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Highlights of Budget 2025  
Tax Espresso (Special Edition)

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#### **International Tax Review — Asia-Pacific Tax Awards 2024**

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# Capital Gains Tax

## Amendments to Section 15C of the Act

New Section 15C has been introduced into the Act effective 1 January 2024, where gains or profits accruing to a company, limited liability partnership, trust body or co-operative society from the disposal of shares of a controlled company incorporated outside Malaysia (relevant company) is deemed to be derived from Malaysia where the relevant company derives value from real property in Malaysia.

Finance Bill 2024 has proposed a few amendments to Section 15C:

- A new proviso under Section 15C(2) to bring clarity to the determination of relevant company status.
- Sections 15C(2A) and 15C(4A) to clarify the acquisition date and price of the RPC shares acquired before 1 January 2024 for Section 15C purposes.
- Amendment to Sections 15C(3) and 15C(4) to determine the relevant company shares' acquisition date and price.
- A new definition of "another controlled company" under Section 15C(5).

*Effective: 1 January 2025*

## Determination of relevant company status

Currently, the status of relevant company shares remain, notwithstanding that its defined value falls below the 75% threshold at the time of disposal. No further provision on how a relevant company will cease its status of relevant company for Section 15C purposes.

### Proposal

A new proviso will be inserted under Section 15C(2) where at any date the relevant company disposes of real property situated in Malaysia or shares in another controlled company, or both, and the defined value of the real property or the shares in another controlled company, or both, falls below 75% of its total tangible asset, the relevant company is no longer regarded as a relevant company from the date of the disposal.

## Clarification on the application of the date and acquisition price for RPC Shares under Paragraph 34A, Schedule 2 of the RPGTA

With the introduction of CGT in Malaysia effective 1 January 2024, the RPGTA has been amended whereby any acquisitions or disposals of shares in RPCs by a company, limited liability partnership, trust body and co-operative society will no longer be subject to RPGT effective 1 January 2024.

The IRB has indicated in Paragraph 12.2 of the existing guidelines (Guidelines: CGT on Unlisted Shares dated 1 March 2024) that the disposal of shares in an RPC under Paragraph 34A, Schedule 2 of the RPGTA acquired prior to 1 January 2024 will be subject to CGT for the purposes of Section 15C, although no such provision is found under the existing Section 15C.

### Proposal

New Sections 15C(2A) and 15C(4A) will be introduced to "clarify" that where a relevant company is an RPC under the RPGTA prior to 1 January 2024, the date of acquisition and acquisition price of the RPC shares [as determined under Paragraphs 34A(2) and 34A(3), Schedule 2 of the RPGTA] are deemed to be the date of acquisition and acquisition price of the relevant company shares for the purposes of Section 15C.

### Commentary

*The IRB has mentioned recently that the proposed amendments aim to clarify the government's position since the implementation of CGT, although the effective date of the proposed amendments is 1 January 2025. Clearly the implementation of such position by the IRB retrospectively, i.e., prior to the effective date of 1 January 2025, may be seen as a lack of legal basis.*

# Capital Gains Tax

## Determination of the date and acquisition price of the relevant company shares

The current Section 15C(3) provides that shares of a relevant company are deemed to be acquired either:

- a) on the date when the defined value of real property or shares of another controlled company, or both, is  $\geq 75\%$  of the total tangible assets of the relevant company; or
- b) on the date of acquisition of the shares of the relevant company.

Where (a) applies, the acquisition price is deemed to be equal to the sum determined in accordance with the formula provided under Section 15C(4)(a) of the Act as follows:

$$\frac{A}{B} \times C$$

- “A” is the number of shares of the relevant company;
- “B” is the total number of issued shares of the relevant company at the date of acquisition of the shares of the relevant company; and
- “C” is the defined value of real property or shares owned by the relevant company at the time of acquisition of the shares of the relevant company.

### Proposal

It is proposed that Section 15C(3) be amended where on the date of acquisition of the shares of the relevant company, the defined value of the real property or shares of another controlled company, or both, is less than 75% of the value of its total tangible asset and the relevant company subsequently acquires real property or shares of another controlled company, or both and the defined value breaches the 75% threshold, the shares of the relevant company shall be deemed to be acquired on the subsequent acquisition date.

The explanation in A, B and C of the formula under Section 15C(4)(a) of the Act will also be amended as follows:

- “A” is the number of shares of the relevant company disposed by a company, limited liability partnership, trust body or co-operative society;
- “B” is the total number of issued shares of the relevant company at the subsequent acquisition date; and
- “C” is the defined value of real property or shares or both owned by the relevant company at the subsequent acquisition date.

## New definition of “Another Controlled Company” under Section 15C

Under the current Section 15C, “another controlled company” refers to another controlled company that owns real property situated in Malaysia (including right or interest thereof) where the defined value of the real property situated in Malaysia is at least 75% of the value of the total tangible assets of that controlled company.

### Proposal

A new definition of “another controlled company” will be introduced to provide that another controlled company is a controlled company which owns real property situated in Malaysia (including any right or interest thereof) or shares in another controlled company, or both, and the defined value of the real property or shares, or both, is not less than 75% of the value of its total tangible asset.

### Commentary

*It is not entirely clear if the current wordings of Section 15C may limit its application to the direct ownership of real property situated in Malaysia by another controlled company. With the proposed amendment, indirect ownership of substantial real property in Malaysia by another controlled company could fall under the purview of Section 15C.*





# Corporate Tax

## Global Minimum Tax

### Redefinition of “Acceptable Financial Accounting Standards”

Currently, the term “Acceptable Financial Accounting Standards” as defined under Section 157(1) of the Act means International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles (GAAP) of a number of jurisdictions of which Malaysia is included therein.

#### Proposal

Remove Malaysia from the list of countries whose financial accounting standards would constitute Acceptable Financial Accounting Standards.

*Effective: Financial year beginning on or after 1 January 2025 and subsequent financial years*

#### Commentary

*The proposed exclusion of Malaysia from the definition would mean that the GAAP permitted by the Malaysia Accounting Standards Board would constitute Authorised Financial Accounting Standards instead. Nonetheless, it is not expected that this change would give rise to any complications.*

### Redefinition of “Investment Entity”

Currently, the definition of Investment Entity consists of paragraphs (a) to (c). Paragraph (a) is defined to include an Investment Fund or a Real Estate Investment Vehicle.

#### Proposal

Paragraph (a) of the definition be expanded to include an Insurance Investment Entity.

*Effective: Financial year beginning on or after 1 January 2025 and subsequent financial years*

#### Commentary

*Investment Entities are subject to special rules (e.g., separate Effective Tax Rate and Top-up Tax calculations, etc.) for the purpose of GMT. The proposed amendment provides greater clarity that the special treatment for Investment Entities would also be applicable to Insurance Investment Entities. This is also in-line with the clarification provided in the Agreed Administrative Guidance issued by the Organisation for Economic Cooperation and Development (OECD) in February 2023.*

### Marketable Transferable Tax Credits

The present legislation includes the definition of Qualified Refundable Tax Credits, which would be treated as an addition to the GloBE Income or Loss (i.e., the denominator of the Effective Tax Rate formula). Compared to traditional income tax exemptions and super deductions, a Qualified Refundable Tax Credit would be less harmful in the GMT context as it would result in a comparatively smaller reduction in the Effective Tax Rate.

#### Proposal

In line with the Agreed Administrative Guidance issued by the OECD in July 2023, the definition of Marketable Transferable Tax Credits will be inserted to the Act and it would be clarified that the treatment of Qualified Refundable Tax Credits would be extended to Marketable Transferable Tax Credits.

*Effective: Financial year beginning on or after 1 January 2025 and subsequent financial years*

#### Commentary

*The Malaysian tax system currently includes neither a Qualified Refundable Tax Credits nor a Marketable Transferable Tax Credit. However, given the imminent implementation of GMT, the Malaysian government has acknowledged the necessity to move towards a more “GMT-friendly” incentive in a bid to maintain the country’s attractiveness to foreign investors. This was apparent from the recent Budget 2025 announcement whereby the Malaysian government announced its commitment in studying the feasibility of introducing a Strategic Investment Tax Credit (which is likely to be a Qualified Refundable Tax Credit).*

### Carrying value of Eligible Tangible Assets

Currently, Section 180(9) provides that the computation of carrying value of Eligible Tangible Assets shall be based on the average of the carrying value after deducting any accumulated depreciation, amortisation, or depletion and including any amount attributable to the capitalisation of payroll expense at the beginning and end of the Reporting Financial Year as recorded for the purpose of preparing the Consolidated Financial Statements of the Ultimate Parent Entity.

#### Proposal

Section 180(9) would be amended to clarify that impairment losses should also be taken into account in computing the carrying value of Eligible Tangible Assets. This is in-line with the clarification provided in the Agreed Administrative Guidance issued by the OECD in July 2023.

*Effective: Financial year beginning on or after 1 January 2025 and subsequent financial years*

# Corporate Tax

## Financial accounting standards for Domestic Top-up Tax

Currently, Financial Accounting Net Income or Loss is defined as the net income or loss determined for a Constituent Entity before any consolidation adjustments eliminating intra-group transactions in preparing Consolidated Financial Statements of the Ultimate Parent Entity.

Moreover, existing Section 176(2) provides that for the purposes of a Domestic Top-up Tax, Excess Profits may be computed based on an Acceptable Financial Accounting Standard permitted by an Authorised Accounting Body or an Authorised Financial Accounting Standard adjusted to prevent any Material Competitive Distortions, rather than the financial accounting standard used in the Consolidated Financial Statements. Therefore, it appears that taxpayers can choose the accounting standard to be used for the purpose of Domestic Top-up Tax.

