



Malaysia Budget 2024 Snapshot
Economic Reform, Empowering
the People

October 2023





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International Tax Review—Asia Pacific Tax Awards 2023

Recognised as Malaysia Tax Firm of the Year for the fifth consecutive year, and Transfer Pricing Firm of the Year

With a substantial allocation of RM393.8 billion, the 2024 Budget builds upon a rather decent fiscal performance fueled by the First MADANI Budget in 2023, through a tri-dimensional focus on effective governance and transparency, galvanizing economy as well as elevating the people's standard of living. Of the total amount, RM303.8 billion is allocated for Management Spending, RM90 billion for Development and RM2 billion as Contingency Savings. Evidently, the nation maintains an expansionary fiscal stance, with an aim of achieving almost a 5% GDP growth, even as it embarks on a progressive fiscal deficit reduction to 4.3% from the projected 5% of GDP for 2023. The "Economic Reform, Empowering the People" agenda clearly seeks to prioritise the rakyat's wellbeing while being fiscally responsible. This is in line with the recent announcements such as the National Energy Transition Roadmap, the New Industrial Master Plan 2030, and the Mid-Term Review of the Twelfth Malaysia Plan, which all seeks to drive our nation forward and strengthening our position in the global market.



Yee Wing Peng
Chief Executive Officer

Foreword



Sim Kwang Gek
Country Tax Leader

Themed "Economic Reform, Empowering the People", Budget 2024 was crafted with the aim to strengthen the economy, raise living standards of the people and broaden the tax base.

Armed with the highest budget allocation in history of RM393.8 billion, Budget 2024 proposes to allocate 77% or RM303.8 billion to operating expenditure while RM90 billion goes towards development expenditure with RM2 billion earmarked for contingency savings. Revenue is expected to increase slightly at RM307.6 billion in 2024 while the fiscal deficit is projected to improve to 4.3% of GDP compared to 5.0% this year.

From a tax perspective, Budget 2024 concentrated on measures to widen the tax base and support initiatives under the

New Industrial Masterplan 2030 as well as encourage businesses to adopt green practices.

Measures such as the capital gains tax on disposal of unlisted shares, service tax rate hike and expansion in scope, luxury goods tax and e-invoicing should boost tax collection as can be seen from the projected increase in tax collection by 6.4% or RM14.6 billion as compared to year 2023. Tax collection remains the largest contributor to the government's revenue representing 79.2% of total revenue. This represents 12.3% of GDP which is relatively lower than the Asia and Pacific average of 19.8% and OECD average of 34.1%.

As expected, more details on the introduction of capital gains tax were revealed. Budget 2024 proposes to introduce a capital gains tax on gains arising from disposal of unlisted shares effective from 1 March 2024. With this, the current Real Property Gains Tax (RPGT) Act 1976 may be amended to remove RPGT on disposal of Real Property Company shares to avoid double taxation. Capital gains tax is not new and has been implemented by a number of countries including Indonesia, Thailand, Vietnam, Philippines, Australia and UK. The scope is wider than unlisted shares and the rate ranges from as low as 0.1% to 30% depending on the type of assets disposed. While we anticipate that there could be initial hesitation impacting mergers & acquisitions and private equity deals, this is balanced with exemptions for IPOs under Bursa Malaysia and internal group restructuring.

Meanwhile, the service tax rate hike from 6% to 8% and expansion of the scope of taxable services are expected to generate additional revenue of RM900 million in 2024. While this measure contributes to more tax collection, the impact on costs of doing business must be given weight as service tax has a tax cascading effect which ultimately results in higher prices and inflationary pressure.

Where e-invoicing is concerned, the implementation deadline for companies with annual turnover of RM100 million and above has been deferred to 1 August 2024, but this does not really provide much more time and impacted businesses need to start the ball rolling now to assess their readiness.

Overall, Budget 2024 strives to reform the Malaysia economic structure and propel Malaysia towards achieving its status as an Asian powerhouse as well as safeguard the well-being of the people and ensure equitable distribution of the economic pie. As the Prime Minister has said in his Budget 2024 speech, Malaysia has tremendous potential, abundant resources, a skilled workforce, professionals and competitive citizens who can position us strategically as a leader in the Asian economy. This dream is not impossible if we unite, stay focused and live up to our *Malaysia Boleh* spirit.

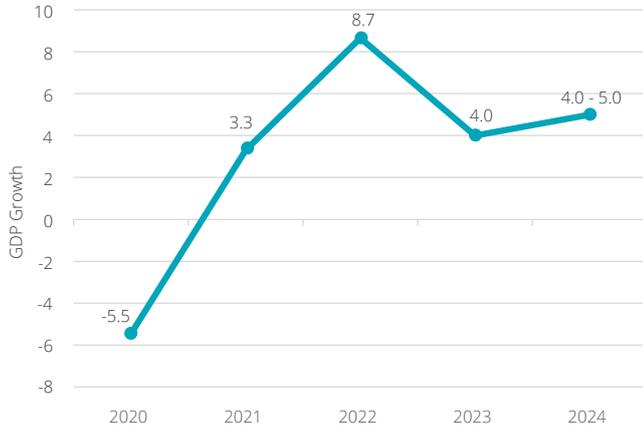
Happy Reading!

