to include the following:
  - Karaoke centre services;
  - Delivery services (except for delivery of food and beverage);
  - Brokerage and underwriting services for non-financial services such as brokerage for ship and aircraft space, commodity and real estate; and
  - Logistics services.
- Registration threshold value set at RM 500,000.
- Matters to consider:
  - Customs guidelines on scope etc.
  - Assess impact on business cost, including subcontract
  - Customer management – contract terms and pricing
  - Change in systems and documentation
  - Transitional provision



# Import duty and sales tax exemption on manufacturing aids



Manufacturing aids refer to:

- goods used in the manufacturing process to accelerate, improve, complement and complete the manufacturing process of the finished goods;
- but it is not part of the finished goods;
- currently not entitled for import duty and sales tax exemption.

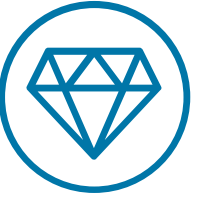
It is proposed that Import duty and sales tax exemption to be granted to:

- eligible manufacturers on the importation and local purchase of manufacturing aids;
- subject to types of industry and the category of goods determined;
- Effective date: 1 January 2024.



# High Value Goods Tax

Effective 1 May 2024



- The Minister of Finance first announced during the re-tabled 2023 Budget that the Government planned to introduced a Luxury Goods Tax (“LGT”). LGT was proposed to commence in 2023, although no specific implementation date was mentioned.
- Subsequently, the 2024 Budget announced mentions that High Value Goods Tax at rates ranging from 5% to 10% will be introduced. It would apply to certain high value goods such as jewelry and watches based on value thresholds.
- The Minister of Finance mentioned in his speech, that a tourist refund scheme will be implemented.





# Indirect Tax Changes in Finance Bill

Change effective from date of coming into operation of Finance Act



- Sales Tax on Low Value Goods
  - Change in definition of “seller” for LVG – from a person who sells LVG on Online Market Place (OMP) or operate OMP to include “Online Platform”. Now cover sellers who sells LVG via own online platform (Note – LVG has to be imported, not ex stock)
  - Credit notes or debit notes for LVG – now allowed
  - Exemption and refund of sales tax to be considered for LVG – now allowed
  - Preventing double taxation of sales tax on import of LVG – provision included to exempt goods subject to LVG from sales tax
  - Change to first taxable period for LVG – to align to quarterly accounting



# Personal Tax



# Tax relief on medical treatment expenses

Proposed amendment Section 46(1)(g) of the Income Tax Act, 1967

## Before YA 2024

- ✓ Serious disease incurred for taxpayer, spouse or children
- ✓ Fertility treatment incurred for taxpayer or spouse
- ✓ Vaccination for taxpayer, spouse or child limited to RM1,000
- ✓ Full medical check-up including mental health check-up or consultation, COVID-19 detection test inclusive for taxpayer, spouse or child limited to RM1,000
- ✓ Diagnostic and rehabilitation treatment for children with learning disabilities limited to RM4,000

Aggregate amount restricted to RM10,000



## Effective YA 2024

Scope of tax relief be **expanded** to include dental examination and treatment expenses from dental practitioners registered in Malaysia limited to RM1,000

Aggregate amount restricted to RM10,000

# Tax relief on medical treatment, special needs and carer expenses for parents

Proposed amendment Section 46(1)(c) of the Income Tax Act, 1967

## Before YA 2024

- ✓ Medical care and treatment provided by a nursing home
- ✓ Dental treatment limited to tooth extraction, filing, scaling and cleaning but exclude cosmetic dental expenses
- ✓ Carer shall not include the taxpayer, or spouse or children of taxpayer
- ✓ Parents shall be tax residents in Malaysia

Aggregate amount restricted to RM8,000



## Effective YA 2024

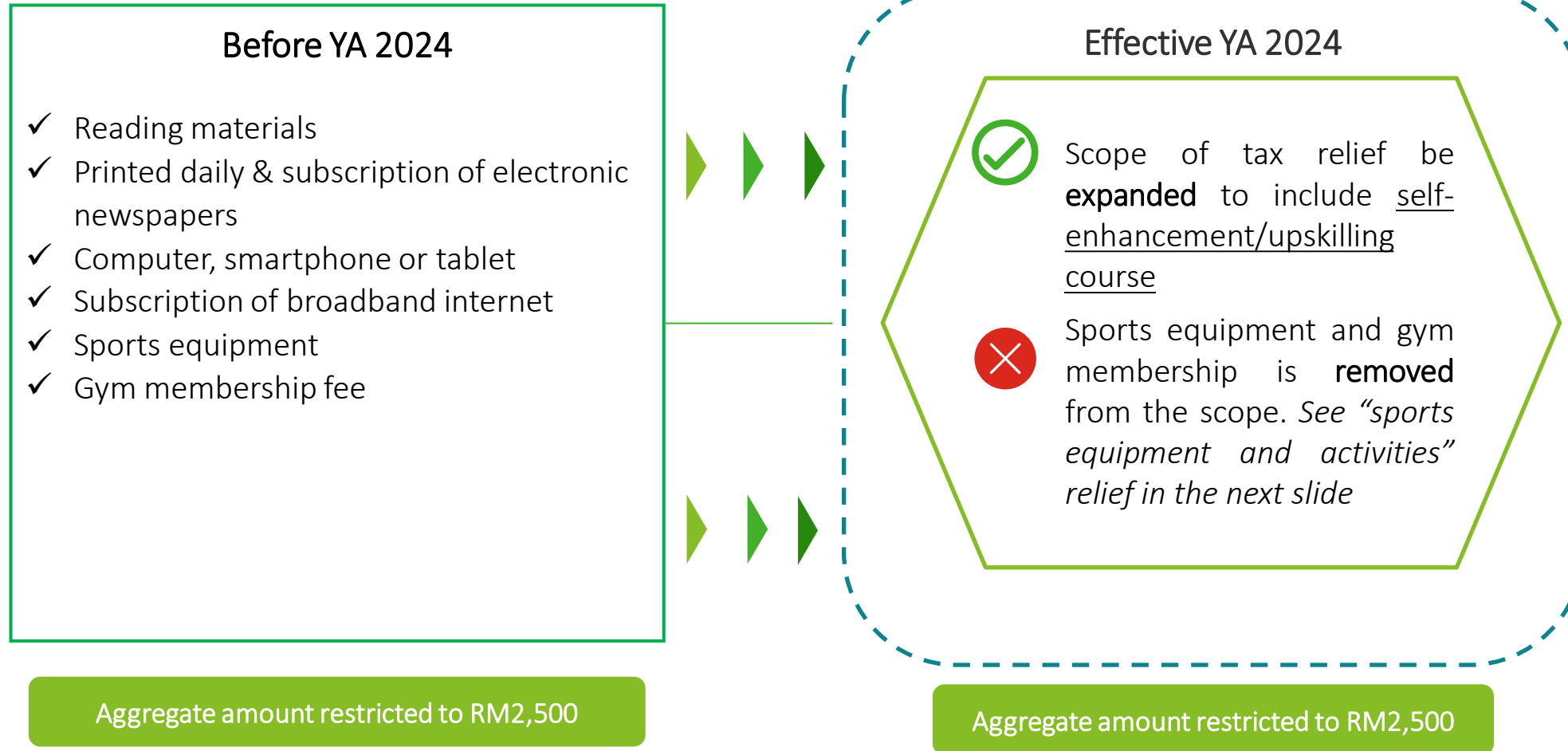
Scope of tax relief be expanded to include:

