



**THANNEES**  
TAX CONSULTING SERVICES



*Belanjawan 2024*

**MALAYSIA  
MADANI**

**BUDGET 2024**

**PROPOSED TAX MEASURES AND ITS IMPLICATIONS**

# TABLE OF CONTENTS

- A. INDIVIDUALS**
- B. CORPORATE TAX**
- C. INCENTIVES**
- D. CAPITAL GAINS TAX**
- E. STAMP DUTY**
- F. INDIRECT TAX**
- G. OTHERS**

# A. INDIVIDUALS

## Existing

## Proposed

## Effective Date

### 1. Expansion of scope of income tax relief for medical treatment expenses for self, spouse and child (Section 46(1)(g) of ITA 1967)

The tax relief for YA 2023 of RM10,000 covers medical treatment on:-

i.	Serious illness for taxpayer, spouse or child
ii.	Fertility treatment for taxpayer or spouse
iii.	Vaccination for taxpayer, spouse or child limited to RM1,000;
iv.	Full medical check-up, mental health examination and COVID 19 detection test including purchase of self-test kit for taxpayer, spouse or child limited to RM1,000
v.	Diagnostic and rehabilitation treatment for children with learning disabilities limited to RM 4,000

Expanded to cover dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council limited to RM1,000

YA 2024

# A. INDIVIDUALS

Existing

Proposed

Effective  
Date

## 2. Expansion of scope of income tax relief for medical treatment, special needs and carer expenses for parents (Section 46(1)(c) of ITA 1967)

Tax relief up to RM8,000 is given on medical expenses, special needs and parental care as follows:-

i.	Treatment in clinics and hospitals
ii.	Treatment at nursing homes
iii.	Dental treatment not including cosmetic dental treatment
iv.	Treatment and home care nursing, daycare centres and residential care centres

Expanded to cover full medical examination for parents limited to RM1,000

YA 2024

Existing	Proposed	Effective Date	Comments																																										
<p><b>3. Tax relief for lifestyle (Section 46(1)(p) and Section 46(1)(u) of ITA 1967)</b></p> <p>Currently, the tax relief for lifestyle are as follows:-</p> <table border="1"> <thead> <tr> <th colspan="2">Tax relief of RM2,500 (Section 46(1)(p))</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Reading materials</td> </tr> <tr> <td>ii.</td> <td>Personal computers, smart phone or tablets</td> </tr> <tr> <td>iii.</td> <td>Internet subscription</td> </tr> <tr> <td>iv.</td> <td>Sports equipment</td> </tr> <tr> <td>v.</td> <td>Gymnasium membership fees</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="2">Additional tax relief of RM500 (Section 46(1)(u))</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Sports equipment</td> </tr> <tr> <td>ii.</td> <td>Rental/entry fees to sports facilities</td> </tr> <tr> <td>iii.</td> <td>Registration fee for participating in sports competitors</td> </tr> </tbody> </table>	Tax relief of RM2,500 (Section 46(1)(p))		i.	Reading materials	ii.	Personal computers, smart phone or tablets	iii.	Internet subscription	iv.	Sports equipment	v.	Gymnasium membership fees	Additional tax relief of RM500 (Section 46(1)(u))		i.	Sports equipment	ii.	Rental/entry fees to sports facilities	iii.	Registration fee for participating in sports competitors	<p>Proposed tax relief for lifestyle restructured as follows:-</p> <table border="1"> <thead> <tr> <th colspan="2">Tax relief of RM2,500</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Reading materials</td> </tr> <tr> <td>ii.</td> <td>Personal computers, smart phone or tablets</td> </tr> <tr> <td>iii.</td> <td>Internet subscription</td> </tr> <tr> <td>iv.</td> <td>Self skills enhancement course</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="2">Specific tax relief of RM1,000</th> </tr> </thead> <tbody> <tr> <td>i.</td> <td>Sports equipment</td> </tr> <tr> <td>ii.</td> <td>Rental/entry fees to sports facilities</td> </tr> <tr> <td>iii.</td> <td>Registration fee for participating in sports competitions</td> </tr> <tr> <td>iv.</td> <td>Gymnasium membership fees</td> </tr> <tr> <td>v.</td> <td>Sport training fees *</td> </tr> </tbody> </table> <p><i>*Imposed by associations/sports clubs/companies registered with the Sports Commissioner or SSM and carrying out sports activities as listed under the Sports Development Act 1997</i></p>	Tax relief of RM2,500		i.	Reading materials	ii.	Personal computers, smart phone or tablets	iii.	Internet subscription	iv.	Self skills enhancement course	Specific tax relief of RM1,000		i.	Sports equipment	ii.	Rental/entry fees to sports facilities	iii.	Registration fee for participating in sports competitions	iv.	Gymnasium membership fees	v.	Sport training fees *	<p>YA 2024</p>	<p>Total lifestyle relief has been increased from RM3,000 to RM3,500</p>
Tax relief of RM2,500 (Section 46(1)(p))																																													
i.	Reading materials																																												
ii.	Personal computers, smart phone or tablets																																												
iii.	Internet subscription																																												
iv.	Sports equipment																																												
v.	Gymnasium membership fees																																												
Additional tax relief of RM500 (Section 46(1)(u))																																													
i.	Sports equipment																																												
ii.	Rental/entry fees to sports facilities																																												
iii.	Registration fee for participating in sports competitors																																												
Tax relief of RM2,500																																													
i.	Reading materials																																												
ii.	Personal computers, smart phone or tablets																																												
iii.	Internet subscription																																												
iv.	Self skills enhancement course																																												
Specific tax relief of RM1,000																																													
i.	Sports equipment																																												
ii.	Rental/entry fees to sports facilities																																												
iii.	Registration fee for participating in sports competitions																																												
iv.	Gymnasium membership fees																																												
v.	Sport training fees *																																												

