Budget 2024

22 November 2023

Malaysia's Budget 2024, themed "MADANI Economy: Empowering the People" was tabled on 13 October 2023 by our Prime Minister and Finance Minister, Dato' Seri Anwar Ibrahim, with a total allocation of RM393.8 billion.

Crafted with the MADANI Economy framework in mind, Budget 2024 is said to be the continuation of the MADANI Budget that was tabled in February with 3 main focuses: Good Governance for Service Agility, Restructuring of the Economy to Boost Growth and Raising Rakyat's Standard of Living.

This Budget Adviser outlines numerous updates on the various existing tax measures, as well as new tax initiatives.

This publication has been prepared based on the Budget 2024 speech, the relevant appendices, the tax measures from the Finance (No. 2) Bill 2023 and news publication.

Contents

Individual Tax

1. TAX INCENTIVE FOR WOMEN CAREER COMEBACK PROGRAMME

Currently, women who return to work after a career break are eligible for income tax exemption on employment income received for a maximum of 12 consecutive months, subject to the following eligibility criteria:

i. Women return to work after a career break at least 2 years before or up to 27 October 2017;

ii. Application received by Talent Corporation Malaysia Berhad not later than 31 December 2023; and

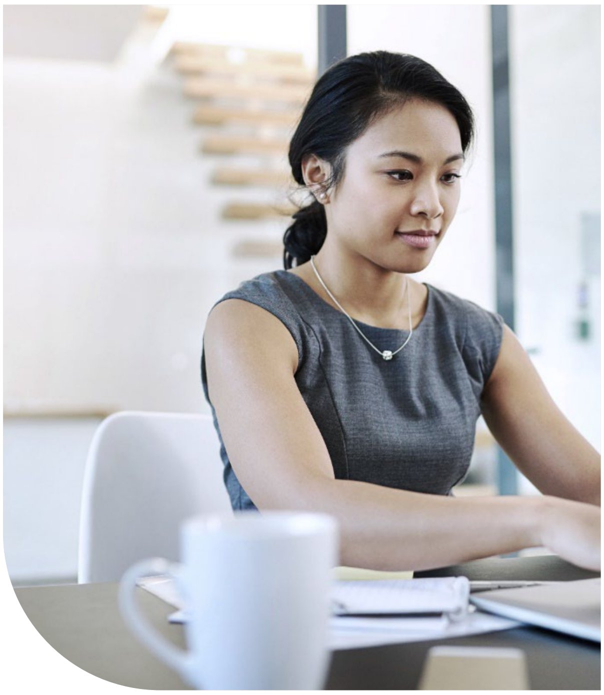
iii. Employment income received from year of assessment 2018 to year of assessment 2024.

In line with the Sustainable Development Goals and Ekonomi MADANI targets to increase women workforce, it is proposed that the eligibility criteria for the Women Career Comeback Programme tax incentive be enhanced as follows:

i. Women return to work after a career break of at least 2 years before the date of application received by Talent Corporation Malaysia Berhad; and

ii. Employment income received from year of assessment 2025 to year of assessment 2028.

Effective date : Application received by Talent Corporation Malaysia Berhad from 1 January 2024 to 31 December 2027



Individual Tax

2. INCOME TAX RELIEF FOR LIFESTYLE

Currently, income tax relief for lifestyle of up to RM2,500 is provided to individual taxpayer on the purchase of reading materials including books, printed/electronic daily newspapers, personal computers, smartphones or tablets, internet subscriptions, sports equipment and gymnasium membership fees.

Additional relief for lifestyle of up to RM500 is specifically allocated for:

i. Purchasing sports equipment;

ii. Payment of rental/entry fees to sports facilities; and

iii. Registration fees for participating in sports competitions.