Budget 2024

Key financials at a glance

GDP growth

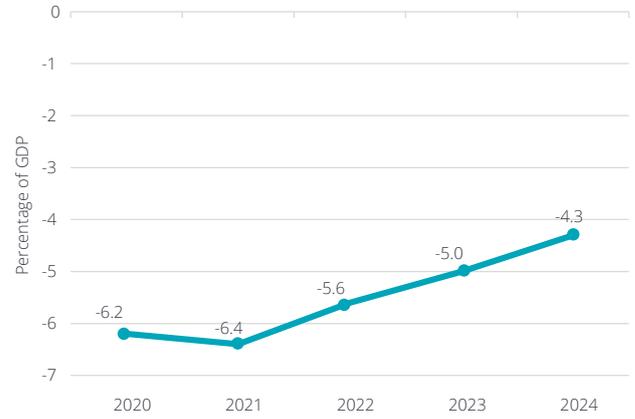
As a result of the COVID-19 pandemic, the Malaysian economy contracted by 5.5% in 2020. At the end of 2020 there were signs of economic recovery with the year 2021 registering a growth of 3.3%. This momentum continued in 2022 with a GDP growth of 8.7%. Meanwhile, projected GDP growth in 2023 and 2024 is 4.0% and 4.0% - 5.0% respectively.



Year	GDP (constant 2015 prices)	
	RM (million)	% Change
2020	1,346,249	-5.5
2021	1,390,644	3.3
2022	1,510,939	8.7
2023	1,569,247	4.0
2024	1,645,078	4.0 - 5.0

Budget deficit

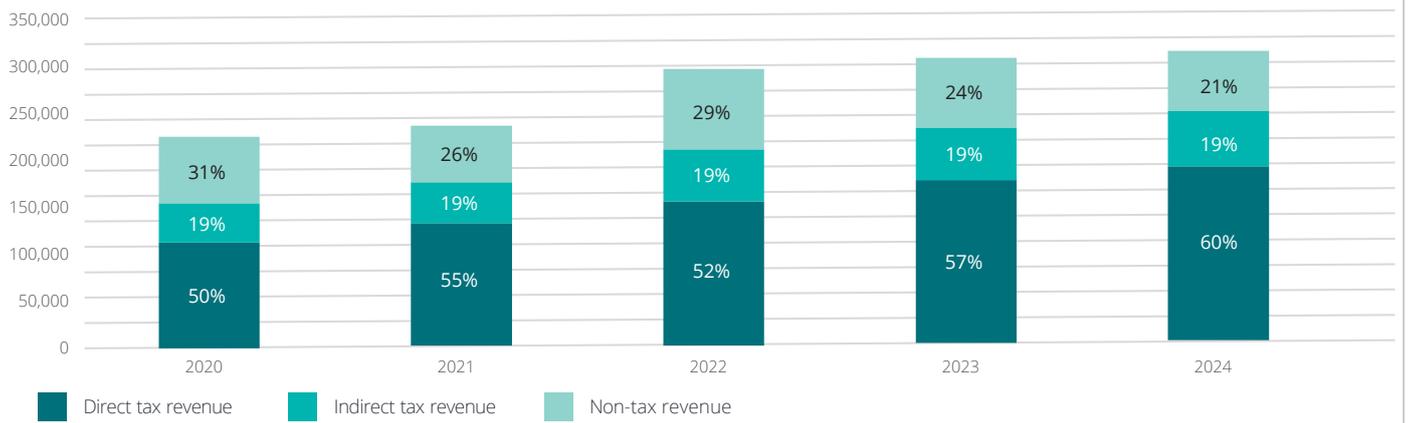
The fiscal deficit as a percentage of GDP increased from 6.2% in 2020 to 6.4% in 2021, as the Government incurred expenditure in various people assistance and economic stimulus packages for businesses. In 2022, the fiscal deficit was narrowed to 5.6% with slight improvement to 5.0% in 2023 and 4.3% in 2024.



Year	Budget deficit	
	RM (million)	% GDP
2020	-87,645	-6.2
2021	-98,740	-6.4
2022	-99,482	-5.6
2023	-93,240	-5.0
2024	-85,400	-4.3

Tax revenue over total revenue – breakdown by direct and indirect taxes

Tax collection represents a major contributor to the overall federal government revenue. Direct tax contributes a larger share of total revenue in comparison to indirect taxes representing more than 50% of total revenue from 2020 to 2024.