## A. INDIVIDUALS

Existing	Proposed	Effective Date
<p><b>4. Extension of tax relief for up-skilling and self-enhancement courses fees (Section 46(1)(f) ITA 1967)</b></p> <p>For YA 2022 and YA 2023, tax relief of up to RM2,000 from the total education fees relief of RM7,000 is given on fees paid for attending up-skilling or self-enhancement courses recognised by the Department of Skills Development, Ministry of Human Resources.</p>	<p>To extend the tax relief for a period of 3 years</p>	<p>YA 2024 to YA 2026</p>
<p><b>5. Extension of tax relief for Electric Vehicle (EV) charging facilities (Section 46(1)(v) of ITA 1967)</b></p> <p>For YA 2022 and YA 2023, tax relief up to RM2,500 is given on expenses related to installation, rental, purchasing including hire purchase equipment or subscription fees for EV charging facilities.</p>	<p>To extend the tax relief for a period of 4 years</p>	<p>YA 2024 to YA 2027</p>

## A. INDIVIDUALS

Existing	Proposed	Effective Date
<p><b>6. Review of income tax exemption for childcare allowance under perquisites from employment</b></p> <p>From YA 2008, income tax exemption up to RM2,400 per year is given on perquisites received by employees, including childcare allowance for children aged 12 and below (either childcare allowances received by employees or paid directly by employers to childcare centres)</p>	<p>Increase tax exemption on childcare allowance received by employees or paid directly by employers to childcare centres to RM3,000 per year</p>	<p>From YA 2024</p>

# A. INDIVIDUALS

## Existing

## Proposed

### 7. Review of tax incentive for women career comeback programme

Women in career break and return to work are eligible for income tax exemption on employment income received for a maximum period of 12 consecutive months.

The eligibility criteria are as follows:

- i. Women returned to work after a career break of at least 2 years before or up to 27 October 2017; and
- ii. Employment income received in the YA 2018 to YA 2024

*Applications received by Talent Corporation Malaysia Berhad not later than 31 December 2023*

The eligibility criteria is enhanced as follows:

- i. Women returning to work after a career break at least 2 years before the date of application received by the Talent Corporation Malaysia Berhad; and
- ii. Employment income received from YA 2025 until YA 2028

*Applications received by Talent Corporation Malaysia Berhad from 1 January 2024 to 31 December 2027*



# A. INDIVIDUALS

Existing	Proposed	Comments
<b>8. Review of tax incentives for returning expert programme</b>		
<p>i) Fixed tax rate of 15% on employment income for 5 consecutive YAs; and</p> <p>ii) Import and excise duties exemption for the purchase of a Completely Built-Up (CBU) vehicle or excise duty exemption for the purchase of a Completely Knocked-Down (CKD) vehicle, subject to an exemption amount of up to RM100,000.</p> <p><i>Applications received by Talent Corporation Malaysia Berhad from 1 Jan 2021 until 31 Dec 2023.</i></p>	<p>i) Fixed tax rate of 15% on employment income received by an individual for 5 consecutive YAs; and</p> <p>ii) Excise duty exemption for the purchase of a CKD vehicle subject to an exemption amount of up to RM100,000</p> <p><i>Applications received by Talent Corporation Malaysia Berhad from 1 Jan 2024 until 31 Dec 2027.</i></p>	<ul style="list-style-type: none"> <li>• To encourage professional citizens to return to Malaysia</li> <li>• From 2024, the import duty for the purchase of CKD is removed. Similarly, imported CBU units will not enjoy the import and excise duty.</li> </ul>

## Existing

### 1. Review of conditions for institutions / organisations / funds approved under Subsection 44(6) of ITA 1967

Among the conditions that must be complied by institutions / organisations / funds approved under Subsection 44(6) are:

- At least 50% of the income earned in the previous year must be spent in the following year for activities to achieve the objectives of the approved institutions / organisations / funds; and
- Not more than 25% of its accumulated funds on the 1<sup>st</sup> day of the YA can be used in carrying on a business.