- ✓ Full medical examination for parents limited to RM1,000

Aggregate amount restricted to RM8,000

# Tax Relief for lifestyle

Proposed amendment Section 46(1)(p) of the Income Tax Act, 1967



# Tax relief on expenses for sports equipment and activities

Proposed amendment Section 46(1)(u) of the Income Tax Act, 1967

## Before YA 2024

- ✓ Purchase of sports equipment
- ✓ Rental or entrance fees to any sports facility
- ✓ Registration fee for any sports competition where the organizer is approved and licensed by Commissioner of Sports under the Sports Development Act 1997

Aggregate amount restricted to RM500



## Effective YA 2024

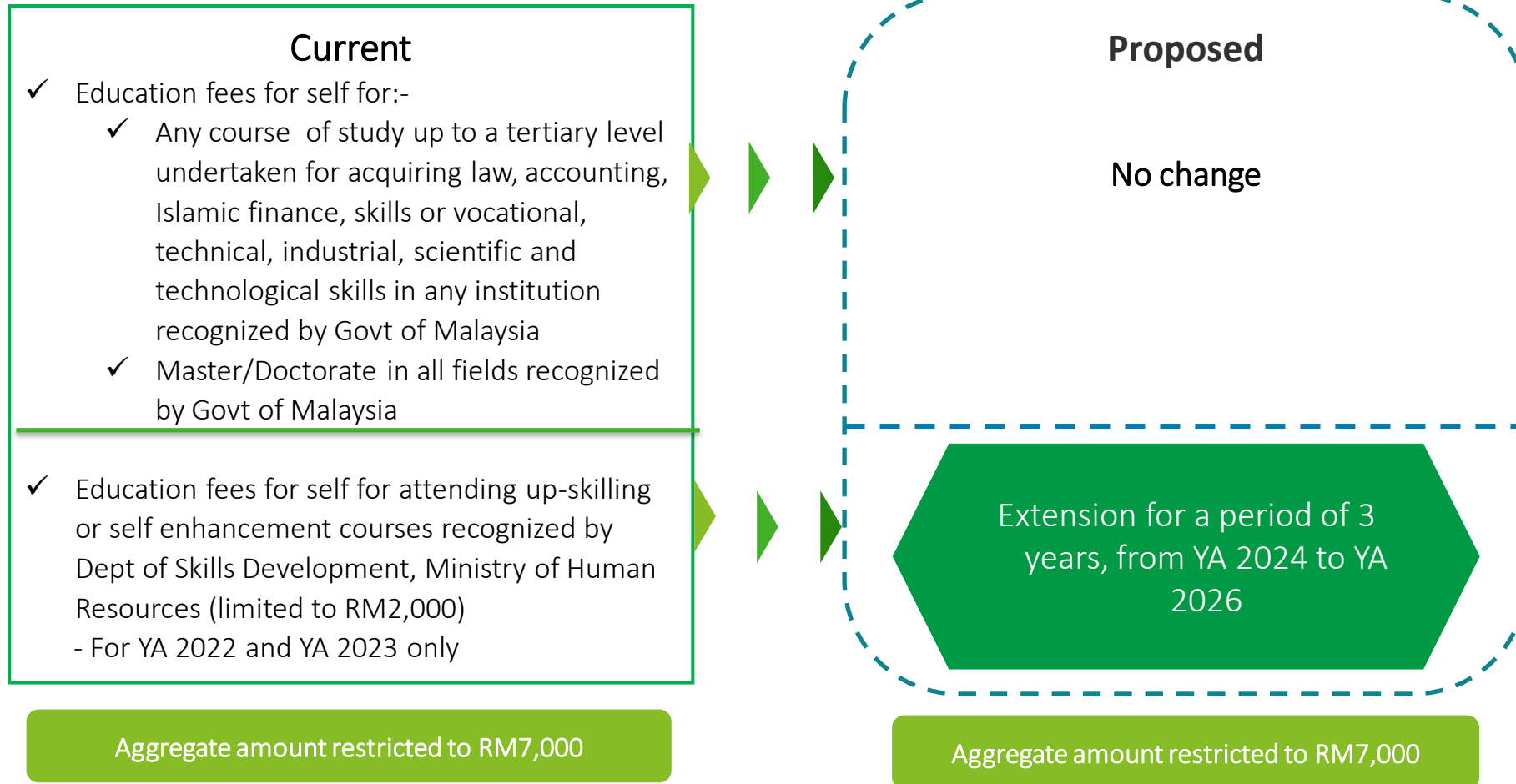
Scope of tax relief be **expanded** to include:

- ✓ Payment of gym membership fee or
- ✓ sports training activity under Sports Development Act 1997 which is provided by sports club/society registered with the Commissioner of Sports or Companies incorporated under Companies Act

Aggregate amount restricted to RM1,000

# Tax relief for up-skilling and self enhancement courses fee

Proposed amendment Section 46(1)(f)(iii) of the Income Tax Act, 1967



# Tax relief in relation to installation costs, rental, purchase costs or subscription fees for charging facilities of Electric Vehicles (EV)

Proposed amendment Section 46(1)(v) of the Income Tax Act, 1967

## Current

Expenses incurred on **charging facilities** of EV:

- ✓ Cost of installation
- ✓ Rental
- ✓ Purchase of equipment
- ✓ Hire purchase of equipment
- ✓ EV charging facilities subscription fees

The EV must be for own use and not used for purposes of business.

Applicable YA 2022 and YA 2023 only.

Aggregate amount restricted to RM2,500

## Proposed

Extension for a period of  
4 years, from YA 2024  
to YA 2027

Aggregate amount restricted to RM2,500

# Exemption

## Childcare allowances

### Before YA 2024

Income tax exemption given up to **RM2,400 a year**:

- Childcare allowances received by employees
- Childcare allowances paid directly by employer to childcare centers
- The above is applicable for childcare allowance received for children aged 12 and below



### Effective YA 2024

Increase the tax exemption from  
RM2,400 to RM3,000 per year



# Tax Incentive

## Women returning to workforce after career break

### Current

Income tax exemption on employment income for a period not exceeding 12 consecutive months for Malaysian women who rejoin the workforce after a career break:

- has ceased employment and has not derived any employment income **for a continuous period of at least 24 months prior to or as at 27 October 2017**
- has at least three (3) years full-time employment experience prior to the cessation of employment
- age not exceeding 58 years on the date of application
- has signed a full-time employment contract in Malaysia with a qualifying employer for a period of at least 24 months receiving employment income of at least RM5,000 per month

### Proposed

- ✓ Amended the criteria on women returning to work after a career break of at least 2 years before the date of application received by Talent Corp
- ✓ Extended for employment income received from YA 2025 to YA 2028
- ✓ Applications to be received by Talent Corp from 1 January 2024 to 31 December 2027

# Tax Incentive

## Returning Expert Program

### Current

Income tax at a fixed rate of 15% on employment income for 5 consecutive YAs

- ✓ Is a Malaysian and resident citizen
- ✓ **Is an expert in a field specified by the Minister**
- ✓ **Has not derived any employment income in Malaysia for at least a continuous period of 36 months prior to the date of application to Talent Corp**

The purpose of the program is to promote and facilitate the return of a Malaysian citizen who works as a professional overseas to establish a sustainable expert workforce in Malaysia.

### Proposed

Extended for applications to be received by Talent Corp from 1 January 2024 to 31 December 2027

# Capital Gains Tax

# Corporate Tax

## Capital Gains Tax (“CGT”)

### Prior to 1 January 2024

- No CGT is imposed on disposal of capital assets except for a limited form known as Real Property Gains Tax (“RPGT”) which applies to chargeable gains arising from disposal of real properties or shares of a real property company (“RPC”).
- Gains arising from revenue transactions are subject to tax under Income Tax Act 1967.