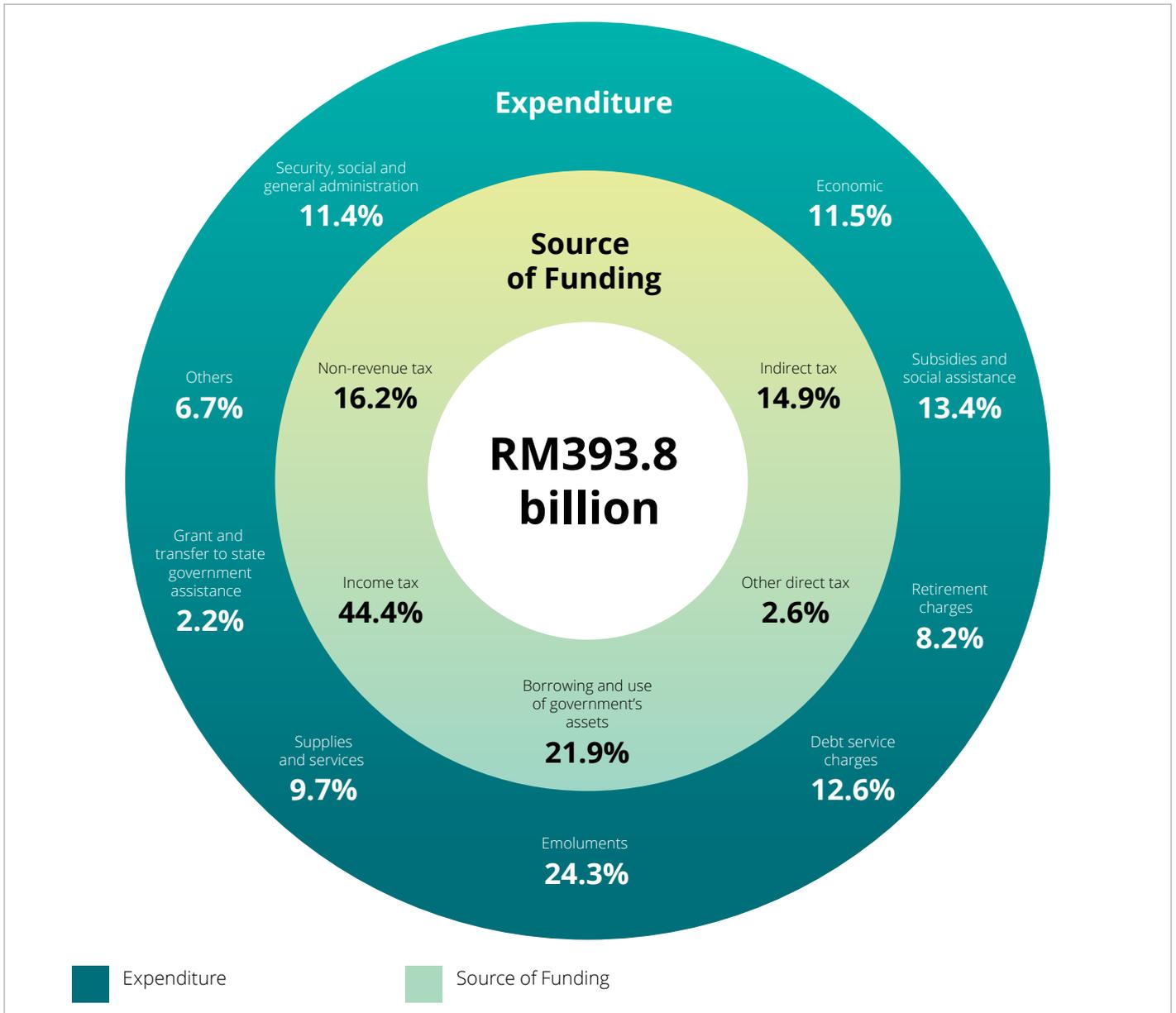


Year	Direct tax revenue		Indirect tax revenue		Non-tax revenue		Total revenue	
	RM (million)	% Change	RM (million)	% Change	RM (million)	% Change	RM (million)	% Change
2020	112,511	-16.5	41,887	-8.6	70,677	-15.7	225,075	-14.9
2021	130,116	15.6	43,588	4.1	60,048	-15	233,752	3.9
2022	153,476	18.0	55,289	26.8	85,592	42.5	294,357	25.9
2023	173,020	12.7	56,000	1.3	74,180	-13.3	303,200	3.0
2024	185,000	6.9	58,620	4.7	63,980	-13.8	307,600	1.5

Sources: Ministry of Finance -Economic Reports

Budget 2024

Source of funding and expenditure



	2023	2024
Fiscal deficit (% of GDP)	-5.0%	-4.3%
Federal government revenue	RM303.2 billion	RM307.6 billion
Operating expenditure	RM300.1 billion	RM303.8 billion
Development expenditure	RM96.3 billion	RM89.2 billion



Capital Gains Tax

Capital Gains Tax on Disposal of Unlisted Shares

What is the rate?

Shares acquisition date	CGT rate
Before 1 March 2024	<p>The taxpayers may choose:</p> <ul style="list-style-type: none"> • 10% on the net gain of the disposal of shares; or • 2% on the gross sales value.
From 1 March 2024	10% on the net gain of the disposal of shares

What is the scope?

Whilst CGT would apply to gains arising from the disposal of unlisted shares in local companies, at issue is whether shares in foreign companies would also be caught.

Any exemption available?

It is proposed that CGT exemption is to be granted for the disposal of unlisted shares in relation to:

- Initial Public Offering approved by Bursa Malaysia;
- restructuring within the same group; and
- venture capital company *[provided in the Budget Speech]*.

Will the CGT be legislated under the Act, or under a separate legislation?