If the institutions / organisations / funds breach any of the approval conditions, DGIR may withdraw the approval under Subsection 44(6).

## Proposed

The approval conditions to be reviewed as follows:

- The accumulated funds utilisation limit of 25% be increased up to 35%.
- The following options are available:

Option	Utilisation of Accumulated Funds - Business Purpose	Threshold of Annual Charitable Activity Expenditure
1	Up to 25%	At least 50%
2	>25% - 35%	At least 60%

For any breach of approval conditions, DGIR will not withdraw the approval under Subsection 44(6) to ensure the donors remain eligible for tax deduction on donations made.

The DGIR will raise an assessment on all income received by the approved institutions / organisations / funds for the YA in which the breach of conditions occurred.

## Effective Date

YA 2024

## B. CORPORATE TAXES

Existing	Proposed	Effective Date
<p><b>2. Extension of tax deduction on issuance of SRI Sukuk</b></p> <p>Tax deduction is given on the issuance cost of SRI sukuk approved or authorised or lodged with the Securities Commission Malaysia.</p> <p>SRI sukuk is used exclusively for financing activities or transactions related to eligible SRI projects with the aim of preserving and conserving the environment, promoting sustainable development and enhancing the quality of life of the community.</p> <p>The incentive is given from YA 2016 to YA 2023.</p>	<p>Tax deduction is extended for a period of 4 years</p>	<p>YA 2024 to YA 2027</p>

# B. CORPORATE TAXES

Existing	Proposed	Effective Date	Comments													
<p><b>3. Review of capital allowance (CA) on information and communication technology equipment and computer software</b></p>																
<p>Existing CA rates:</p> <table border="1"> <thead> <tr> <th>Qualifying Expenditure</th> <th>Effective Date</th> <th>CA Rates</th> </tr> </thead> <tbody> <tr> <td>Purchase of ICT equipment and computer software packages</td> <td>From the YA 2017</td> <td rowspan="2">IA: 20% AA: 20%</td> </tr> <tr> <td>Consultation, licensing and incidental fees related to customised computer software development</td> <td>From the YA 2018</td> </tr> </tbody> </table>		Qualifying Expenditure	Effective Date	CA Rates	Purchase of ICT equipment and computer software packages	From the YA 2017	IA: 20% AA: 20%	Consultation, licensing and incidental fees related to customised computer software development	From the YA 2018	<p>Proposed CA rates:</p> <table border="1"> <thead> <tr> <th>Qualifying Expenditure</th> <th>CA Rates</th> </tr> </thead> <tbody> <tr> <td>Purchase of ICT equipment and computer software packages</td> <td rowspan="2">IA: 40% AA: 20%</td> </tr> <tr> <td>Consultation, licensing and incidental fees related to customised computer software development</td> </tr> </tbody> </table>		Qualifying Expenditure	CA Rates	Purchase of ICT equipment and computer software packages	IA: 40% AA: 20%	Consultation, licensing and incidental fees related to customised computer software development
Qualifying Expenditure	Effective Date	CA Rates														
Purchase of ICT equipment and computer software packages	From the YA 2017	IA: 20% AA: 20%														
Consultation, licensing and incidental fees related to customised computer software development	From the YA 2018															
Qualifying Expenditure	CA Rates															
Purchase of ICT equipment and computer software packages	IA: 40% AA: 20%															
Consultation, licensing and incidental fees related to customised computer software development																
		YA 2024	<p>The CA period is accelerated to 3 years from 4 years.</p> <p>Existing issues around the definition &amp; coverage of “software” still remain unsolved.</p>													

## B. CORPORATE TAXES

### Existing

#### 4. Incentive for reinvestment under the new Industrial Master Plan 2023

Manufacturing & agricultural companies undertaking expansion, diversification, automation and modernization projects are eligible for Reinvestment Allowance (RA) of 60% of the capital expenditure incurred and can be set-off against up to 70% of statutory income for 15 consecutive YAs.

This tax incentive is still in effective

### Proposed

For existing companies that have exhausted their RA eligibility period, it is proposed tax incentives be given as follows:

ITA	Tier 1	Tier 2
Qualifying capital expenditure	100%	60%
Statutory income to be set-off	100%	70%

The eligible ITA rate will be determined by outcome-based approach.

*For applications received by the Malaysian Investment Development Authority from 1 January 2024 until 31 December 2028.*

### Comments

Able to promote reinvestment among existing companies in manufacturing and agriculture sectors whose existing RA incentive period has expired.