### From 1 January 2024 onwards

CGT will apply to the gains arising from the disposal of capital assets

# Corporate Tax

## Capital Gains Tax (“CGT”)

### Who will be caught under CGT?

Company, limited liability partnership, trust body or co-operative society

### What is capital asset?

movable or immovable property including any rights or interests thereof.

### What is disposal?

sell, convey, transfer, assign, settle or alienate whether by agreement or by force of law and includes a reduction of share capital and purchase by a company of its own shares

## CGT landscape in Malaysia

### Scope (taxable assets)

- Shares in unlisted companies incorporated in Malaysia
- Shares in foreign incorporated company deriving value from real property in Malaysia
- All types of capital assets situated outside of Malaysia

### What is shares?

- a) stock and shares in a company;
- b) loan stock and debentures issued by a company or any other corporate body incorporated in Malaysia;
- c) a member's interest in a company not limited by shares whether or not it has a share capital;
- d) any option or other right in, over or relating to shares as defined in paragraphs (a) to (c).

# Corporate Tax

## Capital Gains Tax (“CGT”)

### Disposal of shares in a foreign company deriving value from real property in Malaysia

Criteria to be fall within this ambit

1

Disposal of shares of a controlled company incorporated outside of Malaysia

2

The foreign company owns -

- a) Real property situated in Malaysia\*
- b) Shares in another controlled company which owns real property situated in Malaysia where the market value of its real property is not less than 75% of its total tangible assets\*
- c) Both (a) and (b) above

\*and the market value of (a) and / or (b) is at least 75% of foreign company’s total tangible assets

# Corporate Tax

## Capital Gains Tax (“CGT”)

### Disposal of shares in a foreign company deriving value from real property in Malaysia

#### Date of acquisition

- a) On such date that the defined value of real property or shares or both owned by the Foreign Company is at least 75% of its total tangible assets; or
- b) On the date of acquisition of the shares of the Foreign Company

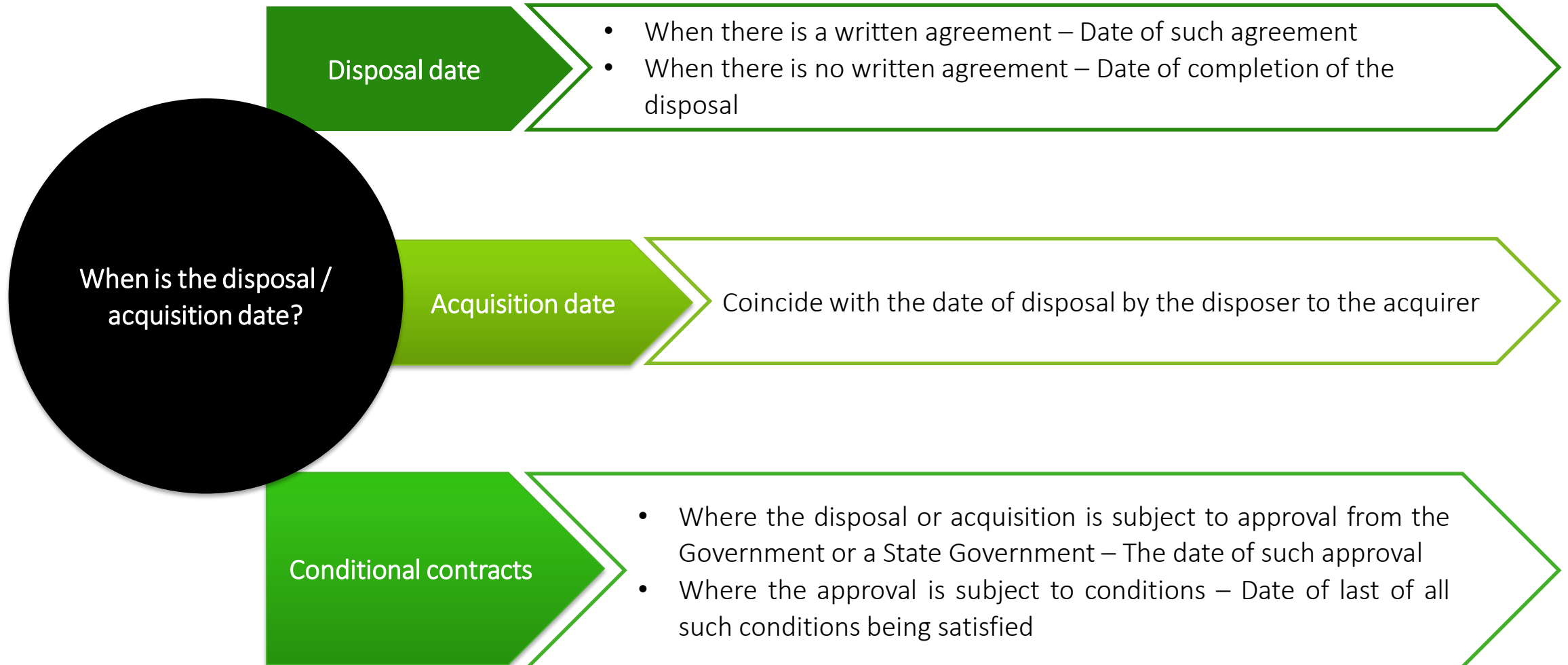
#### Acquisition price

- If (a) applies, it is based on a prescribed formula
- If (b) applies, it shall be acquisition consideration for the acquisition of such shares



# Corporate Tax

## Capital Gains Tax (“CGT”)



# Corporate Tax

## Capital Gains Tax (“CGT”)

### When is the effective date for CGT?

Shares in unlisted  
companies incorporated  
in Malaysia

Deferred to 1 March 2024 due to the 2-month exemption as provided under a recent Gazette Order. This exemption applies to disposal of such shares from 1 January 2024 to 29 February 2024.

Shares in foreign  
incorporated company  
deriving value from real  
property in Malaysia  
&  
Capital assets situated  
outside of Malaysia

From 1 January 2024 onwards

**\*There will be a need to confirm on whether CGT form for disposal of shares in a foreign company deriving value from real property in Malaysia is deferred to 1 March 2024**

# Corporate Tax

## Capital Gains Tax (“CGT”)

CGT calculation mechanism	
Disposal consideration	Consideration in money or money’s worth less expenditure incurred for enhancing / preserving value of assets, defending its title or right
<b>Less :</b> Acquisition consideration	Consideration in money or money’s worth less any receipt of compensation / insurance for damage / loss / depreciation of the asset or deposit forfeited
<b>Less :</b> Incidental cost of disposal or acquisition	
<hr/> Adjusted / Chargeable income <hr/>	

What happens  
if it results in a  
loss position?

- Capital loss may be used to offset against the gains from disposal of other capital assets.
- Any unutilized capital losses can be carried forward up to 10 consecutive YAs to be offset against future gains from disposal of capital assets.

# Corporate Tax

## Capital Gains Tax (“CGT”)

What is the tax rates to be applied on disposal of capital asset?

### For capital asset situated in Malaysia

Acquisition date of capital assets	CGT rate	
	On net gain (chargeable income)	On gross disposal price
Before 1 January 2024	10%	2%
After 1 January 2024	10%	Not applicable

### For capital asset situated outside of Malaysia

Categories of taxpayer	Tax rate
Companies, LLPs & trust bodies	At the prevailing rates
Co-operatives	

# Corporate Tax

## Capital Gains Tax (“CGT”)

Is there any  
exemption available  
for CGT?