## Proposal

It is proposed that a new definition of Financial Accounting Net Income or Loss for Domestic Top-up Tax purposes be inserted under Sections 164(2), (3) and (4).

For the purposes of the Domestic Top-up Tax, the Financial Accounting Net Income or Loss of a Constituent Entity (not being a Permanent Establishment) shall be determined based on its financial statements provided the following conditions are met:

- a) All of the Constituent Entities of the MNE Group located in Malaysia have the same Financial Year as the Ultimate Parent Entity of the MNE Group;
- b) Each of the Constituent Entities prepares its own financial statements and the financial statements –
  - are required to be kept or used under any written law of Malaysia; or
  - are audited by an approved company auditor.

Furthermore, where a Constituent Entity located in Malaysia is a Permanent Establishment of a Main Entity, the new Section 164(2) shall apply to the Constituent Entity if, in addition to meeting the abovementioned conditions, the Main Entity prepares separate financial statements for the Permanent Establishment.

It is also proposed that Section 176(2) be removed consequential to the above amendment made to Section 164.

*Effective: Financial year beginning on or after 1 January 2025 and subsequent financial years*

## Commentary

*With the introduction of Sections 164(2), (3) and (4), the Financial Accounting Net Income or Loss should be derived from the individual financial statements of Constituent Entities, if the aforementioned conditions are met. The proposed amendment achieves 2 objectives:*

- *Provides clarity that taxpayers are not allowed a choice as to which accounting standards to apply for the purpose of Domestic Top-Up Tax computation. This is in-line with the Malaysian government's effort to ensure that the Malaysian Domestic Top-up Tax would qualify for the Qualified Domestic Minimum Top-up Tax Safe Harbour.*
- *Simplify the way the Financial Accounting Net Income or Loss is determined.*

## Tax deduction on contributions of assets to designated technical and vocational Institutions

### Proposal

It is proposed that companies will be given tax deduction on contribution of new equipment and machinery to public skills training institutions, registered polytechnics, or vocational colleges.

*Effective: YA 2025 to YA 2027*





# Tax Incentives

## New Investment Incentive Framework

The government is introducing a New Investment Incentive Framework focusing on high-value activities to improve the existing practice of providing product-centric incentives. The framework is expected to be implemented in the third quarter of 2025.

This initiative includes introducing a strategic investment fund amounting to RM1 billion as an effort to enhance local talent capacity and encourage high value activities in the country.

The following are measures announced in line with this framework.

### Tax incentive for increased export of services

Currently, a resident person in Malaysia engaged in selected service activities and has successfully increased exports are eligible to claim tax exemption up to 70% of the statutory income equivalent to 50% of the value of increased exports. The selected service activities are:

- i. legal;
- ii. accounting;
- iii. architecture;
- iv. marketing;
- v. business consultancy;
- vi. office services;
- vii. construction management;
- viii. building management;
- ix. plantation management;
- x. private education;
- xi. publishing;
- xii. printing;
- xiii. information technology and communication;
- xiv. engineering; and
- xv. local franchise.

### Proposal

To establish Malaysia as a hub for Advanced Integrated Circuit (IC) Design Technology and Solutions, it is proposed the increased export incentive for the services sector be expanded to include IC Design services.

*Effective: YA 2025*

### Tax deduction on the cost of developing new courses by Private Higher Education Institutions (PHEI) and private skills training institution

Currently, PHEIs are eligible for tax deduction on expenses incurred for:

- i. development of new courses; and
- ii. compliance with regulatory requirements for introducing new courses.

The tax deduction is claimed over a period of 3 YAs starting from the YA where development of new courses is completed.

### Proposal

To develop a highly skilled and competitive workforce in the industrial revolution era with a focus on digital technology and innovation which includes digital technology and artificial intelligence (AI), it is proposed the tax deduction on cost of developing new courses by PHEIs be allowed to be fully claimed within the same YA.

This incentive is also extended to include the development of Technical and Vocational Education and Training (TVET) courses by private skills training institutions.

*Effective: YA 2025 to YA 2030*

### Supply chain resilience initiative

### Proposal

The following incentives would be introduced to strengthen the local supply chain and primary sector ecosystem:

- Double tax deduction for MNE that incurs expenses for supply chain resilience initiatives of up to RM2,000,000 per year for 3 consecutive years.
- MNEs or vendors to MNEs that jointly invest in other local vendors be given income tax deduction on the amount invested in the joint venture initiative.
- Local vendors participating in this initiative will be provided with an outcome-based tax incentive package.
- A matching investment fund of RM100 million will be established through equity crowdfunding platform to finance the development of local vendors especially in electrical and electronics products (E&E), specialty chemicals and medical devices industries.

*Effective: To be determined via a subsidiary legislation (for the first 3 items above)*

# Tax Incentive

## Establishment of economic clusters

### Proposal

To establish economic clusters in line with respective states' advantages, such as:

- renewable energy in Perlis and Sabah.
- specialty chemicals industries in Pahang and Terengganu.

## Special income tax rate for specific economic sectors

### Proposal

To narrow the economic gap between regions, income tax incentives with special tax rate will be offered for investments in 21 economic sectors in states including Perlis, Kedah, Kelantan, Terengganu, Sabah, and Sarawak, subject to the success of economic spillovers.

*Effective: To be determined via a subsidiary legislation*

## Tax incentives for Carbon Capture, Utilisation, and Storage (CCUS) activities

### Proposal

To encourage more investments that comply with ESG standards, tax incentives such as ITA or income tax exemptions are provided for CCUS activities.

Carbon use activities are expanded as downstream products and tax incentives will be provided in line with the New Investment Incentive Framework which emphasises economic complexity.

*Effective: To be determined via a subsidiary legislation*

## Smart Logistics Complex (SLC)

Currently, qualifying companies that undertake Integrated Logistic Services (ILS) such as delivery, transportation and warehousing are eligible for the following tax incentives:

- Pioneer Status with a tax exemption up to 70% of statutory income for a period of 5 years; or
- ITA of 60% on qualifying capital expenditure incurred within 5 years. This allowance can be offset against up to 70% of statutory income for each YA.

However, there are no specific tax incentives for companies that incorporate Fourth Industrial Revolution (IR4.0) elements in the smart warehousing, despite numerous automation-related tax incentives have been introduced for companies investing in IR4.0 machinery and automation equipment over the years.

### Proposal

To enhance the adaptation of advanced technologies within the logistics industry, it is proposed that SLC companies undertaking eligible logistics services, such as regional distribution centres, ILS, storage of hazardous goods, or cold chain logistics, will be eligible for the following tax incentives, subject to the fulfilment of the conditions below:

- A warehouse with a minimum build-up area of 30,000 square metres;
- Adaptation of at least three IR4.0 elements; and
- Other conditions as prescribed.

Eligible SLC Companies	Description	Tax Incentive
SLC Investor and Operator	<ul style="list-style-type: none"> <li>Investing in the construction of smart warehouses and undertaking eligible logistics services activities</li> </ul>	<ul style="list-style-type: none"> <li>ITA of 60% on eligible capital expenditure incurred within 5 years</li> <li>Allowance can be offset against up to 70% of statutory income from the business for each YA</li> </ul>
SLC Operator	<ul style="list-style-type: none"> <li>Leasing a smart warehouse under a long-term lease of at least 10 years and undertaking eligible logistics services activities</li> </ul>	

*Effective: For applications received by MIDA from 1 January 2025 until 31 December 2027*





## Tax Incentive

### Extension of tax deduction for sponsorship of Smart Artificial Intelligence Driven Reverse Vending Machine

Currently a tax deduction under Section 34(6)(h) of the Act shall be allowed for the contributions made in cash or through endowment or sponsorship of Smart Artificial Intelligence Driven Reverse Vending Machine that utilises Smart Artificial Intelligence by the following persons with business incomes:

- Companies
- Individuals
- Partnerships
- Trust bodies; and
- Cooperative societies.

The tax deduction shall only be allowed for contributions or sponsorships approved by the MOF. This applies to applications received by the MOF between 1 April 2023 and 31 December 2024.

#### Proposal

The incentive period for the above tax deduction on contributions or sponsorships of Smart Artificial Intelligence Driven Reverse Vending Machine be extended for two years.

*Effective: Applications received by the MOF between 1 January 2025 and 31 December 2026*

### Review of approval mechanism of contribution under Sections 34(6)(h) and 34(6)(ha) of the Act

Currently, an application for approval/prior approval of MOF is required for the purpose of claiming a deduction of the expenditure incurred under Section 34(6)(h) "contributions to a community or charity project" and Section 34(6)(ha) "provision of infrastructure available for public use" of the Act.

#### Proposal

For the purpose of claiming a deduction under Section 34(6)(h) and Section 34(6)(ha), it is proposed that the expenditures would need to be verified by the relevant government authority and:

- Where the expenditure is more than RM300,000, the charity or community project/provision of infrastructure would need to be approved by MOF; and
- Where the expenditure is not more than RM300,000, the charity or community project / provision of infrastructure would need to be approved by the relevant government authority.

*Effective: 1 April 2025*

### ACA for purchase of ICT equipment, computer software packages and consulting fees

Effective YA 2024, capital expenditures incurred by a resident person in Malaysia for the purchase of ICT and customised computer software are entitled to capital allowance (CA) based on the following rates:

- Initial allowance of 40%; and
- Annual allowance of 20%.

#### Proposal

To encourage taxpayers to fully implement e-invoicing, it is proposed that the initial allowance and annual allowance rates for ICT equipment and customised computer software be revised to:

- Initial allowance of 20%; and
- Annual allowance of 40%.

With the revised rate, the CA claim period will be reduced from 3 years to 2 years.