New requirement: Application has to go through MIDA – this is an added layer of bureaucracy.

## B. CORPORATE TAXES

### Existing

### Proposed

#### 5. Tax incentive for Global Services Hub

Objective: To attract global companies relocate their head office (HO) / regional HO operations to Malaysia.

Currently, Principal Hub tax incentive given is income tax at a rate of 0%, 5% and 10% subject to certain condition such as incur minimum annual business expenditure and provide full-time high value employment.

However, the current tax incentives are not based on outcome-based approach.

Global Services Hub incentive based on outcome-based approach be introduced as follows:

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Exemption Years	5 + 5		5	
Tax Incentive	Tax @ 5%	Tax @ 10%	Tax @ 5% on value added income	Tax @ 10% on value added income
Income Exempted	Services income or services & trading income			
Qualifying & Additional Service	Regional P&L/Business Management Unit, Strategic Business Planning; Corporate Development AND Any 2 qualifying activities under the services category of strategic, business, shared service or other services			
Conditions (outcome based)	Annual OPEX, high value full-time employees, C-suite with min monthly salary RM35,000, local ancillary services, collaboration with higher education inst/TVET, training for Malaysian students/citizen, ESG elements or other condition by MOF			

It is proposed income tax rate of 15% be given for a period of 3 consecutive YAs & limited to 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.

## B. CORPORATE TAXES

Existing	Proposed	Effective Date	Comments
<b>6. Extension of tax incentive for rental of electric vehicle (EV)</b>  Companies that rent non-commercial EV are given tax deduction up to RM300,000 effective from YA 2023 to 2025.	Tax deduction on EV rental cost be extended for a period of 2 years	Until YA 2027	Encourage the use of low-carbon vehicles to support green mobility ecosystem in line with National Energy Transition Roadmap.  Tax deduction can reduce the cost of renting non-commercial EV.



## Existing

## Proposed

## Effective Date

## Comments

### 7. Review of Green Technology Tax Incentive

#### Green Investment Tax Allowance (GITA)

- ITA of 100% on CA for qualifying green activities for 3 years which can be set-off against 70% of statutory income.

#### Green Income Tax Exemption (GITE)

- Income tax exemption of 70% of statutory income on qualifying green services activities for 3 YAs.
- Income tax exemption of 70% of statutory income for a period of up to 10 YAs on solar leasing activities.

*Applications received by the Malaysian Investment Development Authority (MIDA) until 31 December 2023.*

#### GITA Project (Business Purposes):

Qualifying Activities	% GITA	% of Statutory Income to be Set-off	Incentive Period
<b>Tier 1</b> Green hydrogen	100%	100% or 70%	Up to 10 years (5+5)
<b>Tier 2</b> i) Integrated waste management ii) Electric Vehicle charging station	100%	100%	5 years
<b>Tier 3</b> i) Biomass ii) Biogas iii) Mini hydro iv) Geo thermal v) Solar vi) Wind energy	100%	70%	5 years

GITA Project	For applications received by MIDA from 1 January 2024 – 31 December 2026
--------------	--

All the authorities involved in the incentive application such as MIDA, MGTC, MOF & IRB are very helpful & cooperative. However, the internal processes of dealing with these applications needs to be streamlined as the application process currently is taking a lot longer than expected. The authorities needs to shorten the internal processes and help taxpayers obtain these incentives within a shorter time frame.



## Existing

## Proposed

## Effective Date

### 7. Review of Green Technology Tax Incentive (Cont'd)

#### GITA Asset (Own Consumption):

Qualifying Activities	% GITA	% of Statutory Income to be Set-off	Incentive Period
<b>Tier 1</b> i) List of qualifying assets approved by Ministry of Finance ii) Battery Energy Storage System iii) Green Building	100%	70%	Qualifying CA incurred from 1 January 2024 to 31 December 2026
<b>Tier 2</b> i) List of qualifying assets approved by Ministry of Finance ii) Renewable Energy System iii) Energy efficiency	60%	70%	

GITA Asset	Qualifying CA as verified by the Malaysia Green Technology and Climate Change Corporation for the purchase of green technology assets from 1 January 2024 – 31 December 2026
GITA Solar Leasing	For applications received by MIDA from 1 January 2024 – 31 December 2026

#### GITE Solar Leasing:

Tier	Tax Exemption on Statutory Income	Incentive Period
>3MW - <10MW	70%	5 years
>10MW - <30MW	70%	10 years

### Existing

### Proposed

#### 8. Tax deduction on contributions for environmental preservation and conservation projects

Under subsection 34(6)(h) of ITA 1967, a special deduction is granted on expenses incurred by a company for the provision of services, public amenities, charity or community projects pertaining to:

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

which have been approved by the Ministry of Finance

Special deduction under subsection 34(6)(h) of ITA 1967 be given to entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by FRIM.