### Based on Budget Speech

1. Individuals
2. Gains from disposal of shares related to:
  - a) Initial public offering exercise approved by Bursa Malaysia
  - b) Restructuring of shares within the same group
  - c) Venture capital companies
3. Gains from disposal of foreign capital assets from outside Malaysia which meets economic substance requirements

### Based on announcement by our Finance Minister

Unit trusts will be exempted from CGT and income tax on foreign sourced income. The exemption CGT is effective from 1 January 2024 until 31 December 2028 whilst the exemption from income tax on foreign sourced income is effective from 1 January 2024 until 31 December 2026.

# Corporate Tax

## Capital Gains Tax (“CGT”)

Is there any tax  
filing  
obligations?

### Submission of CGT return form

- Within 60 days from the date of disposal of capital asset
- Taxpayers are required to submit the CGT return form through e-filing

### Record keeping

Documents shall be kept for a period of 7 years after the end of the year in which the CGT return form

# Corporate Tax



# Corporate Tax

## Filing of Estimate of Tax Payable and Special Allowances for Small Value Assets for Micro, Small and Medium Sized Companies (“MSMEs”)



Effective from YA 2024

MSMEs resident and incorporated in Malaysia that have more than 20% of ordinary paid-up share capital owned by companies incorporated outside Malaysia or individuals who are not Malaysian citizens are not eligible to enjoy –

- Exemption from filing tax estimates for a period of 2 YAs from the YA in which the MSME commences operation;
- Special allowance for small value assets without a restriction of RM20,000.

# Corporate Tax

## Revision of Estimate of Tax Payable by a Company, LLP, Trust body or Co-operative society

### Before YA 2024

Revision of estimate of tax payable can be made in the 6<sup>th</sup>, 9<sup>th</sup> or both months of the basis period for a YA.



### Effective YA 2024

To expand by allowing a company, LLP, trust body or co-operative society to revise its estimate of tax payable in the 11<sup>th</sup> month of the basis period.

# Corporate Tax

## Mandatory Electronic Delivery of Information and Document via Malaysian Income Tax Reporting System (“MITRS”)

Proposed

Companies and other than companies are required to provide information and furnish document through the MITRS

### Deadline

Submit within 30 days after the deadline for submission of the return form

### Penalty under Section 120 of the Income Tax Act 1967

Liable to a fine of not less than RM200 and not more than RM20,000 or to imprisonment for a term not exceeding 6 months, or both.



Effective  
YA 2025

# Corporate Tax

## Interpretation of Foreign Taxes and Foreign Income

### Before YA 2024

Section 2(1) of the Act

#### FOREIGN TAX

Any tax on income (or any other tax of a substantially similar character) chargeable or imposed by or under the laws of a territory outside Malaysia and in relation to paragraph 132(4)(d) or section 132A includes other taxes of every kind imposed by or under the laws of that territory

Paragraph 16, Schedule 7 of the Act

#### FOREIGN INCOME

Income derived from outside Malaysia or in the case of bilateral credit, includes income derived from Malaysia charged to foreign tax

### Effective YA 2024

#### FOREIGN TAX

Any tax on income (or any other tax of a substantially similar character) chargeable or imposed by or under the laws of a territory outside Malaysia **in which the same income arose** and in relation to paragraph 132(4)(d) or section 132A includes other taxes of every kind imposed by or under the laws of that territory

#### FOREIGN INCOME

In relation to—

- (a) unilateral credit, income derived from outside Malaysia charged to foreign tax;
- (b) bilateral credit, income derived from outside Malaysia and from Malaysia, charged to foreign tax

# Corporate Tax

## Review of Conditions for Approval for Institutions / Organisations / Funds Approved under Section 44(6) of the Act

		Effective YA 2024	
		Option 1	Option 2
Conditions after obtaining approval under Section 44(6) of the Act :			
i. Utilisation of accumulated funds (business purpose)	Up to 25%	Up to 25%	> 25% and up to 35%
ii. Threshold of charitable activity expenditure	At least 50%	At least 50%	At least 60%
Breach of conditions	Approval under Section 44(6) of the Act will be withdrawn.	<ul style="list-style-type: none"><li>The institutions / organisations / funds will not be eligible for tax exemption in the YA the breach of conditions occurred.</li><li>Approval under Section 44(6) of the Act will not be withdrawn to ensure donors remain eligible for tax deductions on contributions made to the institutions / organisations / funds throughout the approval period.</li></ul>	

# Corporate Tax

## Exemption of Income Tax for Institutions, Organisations or Funds Approved under Section 44(6) of the Act

### Before YA 2024

Pursuant to Paragraph 13(1)(a), Schedule 6 of the Act

The income of an institution, organisation or fund approved under Section 44(6) of the Act is exempted from income tax so long as the **approval remains in force**.

### Effective YA 2024

The income of an institution, organisation, or fund approved under Section 44(6) of the Act for a year of assessment is exempted from income tax as long as it **complies with the conditions of approval**

# Corporate Tax

Tax Deduction under Section 44(6) of the Act for Contributions to Approved Institutions, Organisations or Funds that Implements Educational Programmes including Sports Education



**Effective YA 2024**

- Expansion of tax deduction of up to 10% of the aggregate income of individuals or companies to cover contributions to institutions, organisations or funds approved under Section 44(6) of the Act that implement educational programmes including sports education in collaboration with Ministry of Education.





# Tax Incentive

# Tax Incentives

## Incentive for Reinvestment under The New Industrial Master Plan 2030

### Current

Manufacturing and agricultural companies undertaking expansion, diversification, automation and modernisation projects are eligible for Reinvestment Allowance:

- ✓ 60% of capital expenditure;
- ✓ Set off against 70%/100% of statutory income;
- ✓ For 15 consecutive YAs.



### Proposed

Investment in high-value activities under the New Industrial Master Plan 2030 by companies that have exhausted their RA eligibility period is eligible for Investment Tax Allowance:

	Tier 1	Tier 2
Qualifying Capital Expenditure	100%	60%
Statutory Income to be Set-Off	100%	70%

**Approach:** Outcome-based approach



**Effective**

For applications received by MIDA from 1 January 2024 until 31 December 2028

# Tax Incentives

## Review of Accelerated Capital Allowance (“ACA”) rate on Information and Communication Technology (“ICT”) Equipment and Computer Software

Qualifying Expenditures include:-

- Purchase of ICT equipment and computer software packages.
- Consultation, licensing and incidental fees related to customised computer software development.

	Current	Proposed
ACA rate	Initial Allowance – 20% Annual Allowance – 20%	Initial Allowance – 40% Annual Allowance – 20%  With the revised rate, the capital allowance claim period is reduced from 4 years to 3 years.




Effective


YA 2024

# Tax Incentives


## Tax Incentive for Automation in Manufacturing, Services and Agriculture Sectors

### Current

-  ☐ 100% accelerated capital allowance on the first RM 10 million of the qualifying capital expenditure for automation equipment including the adaptation of Industry 4.0 elements are given and can be fully absorbed within 1 year.
- ☐ Income tax exemption equivalent to 100% on the said qualifying capital expenditure.

 For applications received by MIDA and Ministry of Agriculture and Food Security (“MAFS”) from 1 January 2023 until 31 December 2027.

### Proposed

-  The scope of tax incentive expanded to include the commodity sector under the Ministry of Plantation and Commodities (“KPK”).



### Effective

For application received by KPK from 14 October 2023 to 31 December 2027

# Tax Incentives

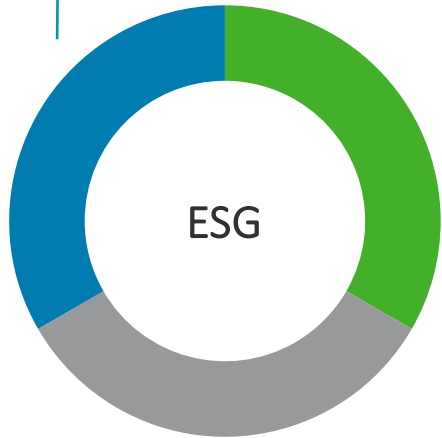
## Tax Deduction on Environmental, Social and Governance (“ESG”) Related Expenditures

Current

### Understanding

Implementation of ESG supports government initiatives and efforts in achieving sustainable development goals.