*Effective: YA 2024 and YA 2025*

#### Commentary

*Following the recent gazette in relation to the current ACA rate which has effect from YA 2024, it appears that the proposed shorter ACA period of 2 years applies to purchase of ICT equipment and development cost for customised software incurred for the purpose of implementing e-invoicing only (taxpayers granted concession in e-invoicing implementation should not be eligible). This Budget 2025 proposal is expected to be legislated via separate subsidiary legislation.*

## Tax Incentive

### Wages or salaries as charitable activities expenditure for institutions / organisations / funds under Section 44(6) of the Act

Currently, one of the conditions that must be complied with by the above entities in order to continue qualifying for income tax exemption under Section 44(6) of the Act is to spend at least 50% of the income earned in the previous year on charitable activities.

#### Proposal

It is proposed that the wages or salaries of the educators paid by the educational institutions and organisations approved under Section 44(6) of the Act be included as part of the charitable activities expenditure.

*Effective: To be determined via a subsidiary legislation*

### Review of double tax deduction for Structured Internship Program (MySIP) approved by Talent Corporation Malaysia Berhad (TalentCorp)

Currently, a qualified person who implements MySIP approved by TalentCorp would be eligible for double tax deduction on qualifying expenses incurred up to YA 2025, restricted to RM5,000 for each student for each YA.

#### Proposal

The double tax deduction on qualifying expenses incurred by a qualifying person who implements the MySIP approved by TalentCorp will be extended to include students undergoing structured training conducted by industry regulatory bodies, and tax incentive period be extended until YA 2030.

*Effective: To be determined via a subsidiary legislation*

### Further deduction for hiring women returning to work, flexible work arrangements, caregiving leave benefit and elderly care expenses

Further deduction	Current	Proposal	Effective
Hiring women returning to work	Tax deduction on employee salary	50% further tax deduction be given to employers on employment expenses paid for a period of 12 months for hiring women returning to work	Applications received by TalentCorp from 1 January 2025 until 31 December 2027
Flexible work arrangements (FWA)	Double tax deduction on eligible expenses incurred on implementing FWA capped at RM500,000 for each YA, for applications received by TalentCorp from 1 July 2020 until 31 December 2022	50% further tax deduction (one-off claim) on the following eligible expenses incurred by employers for implementing FWA: <ul style="list-style-type: none"> <li>capacity building</li> <li>software acquisition</li> </ul> <p>The eligible expenses are capped at RM500,000</p>	Applications received by TalentCorp from 1 January 2025 until 31 December 2027
Caregiving leave benefit	Tax deduction on paid leave provided to employees	50% further tax deduction be given to employers who provide additional paid leave of up to 12 months for employees caring for children or ill/disabled family members	Applications received by TalentCorp from 1 January 2025 until 31 December 2027
Elderly care expenses for parents/grandparents	Further tax deduction is given for expenses incurred on the provision and maintenance of childcare centres and childcare allowance paid by employers to employees	Further tax deduction be expanded to include elderly care expenses for parents/grandparents paid by employers to employees	YA 2025

The above proposals will be implemented via subsidiary legislations.



# Indirect Tax

## Review of sales tax rates and expansion of service tax scope

### Proposal

It is proposed that the current sales tax and service tax (SST) mechanism be reviewed as follows:

#### Sales tax

The rates of sales tax will be increased for non-essential items such as imported premium goods (e.g., salmon and avocado).

Sales tax exemption will be maintained on basic food items.

#### Service tax

The scope of service tax will be expanded to include new services such as commercial service transactions between businesses, including fee-based financial services.

Effective: 1 May 2025

### Commentary

*The proposed expansion of SST is part of the government's plan to increase the country's tax revenue.*

*No further details on the expanded tax scope and rates were made available. The government however has committed to undertake consultation with the relevant industries prior to finalising any expanded scope and increased tax rates, to avoid disruptions and ensure business continuity.*

*Having said that, the government should give sufficient time for businesses to prepare themselves to implement the necessary changes required to ensure compliance.*

## Sales tax exemption on mastectomy bras for breast cancer patients

Currently, the mastectomy bras for cancer patients are subject to the following duty and/or tax:

Product	Tariff Code	Import Duty	Sales Tax
Made from cotton	6212.10.1100	0%	10%
Made from other textile materials	6212.10.9100		

### Proposal

Sales tax exemption will be given for mastectomy bras.

Effective: For applications received by the MOF from 1 November 2024 until 31 December 2027

### Commentary

*The proposal to grant sales tax exemption on the above items is the right move by the government, considering that these are increasingly becoming a necessity while also promoting inclusivity for breast cancer patients.*

## Indirect Tax

### Review of excise duty rate on sugar sweetened beverages (affecting Excise Act 1976)

Currently, an excise duty of 50 sen per litre is imposed on sugar sweetened beverages based on the threshold of sugar content. This rate, effective from 1 January 2024, is actually an increase from the previous rate of 40 sen per litre, which had been in place since 1 July 2019. The following types of beverages are subject to this duty:

No.	Tariff code	Types of beverages	Sugar content threshold
1	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
2	22.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml

#### Proposal

It is proposed that the excise duty rate on sugar sweetened beverages be further increased by 40 sen per litre, from the current rate of 50 sen per litre, in phases starting from 1 January 2025.

*Effective: 1 January 2025*

### Review of structure of market price range and export duty rates on crude palm oil (CPO) (affecting Customs Act 1967)

Currently, the export duty rates for CPO (after accounting for partial exemption), vary based on market price range, with a maximum export duty rate of 8% for market-price range above RM3,450 per metric tonne.

#### Proposal

The government has undertaken a review of the structure of the market price range and export duty rates (after accounting for partial exemption) for CPO. In summary, the review increases the maximum export duty rate to 10% for market price range above RM4,050/metric tonne.

*Effective: 1 November 2024*

### Increase in threshold value of windfall profit levy on crude palm oil (CPO) (affecting Windfall Profit Levy Act 1998)

Currently, a 3% rate of windfall profit levy is imposed on CPO above the threshold value of RM3,000 per metric tonne for Peninsular Malaysia and above RM3,500 per metric tonne for Sabah and Sarawak.

#### Proposal

The threshold value for windfall profit levy on CPO be increased to RM3,150 per metric tonne for Peninsular Malaysia, and RM3,650 per metric tonne for Sabah and Sarawak.

*Effective: 1 January 2025*

# Indirect Tax

## Introduction of carbon tax

### Proposal

Carbon tax will be introduced by the year 2026, to be applicable to industries in the iron and steel sector and energy sector in Malaysia. The levy of carbon tax is aimed to encourage the use of low-carbon technologies. The government has indicated that the tax collected will be used to finance research and green technology programs.

*Effective: Year 2026*

### Commentary

*Introduction of carbon tax is part of Malaysia's broader strategy to reduce its carbon emissions, in line with global initiatives in dealing with climate change. Carbon tax is likely to be imposed on industries based on their respective carbon dioxide (CO2) emissions, thereby incentivising such industries to adopt cleaner and more sustainable practices.*

*Further details, such as the exact tax rates and how the system will be implemented, are still awaited.*

## Change of deadline to submit the SST return of SST-registered persons with varied taxable period (affecting Sales Tax Act 2018 and Service Tax Act 2018)

Currently, the SST return of an SST-registered person with varied taxable period is to be submitted within 30 days following the end of the varied taxable period.

### Proposal

The deadline for submission of the SST return for a varied taxable period would be the last day of the month following the end of the varied taxable period.

*Effective: Upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Act 2024*

### Commentary

*The proposed change would broadly be consistent with the filing deadline of normal SST returns, i.e., the last day of the month following the end of a taxable period.*

## Change of taxable period of persons registered for sales tax on low value goods (LVG) (affecting Sales Tax Act 2018)

Currently, under the Sales Tax Act 2018, the first taxable period of persons registered for LVG would span the month of registration and the following two months (hence, a total of three months), whereas the subsequent taxable periods would be a period of two months each. (In practice, the subsequent taxable periods are a period of three months i.e. quarterly basis.)

### Proposal

It is proposed that that subsequent taxable periods also cover a period of three months.

*Effective: Upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Act 2024*

### Commentary

*The change aligns the law with the current practice of the RMCD, i.e., taxable periods on quarterly basis for sales tax on LVG.*



## Indirect Tax

### **Change in persons subject to sales tax law provisions to account for taxable goods and valid reasons of such account for taxable goods (affecting Sales Tax Act 2018)**

Currently, the Director General of RMCD (DG) may require any taxable person that has obtained control of any taxable goods or has imported any taxable goods, to account for taxable goods, and if the taxable person fails to account by way of the prescribed valid reasons i.e., that the taxable goods were sold, exported, lost or destroyed, the DG may assess the sales tax based on the DG's best judgment.

#### **Proposal**

It is proposed that the sales tax law provisions to account for taxable goods and the prescribed valid reasons for such account on taxable goods, be extended to apply to "any person" (and not merely any taxable person as under the current position).

*Effective: Upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Act 2024*

#### **Commentary**

*The proposal would seem to extend the power of the DG to assess sales tax on non-taxable persons who obtained control of, or imported, taxable goods.*

*However, the proposal could also be construed as allowing such non-taxable persons, who may have sales tax exemptions on taxable goods, to account for the taxable goods with the prescribed valid reasons, such as the taxable goods being exported, lost or destroyed. Such valid reasons would provide statutory protection to non-taxable persons from being assessed by the DG for the sales tax involved.*

### **Introduction of electronic services for any registered user in relation to windfall profit levy (affecting Windfall Profit Levy Act 1998)**

Currently, the filing or furnishing of any application, return, declaration or any other document to RMCD is done manually by registered persons in relation to the windfall profit levy.

#### **Proposal**

An electronic service would be introduced under the windfall profit law for any registered user to file or furnish any application, return, declaration or any other document in relation to the windfall profit levy.