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

### Existing

### Proposed

#### 9. Further tax deduction for voluntary carbon market

Bursa Malaysia introduced the Bursa Carbon Exchange (BCX) in 2022, a voluntary platform for carbon credit trading.

Expenditure related to carbon project development incurred by companies engaged in carbon credit trading are tax-deductible under subsection 33(1) of the Income Tax Act 1967.

Further tax deduction up to RM300,000 for companies for costs related to Development and Measurement, Reporting and Verification (MRV) related to the development of carbon projects.

This is deductible from carbon credit income traded on BCX.

**Conditions:**

Development of carbon projects must be registered with an international standards body recognised by Bursa Malaysia.

Expenditures on carbon projects must be certified by the Malaysia Green Technology and Climate Change Corporation (MGTC).

*Applications received by MGTC from 1 Jan 2024 until 31 Dec 2026.*

## B. CORPORATE TAXES

Proposed		Effective date	Comments
<b>10. Tax deduction on environmental, social and governance (ESG) related expenditures</b>			<ul style="list-style-type: none"> <li>To increase compliance to ESG standards</li> </ul>
Tax deduction up to RM50,000 is given for each YA on ESG related expenditure.			
ESG related expenditure	Description	YA 2024 to YA 2027	<ul style="list-style-type: none"> <li>To enhance the governance in tax administration system</li> <li>Effectively, the government is subsidizing the ESG related expenditure</li> </ul>
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 the Bank Negara Malaysia		
Tax Corporate Governance Framework (TCGF) of Lembaga Hasil Dalam Negeri Malaysia (LHDNM)	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		

Proposed	Comments
<p><b>11. Implementation of Global Minimum Tax (GMT)</b></p> <p>The Government is expected to implement GMT in year 2025 which will only apply to companies with a global income of at least Euro 750 million.</p>	<ul style="list-style-type: none"><li>• To be in line with international taxation standards</li><li>• To curb profit shifting activities to countries with low tax rates</li></ul>

Existing	Proposed	Comments
<p><b>1. Extension of income tax exemption for social enterprise</b></p> <p>Tax exemptions on all income of Social Enterprise (SE) up to 3 YAs subject to the validity period of accreditation approved by the Ministry of Enterprise and Cooperative Development.</p> <p><i>Applications received by Ministry of Finance from 1 Jan 2022 to 31 Dec 2023</i></p>	<p>Application for tax exemption on all SE income to be extended for 2 years.</p> <p><i>Applications received by Ministry of Finance from 1 Jan 2024 to 31 Dec 2025</i></p>	<p>To help SEs to raise fund to create social impact and a positive environment.</p>

Existing	Proposed	Effective Date
<p><b>2. Extension of tax exemption on management fees income for Sustainable and Responsible Investment (SRI) funds</b></p> <p>Companies that provide SRI fund management services to investors, business trusts investors or Real Estate Investment Trusts (REITs) investors in Malaysia approved by the Securities Commission Malaysia are given tax exemption on the statutory income derived from the business of providing fund management services for SRI funds.</p>	<p>The income tax exemption to be extended for a period of 4 years</p>	<p>YA 2024 to YA 2027</p>

Existing	Proposed	Effective Date
<p><b>3. Review of tax incentive for equity crowdfunding (ECF)</b></p>		
<p>Individual investors who invest in ECF are eligible for tax exemption on aggregate income (AI) = 50% of investment made in ECF subject to:</p> <ul style="list-style-type: none"> <li>i) The eligible amount for tax exemption is limited to RM50,000 for each YA;</li> <li>ii) The deductible amount is limited to 10% of the AI for that YA. The excess amount which is not deductible will be disregarded;</li> <li>iii) The investor, investee company and amount of investment must be verified by the Securities Commission Malaysia;</li> <li>iv) The investor must not have any family relationship with the investee company;</li> <li>v) Investment must be made through ECF platform approved by the Securities Commission Malaysia; and</li> <li>vi) The investment is not allowed to be wholly or partly disposed within 2 years from the date of investment.</li> </ul> <p>Tax incentive is for investment made from 1 Jan 2021 until 31 Dec 2023.</p>	<p>Incentive expanded to investment made by individual investor through Limited Liability Partnership nominee company and be extended for a period of 3 years.</p>	<p>For investment made from 1 Jan 2024 until 31 Dec 2026.</p>



## Existing

## Proposed

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

Tax exemption on the SRI Sukuk Grant and Bond Grant Scheme received from Securities Commission from 1 January 2018 until 31 December 2025

Extension of scope to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by Securities Commission

*Applications received by Securities Commission from 1 January 2024 until 31 December 2025*