Compliance to ESG standards will increase costs of doing business as it is not allowed for tax deduction under the Income Tax Act 1967.



Proposed

Tax deduction **up to RM50,000** for each YA is given on ESG related expenditure as follows:

ESG related expenditures	Description
Enhance Sustainability Reporting Framework	ESG reporting by companies listed on the Bursa Malaysia stock exchange
Climate Risk Management and Scenario Analysis	ESG reporting by financial institutions regulated by Bank Negara Malaysia
Tax Corporate Governance Framework (“TCGF”) of Inland Revenue Board of Malaysia (“IRB”)	Preparation of reports related to TCGF by companies
Transfer Pricing Documentation	Preparation of transfer pricing documentation by companies
E-Invoicing implementation	Consultation fee for implementing e-invoicing incurred by Micro, Small and Medium Enterprises (“MSME”)
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by the Ministry of Finance



Effective

YA 2024 to YA 2027

# Tax Incentives

## Tax Deduction on Contributions for Environmental Preservation and Conservation Projects

### Current

Tax deduction under Section 34(6)(h) of the Income Tax Act 1967 is given on expenses incurred by any person carrying on a business for provision of services, public amenities, charity or community projects relating to:

- Education;
- Health;
- Housing;
- Enhancement of income of the poor;
- Infrastructure;
- Information and communication technology;
- Maintenance of heritage building; or
- Environmental preservation or conservation projects.

### Proposed

Special tax deduction under Section 34(6)(h) of the Income Tax Act 1967 expanded to cover entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects carried out and certified by the Forest Research Institute Malaysia.



**Effective**

For applications received by Ministry of Finance from 1 January 2024 to 31 December 2026

# Tax Incentives

## Tax Deduction for Rental of Non-commercial Electric Vehicle (“EV”)

### Current

Tax deduction on the rental of motor vehicle (other than a motor vehicle licensed by the appropriate authority for commercial transportation of goods or passengers) up to RM50,000 or RM100,000 (for a new motor vehicle costing not more than RM150,000).

### Retabled Budget 2023

Tax deduction up to RM300,000 for companies that rent non-commercial EV from YA 2023 until YA 2025.

Gazette Order has yet to be released as-of-to-date.

### Proposed

Tax deduction on non-commercial EV rental cost be extended for another 2 YAs.



Effective

Until YA 2027



# Tax Incentives

## Further Tax Deduction for Development of Carbon Projects

### Current

- Income tax exemption on the sale of Certified Emissions Reduction (“CERs”) by a company incorporated and resident in Malaysia effective from the YAs 2008 until 2012.
- In 2022, Bursa Malaysia launched a voluntary carbon market (“VCM”) initiative for carbon credit trading - the Bursa Carbon Exchange (“BCX”).
- Expenditure related to the development of carbon projects incurred by carbon credit trading companies is allowable for tax deduction under Section 33(1) of the Income Tax Act 1967.

### Proposed

- Further tax deduction of up to RM300,000 for costs incurred by companies on the Development and Measurement, Reporting and Verification (“MRV”) related to the development of carbon projects.
- Deductible against income earned from carbon credits traded on Bursa Carbon Exchange (“BCX”).
- Conditions:
  - The development of carbon projects must be registered with an international standards body recognised by Bursa Malaysia; and
  - Expenditure on development of carbon projects must be certified by the Malaysia Green Technology and Climate Change Corporation (“MGTC”).



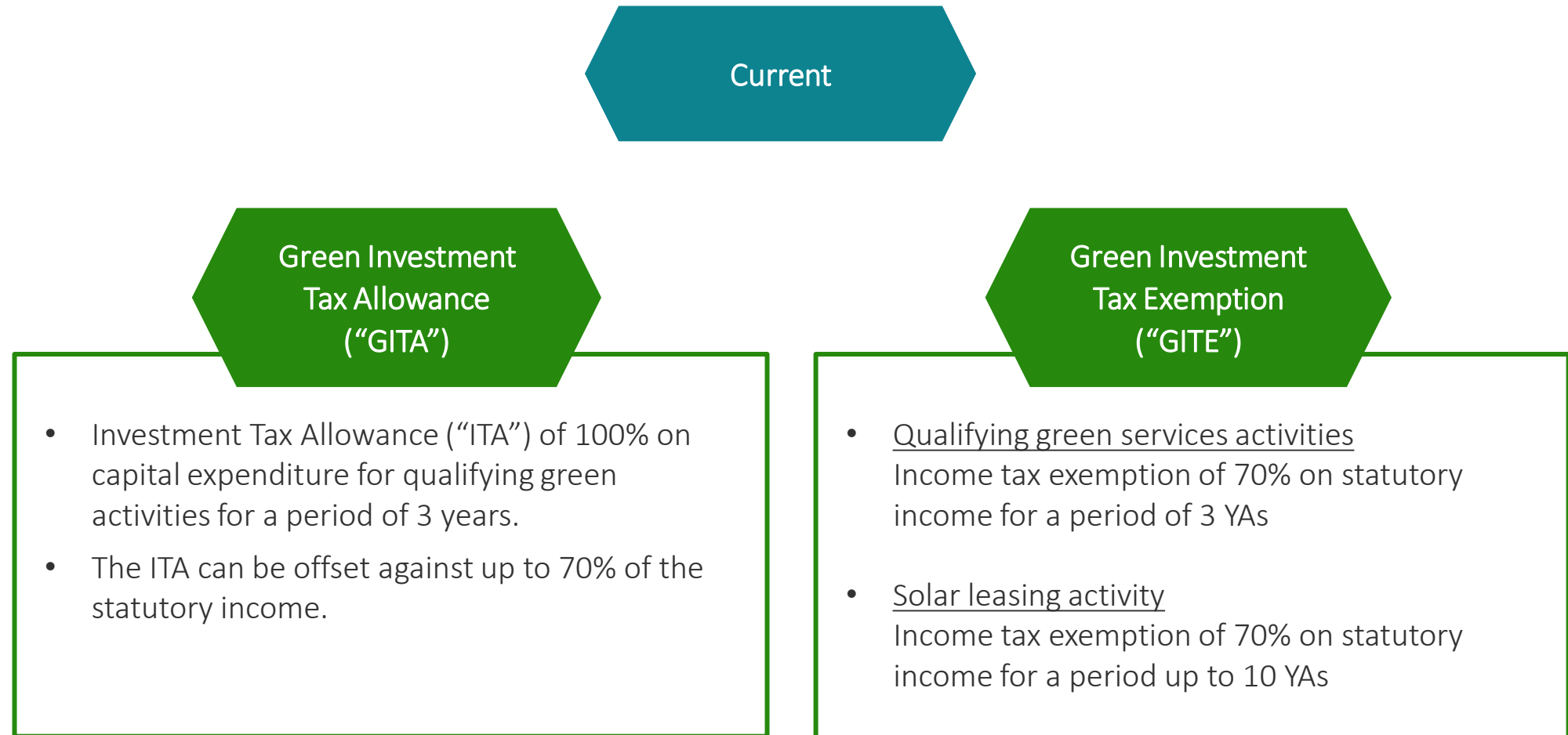
### Effective:

For applications received by the MGTC from 1 January 2024 until 31 December 2026



# Tax Incentives

## Review of Green Technology Tax Incentive



# Tax Incentives

## Review of Green Technology Tax Incentive

Proposed

### GITA Project (Business Purposes)

Qualifying Activities	GITA (%)	% of Statutory Income to be Set-Off	Incentive Period
Tier 1 i. Green hydrogen	100%	100% or 70%	Up to 10 years (5 + 5)
Tier 2 i. Integrated waste management ii. Electric vehicle charging station	100%	100%	5 years
Tier 3 i. Biomass ii. Biogas iii. Mini Hydro iv. Geothermal v. Solar vi. Wind energy	100%	70%	5 years



Effective:

For application received by Malaysian Investment Development Board (“MIDA”) from 1 January 2024 to 31 December 2026

# Tax Incentives

## Review of Green Technology Tax Incentive

### Proposed

#### GITA Asset (Own Consumption)

Qualifying Activities	GITA (%)	% of Statutory Income to be Set-Off	Incentive Period
<b>Tier 1:</b> <ul style="list-style-type: none"><li>List of eligible assets approved by the Minister of Finance</li><li>Battery Energy Storage System</li><li>Green building</li></ul>	100%	70%	3 years
<b>Tier 2:</b> <ul style="list-style-type: none"><li>List of eligible assets approved by the Minister of Finance</li><li>Renewable Energy System</li><li>Energy efficiency</li></ul>	60%	70%	3 years

#### Effective:



Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026 and verified by the Malaysian Green Technology and Climate Change Corporation

# Tax Incentives

## Review of Green Technology Tax Incentive

### Proposed

#### GITE Solar Leasing

Tier (Capacity)	Tax Exemption on Statutory Income	Incentive Period
> 3 MW - ≤ 10 MW	70%	5 years
> 10 MW - ≤ 30 MW	70%	10 years




#### Effective:

For application received by MIDA from 1 January 2024 to 31 December 2026

# Tax Incentives

## Extension of Sustainable and Responsible Investments (“SRI”) Incentive

	Current	Proposed
SRI Funds	<p>Tax exemption on management fees income derived from the provision of fund management services for SRI Funds in Malaysia by a company approved by the Securities Commission (“SC”) from YAs 2021 to 2023.</p>	<ul style="list-style-type: none"><li>Extended for a period of <b>4 years</b>.</li></ul>
SRI Sukuk	<p>Tax deduction is allowed on the cost of issuing or offering a SRI Sukuk approved or authorised by or lodged with the SC under the Capital Markets and Services Act 2007 from YAs 2016 to 2023.</p>	<div> <b>Effective</b> YA 2024 to YA 2027</div>

# Tax Incentives

## Expansion of Scope of Income Tax Exemption on SRI Sukuk Grant and Bond Grant Scheme

Current	Proposed
<ul style="list-style-type: none"><li>• The SC provides grant under the Green SRI Sukuk Grant and Bond Grant Scheme to Green SRI sukuk and bond issuers to finance the external review expenditure up to RM300,000.</li><li>• Green SRI sukuk and bond issuers are given tax exemption on the receipt of such grant from 1 January 2018 to 31 December 2025.</li></ul>	<ul style="list-style-type: none"><li>• Existing income tax exemption to be expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Link Bond Standards approved by the SC.</li></ul>



For applications received by SC from 1 January 2024 to 31 December 2025

# Tax Incentives

## Review of Income Tax Exemptions on Shariah-Compliant Fund Management Services

Current

100% income tax exemption on statutory income from fund management services from investors including:  
✓ Foreign investors in Malaysia / local investors / business trust investors or Real Estate Investment Trusts (REITs) investors in Malaysia.

Proposed

Income tax exemption period be extended for **4 years** with **60% tax exemption**.



Effective

YA 2024 until YA 2027



# Tax Incentives

## Income Tax Exemption for Islamic Securities Buying And Selling (“ISSB”) activities

### Proposed

Income tax exemption on income arising from ISSB listed on Bursa, which is equivalent to the treatment of conventional securities listed on Bursa



### Purposes:

- to increase the overall volume of securities trading and liquidity of the Shariah-compliant stock market through the involvement of more investors and brokers in ISSB transactions
- To ensure equivalent treatment is provided for securities borrowing and lending transactions

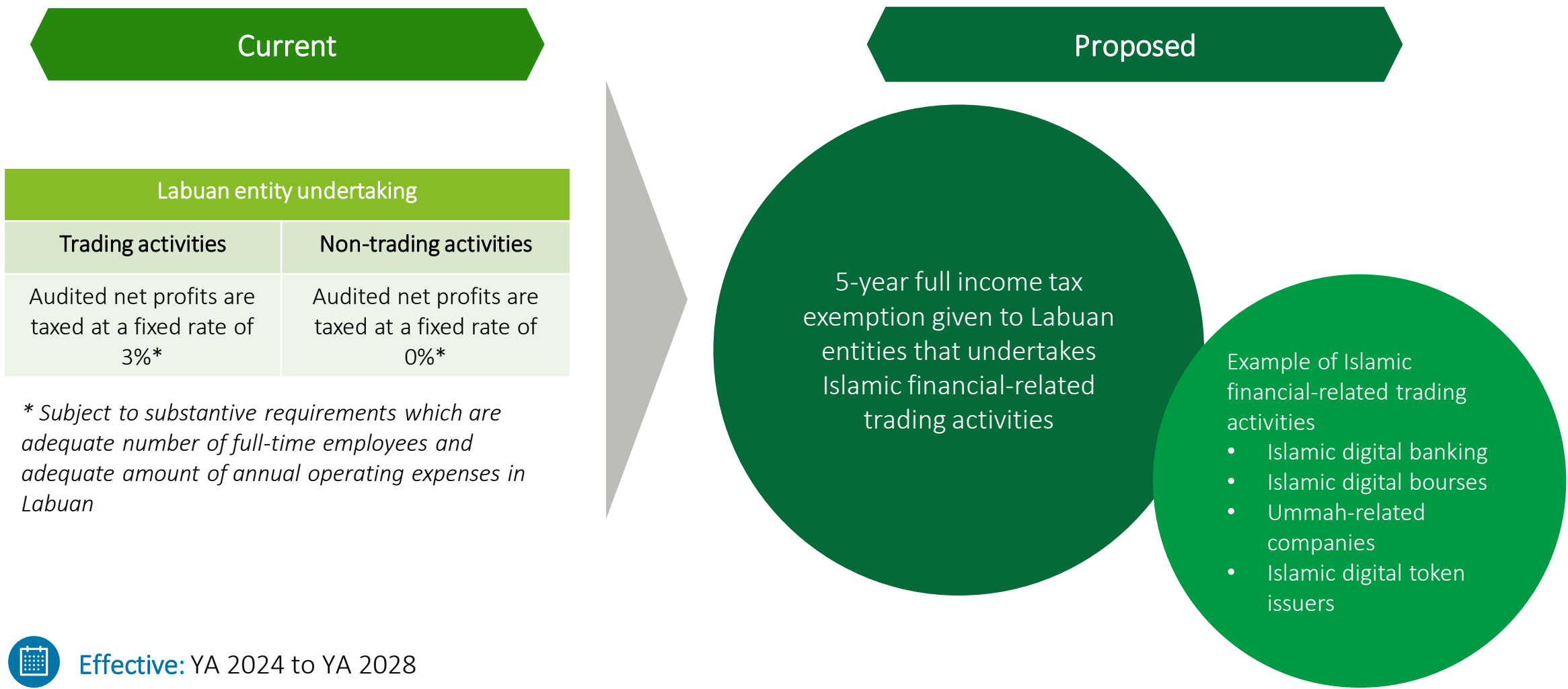


Effective  
YA 2024



# Tax Incentives

## Income Tax Exemption for Islamic Financial-Related Trading Activities under Labuan International Business and Financial Centre (“IBFC”)