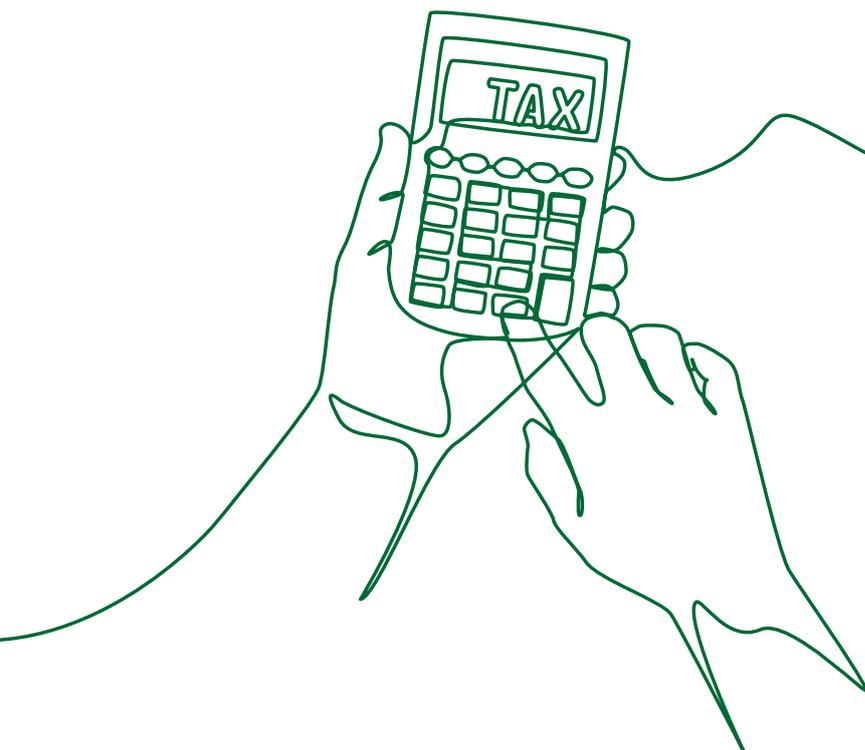
Currently, it is unclear whether the CGT will be implemented under the Act or under a separate legislation. We expect the details of the CGT legislation to be announced soon.

What is the effective date?

1 March 2024

What are other considerations?

- What are the types of expenditure that would be deductible?
- Can a capital loss be carried forward?
- Is the CGT a covered tax for the purposes of Pillar Two GMT?
- How does CGT interact with RPGT?
- Where capital gains are taxed in both countries, how tax credit can be claimed?
- How would CGT be applied in circumstances where shares are transferred as dividend-in-specie, contribution-in-kind, or distribution under liquidation?
- Any de minimis rule to exempt gains below a certain threshold?
- How would disposal value and date of disposal be determined for CGT purposes?



CGT regime of regional peers at a glance

Countries	Select treatment of capital gains tax	Available exemptions
Singapore	Proposed to tax the gains from disposal of foreign assets under normal corporate income tax (effective 1 January 2024)	The proposed tax on capital gains will not apply to: <ul style="list-style-type: none"> • financial institutions; • entities with certain Singapore tax incentive schemes; and • entities that meet the relevant economic substance requirements.
Hong Kong	Offshore gains from equity interest disposal are subject to Hong Kong Profits Tax (effective 1 January 2023) with potential amendments on existing foreign sourced income exemption regime to include foreign-sourced gain from disposal of other assets. Public consultation was launched on tax certainty enhancement scheme for onshore gains on disposals of equity interests.	Exemption on offshore gains from equity interest disposal where economic substance requirement is satisfied OR under participation exemption regime
Philippines	Sale of real property: 6% on gross Sale of non-listed shares: 15% on net	N/A
Indonesia	The capital gains derived by an Indonesian resident company are taxed at the standard corporate income tax rate Sale of disposal of land and buildings: 2.5% on gross Transfer of shares in Indonesian company by a non-Indonesian shareholder: 5% transfer tax on gross Sale of listed shares: 0.1% on gross	Transfer subsequent to a merger, consolidation, expansion or acquisition
Cambodia	20% on capital gains effective January 2024	N/A
Myanmar	10% on net for non-oil and gas sector 40% - 50% on net for oil and gas sector	N/A
Laos	2% on gross	Sale of stock in Lao Securities Exchange
Thailand	Capital gains are subject to normal income tax	Income tax exemption on gains from: (i) disposal of shares in companies engaged in the target industries; (ii) disposal of shares and the dissolution of venture capital companies investing in companies engaged in the target industries; and (iii) disposal of trust units and the dissolution of trusts investing in companies engaged in the target industries.
Vietnam	Capital gains are subject to normal income tax	N/A
Australia	Capital gains are subject to normal income tax	Intragroup transfers can be ignored if consolidation is undertaken
United Kingdom	Capital gains are subject to normal income tax	Most acquisitions and disposals between UK group companies (and non-UK companies within the charge to UK tax on immovable property gains) are treated as made on a no gain no loss basis.



Corporate Tax

Global Minimum Tax (GMT)

Malaysia is expected to implement GMT in year 2025 instead of year 2024 as announced previously. GMT will only apply to large MNEs with global revenue of at least EUR 750 million.

Capital allowance on Information and Communication Technology (ICT) equipment and customised computer software

The capital allowance (CA) rate applicable to capital expenditure incurred by companies on the purchase of ICT equipment and customised computer software will be revised to initial allowances (IA) of 40% (previously 20%) and annual allowances (AA) of 20% (unchanged) with effect from YA 2024. With the revised rate, the CA claim period will be reduced from 4 years to 3 years.

Further tax deduction for development of carbon projects

Further tax deduction of up to RM300,000 for costs incurred by companies for the Development and Measurement, Reporting and Verification (MRV) in relation to the development of carbon projects. This is deductible against income earned from carbon credits traded on Bursa Carbon Exchange (BCX). This applies to applications received by the Malaysia Green Technology and Climate Change Corporation (MGTC) from 1 January 2024 until 31 December 2026.