## Existing

## Proposed

## Effective Date

### 5. Review of Income Tax Exemption on Shariah-Compliant Fund Management Services

Shariah-compliant fund management services companies approved by the Securities Commission are given 100% tax exemption on their statutory income from fund management services as follows:

Tax exemption period to be extended for 4 years, but tax exemption rate is reduced to 60%

YA 2024 to YA 2027

Categories of Investors	YA
Foreign investors in Malaysia	2007 to 2023
Local investors	2008 to 2023
Business Trust Investor or Real Estate Investment Trust Investors (REITs) in Malaysia	2014 to 2023

Existing	Proposed	Effective Date
<p><b>6. Income Tax Exemption for Islamic Financial Activities under Labuan IBFC</b></p> <p>Labuan entities undertaking Labuan trading activities and meet the substance requirements are subject to tax at 3% on audited net profits.</p>	<p>Labuan entities undertaking Islamic financial related trading activities such as Islamic digital banking, Islamic digital bourses, ummah-related companies and Islamic digital token issuers will be granted full income tax exemption for 5 years</p>	<p>YA 2024 to YA 2028</p>

Existing	Proposed	Comments
<p><b>7. Review of Tax Incentive for Automation in Manufacturing, Services and Agriculture Sectors</b></p> <p>Manufacturing, services and agricultural companies incurring capital expenditure for automation equipment (including adaptation of Industry 4.0 elements) are given 100% Accelerated Capital Allowance (ACA) on the first RM10 million of the qualifying capital expenditure which can be claimed against 100% of the statutory income.</p> <p>The application to the relevant authorities should be made from 1 January 2023 to 31 December 2027</p>	<p>Expansion of scope of this incentive to include the commodity sector under the Ministry of Plantation and Commodities</p> <p><i>Applications received by Ministry of Plantation and Commodities from 14 October 2023 until 31 December 2027</i></p>	<p>This will cover industries such as palm oil, rubber, timber, cocoa, pepper, kenaf and tobacco</p>

### Proposed

#### **8. New incentive hub for chemical and petrochemical sector**

It is proposed that the Pengerang Integrated Petroleum Complex (PIPC) will become a development hub for the chemical and petrochemical sector. Tax incentive packages in the form of special tax rates or investment tax allowances will be given for such companies in the hub.

## C. INCENTIVES

Proposed	Effective Date
<p><b>9. Tax exemption for Islamic Securities Buying and Selling (ISSB) activities</b></p> <p>Tax exemption to be given on the income from Islamic Securities Buying and Selling (ISSB) activities.</p>	<p>YA 2024</p>

Existing

Proposed

Effective Date

## 10. Extension of tax incentive for Angel Investor

An angel investor investing in a tech start-up company in the form of ordinary shares is eligible for tax exemption equivalent to the amount of investment made in the company.

*For applications received by the MoF from 1 January 2021 to 31 December 2023.*

Tax incentive be extended for a period of 3 years.

Investment made from 1 January 2024 until 31 December 2026.

### Proposed

#### **11. Special tax rate for film production companies, foreign actors and film crews filming in Malaysia**

A special income tax rate between 0% to 10% for film production companies, foreign film actors and film crews who carry out filming in Malaysia.



## D. CAPITAL GAINS TAX

Existing	Proposed	Effective Date	Comments						
<p><b>1. Capital gains tax on disposal of unlisted shares</b></p> <p>No tax is imposed on gains from the disposal of shares except for shares in real property companies (RPC) under Para 34A of Schedule 2 to the Real Property Gains Tax (RPGT) Act 1976.</p>	<p>Capital gains tax (CGT) will be imposed on companies on the disposal of unlisted shares as follows:</p> <table border="1"> <thead> <tr> <th>Shares Acquisition Date</th> <th>CGT rate</th> </tr> </thead> <tbody> <tr> <td>Before 1 March 2024</td> <td>The taxpayers may choose:                             <ul style="list-style-type: none"> <li>i. 10% on the net gain of the disposal of shares; or</li> <li>ii. 2% on the gross sales value.</li> </ul> </td> </tr> <tr> <td>From 1 March 2024</td> <td>10% on the net gain of the disposal of shares</td> </tr> </tbody> </table> <p>Disposal of shares related to the following activities will be exempted from CGT:</p> <ul style="list-style-type: none"> <li>i. Initial Public Offering (IPO) approved by Bursa Malaysia; and</li> <li>ii. Restructuring of shares within the same group.</li> </ul>	Shares Acquisition Date	CGT rate	Before 1 March 2024	The taxpayers may choose: <ul style="list-style-type: none"> <li>i. 10% on the net gain of the disposal of shares; or</li> <li>ii. 2% on the gross sales value.</li> </ul>	From 1 March 2024	10% on the net gain of the disposal of shares	1 March 2024	<p>Currently, Para 34A Schedule 2 of RPGT Act imposes RPGT on RPC shares. The proposed CGT which is imposed on unlisted shares in a private limited companies may result in double taxation if such shares are also RPC shares.</p> <p>Individuals, trusts, co-operatives etc owning unlisted shares are not affected.</p>
Shares Acquisition Date	CGT rate								
Before 1 March 2024	The taxpayers may choose: <ul style="list-style-type: none"> <li>i. 10% on the net gain of the disposal of shares; or</li> <li>ii. 2% on the gross sales value.</li> </ul>								
From 1 March 2024	10% on the net gain of the disposal of shares								