*Effective: Upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Act 2024*

#### **Commentary**

*The proposal would modernise the administration of the long-existing (since 1998) windfall profit levy, in line with later indirect taxes that had been implemented with such modern feature as an electronic service from the start.*



# Individual Tax

## 2% tax on dividend income exceeding RM100,000

Currently, dividends are not taxable in the hands of individual shareholders under the single-tier tax system.

### Proposal

It is proposed that a 2% tax rate be imposed on dividend income deemed derived from Malaysia, whether in monetary form or otherwise, received by individual shareholders (resident individuals, non-resident individuals, and individuals who hold shares through nominees), in excess of RM100,000. The first RM100,000 of the dividend income is exempt from tax.

In addition, any deduction related to the exempted dividend income shall be disregarded when ascertaining the chargeable income of the individual.

Where the individual has income from a source other than dividend as stated above, the chargeable income of the individual shall be determined using a formula prescribed by the Minister.

*Effective: YA 2025*

In addition to the above, we expect the following exemptions / non-applicability of the 2% tax on dividend income which was announced during the Budget 2025 and IRB's *Seminar Percukaian Kebangsaan*, to be legislated via subsidiary legislation.

Exemption from 2% tax	Non-applicability of 2% tax rate
<ul style="list-style-type: none"> <li>Dividend income from abroad</li> <li>Dividend income distributed from the profits of companies with pioneer status and reinvestment allowances</li> <li>Dividend income paid, credited or distributed from the profits of shipping companies that is exempted from tax</li> <li>Dividend income distributed by cooperatives</li> <li>Dividend income declared by closed-end funds</li> <li>Dividend income received by residents from Labuan entities</li> <li>Dividend income whereby exemption has been at shareholder level</li> </ul>	<p>This 2% tax rate is not applicable to profit distributions made to contributors and depositors by:</p> <ul style="list-style-type: none"> <li>Kumpulan Wang Simpanan Pekerja (KWSP)</li> <li>Lembaga Tabung Angkatan Tentera (LTAT)</li> <li>Amanah Saham Nasional Bumiputera (ASNB)</li> <li>Any unit trust.</li> </ul>

### Commentary

*The implementation of this proposal should create a more progressive taxation system by taxing non-wage earners who earn significant dividend income, thus paving the way for a more equitable distribution of wealth.*

## Housing loan interest relief

Currently, there is no tax relief provided for housing loan interest.

### Proposal

It is proposed that a relief on housing loan interest payment (individually or jointly owned) is to be provided to an individual who is a Malaysian citizen and tax resident as follows:

- Relief of RM7,000 – for residential property valued up to RM500,000
- Relief of RM5,000 – for residential property valued between RM500,000 to RM750,000

provided that the residential property is:

- the first residential property purchased by the individual to be occupied as his place of residence; and
- not to be used to generate any income.

Where two or more individuals are eligible to claim the relief in respect of the same residential property and the total amount of interest expended by these individuals exceed the allowable relief amount, the quantum of relief claimable by each individual shall be determined using the following formula:

$$\text{Total amount of relief allowed} = X \frac{\text{Total interest expended in the basis year for that relevant year by that Individual}}{\text{Total interest expended in the basis year for that relevant year by all such Individuals}}$$

“Residential property” means a house, condominium unit, apartment or flat which is built as a dwelling house.

*Effective: Up to 3 consecutive YAs beginning from the basis year in which the interest is first expended, for sale & purchase agreements executed from 1 January 2025 until 31 December 2027*



# Individual Tax

## Expansion in scope of relief for EV charging facilities

Currently, individuals are entitled to a tax relief of up to RM2,500 in respect of expenses incurred for the payment of installation, rental, purchase including hire purchase of equipment or subscription for the use EV charging facilities for personal usage.

### Proposal

The scope of relief will be expanded to include purchase of food waste composting machines for household use, allowed to be claimed once within the three YAs.

*Effective: YA 2025 until YA 2027*

## Individual income tax exemption for childcare allowance received by employees

Currently, childcare allowance received by an employee from his employer is exempted from tax up to RM 3,000 per year in respect of children up to 12 years of age.

### Proposal

This exemption will be expanded to include elderly care for parents or grandparents.

*Effective: YA 2025*

## Extension of Foreign-Sourced Income (FSI) exemption period

Currently, qualifying FSI remitted into Malaysia between the period 1 January 2022 to 31 December 2026 is exempted from tax.

### Proposal

The above qualifying FSI exemption period will be extended to 31 December 2036.

*Effective : 1 January 2027 until 31 December 2036*

## Expansion in scope for medical expenses for parents

Currently, individuals are entitled to a tax relief of up to RM8,000 in respect of medical treatment, dental treatment, complete medical examination, special needs and carer expenses incurred for parents.

### Proposal

The scope for:

- Full medical check-up for parents (limited to RM1,000) be expanded to include vaccination costs.
- The same scope for parents' medical expenses is expanded to include grandparents, including full medical check-up and vaccination (which is limited to RM1,000).

*Effective: YA 2025*

## Expansion in scope for sports equipment relief

Currently, individuals are entitled to a tax relief of up to RM1,000 in respect of expenses incurred for sports equipment and activities for themselves, spouse and child as follows:

- Payment of gym membership fee.
- Purchase of sports equipment, entry/rental fees for sports facilities and participation fees in sports competition.
- 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 2016.

### Proposal

The scope (limited to RM1,000) be expanded to include purchase of sports equipment and activities for parents who are resident in Malaysia.

*Effective: YA 2025*

## Expansion in scope of relief for medical expenses for self, spouse and child

Personal relief	Current	Proposal
Relief for complete medical examination (limited to RM1,000)	Full medical check-up, mental health check-up or consultation and COVID-19 detection test inclusive of the purchase of self-test kit for self, spouse or child	Expand scope to include: <ul style="list-style-type: none"> <li>• purchase of self-testing medical devices registered under the Medical Device Act 2012;</li> <li>• fees for disease detection test</li> </ul>
Assessment and diagnosis, early intervention programme and rehabilitation treatment for children aged below 18 years with specified learning disabilities	Relief is limited to RM4,000	Increase relief limit to RM6,000

*Effective : YA 2025*



## Individual Tax

### Increase in tax relief limit for medical and education insurance premiums

Currently, the tax relief limit for medical and education insurance premiums is RM3,000.

#### Proposal

The relief limit will be increased to RM4,000.

*Effective: YA 2025*

### Tax exemption on cash prizes award for sports victories

#### Proposal

Cash prizes arising from sports victories which are won by individual athletes and teams via the *Skim Hadiah Kemenangan Sukan* which are provided by *Majlis Sukan Negara* are exempted from tax.

*Effective: To be determined*

### Increase in limit of relief for disabled persons

Personal relief	Current	Proposal
Disabled individual – additional relief for self	RM6,000	RM7,000
Additional relief for disabled spouse	RM5,000	RM6,000
Additional relief for unmarried disabled child	RM6,000	RM8,000

*Effective : YA 2025*

### Expansion/extension to personal reliefs

Personal relief	Proposal	Effective date
Net Contributions to <i>Skim Simpanan Pendidikan Nasional</i> (SSPN) of up to RM8,000	<ul style="list-style-type: none"> <li>The relief can only be claimed by either parent for SSPN savings, with maximum claim limited to RM8,000</li> <li>The maximum amount of claim is limited to RM8,000, notwithstanding that the individual may have more than one child.</li> <li>Withdrawals from SSPN fund to finance further education costs will not be factored into the net contribution for the YA (i.e. the withdrawal will not reduce the amount eligible for relief).</li> <li>The relief be extended for a period of 3 years, i.e. until YA 2027</li> </ul>	YA 2025 - 2027
Contributions to Private Retirement Scheme (PRS) and deferred annuity scheme of up to RM3,000	This relief will be extended for another 5 years	YA 2026 – 2030
Fees paid to childcare centre and kindergarten of up to RM2,000	This relief will be extended to YA 2027	YA 2025 - 2027



# Stamp Duty

## Proposed Implementation of Self-Assessment System

Following the recent Budget 2025 announcement that SAS will be implemented in phases beginning from 1 January 2026 based on the types of instruments or agreements, the consequential amendments in the SA to cater to the SAS are set out as follows:

### Proposal

#### Powers of Collector

For the purpose of ascertaining whether the instrument is subject to stamp duty or duty has been paid, the Collector may by notice in writing require any person –

- (a) to deliver to the Collector for examination any instrument, book, account, record or other document within the specified timeframe stated in the notice; or
- (b) to attend personally before the Collector and produce for examination any instrument, book, account, record or other document.

Additionally, the Collector may, when entering any land, building or place, search and inspect any such instrument, book, account, record, document, object, article, material or thing and make extracts from or copies of the aforesaid items without fee or reward.

In connection therewith, the owners or occupiers of such lands, buildings and places is obliged to provide reasonable facilities and assistance to the Collector for the performance of his duties.

Additionally, the Collector may, by written notice, require any person to provide a translated version of the instrument, book, account, record or other documents to determine the duty payable on an instrument in the national language. For East Malaysia, the translation may be required in either the national language or English.

The penalty for an offence relating to, among others, an obstruction or refusal of entry into any land, building or place, refusal to provide any instrument, book, account, record or other document and failure to provide reasonable facilities or assistance to the Collector shall be liable to a fine not exceeding RM10,000.

#### Stamp duty relief under Sections 15 and 15A of the SA

Sections 15(1)(a) and 15A(1) are proposed to be amended to require the submission of a return in the prescribed form along with an instrument related to the reconstruction or amalgamation of a company, and an instrument related to the transfer of property between associated companies, respectively. These submissions shall be made via electronic medium for stamp duty relief applications under Sections 15 and 15A, accordingly.