Tax deduction on ESG related expenditure

To encourage more companies to comply with ESG standards, it is proposed that a tax deduction of up to RM50,000 for each YA (from YA 2024 to YA 2027) be given for ESG related expenditures as follows:

ESG related expenditure	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 the Bank Negara Malaysia
Tax corporate governance framework	Preparation of reports related to tax corporate governance framework by companies
Transfer pricing documentation	Preparation of transfer pricing documentation by companies
E-invoicing implementation	Consultation fee for implementing e-invoicing incurred by MSME
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by the MOF

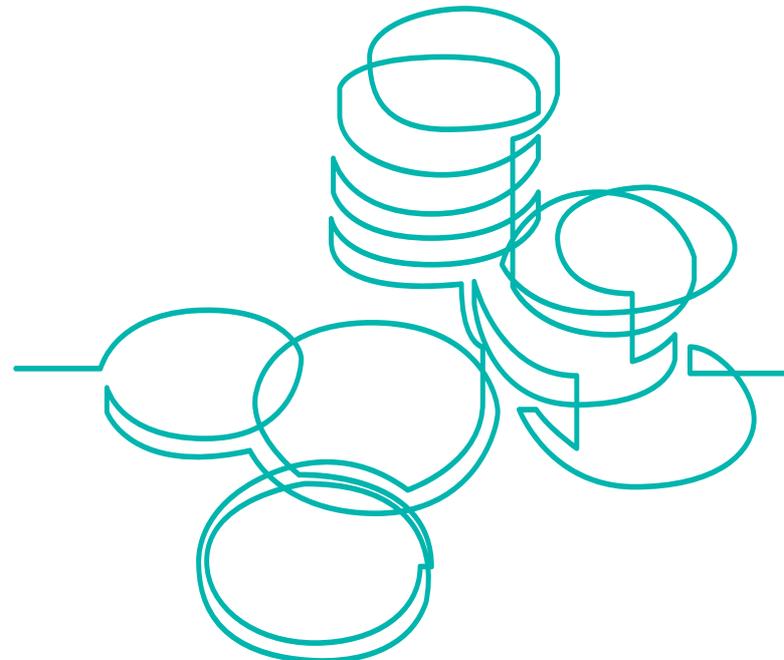
Extension of tax incentive for rental of non-commercial EV

The proposed tax deduction on the rental of non-commercial EV (up to RM300,000*) will be extended to YA 2027 (previously proposed from YA 2023 to YA 2025).

*It is unclear whether the RM300,000 limit is set for each YA or on each vehicle.

Sustainable and Responsible Investment (SRI) Incentives

- Income tax exemption on management fees income for companies providing SRI fund management services extended to YA 2027.
- Tax deduction on issuance costs of SRI sukuk approved, authorized or lodged with the Securities Commission Malaysia (SC) extended to YA 2027.
- Income tax exemption on the SRI Sukuk Grant and Bond Grant Scheme expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by SC. This applies to applications received by SC from 1 January 2024 to 31 December 2025.





“The question on the start year for Malaysia in respect of GMT has lingered on our minds for months. Many thought that 2024 would be the year and started to prepare for that eventuality. In this Malaysian Budget 2024, it was announced that Malaysia is expected to implement GMT in 2025. With this, the knee-jerk reaction is that there will be breathing space for the affected MNEs given that there are additional 12 months to prepare. But, is this really the case?

GMT will apply to large MNEs that operate in Malaysia and elsewhere. Depending on where they operate, the level of urgency would differ. Where Malaysian-based MNEs operate only in Malaysia and countries that will implement GMT in 2025, there could be slight breathing space but this will also depend on whether the GMT law in Malaysia and those countries are regarded as being substantially enacted in 2023. If so, some form of disclosure in the financial reports for 2023 would still be required, albeit companies may opt to make a limited disclosure. Where Malaysian-based MNEs operate in Malaysia and countries that implement GMT in 2024 such as the United Kingdom, there are already GMT issues that need to be dealt with immediately. An impact assessment on the potential top-up tax there given the local QDMTT in those countries as well as disclosures for financial reporting in 2023 under the relevant accounting standards would be necessary. Analysis on data readiness may also be carried out.

Regardless of 2024 or 2025, Malaysian subsidiaries of the foreign-based MNCs would need to start assessing the GMT implications on the tax incentives that they are enjoying in Malaysia. Likewise, GMT needs to be considered in new applications for tax holidays in Malaysia. The level of economic substance which would cushion the impact of GMT need to be factored in. The breathing space, if any, is temporary as a host of things need to be done in terms of impact assessment, data readiness, tax provisions, financial disclosures, impact on tax incentives and tax compliance regardless of 2024 or 2025 being the start year. Hence, those MNEs that commenced preparation for GMT, would be in a better position to manage their GMT affairs”.



Tan Hooi Beng
International Tax Leader



Tax Incentives

Green Technology Tax Incentives

- Green technology tax incentives will be reviewed as follows:

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. EV charging station	100%	100%	5 years
Tier 3 i. Biomass ii. Biogas iii. Mini hydro iv. Geo thermal v. Solar vi. Wind energy	100%	70%	5 years

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

GITA Asset (Own Consumption)

Qualifying Activities	GITA (%)	% of Statutory Income to be Set-Off	Incentive Period
Tier 1 i. List of qualifying assets approved by Minister of Finance ii. Battery Energy Storage System iii. Green Building	100%	70%	Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026 and verified by the Malaysian Green Technology and Climate Change Corporation
Tier 2 i. List of qualifying assets approved by Minister of Finance ii. Renewable Energy System iii. Energy efficiency	60%	70%	

GITE Solar Leasing

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

- For applications received by MIDA from 1 January 2024 until 31 December 2026

Reinvestment under the New Industrial Master Plan 2030

- To encourage existing companies that have exhausted their Reinvestment Allowance eligibility period to increase capacity and investment in high-value activities under the New Industrial Master Plan 2030, an incentive for reinvestment which is determined by outcome-based approach is given as follows:

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

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



Special income tax rates for film production companies, foreign film actors and film crews

Proposed special income tax rate of between 0% to 10% for film production companies, foreign film actors and film crew for filming in Malaysia.