## E. STAMP DUTY

Existing	Proposed	Effective Date	Comments
<p><b>1. Stamp duty for transfer of property ownership by renunciation of rights</b></p> <p>Transfer of property ownership involving inheritance property is subject to a fixed duty of RM10 under Item 32(i) of the First Schedule, Stamp Act 1949 if the ownership is transferred from the administrator to an eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958.</p> <p>If an eligible beneficiary renounces his/her right to another beneficiary or non-beneficiary, ad valorem duty is charged on a gift under Item 66(c) of the First Schedule, Stamp Act 1949</p>	<p>Transfer of property ownership in which the eligible beneficiary renounces his/her right for the benefit of another beneficiary in accordance with a will/faraid or the Distribution Act 1958 be subjected to a fixed stamp duty of RM10.</p>	<p>Instrument of transfer executed from 1 January 2024</p>	<p>This can help lighten the burden of the beneficiary from having to pay ad valorem stamp duty on the inherited property.</p>

# E. STAMP DUTY

Existing	Proposed	Effective Date	Comments										
<p><b>2. Stamp duty for Property ownership by non-citizen</b></p> <p>Foreign-owned companies and non-citizen individuals are allowed to own properties in Malaysia and subject to the same ad valorem stamp duty rate on instrument of transfer is imposed on Malaysian citizens as follows:</p> <table border="1"> <thead> <tr> <th>Sales Price/ Market Value of Property (whichever is higher)</th> <th>Stamp Duty Rate</th> </tr> </thead> <tbody> <tr> <td>First RM100,000</td> <td>1%</td> </tr> <tr> <td>RM100,000 to RM 500,000</td> <td>2%</td> </tr> <tr> <td>RM 500,001 to RM 1,000,000</td> <td>3%</td> </tr> <tr> <td>RM 1,000,001 and above</td> <td>4%</td> </tr> </tbody> </table>	Sales Price/ Market Value of Property (whichever is higher)	Stamp Duty Rate	First RM100,000	1%	RM100,000 to RM 500,000	2%	RM 500,001 to RM 1,000,000	3%	RM 1,000,001 and above	4%	<p>A flat rate of stamp duty of 4% will be imposed on the instrument of transfer executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents)</p>	<p>Instrument of property ownership for transfer executed from 1 January 2024</p>	<p>Based on the words in the Appendix, it appears that as long as the buyer or seller is a non-citizen individual / foreign-owned company executing the instrument of transfer, the flat rate of 4% kicks in.</p> <p>However, under the current stamp duty rules, the person responsible for paying stamp duty is the transferee.</p> <p>If the amendment does not change the person responsible for the payment of tax, the 4% stamp duty rate will only be applicable where the buyer is a non-citizen / foreign-owned company.</p>
Sales Price/ Market Value of Property (whichever is higher)	Stamp Duty Rate												
First RM100,000	1%												
RM100,000 to RM 500,000	2%												
RM 500,001 to RM 1,000,000	3%												
RM 1,000,001 and above	4%												

Existing	Proposed	Comments
<p><b>1. Increased service tax rate for services</b></p> <p>Service tax is charged at a standard rate of 6% for all prescribed taxable services listed under the First Schedule of the Service Tax Regulations 2018.</p>	<p>Service tax rate to be increased to 8% for all taxable services excluding food and beverages and telecommunication services.</p>	<p>Taxpayers providing different services should pay attention to the category of taxable services since the rate of taxes now varies based on the taxable service category.</p> <p>Taxpayer may have the risk of imposing service tax at incorrect rates if not carefully analysed.</p> <p>This will increase the cost to consumers not businesses receiving such services.</p>