#### Duty to keep record

Introduction of Section 35B which requires the person liable for stamp duty on an instrument to retain the instrument and relevant documents for seven (7) years from the date of the payment of the duty, in order to verify that the correct duty has been paid.

## Submission of return for stamping of an instrument

Section 35A as proposed, requires every person, other than an authorised person under Section 9, to submit a return in the prescribed form along with an instrument that is executed and chargeable with duty to the Collector, via electronic medium.

The return for a relevant YA shall –

- (a) specify the description of instrument and the amount of duty with which the instrument is chargeable; and
- (a) contain such particulars as may be required by the Collector.

Consequential to the introduction of Section 35A above, relevant provisions in the SA are to be amended accordingly.

## Deemed assessment and payment of the duty

Section 36 is proposed to be amended to state that the stamp duty return, along with the instrument submitted to the Collector electronically shall be deemed to be assessed by the Collector. The duty payable shall be paid on the same day the Collector is deemed to have made the assessment.

## Assessment and additional assessment in certain cases

Section 36CA to be introduced which empowers the Collector to make assessments or additional assessments on instruments that may not have been properly assessed for stamp duty.

1. Assessment of Insufficient Duty  
If the Collector determines that an instrument has not been assessed or has been insufficiently assessed, the Collector can assess or re-assess the duty within five years from when the duty should have been paid.
2. Assessment in Case of Fraud, Wilful Default, or Negligence  
The Collector can also assess the duty if there is evidence of fraud, wilful default, or negligence, to recover any lost duty resulting from these actions at any time.

## Certificate by Collector

Section 37 is proposed to be amended by outlining the process for certifying an instrument after assessment by the Collector as follows:

### Assessment and Payment of Duty

When a return and instrument are submitted for assessment under Sections 36, 36A, 36AA, 36B, or 36CA, the Collector will determine whether the instrument is already fully stamped or if the assessed duty, along with any previously paid duty, matches the required amount.

### Certification by the Collector

If the instrument is fully stamped or the correct duty has been paid, the Collector will certify the payment by indorsing the instrument. This indorsement will specify the amount of duty paid, whether it's the full, minimum, initial, advance, or additional duty, depending on the case.

# Stamp Duty

## Relief in respect of error or mistake

Under the new Section 50B, the duty payer is allowed to correct errors or mistakes and recover any overpaid duty within 24 months of filing the return by submitting a written application to the Collector.

Upon receiving an application, the Collector shall review the matter and provide repayment of duty or relief for the alleged error or mistake if it appears to him to be just and reasonable.

## Introduction of new penalties

Under the SAS, there will be various penalties for various offences, and these are outlined in the table below:

Types of offences	Penalty
Failure to keep records and other offences [e.g. failure to notify under Sections 15(6A) and 15A(6)]	<ul style="list-style-type: none"> <li>On conviction - A fine not more than RM10,000</li> </ul>
Failure to furnish a return	<ul style="list-style-type: none"> <li>On conviction – A fine not more than RM10,000</li> <li>No prosecution – A penalty of not less than RM200 and not more than RM2,000</li> </ul>
Submission of incorrect return	<ul style="list-style-type: none"> <li>On conviction – A fine not less than RM1,000 and not more than RM10,000 plus a special penalty (i.e. the amount of underpaid duty)</li> <li>No prosecution – A penalty equivalent to the amount of underpaid duty</li> </ul>

Effective: 1 January 2026

## Review of penalty for fraud in relation to duty

### Proposal

Penalty for an offence involving fraudulent act with the intention to defraud the government of duty to be increased from a fine of RM5,000 to a fine of not less than RM1,000 and not more than RM20,000.

Effective: 1 January 2025

## Identification of officials

### Proposal

Section 76A to be introduced, providing that any person exercising the right of access or the right to take possession of any instrument, book, account, record, document, object, article, material or thing pursuant to Section 3A shall carry with him a warrant in a prescribed form issued by the Collector.

Effective: 1 January 2025

## Stamp duty for instrument relating to assignment of life insurance policy

Currently, instrument relating to assignment of life insurance policy would be subject to ad-valorem stamp duty of 1% to 4% under Item 32(a), First Schedule of the SA.

### Proposal

Item 12 of the SA shall be expanded to include instruments relating to the assignment of a life insurance policy by way of gift or trust. Such instruments shall be subject to stamp duty based on the sum insured under the life insurance policy, as outlined below:

Sum insured	Stamp duty rate
Does not exceed RM100,000	RM10
Exceeds RM100,000 but does not exceed RM500,000	RM100
Exceeds RM500,000 but does not exceed RM1,000,000	RM500
Exceeds RM1,000,000	RM1,000

Additionally, instrument relating to assignment of policy of life insurance in any other case shall be subject to stamp duty under Item 32(a), First Schedule of the SA.

Effective: 1 January 2025

## Stamp duty on cheque

The current stamp duty rate for cheque is 15 cents per cheque.

### Proposal

The stamp duty rate for cheques be increased to RM1 per cheque.

Effective: 1 January 2025



# Stamp Duty

## Review of stamp duty on loan or financing agreements based on Syariah principles

Currently, instrument for securing the payment or repayment of money for the purchase of goods (within the meaning given under the First Schedule of the Hire Purchase Act 1967) in accordance with the conventional hire purchase and Syariah principles will only be subject to a nominal stamp duty of RM10 under Item 22(6) of the First Schedule of the SA.

According to Appendix 15 of the Tax Measure of Budget Speech 2025, loan or financing agreements for the purchase of goods other than hire purchase based on Syariah principles such as *Murabahah* and *Tawarruq* are subject to an ad-valorem stamp duty rate of 0.5%.

### Proposal

An instrument for securing the payment or repayment of money for the purchase of goods (within the meaning given under the First Schedule of the Hire Purchase Act 1967) in accordance with any Syariah principles or conventional hire purchase shall be subject to a nominal stamp duty of RM10.

*Effective: 1 January 2025*

## Review of stamp duty on instrument relating to sale of property between trustees

Currently, instrument relating to conveyance, assignment, transfer or absolute bill of sale of any property between trustees and where the beneficial interest in property passes will be subject to the stamp duty rate under Item 32(a), (b) and (c), First Schedule of the SA, where relevant.

### Proposal

Effective 1 January 2024, any property transferred to a foreign company or a non-Malaysian citizen/permanent resident will be subject to a 4% stamp duty, based on the higher of the property's consideration or market value, under Item 32(aa). This stamp duty will also apply to the instrument relating to the transfer of property between trustees and where the beneficial interest in the property passes, where relevant.

*Effective: 1 January 2025*

## Stamp duty on other instruments to transfer of any property to a foreign company or a person who is a non-Malaysian citizen / non-permanent resident

### Proposal

Proposed amendments are to be made in Sections 12A, 17, 20 and 20B of the SA to introduce the reference to Item 32(aa) which relates to instruments for transfer of any property to a foreign company or a person who is a non-Malaysian citizen / non-permanent resident that was introduced in Finance (No.2) Act 2023.

*Effective: 1 January 2025*



# Stamp Duty

## Exemption of Stamp Duty on Loan or Financing Agreements through the Initial Exchange Offering (IEO) Platform for MSMEs

Currently, loan or financing agreements executed by MSMEs and investors through the IEO platforms are subject to stamp duty at a rate between 0.05% and 0.5% under Item 27, First Schedule of the SA.

### Proposal

A 100% stamp duty exemption will be given on loan or financing agreements executed by MSMEs and investors through the IEO platforms registered with the SC for 2 years.

*Effective: For loan or financing agreements executed from 1 January 2025 until 31 December 2026*

## Review of Stamp Duty Exemption on Loan or Financing Agreements for Skim Pembiayaan Mikro (SPM)

Currently, SPM loan or financing agreements approved by the National Small and Medium Enterprises Development Council, for amounts up to RM50,000 between MSMEs and financial institutions are exempted from stamp duty. This exemption applies to agreements executed on or after 1 January 2012.

### Proposal

Stamp duty exemption will be given for SPM loan or financing agreements, for amounts up to RM100,000.

*Effective: For loan or financing agreements under the SPM executed from 1 January 2025*

## Exchange of real property

Currently, ad-valorem duty is imposed on principal instruments concerning payment for equality for exchange of real property and partition or division of real property with consideration.

### Proposal

Ad-valorem duty be imposed on such principal instrument concerning the transfer of property ownership, whether with or without consideration as if it is a conveyance on sale.

However, a fixed duty of RM10 would apply on the instrument where no consideration is paid if:

- both transferor and transferee are the original owners of the real property in the case of partition or division;
- the exchange of real property is between any person and a Ruler of a State or the Government or State Government; or
- the exchange of real property is between husband and wife, parent and child, grandparent and grandchild or among siblings.

*Effective: 1 January 2025*

## Introduction of minimum stamp duty

### Proposal

A minimum duty of RM10 will be imposed on instruments where the duty is less than RM10 except for cheques and contract notes.

*Effective: 1 January 2025*

# Stamp Duty

## Review of penalty for late stamping

Currently, late stamping would attract the following penalty:

Period of late stamping	Penalty
Within 3 months	RM25 or 5% of the deficient duty, whichever is greater
Exceeding 3 months but not later than 6 months	RM50 or 10% of the deficient duty, whichever is greater
Exceeding 6 months	RM100 or 20% of the deficient duty, whichever is greater

### Proposal

Penalty for late stamping would be increased as follows:

Period of late stamping	Penalty
Within 3 months	RM50 or 10% of the deficient duty, whichever is greater
Exceeding 3 months	RM100 or 20% of the deficient duty, whichever is greater

Effective: 1 January 2025

## Power or Letter of Attorney

Currently, the Power or Letter of Attorney is subject to a nominal stamp duty of RM10.