ACA for automation equipment in manufacturing, services and agriculture sectors

- The scope has been expanded to include the commodity sector under the Ministry of Plantation and Commodities.
- Applicable for applications received by the Ministry of Plantation and Commodities from 14 October 2023 until 31 December 2027.

Tax Incentive for Pengerang Integrated Petroleum Complex (PIPC)

Tax incentives in the form of a special tax rate or ITA is proposed to be given to transform PIPC into a hub for the development of the chemical and petrochemical sectors.

Extension of Tax Incentives

Activities	Number of years extended	Comments
Individual investors investing in investee company through equity crowdfunding	3 years	Investment made until 31 December 2026. The scope of tax incentive is also expanded to investment made by individual investor through Limited Liability Partnership nominee company.
Angel investor	3 years	Investments made from 1 January 2024 until 31 December 2026
Social Enterprise	2 years	Income tax exemption on all income for applications received by MOF from 1 January 2024 until 31 December 2025
Shariah-compliant fund management services companies approved by the Securities Commission Malaysia	4 years	Up to YA 2027. The income tax exemption on statutory income is reduced from 100% to 60%.

“The extension of the role of MITI and MIDA to facilitate the implementation of FDI and DDI with a focus on high-growth high-value industries will help to accelerate Malaysia’s growth as a whole in line with the goals of the New Industrial Master Plan 2030. We welcome the Government’s proposal of a new performance-based incentive with a tiering system for reinvestments to spur on existing companies especially FDIs to further expand, diversify, automate and modernise. These can develop strong domestic linkages and create high-value job opportunities for Malaysians while offering novel skills and knowledge transfer from overseas to enhance our industries. Malaysian companies stand to gain by filling the gaps created from increased demand from the reinvestments and thus developing local support industries.”



Ng Lan Kheng
Global Investment and Innovation
Incentives (Gi³) Leader

Islamic Securities Selling and Buying (ISSB)

Income tax exemption on income arising from Islamic Securities Selling and Buying with effect from YA 2024.

Tax incentive for Global Services Hub

- To maintain Malaysia's competitiveness as a key player in the global services sector in the region and to establish the country as high-impact strategic services hub, a Global Services Hub tax incentive based on outcome-based approach is introduced as follows:

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Exemption Years	5 + 5		5	
Tax rate	5%	10%	5% on value-added income	10% on value-added income
Types of income exempted	i. Services income; or ii. Services and trading income.			
Qualifying services and additional services	i. Regional P&L/Business Management Unit; ii. Strategic business planning; iii. Corporate development; and iv. Any 2 qualifying activities under the services category as follows: a. Strategic services; b. Business services; c. Shared services; or d. Other services.			
Conditions (Outcome-based)	i. Annual operating expenditure; ii. High value full-time employees; iii. C-Suite with a minimum monthly salary of RM35,000; iv. Local ancillary services; v. Collaboration with higher education institution/TVET; vi. Training for Malaysian students/citizen; vii. ESG elements; or viii. 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.
- Applicable for applications received by MIDA from 14 October 2023 until 31 December 2027.





Indirect Tax



Increase in service tax rate

Rate of service tax to be increased from 6% to 8%. To reduce the burden on the Rakyat, the increased rate will not apply to services such as food & beverages and telecommunications. We anticipate further clarification on the scope of telecommunications services to be excluded.

Additional prescribed taxable services for service tax

Service tax to be expanded to logistics services, brokerage services, underwriting services and karaoke services. No further details were provided on the scope of these services to be taxed. It should be noted that logistics services were previously excluded under the management services category.

Luxury goods tax

A new Luxury 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 for this tax.

Tightening control on smuggling of alcoholic beverages and cigarettes

Effective 1 January 2024, these measures will be implemented:

- Transshipment activities for alcoholic beverages will be limited to certain ports only.
- Immigration, Customs, Quarantine and Security Complex, Bukit Kayu Hitam will be made the sole exit point for the northern region.
- Importation of cigarettes for domestic market shall be made by way of full container load.

Increase in excise duty on sugar sweetened beverages

Excise duty on sugar sweetened beverages is proposed to be increased from the current RM0.40 per litre to RM0.50 per litre, from 1 January 2024.

Imposition of excise duty on chewing tobacco

The Government has proposed to levy excise duty on chewing tobacco under the tariff code 2403.99.5000, at the rate of 5% + RM27/kg from 1 January 2024.

Import duty and sales tax exemption on manufacturing aids

Import duty and sales tax exemption to be granted to eligible manufacturers on the importation and local purchase of manufacturing aids, subject to the predetermined type of industry and the category of goods. It is proposed to be effective from 1 January 2024.

This clarifies some anomalies that existed in the past and is a welcome result of appeals made by the industry.