 **Effective:** YA 2024 to YA 2028

# Tax Incentives

## Tax Incentive for Global Services Hub

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Incentive Period	5 + 5		5	
Tax Incentive (based on the outcome-based approach)	Tax rate at 5%	Tax rate at 10%	Tax rate at 5% on the value-added income	Tax rate at 10% on the value-added income
Types of Income Exempted	<ol style="list-style-type: none"> <li>1. Services income; or</li> <li>2. Services and trading income</li> </ol>			
Qualifying Services & Additional Services	Undertake the following activities: <ol style="list-style-type: none"> <li>i. Regional P&amp;L / Business Management Unit;</li> <li>ii. Strategic business planning;</li> <li>iii. Corporate development;</li> </ol> <b>and</b> <ol style="list-style-type: none"> <li>iv. Any 2 qualifying activities under the services category (i.e., strategic services / business services / shared services / other services)</li> </ol>			
Conditions (outcome-based)	<ol style="list-style-type: none"> <li>1. Annual operating expenditure</li> <li>2. High value full-time employees</li> <li>3. C-suite with a minimum salary of RM35,000</li> <li>4. Local ancillary services</li> </ol>			

# Tax Incentives

## Tax Incentive for Global Services Hub (Cont'd)

New Company		Existing Company		
	Tier 1	Tier 2	Tier 1	Tier 2
Conditions (outcome-based)	5. Collaboration with higher education institution / TVET 6. Training for Malaysian students / citizens 7. ESG elements 8. Other conditions as determined by the Minister of Finance			

Income tax rate of 15% for 3 consecutive YAs is also given to a maximum of 3 non-citizen individuals holding key/C-Suite positions with a monthly salary of at least RM35,000 appointed by a new company approved with Global Services Hub tax incentive.



### Effective

For applications received by MIDA from 14 October 2023 until 31 December 2027

# Tax Incentives

## Tax Incentive for Pengerang Integrated Petroleum Complex (“PIPC”)



Types of Tax Incentives	IMPLEMENTING COMPANY	
	New companies with a minimum investment of RM 500 million and above in chemical and petrochemical activities	Approved developer for PIPC Industrial Park Development
Income Tax Rate	Tier 1 = 5%  Tier 2 = 10%	10% on real estate sales or rental activities for eligible projects for a period of 10 years
Investment Tax Allowance	100% of eligible capital expenditure	-
Incentive Period	5 + 5	-
Types of Exempted Income	Income from qualifying chemical and petrochemical product manufacturing activities	-
Other Tax Incentives	i. Stamp duty exemption on land / building transfer agreement or land / building rental agreement for qualifying projects  ii. Exemption from stamp duty on land / building transfer agreements or land / building rental agreements to implement qualifying projects	Stamp duty exemption on land / building transfer agreement or land / building rental agreement for qualifying projects



**Effective:** For application received by MIDA from 14 October 2023 to 31 December 2028

# Tax Incentives

## Income Tax Exemption for Social Enterprise

Based on Budget 2022's proposal, full income tax exemption on all income for up to **3** subject to the following:

- ✓ Subject to the validity period of accreditation by the Ministry of Entrepreneur Development and Cooperatives.
- ✓ The exemption shall apply to applications received by the Ministry of Finance from 1 January 2022 until 31 December 2023.

Note that this is yet to be gazetted.

Extended for 2 years



### Effective

For applications received by the Ministry of Finance from 1 January 2024 until 31 December 2025

# Tax Incentives

## Special Industrial Building Allowance for Private Nursing Home for Senior Citizens

### Current

The qualifying capital expenditure (i.e., construction cost, cost to purchase the building, the capital expenditure incurred on the alteration or renovation of rented premises) incurred in relation to the licensed private hospital, maternity home, and nursing home is eligible for industrial building allowance (“IBA”) at the following rate:

- Initial allowance – 10%
- Annual allowance – 3%

### Proposed

IBA be given to private nursing homes for senior citizens at a rate of 10% on the cost of the building constructed or purchased, including renovation costs for each YA, subject to the following conditions:

- ✓ Private nursing homes approved by the Ministry of Health Malaysia; and
- ✓ Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026.



# Tax Incentives

## Special income tax rate for filming industry

### Proposed

Introduction of special tax rate ranging from 0% to 10%

### Eligible taxpayers

Taxpayers who perform filming in Malaysia:

- ✓ Foreign film production companies;
- ✓ Foreign film actors; and
- ✓ Foreign film crews.



# Real Property Gains Tax



# Real Property Gains Tax (“RPGT”)

Implementation of RPGT’s self-assessment system



Effective  
1 January 2025



- Disposer is required to calculate his/her own tax in the RPGT return form
- The submitted RPGT return form is deemed to be a notice of assessment that is considered to have been served on the taxpayer by the IRB on the date the return is furnished by the taxpayer
- The assessment can be amended by submitting an amended RPGT return form within 6 months from the due date of the RPGT return form
- Documents to be retained for a period of 7 years from the end of the YA in which the assessment was raised

# Real Property Gains Tax

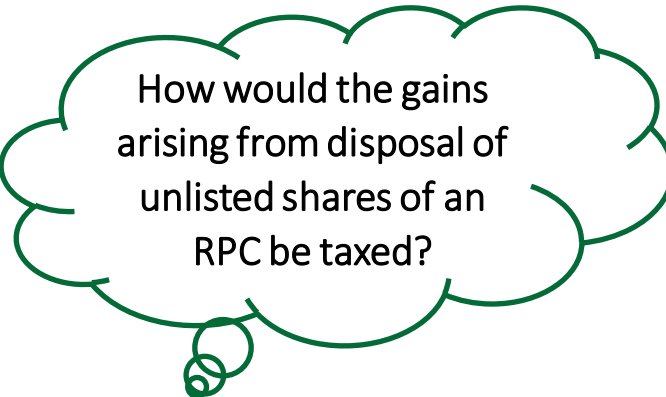
Acquisition / disposal of shares in a real property company ("RPC")

## Before 1 January 2024

Acquisition of shares in a RPC will be deemed to be an acquisition of chargeable assets whilst a disposal of shares in a RPC is deemed to be a disposal of chargeable assets that is subject to RPGT.

## From 1 January 2024

Acquisition / disposal of shares in a RPC by a company, LLP, trust body or co-operative society will no longer be deemed to be an acquisition / disposal of a chargeable asset for RPGT purposes as this will be caught under CGT.



How would the gains arising from disposal of unlisted shares of an RPC be taxed?

With the amendment above and introduction of CGT which takes place from 1 January 2024, any gains arising from disposal of unlisted shares of an RPC from 1 January 2024 till 29 February 2024 are not subject to neither RPGT nor CGT in Malaysia.

# Stamp Duty

# Stamp Duty

## Definition of 'writing or written'

### Before 1 January 2024

- Instrument include “every written documents”
- The current definition of “instrument” does not clarify whether electronic instruments meet the interpretation of the “instrument”.

### From 1 January 2024

To include the definition of writing or written to include  
*"any handwriting, typewriting, printing, electronic record or transmission which is in an electronically readable form"*

# Stamp Duty

## Evidence for instruments executed outside of Malaysia

### Before 1 January 2024

- Instruments which are executed outside of Malaysia should be brought for stamping within 30 days from the date when it is first received in Malaysia.
- As evidence of when it was first received in Malaysia, a copy of the post office stamp or the airway bill will need to be provided.
- The current provision doesn't clarify the verification in respect of receipt of instruments executed outside of Malaysia and received in Malaysia via electronic transmission.