### Proposal

It has been proposed that the Power or Letter of Attorney that involves conveyance of real property shall be subject to ad-valorem stamp duty of 1% to 4%.

Effective: 1 January 2025

## Lease or agreement for lease

Currently, the applicable stamp duty rates for lease or agreement for lease are as follows:

Annual average rent and other considerations	Lease period		
	≤ 1 year	> 1 year to ≤ 3 years	> 3 years
Does not exceed RM2,400	Nil	Nil	Nil
For every RM250 or part thereof in excess of RM2,400	RM1	RM2	RM4

### Proposal

It has been proposed that the nil stamp duty for threshold of RM2,400 and below be removed and the lease or agreement for lease shall be subject to stamp duty as follows:

Annual average rent and other considerations	Lease period			
	≤ 1 year	> 1 year to ≤ 3 years	> 3 years to ≤ 5 years	> 5 years
For every RM250 or part thereof	RM1	RM3	RM5	RM7

Effective: 1 January 2025



# Real Property Gains Tax

## Treatment on gains / losses from disposal

Currently, allowable losses from disposal of real property are allowed as a deduction to reduce the total chargeable gain, including gains from previous disposals within the same YA. Unabsorbed allowable losses can be carried forward to be utilised against chargeable gains from subsequent disposals.

Certain losses not to be allowable include losses arising from the disposal of shares in an RPC.

### Proposal

The chargeable gain on each disposal of chargeable asset for a YA is to be ascertained separately and treated as a separate chargeable gain from each disposal.

Sections 7(4)(a) and 7(4)(b) of the RPGTA are to be amended to provide that an allowable loss in respect of a disposal of chargeable asset in a YA can only be allowed as a deduction to reduce the chargeable gain in the subsequent disposals in the same YA. Unabsorbed losses can no longer be allowed as a deduction to reduce gains from prior disposals within the same YA.

*Effective: 1 January 2025*

## Failure to notify or make a return of disposal

Pursuant to Section 29 of the RPGTA, where there is a failure to notify or make a return of disposal under Sections 13(1) or 13(5) of the RPGTA shall, upon prosecution, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding 12 months or to both; or where no prosecution is instituted, be liable to a penalty equal to 3 times the amount of tax payable.

### Proposal

A new Section 29(2A) of the RPGTA will be introduced to empower the court to issue further order directing taxpayer to comply with the relevant provisions under which the offence has been committed, within 30 days or other period as determined by the court, from the date the order is made.

*Effective : 1 January 2025*

## Implementation of Self-Assessment System

The implementation of SAS for RPGT (RPGT-SAS) will take effect from 1 January 2025. The following consequential amendments to the RPGTA are proposed, in light of the implementation of the RPGT-SAS, effective 1 January 2025.

### Proposal

#### Mandatory e-filing of the RPGT prescribed forms

Disposer who disposes a chargeable asset and the acquirer of the asset are required to furnish the RPGT prescribed forms electronically to the DGIR.

#### Notification that the disposal is not subject to tax or exempt from tax

Where a disposal is not subject to tax or exempt from tax under the RPGTA, a notification for such disposal (Form CKHT 3) shall be furnished electronically by the disposer to the IRB together with the RPGT return. Such notification is deemed to have been served on the acquirer on the day the return and the notification are furnished to the DGIR electronically by the disposer.

#### Electronic medium

Section 57A of the RPGTA is amended to empower the DGIR to require a person to furnish any RPGT prescribed form in an electronic medium or by way of electronic transmission.

#### Election for Private residence exemption

Currently, the prescribed form to elect for an irrevocable exemption in respect of the disposal of a private residence by an individual has to be made in writing and furnished manually to the DGIR.

The amendment to the proviso in Paragraph 9(1)(c) of Schedule 3 to the RPGTA provides that a person shall furnish the prescribed form electronically to the DGIR.

#### Certificate of non-chargeability

Where the DGIR is satisfied that no chargeable gain has arisen, the DGIR is required to notify the disposer via a certificate of non-chargeability electronically. Such certificate shall be deemed to have been notified by the DGIR to the disposer on the day the RPGT return is furnished to the DGIR.

*Effective: 1 January 2025*

### Commentary

*The existing RPGTA and the Finance Bill 2024 do not specify how the relevant provisions on RPGT-SAS interact with Section 21B (withholding obligation by the acquirer) of the RPGTA and further guidance is expected from the IRB.*

# Real Property Gains Tax

## Payment of tax

Currently, Section 21(1A) of the RPGTA states that where an RPGT return is submitted under the SAS (i.e. deemed assessment), the tax or additional tax payable under the deemed assessment shall be due and payable within 60 days from the date of disposal whether or not that person appeals against the assessment or additional assessment.

### Proposal

Section 21(1A) of the RPGTA will be amended to:

- extend the payment period of the tax payable under a deemed assessment from 60 days to 90 days from the date of disposal.
- delete the words “additional tax” and “additional assessment”.

Effective: 1 January 2025

### Commentary

*It appears to be a typo error in Section 21(1A) of the RPGTA that was gazetted via the Finance (No.2) Act 2023. Technically, a person is only chargeable to tax payable under the deemed assessment furnished under Section 14 of the RPGTA. Pursuant to Section 15A of the RPGTA, the DGIR is deemed to have made an assessment or additional assessment in respect of that person on the day the amended RPGT return is furnished (i.e., deemed assessment or deemed additional assessment on the amended return). Any tax or additional tax payable under the deemed assessment or deemed additional assessment on the amended return shall be due and payable on the day the amended RPGT return is furnished by virtue of Section 21(1B) of the RPGTA whether or not that person appeals against the assessment or additional assessment. Hence, the amendment to Section 21(1A) of the RPGTA to remove the words “additional tax” and “additional assessment” seems to be a mere rectification of a typo error.*

## Penalty for late payment of RPGT

A 10% penalty is imposed if the disposer fails to pay RPGT within 30 days after the service of the notice of assessment or notice of additional assessment by the DGIR or within the extended period allowed by the DGIR under Section 21(4) of the RPGTA. Currently, there is no provision in the RPGTA which imposes a penalty for late payment of RPGT under a deemed assessment.

### Proposal

Consequential to the introduction of deemed assessment under the SAS effective from 1 January 2025, a 10% penalty would be imposed if the disposer fails to pay the RPGT within 90 days from the date of disposal in the case of deemed assessments.

Effective: 1 January 2025

## Review of penalty for other offences

Currently, a person shall be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both, on conviction of the following offences:

- Failure to file returns by a nominee under Section 13(2);
- Failure to file returns in cases of asset transfer to a company's trading stocks under Section 13(3); or
- Failure to comply with notice to produce information / documents required by the DGIR under Section 27/28(3).

### Proposal

On conviction of the above offences, in addition to the above penalty, the court may issue a further order requiring the person to comply with the relevant provisions under which the offence has been committed, within 30 days or other period as determined by the court, from the date the order is made.

Effective: 1 January 2025







# Labuan

## Expansion of income tax exemption for qualifying Islamic financial activities under the Labuan International Business and Financial Centre (IBFC)

Currently, Labuan trading entities that undertake Islamic financial activities such as Islamic digital banking and Islamic digital token issuers are given full income tax exemption for 5 years from YA 2024 until YA 2028 under the Labuan Business Activity Tax (Exemption) Order 2024 [P.U.(A) 127/2024].

### Proposal

To further attract investment in the Islamic financial sector at the IBFC, it is proposed that the qualifying Islamic financial activities eligible for full income tax exemption undertaken by Labuan trading entities be expanded to include:

No.	Labuan trading entity	Qualifying activities
1	Labuan insurer, Labuan reinsurer, Labuan takaful operator or Labuan re-takaful operator	Takaful and re-takaful businesses that comply with Syariah principles: i. risk management; or ii. product development
2	Labuan captive insurer or Labuan captive takaful	Takaful and re-takaful businesses that comply with Syariah principles where takaful participants are related companies or associated companies or as approved by the Labuan Financial Services Authority (LFSA): i. risk management; or ii. product development
3	Labuan underwriting manager or Labuan underwriting takaful manager	Provides underwriting services including administration related to Labuan takaful business
4	Labuan insurance manager or Labuan takaful manager	Provides management or administrative services related to Labuan takaful business
5	Labuan insurance broker or Labuan takaful broker	Provides services such as: i. arrange Labuan takaful and re-takaful business; or ii. financial analysis

*Effective: YA 2025 to YA 2028*

# Labuan

## Amendment / deletion / insertion of definition

Definition	Existing	Proposal
Labuan trading activity	Includes banking, insurance, trading, management, licensing, shipping operations or any other activity which is not a Labuan non-trading activity	The definition is amended by deleting the words "shipping operations"
Shipping operations	Means the transportation of passengers or cargo by sea or the letting out on a charter of ships on a voyage or time charter basis	The definition is deleted
Domestic company	Has the same meaning as in the Labuan Companies Act 1990	The definition is deleted
Assessment	-	"Assessment" means any assessment or additional assessment made under the LBATA

Effective: 1 January 2025

### Commentary

With the implementation of economic substance requirements for Labuan entity starting from 1 January 2019, shipping operation is not considered as a Labuan business activity under the Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulations 2021 (P.U. (A) 423/2021) (the Regulations). Hence the above proposed amendment to the definition of "Labuan trading activity" and the removal of "shipping operation" from the LBATA to be aligned with the Regulations.

## Redefinition of "basis period"

Basis period is currently defined as in relation to a YA, means the accounting period or periods ending in the calendar year immediately preceding that YA.

### Proposal

It is proposed that the definition of "basis period" be revised to reflect the change in the tax assessment system under the LBATA, transitioning from a preceding year basis to current year basis.