Reduction of entertainment duty

Entertainment duty in Federal Territories to be reduced as follows:

Description	Current rate	Proposed new rates
Stage performance by international artist / Light shows / Circus	25%	10%
Film screening (Cinema) / Theatre		
Exhibition / Zoo / Aquarium		
Sports event / E-Sport / Bowling / Snooker / Pool / Billiard / Karaoke	25%	5%
Theme parks / Family recreation centre / Indoor game centre / Simulator		5%
Stage performances by local artist		0%

The change is effective for applications received by the MOF from 1 January 2024 until 31 December 2028.



“We continue to see adjustments made to plug leakages and enhance indirect tax collection. However, we are concerned that increasing the service tax rate and expanding the scope may increase the cost to businesses and impact prices down the supply chain. Thus, we anticipate the Government would adopt further indirect tax reforms to increase compliance and widen the tax base.”

Tan Eng Yew

Indirect Tax Leader



Individual Tax

Extension /expansion of personal reliefs

Personal relief	Comments	Effective date
Medical treatment expenses (up to RM10,000)	Extension of scope to include dental examination and treatment limited to RM1,000	YA 2024
Medical treatment, special needs and care expenses incurred for parents (up to RM8,000)	Extension of scope to include parent's full medical examination limited to RM1,000	YA 2024
Lifestyle (up to RM2,500)	Extension of scope to cover fees for self-skills enhancement courses. <Purchase of sports equipment and gym membership fees are removed from the scope and introduced as a separate relief under "Sports Equipment and Activities">	YA 2024
Sports Equipment and Activities (up to RM1,000)	Purchase of sports equipment, rental or entry fees to sports facilities, registration fees for participating in sports competitions, gym membership fees and sports training fee limited to RM1,000.	YA 2024
Up-skilling and self-enhancement course fees (up to RM2,000)	Extended for a period of 3 years	YA 2024 – 2026
Expenses incurred for payment of installation, rental, purchase including hire purchase of equipment or subscription for the use of EV charging facilities (up to RM2,500)	Extended for a period of 4 years	YA 2024 – 2027



"Working taxpayers will be relieved that there were no increase in personal income tax rates this time around. Instead, the period applicable for some of the existing personal income tax reliefs were proposed to be extended; and others had a further increase in the amount claimable.

It is also gratifying to see the Budget proposing tax reliefs to promote healthy living and continuous learning through upskilling and self enhancement."

Ang Weina

Global Employer Services Leader

Extension on tax exemptions / incentives

Personal relief	Comments	Effective date
Tax exemption on childcare allowances received by employees or paid directly by employer to childcare centers	Tax exempt amount increased from RM2,400 to RM3,000	YA 2024
Tax incentive for woman returning to workforce	Extended for a period of 4 years from YA 2025 until YA 2028	Applications to be submitted and received by Talent Corporation Malaysia Berhad on or before 31 December 2027
Tax incentive for Returning Expert Program	<ol style="list-style-type: none"> 1) Income tax at a fixed rate of 15% on employment income for 5 consecutive years; and 2) The exemption on excise duty for the purchase of a Completely Knocked-Down (CKD) vehicle subject to an exemption amount of up to RM 100,000. <For the extended incentive period, the scope of exemption has been revised to exclude Completely Built-Up (CBU) vehicle> 	Applications to be submitted and received by Talent Corporation Malaysia Berhad on or before 31 December 2027



Stamp Duty

Review of stamp duty for property ownership by non-citizens and foreign-owned companies

Stamp duty at the flat rate of 4% will be imposed on the instrument of transfer of property executed by non-citizen individuals and foreign-owned companies (excluding Malaysian permanent residents) from 1 January 2024.

Transfer of property ownership involving the renunciation of rights to another eligible beneficiary

The instrument for transfer of property ownership by renunciation of rights from an eligible beneficiary to another eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958 which is executed from 1 January 2024 will be subject to a nominal stamp duty of RM10.





Others

E-invoice implementation

The Government is proceeding with the implementation of the e-invoice initiative, but in response to taxpayers' feedback for sufficient time for the implementation, the effective date for businesses achieving an annual sales turnover of more than RM100 million will be postponed from 1 June 2024 to 1 August 2024.

The e-invoice effective dates for taxpayers in all other income categories will be in phases, beginning from 1 July 2025. No further information has been provided at this time on these new implementation timelines.

In addition, the use of the TIN will be expanded to support the e-invoice implementation. The expanded usage of the TIN is expected to widen the tax net and encourage voluntary tax compliance and eventually reduce tax leakages.

Commentary:

The Government has reaffirmed its commitment to introducing electronic invoicing from 2024. The delay of the commencement date by two months from 1 June 2024 to 1 August 2024 gives businesses additional time to get ready. It is critical that the IRB releases the critical guidelines, in particular, the technology related guidelines as soon as possible so that businesses can start making the necessary enhancements to systems and updating processes.

Income tax exemption for Islamic financial-related trading activities under Labuan International Business and Financial Centre (IBFC)

Full income tax exemption from YA 2024 until YA 2028 for a Labuan entity that undertakes Islamic financial-related trading activities such as Islamic digital banking, Islamic digital bourses, ummah-related companies and Islamic digital token issuers.

Tax deduction on contributions for environmental preservation and conservation projects

Special tax deduction under Section 34(6)(h) of the Act for entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by the Forest Research Institute Malaysia. This is applicable for applications received by the MOF from 1 January 2024 to 31 December 2026.