Existing	Proposed	Comments
<p><b>2. Expansion of service tax scope</b></p> <p>Under the existing Service Tax Regulations 2018, <b>brokerage and underwriting</b> services are prescribed taxable services. However, brokerage and underwriting services related to trading of listed stocks are specifically exempted effective 1 January 2022.</p> <p><b>Logistics management services</b> was a prescribed taxable service under the First Schedule of the Service Tax Regulations 2018 effective 31 December 2018. However, this was removed effective 1 September 2019.</p>	<p>The service tax will be expanded to include:</p> <ul style="list-style-type: none"> <li>• brokerage and underwriting;</li> <li>• logistic services; and</li> <li>• karaoke services.</li> </ul>	<p>It appears that the whole logistic and warehousing process will be taxable under the Service Tax regime. Consequently, this would increase the logistic cost of companies.</p> <p>Since the businesses involved in the logistics industry providing different services is extremely wide, the coverage of this extension of the scope of service tax for the logistics industry is still unclear. We will only know exactly the extent of the coverage when the Regulations/ Gazette Order is issued.</p>

## F. INDIRECT TAX

Existing	Proposed	Effective Date	Comments
<p><b>3. Import duty and sales tax exemption on manufacturing aids</b></p> <p><i>Manufacturing aids are 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.</i></p> <p>Manufacturers are not entitled to any import duty and sales tax exemption on the importation and local purchase of manufacturing aids under the Customs Act 1967 and the Sales Tax Act 2018.</p>	<p>Import duty and sales tax exemption be given to eligible manufacturers on the importation and local purchase of manufacturing aids subject to types of industry and category of goods determined.</p>	<p>1 January 2024</p>	<p>Some examples of manufacturing aid may include lubricants, jigs, mould, mounting materials, chemical cleaners and sandpaper.</p>

## Existing

## Proposed

## Effective Date

### 4. Review of excise duty rate on sugar sweetened beverages

Excise duty is imposed on sugar sweetened beverages at the rate of **RM0.40 per litre** based on sugar content threshold on the following beverages:

Tarif code	Type of Beverages	Sugar Content Threshold
22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	>5g/100ml
	Flavoured milk-based beverages containing lactose	>7g/100ml
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml

Excise duty rate for sugar sweetened beverages to be increased from **RM0.40 per litre** to **RM0.50 per litre**.

1 January 2024

## Existing

## Proposed

## Effective Date

### 5. Imposition of excise duty on chewing tobacco

Smokeless tobacco products, such as **chewing tobacco** and **snuff tobacco** are subjected to import duties, excise duties and sales tax as follows:

Excise duty is imposed on products falling under the tariff code 2403.99.5000, such as chewing tobacco at the rate of 5% + RM27/kg

1 January 2024

Types of Duty/ Tax	Chewing Tobacco	Snuff Tobacco
Excise duty	N/A	5% + RM27/kg



Proposed	Effective Date
<p data-bbox="81 444 955 486"><b>6. Government's efforts in curbing smuggling</b></p> <p data-bbox="81 544 1719 629">The proposed measures may be introduced to curb the smuggling of liquors and cigarettes are:</p> <ul data-bbox="173 696 1719 939" style="list-style-type: none"><li>• Restricting transshipment activities to selected ports for liquor products;</li><li>• The sole exit point from Malaysia for the northern region may be limited to the Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex; and</li><li>• Importing of cigarettes for domestic market will only be allowed in full container load.</li></ul>	<p data-bbox="1913 544 2193 586">1 January 2024</p>

## Proposed Changes / New Measures

### 1. E-invoicing

The mandatory e-invoice implementation for taxpayers with an annual turnover or revenue of more than RM100 million will be **postponed to 1 August 2024**.

However, the process of bringing all taxpayers into the e-invoicing system will be accelerated to 1 July 2025 as opposed to the original plan which was expected to be by 1 January 2027.

MSMEs are given tax deduction up to RM50,000 per YA on the consultation fee for implementing e-invoice effective from YA 2024 to YA 2027.

2. Tax deduction of up to 10% of an individual or company's aggregate income for contributions to institutions / organisations / funds approved under Subsection 44(6) that conduct educational programs, including sports education.

## Proposed

## Comments

### 3. High Value Goods Tax (Luxury Tax)

A new legislation will be enacted to implement High Value Goods Tax at a rate of 5% to 10% on certain high value items, such as jewelries and watches based on the threshold value of the items.

More information is required on the type of goods subject to this tax, and the threshold value of the respective items.



**Follow us for tax updates!**

**Contact us if you need assistance or further information:**

**SM Thanneermalai (Thannee)**

[thannee@thannees.com](mailto:thannee@thannees.com)

[LinkedIn Profile](#)

**Raam**

[thushaaraam@thannees.com](mailto:thushaaraam@thannees.com)

017 304 0750

**Sangeetha Balan**

[sangeetha@thannees.com](mailto:sangeetha@thannees.com)

016 683 5987

**Lee Chak Wei**

[chakwei@thannees.com](mailto:chakwei@thannees.com)

019 388 5129

**Fo Wai Lan**

[wailan@thannees.com](mailto:wailan@thannees.com)

016 528 4389

**Sindupriyah Chandran**

[sindu@thannees.com](mailto:sindu@thannees.com)

016 969 6832