Effective: 1 January 2025 and the amended definition of "basis period" has effect for the YA 2025 in respect of the basis period ending in the year 2025

## Expansion of substance requirements of a Labuan business activity

Currently, a Labuan entity which carry on Labuan trading activity and Labuan non-trading activity is required to fulfil the substance requirements as listed below to enjoy the preferential tax rate of 3%/0% on its net profits:

- Adequate number of full-time employees in Labuan;
- Adequate amount of annual operating expenditure in Labuan; and
- Comply with any condition in relation to control and management in Labuan\*.

\*This condition only applies to Labuan non-trading activity.

### Proposal

Expansion of the economic substance requirements to include a requirement that the full-time employees comply with conditions related to being "a fit and proper person".

Effective: 1 January 2025

## Filing of return of profits of Labuan entity charged to tax

Under the SAS, a Labuan entity carrying on a Labuan business activity which is a Labuan trading activity shall submit a return of profits in the prescribed form within seven (7) months from the close of its accounting period which constitutes the basis period for the YA. The returns of profits shall be furnished to the DGIR electronically.

Additionally, the return of profits for a YA shall –

- specify the chargeable profit for that YA; and
- contain such particulars as may be required by the DGIR.

Effective: YA 2025 in respect of basis period ending in the year 2025

## Deemed assessment

Section 6 of the LBATA is to be amended to provide that an assessment in respect of a Labuan entity which has furnished a return of profits shall be deemed to have been made by the DGIR on the day on which the return of profits is furnished. Under the SAS, the DGIR is also deemed to have served the notice of assessment on the Labuan entity on the same day.

Relevant provisions in LBATA are to be amended in light of the above changes.

Effective: YA 2025 in respect of basis period ending in the year 2025

# Labuan

## Filing of return of profits of Labuan entity not charged to tax

Currently, every Labuan entity is required to furnish a statutory declaration and a return of profits to the DGIR within 3 months from the commencement of a YA.

### Proposal

With the proposed amendment and following the introduction of the SAS, a Labuan entity carrying on a Labuan non-trading activity is required to furnish a return of profits to the DGIR within 7 months from the date following the close of the accounting period which constitutes the basis period for the YA.

The return of profits shall be furnished to the DGIR electronically.

*Effective: YA 2025 in respect of basis period ending in the year 2025*

## Payment of tax

Section 11 of the LBATA is substituted consequential to the introduction of the SAS. Any tax payable will be due and payable on the due date for submission of return of profits (which is defined to be the last day of the 7<sup>th</sup> month from the date following the close of the accounting period). The tax payable will be increased by a sum of 10% of the tax unpaid if the tax payable remains unpaid by the due date.

Where there is an additional assessment or an increased assessment made, the tax payable under the additional or increased assessment is due to be paid on the service of the said assessments. Where the tax payable has not been paid within 30 days after the service of the notice, the tax payable will be increased by a sum of 10% of the tax unpaid.

### Proposal

It is proposed that DGIR is empowered to allow the payment of any tax due and payable to be made by instalments and to remit any increased sum for an assessment raised under Section 6.

Following the substitution of Section 11 of the LBATA, Section 13A of the LBATA will be deleted.

*Effective: YA 2025 in respect of basis period ending in the year 2025*

## Other consequential amendments

### Proposal

#### Service of notice of assessment

Sections 6B(1) and (2) of the LBATA is amended to allow the service of a notice of assessment or notice of increased assessment to be made by ordinary or registered post.

*Effective: YA 2025 in respect of basis period ending in the year 2025*

#### Deletion of the provision on notice of demand

Section 13 of the LBATA is deleted in view that the issuance of notice of demand is no longer relevant following the introduction of the SAS.

*Effective: YA 2025 in respect of basis period ending in the year 2025*



# Labuan

## Recovery by suit

### Proposal

A new Section 14(1A) of the LBATA is to be inserted to provide that the court will not entertain any plea under tax recovery proceedings that the tax recovery amount sought is excessive, incorrectly assessed, under appeal or incorrectly increased.

*Effective: 1 January 2025*

## Return of profits, etc. to be treated as confidential

Currently, any return of profits, statutory declaration or information made or received for the purposes of the LBATA shall be treated as confidential and shall not be communicated or disclosed to any person except for the purposes of the LBATA.

### Proposal

An amendment is made to empower the Minister to give an authority in writing for any communication or disclosure of any return of profits, statutory declaration or information made or received for the purposes of the LBATA.

*Effective: 1 January 2025*

## Power to make regulations

### Proposal

The power of the Minister to make regulations will be expanded to provide for scope, procedure and fees charged in relation to the application of advance ruling under the LBATA.

*Effective: 1 January 2025*

## Admissibility of electronic record

Currently, the provision that allows for admission of electronic record as evidence includes an electronic record or a copy or print-out of an electronic record of any document stored or received by or communicated on an electronic medium or by way of an electronic transmission. For this purpose, electronic medium includes a data, text, an image or any other information stored, received or communicated by means of electronic, magnetic, optical, imaging or any other data processing device.

### Proposal

The provision that allows for admission of electronic record as evidence will be expanded to include any prescribed form furnished on an electronic medium or by way of electronic transmission provided under the LBATA.

*Effective: 1 January 2025*

## Electronic medium

Currently, there is no provision in the LBATA that allows for submission of prescribed forms to the DGIR via electronic transmission.

### Proposal

A new Section 21C will be introduced to allow a person to furnish any prescribed form on an electronic medium or by way of an electronic transmission to the DGIR.

*Effective: YA 2025 in respect of basis period ending in the year 2025*

## Timeline for rectification of an error or mistake by a person in respect of a defective electronic invoice

Currently, Section 22DA(8) of the LBATA provides that in rectifying error or mistake in an electronic invoice, a substitute electronic invoice shall be issued within three days from the date of issuance of the defective electronic invoice.

### Proposal

The rectification of errors and mistakes in an electronic invoice by the issuance of a substitute electronic invoice shall be made within 72 hours from the time of issuance of the defective electronic invoice.

*Effective: 1 January 2025*

# Labuan

## Duty to provide information and furnish documents for ascertaining chargeable profit and tax payable

### Proposal

Introduction of new Section 22EB which requires taxpayer to provide information and furnish documents requested by the DGIR for the purpose of ascertaining the chargeable profit and tax payable or net profit, electronically within 30 days after the due date for furnishing the return of profits.

*Effective: YA 2025 in respect of basis period ending in the year 2025*

## Review of offences and penalty

Currently, a person shall be liable to a fine not exceeding RM1million or to imprisonment for a term not exceeding 2 years or to both on conviction of the following offences:

- i) Failure to file statutory declaration and return of profits; and
- ii) Failure to comply with certain notices issued by the DGIR.

The DGIR may compound any of the above offences committed, at any time before a charge is being instituted, where the compound shall not exceed RM500,000.

### Proposal

#### 1) Revision of Penalty

- Fine of not less than RM20,000 and not more than RM1million, or to imprisonment for a term not exceeding 2 years, or to both, on conviction.
- On conviction, the court is empowered to issue further order directing taxpayer to comply with the relevant provisions under which the offence has been committed, within 30 days or other period as determined by the court, from the date the order is made.
- The DGIR may compound any offence committed, at any time before a charge is being instituted, where the compound shall not exceed RM500,000. The DGIR may also abate or remit any penalty imposed except a penalty imposed on conviction.

#### 2) Expansion of the scope of offences

- i) Failure to furnish correct particulars required in the LBATA return of profits; and
- ii) Failure to comply with notices from DGIR under Sections 22B, 22C or Section 22D(5);
- iii) Contravenes Section 22EB.

*Effective: 1 January 2025*

## Default in furnishing return of profits, penalty for incorrect return of profits and information and recovery of penalty

Currently, any person who fails to file a statutory declaration and return of profits or fails to comply with a notice to produce information/documents shall be liable to a fine not exceeding RM1million or to imprisonment for a term not exceeding two years or to both, on conviction under Section 23 of the LBATA.

### Proposal

The current punitive provisions be amended as follows:

#### Section 23A: Default in furnishing return of profits

Any person who fails to file a return of profits in respect of any one YA shall be liable to a fine of not less than RM20,000 and not exceeding RM1million or to imprisonment for a term not exceeding three years or to both, on conviction.

On conviction of the above offence, in addition to the above penalty, the court may issue further order requiring the person to comply with the relevant provisions under which the offence has been committed, within 30 days or other period as determined by the court, from the date the order is made.

Where no prosecution is instituted for the above, the DGIR may impose a penalty equal to treble the amount of tax payable for that year.

#### Section 23B: Penalty for incorrect return of profits and information

Any person who files an incorrect return of profits or gives any incorrect information affecting the tax chargeability of his own or any other person shall be liable to a fine of not less than RM20,000 and not exceeding RM1million or to imprisonment for a term not exceeding three years or to both, on conviction.

Where no prosecution is instituted for the above, the DGIR may impose a penalty equal to the amount of tax undercharged.

#### Section 23C: Recovery of penalty

Any penalty imposed under Sections 23A(4), 23A(5) or 23B(2) of the LBATA of which no prosecution is instituted, the penalty shall be collected as if it were part of the tax payable by that person.

*Effective: 1 January 2025*

# Labuan

## Compounding of offences

Currently, the DGIR may issue a compound not exceeding 50% of the amount of the maximum fine in lieu of prosecution. This would apply to offences committed under Sections 22 and 23 of the LBATA.

### Proposal

The current provision on compounding of offences be extended to offences under the existing Section 22EA "Failure to issue electronic invoice" and the new Section 23A "Default in furnishing return of profits" of the LBATA.

In addition, the DGIR will be empowered to abate or remit any penalty imposed under the LBATA except for penalty imposed on conviction.