Industrial Building Allowance (IBA) for senior citizens private nursing care home

Senior Citizens Private Nursing Care Home approved by the Ministry of Health will qualify for IBA at the rate of 10% on the cost of construction or purchase of a building, including renovation costs for each YA. This allowance shall be given for qualifying expenditure incurred from 1 January 2024 to 31 December 2026.

Tax deduction under Section 44(6) of the Act for contributions to approved institutions, organisations or funds that implements educational programmes including sports education

Tax deduction of up to 10% of the aggregate income of individuals or companies contributing to institutions, organisations or funds approved under Section 44(6) of the Act which implements educational programmes including sports education.

Review of approval conditions for institutions/ organisations/funds approved under Section 44(6) of the Act

Effective YA 2024, the approval conditions for the above entities are proposed to be reviewed as follows:

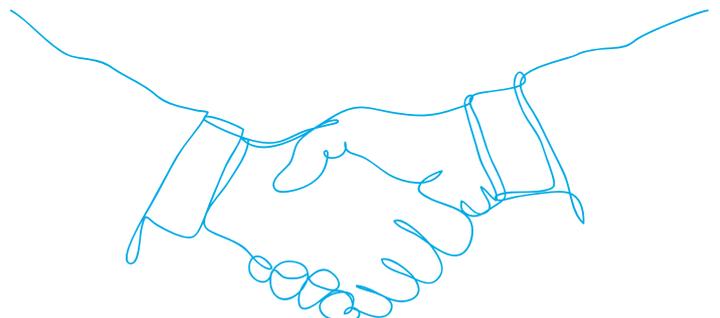
- i. The accumulated funds utilisation limit of not more than 25% for participation in business activities be increased up to 35%.
- ii. The above entities may choose either of the following options to continue qualifying for income tax exemption under Section 44(6):

Options	Utilisation of accumulated funds	Threshold of Charitable Activity Expenditure
1	Up to 25%	At least 50%
2	Over 25% and up to 35%	At least 60%

For any breach of conditions within the approval period, the entities will not be eligible for tax exemption in the YA the breach of conditions occurred. However, the approval status will not be withdrawn to ensure donors remain eligible for tax deductions on contributions made to the above entities.

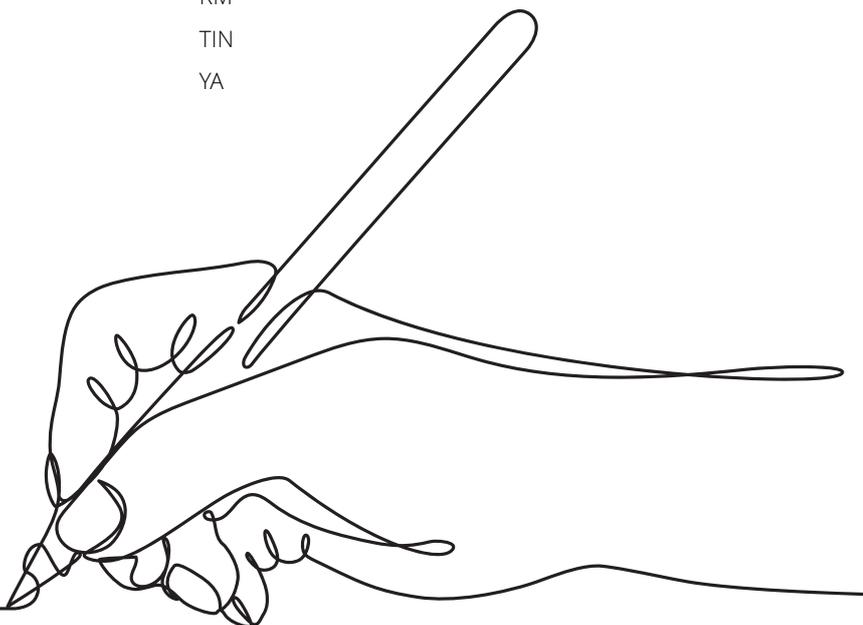
Review of tax incentives for CCS and Hydrogen Sulphide projects under the PITA

In order to ensure PITA continues to remain relevant with the latest developments and needs of the upstream oil and gas industry as well as to increase the interest of the foreign investors to continue to invest in Malaysia, PITA Review Committee which comprises of the MOF, IRB and PETRONAS is currently studying and designing tax incentives for CCS and Hydrogen Sulphide projects. The study is expected to be completed by the end of 2023.



Abbreviations and Acronyms

Accelerated Capital Allowance	ACA
Capital Gains Tax	CGT
Carbon Capture and Storage	CCS
Domestic Direct Investment	DDI
Environmental, Social and Governance	ESG
Electric Vehicle	EV
Euro	EUR
Foreign Direct Investment	FDI
Green Investment Tax Allowance	GITA
Green Income Tax Exemption	GITE
Global Minimum Tax	GMT
Gross Domestic Product	GDP
Inland Revenue Board	IRB
Income Tax Act 1967	the Act
Investment Tax Allowance	ITA
Malaysian Investment Development Authority	MIDA
Micro, Small and Medium Enterprise	MSME
Ministry of Investment, Trade and Industry	MITI
Ministry of Finance	MOF
Multinational Enterprise	MNE
Petroleum (Income Tax) Act 1967	PITA
Qualified Domestic Minimum Top-up Tax	QDMTT
Ringgit Malaysia	RM
Tax Identification Number	TIN
Year of Assessment	YA



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