### From 1 January 2024

- Instruments executed outside Malaysia concerning any matter in Malaysia are subject to stamping within 30 days of acceptance via electronic medium.
- Any receipt of instrument in Malaysia via electronic transmission may be verified via a copy or the printout of the electronic transmission.

# Stamp Duty

## Stamp duty for foreign currency loan

	Before 1 January	From 1 January 2024
Instrument under Item 27(a)(ii)	Instrument where the loan is a foreign currency loan or the financing was made according to the syariah in currencies other than RM	
Stamp duty	Duty at the rate of 0.5% but capped at RM2,000	Duty at the rate of 0.5% <b>without any capped amount</b>

# Stamp Duty

Stamp duty for transfer of property ownership involving the renunciation of rights to another eligible beneficiary

## Before 1 January 2024

Eligible beneficiary renounces his/her rights to another eligible beneficiary or non-beneficiary shall be subject to ad-valorem stamp duty of 1% to 4%.

## From 1 January 2024

The instrument for transfer of any property by way of release or renunciation by an eligible beneficiary to another eligible beneficiary entitled under the same estate shall be subject to a nominal stamp duty of RM10.



Effective

For instrument executed from 1 January 2024

# Stamp Duty

Stamp duty for transfer of property to non-citizen individuals & foreign companies

## Current

Instrument for transfer of property in Malaysia is subject to ad-valorem stamp duty of 1% to 4%.

## For instrument executed from 1 January 2024

A flat stamp duty rate of 4% will be imposed on instruments for transfer of any property to non-citizen individuals (excluding Malaysian permanent residents) and foreign companies.





# Stamp Duty

## Exercise of Original Jurisdiction by High Court in Stamp Duty Appeals



Effective from 1 January 2024

Existing provision will be amended to clarify that the High Court shall exercise "original jurisdiction" while hearing an appeal of the duty payer on the assessment raised by the Collector of Stamp Duty.

# Stamp Duty

## Termination of Use of Digital Franking Machine and Postal Franking Machine & Abolishment of the Use of Adhesive Stamps

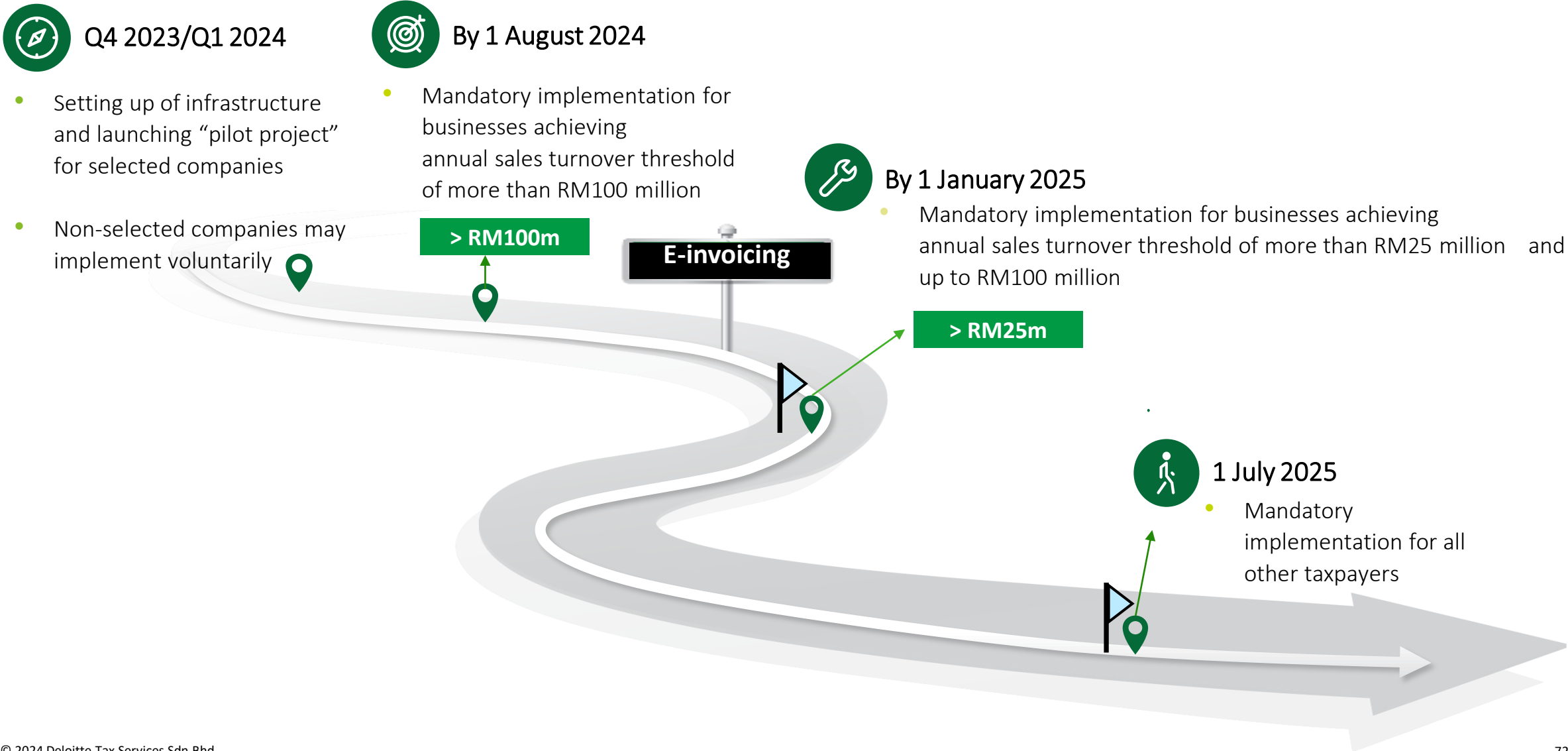
Overall Objective	Proposed	Consequences
To fully implement online stamping through the Stamp Assessment and Payment system.	<ul style="list-style-type: none"><li>Termination of the use of digital franking machine and postal franking machine.</li><li>Termination of the use of adhesive stamps.</li></ul>	The Stamp Act 1949 will be amended to clarify that the documents/agreements which have been stamped using the Revenue Stamps method after 31 December 2023 are invalid as proof of being stamped.



Effective  
1 January 2024

# Others

# E-Invoicing Implementation in Stages



# E-Invoicing

## Penalties for failure to issue electronic invoices

### Proposed

1

Failure to enter and submit invoices

2

Failure of the supplier (i.e., recipient) in the case of self-billed invoices to submit the self-billed invoice

3

Failure of the supplier to submit a consolidated transaction invoice



Liable to a fine of not less than RM200 and not more than RM20,000 or imprisonment not exceeding 6 months, or both

# Implementation of Global Minimum Tax (“GMT”)

## What is GMT?

An international taxation rule to ensure that multinational enterprises (“MNEs”) pay a fair share of tax wherever they operate and generate profits.

## Proposed amendments:

New

- Domestic Top Up Tax (“DTT”)
- Multinational Top Up Tax (“MTT”)

In following legislations:

- Income Tax Act 1967
- Petroleum (Income Tax) Act 1967
- Labuan Business Activity Tax Act 1990



**Effective**

To be implemented in year 2025

**GMT**

## Who is involved?

1. MNE group includes at least one entity or permanent establishment (“PE”) that is not located in the same jurisdiction as the Ultimate Parent Entity (“UPE”) with
2. Annual consolidated group revenue of at least EUR 750 million in at least two of the four immediately preceding fiscal years.

## Who is excluded?

- Government bodies and international organizations
- Non-profit organization
- Pension fund
- An investment fund that is a UPE
- Real estate investment vehicle which is a UPE

## What is the rate?

Minimum effective tax rate = 15%

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