*Effective: 1 January 2025*

## Penalty for false declaration

Prior to the proposed implementation of SAS, every Labuan entity is required to furnish to the DGIR a statutory declaration and a return of profits within a period of three months from the commencement of a YA, pursuant to Sections 5 and 10 of the LBATA.

Section 25 of the LBATA provides that where any person wilfully or negligently makes an incorrect or false statutory declaration under Sections 5 or 10 of LBATA, such person shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM1 million or to imprisonment for a term not exceeding three years or to both.

### Proposal

Following the introduction of SAS, Section 25 of the LBATA will be deleted consequential to the introduction of new provisions to the LBATA on penalty for an offence of failure to furnish the correct particulars as required by the DGIR and default in furnishing a return of profits.

*Effective: 1 January 2025*

## Service of documents

Under the present law, any documents (other than notice of assessment, notice of additional assessment and notice of demand issued by the DGIR) under the LBATA are deemed to be served on the Labuan entities if those documents are left at or sent via post to the registered office of the Labuan entity. However, it is unclear whether it is referring to ordinary post or registered post.

### Proposal

It is proposed that any documents (other than notice of assessment and notice of additional assessment issued by the IRB) under the LBATA are deemed to be served on the Labuan entities if those documents are left at or sent via ordinary post to the registered office of the Labuan entity.

*Effective: 1 January 2025*

## Admissibility of document

Currently, there is no specific provision in the LBATA that deals with admissibility of documents other than admissibility of electronic records, as evidence in any court proceedings.

### Proposal

New Sections 27A, 27B and 27C be introduced into the LBATA which provide for:

- The admissibility of any document issued, served or given for the purpose of the LBATA (e.g., recovery by suit by the DGIR etc.) in any court proceeding.
- The assessment, notices or other documents issued by the DGIR for the purpose of the LBATA shall not be deemed to be void due to error, mistake, defect or omission if such documents are in substance conforming to the LBATA.
- Every notice, certificate or other document issued by the DGIR for the purpose of the LBATA shall be sufficiently authenticated if the name and office of the DGIR is printed, stamped or written thereon and signed (where applicable).

*Effective: 1 January 2025*



# Petroleum Tax

## Transfer of Qualifying Exploration Expenditure (QEE)

Currently, the QEE of one chargeable person (transferor) is allowed to be transferred to another chargeable person (transferee) provided the original parties to the relevant production sharing contract are the same and the surrendering chargeable person is not in production period. The QEE transferred shall be disregarded in ascertaining the adjusted income of the transferor, and if applicable, the transferee.

### Proposal

An amendment to the PITA to clarify that the QEE transferred shall be disregarded in determining the adjusted income of the transferor, as the transferee will claim the QEE transferred. In other words, the QEE transferred is no longer deductible to the transferor.

*Effective: Upon coming into operation of the Finance Act 2024*

## Timeframe to amend errors or mistakes in e-invoice

Currently, if a person makes an error or mistake on an issued e-invoice, the person may issue a substitute e-invoice within three days from the date of issuance of the defective e-invoice.

### Proposal

The timeframe to issue a substitute e-invoice be amended from three days to 72 hours (which is aligned with the e-invoice guidelines issued by the DGIR).

*Effective: 1 January 2025*

## Limitation period to amend grounds of appeal

Currently, at the hearing of an appeal, the appellant may vary the grounds of appeal stated in the petition of appeal. However, if this is done without reasonable notice, the Special Commissioners of Income Tax (SCIT) may postpone the hearing for a reasonable period if requested by the DGIR.

### Proposal

The appellant shall give written notice to the SCIT and DGIR within six months from the date the appellant receives a written notice from the DGIR that it has forwarded the petition of appeal to the SCIT to vary the grounds of appeal.

*Effective: 1 January 2025*





# Administration and Others

## Access to tax identification number

Currently, the tax identification number is only accessible by the registered taxpayer, that is

- A person assessable and chargeable to tax;
- A person who is required to furnish a return; or
- A person who is a citizen aged 18 years and above.

### Proposal

The tax identification number, when made accessible by the DGIR to parties other than the registered taxpayer mentioned above, shall not be considered as 'classified material'. The DGIR shall not be liable for any loss or damage suffered by the registered taxpayer due to any error or omission arising from providing access to the tax identification number, provided that it is made in good faith and in the ordinary course of the DGIR's duties or situation arising from any defect or breakdown in the service or in the equipment used in the provision of the services.

Any person who has access to the tax identification number of the registered taxpayer should not misuse the tax identification number. If otherwise, he shall be guilty of an offence and on conviction, be liable to a fine not exceeding RM4,000 or to imprisonment for a term not exceeding one year or to both.

*Effective: 1 January 2025*

## Mandatory submission of amended return via e-filing

Currently, only a company, limited liability partnership, trust body and co-operative society are required to submit the amended return to the DGIR by way of e-filing.

### Proposal

Extend the obligation to submit the amended return to the DGIR by way of e-filing to all taxpayers.

*Effective: YA 2025*

## Revision of estimate of tax payable

Currently, where the DGIR issues notice of estimate of tax payable to a company, limited liability partnership, trust body or co-operative society before the ninth month of a basis period for a YA, such entity may revise its estimate of tax payable in the sixth and/or ninth month of the basis period.

### Proposal

Where the DGIR issues notice of estimate of tax payable to a company, limited liability partnership, trust body or co-operative society before the eleventh month of a basis period for a YA, such entity may revise its estimate of tax payable in the sixth, ninth and/or eleventh month of the basis period.

*Effective: YA 2025*

## Penalty for incorrect returns, information returns or reports

Currently, only upon conviction, a fine of not less than RM20,000 and not more than RM100,000 or to imprisonment for a term not exceeding six months or to both, may be imposed where there is an incorrect return, information return or report or incorrect information was made in relation to automatic exchange of information or Country-by-Country reporting (CbCR).

### Proposal

Where no prosecution is instituted, the DGIR may impose a penalty of not less than RM20,000 and not more than RM100,000.

*Effective: 1 January 2025*

## Timeframe to amend errors or mistakes in e-invoice

Currently, if a person makes an error or mistake on an issued e-invoice, the person may issue a substitute e-invoice within three days from the date of issuance of the defective e-invoice.

### Proposal

The timeframe to issue a substitute e-invoice be amended from three days to 72 hours (which is aligned with the e-invoice guidelines issued by the DGIR).

*Effective: 1 January 2025*



## Administration and Others

### Limitation period to amend grounds of appeal

Currently, at the hearing of an appeal, the appellant may vary the grounds of appeal stated in the petition of appeal. However, if this is done without reasonable notice, the SCIT may postpone the hearing for a reasonable period if requested by the DGIR.

#### Proposal

The appellant shall give written notice to the SCIT and the DGIR within six months from the date the appellant receives a written notice from the DGIR that it has forwarded the petition of appeal to the SCIT to vary the grounds of appeal.

*Effective: 1 January 2025*

### Recovery of penalties imposed

Currently, under Section 125(2) of the Act, any penalty imposed due to incorrect claim of group relief for companies, late submission of tax return or incorrect return shall be collected as part of the tax payable by that person.

#### Proposal

Any penalty imposed due to incorrect return, information return or report submitted in relation to Section 113A(2) or penalty imposed due to failure to submit contemporaneous transfer pricing documentation in relation to Section 113B(4) will also be collected as part of the tax payable by that person.

*Effective: 1 January 2025*

### Contributions benefiting non-Malaysian citizens

#### Proposal

In efforts to mobilise assistance on the basis of shared responsibility by the government, It is proposed that the scope of approved donations under Section 44(6) of the Act be expanded to include contributions benefiting non-Malaysian citizens that are affected by crises.

*Effective: To be determined vide a subsidiary legislation*

### Donation to Rare Disease Trust Fund

#### Proposal

Any donation to the Rare Disease Trust Fund will be eligible for a tax deduction equivalent to the actual donation amount.

*Effective: To be determined vide a subsidiary legislation*

### Definition of “organization” in relation to approved donation

Section 44(6) of the Act provides a deduction for any gift of money to government, state government, or local authority. A deduction is also available for any gift of money to an approved institution or organization which is not operated or conducted primarily for profit.

“organization” means an organization in Malaysia which is not operated or conducted primarily for profit and which is—

(a).....(j)

(k) a benevolent fund or trust account established or held for the sole purpose of providing relief or aid to an individual who has no, or insufficient means, or in the case of a dependent individual whose parents or guardian has no, or insufficient means, to pay for the cost of the medical treatment required by such individual to treat a serious disease as defined in subsection 46(2).

#### Proposal

The words “as defined in subsection 46(2)” will be deleted from Section 44(7)(k) of the Act.

*Effective: Upon coming into operation of the Finance Act 2024*

#### Commentary

*This amendment is consequential to the deletion of the definition of “serious disease” in Section 46(2) of the Act with effect from YA 2014.*

# Abbreviations and Acronyms

Accelerated Capital Allowance	ACA
Capital Gains Tax	CGT
Director General of Inland Revenue	DGIR
Environmental, Social and Governance	ESG
Electric Vehicle	EV
Global Minimum Tax	GMT
Inland Revenue Board	IRB
Income Tax Act 1967	the Act
Information and Communication Technology	ICT
Investment Tax Allowance	ITA
Labuan Business Activity Tax Act 1990	LBATA
Malaysian Investment Development Authority	MIDA
Micro, Small and Medium Enterprise	MSME
Ministry of Finance	MOF
Multinational Enterprise	MNE
Petroleum (Income Tax) Act 1967	PITA
Real Property Company	RPC
Real Property Gains Tax	RPGT
Real Property Gains Tax Act 1976	RPGTA
Royal Malaysian Customs Department	RMCD
Ringgit Malaysia	RM
Securities Commission Malaysia	SC
Self-Assessment System	SAS
Stamp Act 1949	SA
Year of Assessment	YA

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