To streamline and improve income tax relief for lifestyle and sports activities, it is proposed that the limit and scope of tax relief for lifestyle be restructured as follows:

i. Lifestyle relief of up to RM2,500

The scope of relief be expanded to include fees for self skills enhancement courses such as language courses, photography, tailoring classes and others. Whereas, the purchase of sports equipment and gymnasium membership fees are removed.

ii. Specific tax relief be introduced for "Sports Equipment and Activities" of up to RM1,000

The scope of relief includes the purchase of sports equipment, rental or entry fees to sports facilities, registration fees for participating in sports competitions and gymnasium membership fees. This relief is also expanded to sports training fees imposed by sports clubs or societies registered with the Commissioner of Sports or companies incorporated under the Companies Act 2016 and carrying out sports activities as defined under the Sports Development Act 1997.

Effective date : From year of assessment 2024

Corporate Tax

1. TAX DEDUCTION ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RELATED EXPENDITURES

ESG represents the criteria used to assess a company's sustainability practices and ethics, encompassing environmental impact, social responsibility and governance effectiveness. The implementation of ESG will support Government initiatives and efforts in achieving sustainable development goals.

However, compliance to ESG standards will increase the costs of business as it is currently not allowed for tax deduction under the Income Tax Act 1967.

To encourage more corporate participation in complying with ESG standards towards sustainable and inclusive development to be in line with Ekonomi MADANI as well as enhancing the governance in tax administration system, it is proposed that tax deduction up to RM50,000 for each year of assessment be given on ESG related expenditure as follows:

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

Effective date : From year of assessment 2024 to year of assessment 2027

Corporate Tax

2. INCOME TAX EXEMPTION FOR ISLAMIC FINANCIAL ACTIVITIES UNDER LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE (IBFC)

Currently, Labuan entity that undertakes trading activities such as banking, insurance and trust companies are taxed at a fixed rate of 3% on audited net profits, while Labuan entity that undertakes non-trading activities such as equity holding are taxed at a fixed rate of 0% on audited net profits. Labuan entities are also subject to substantive requirements which are full-time employees and annual operating expenses in Labuan.

As an initiative to develop the IBFC as an Islamic and Shariah-compliant financial centre, it is proposed that a full income tax exemption for a period of 5 years be given to Labuan entity that undertakes Islamic financial-related trading activities such as Islamic digital banking, Islamic digital bourses, *ummah*-related companies and Islamic digital token issuers.

Effective date : From year of assessment 2024 to year of assessment 2028

3. REVIEW OF CAPITAL ALLOWANCE ON INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EQUIPMENT AND COMPUTER SOFTWARE

To assist companies to remain competitive with the current technological advancement, it is proposed that the capital allowance rates be revised as follows:

Qualifying Expenditure	Capital Allowance Rates	
	Currently	Proposed
Purchase of ICT equipment and computer software packages Consultation, licensing and incidental fees related to customised computer software development	Initial Allowance: 20% Annual Allowance: 20%	Initial Allowance: 40% Annual Allowance: 20%

With the revised rate, the capital allowance claim period shall be reduced from 4 years to 3 years.

Effective date : From year of assessment 2024

Corporate Tax

4. INCOME TAX EXEMPTION ON ISLAMIC SECURITIES SELLING AND BUYING (ISSB) TRANSACTIONS

It is proposed that income tax exemption be given on income derived from ISSB transactions in order to achieve the following objectives:

- To increase the overall volume of securities trading and liquidity of the Shariah-compliant stock market through the involvement of more investors and brokers in ISSB transactions; and
- To ensure equivalent treatment is provided for Securities Borrowing and Lending transactions.

Further details are expected to be released in due course.

Effective date : From year of assessment 2024

5. INDUSTRIAL BUILDING ALLOWANCE (IBA) FOR SENIOR CITIZENS PRIVATE NURSING CARE HOME

Currently, IBA is given to the following types of building:

i. Constructed or purchased building used as an old folks care centre;

ii. Constructed or purchased building used by an approved Multimedia Super Corridor status company;

iii. Constructed or purchased building used by a BioNexus status company;

iv. Constructed under a privatisation project and private financing initiatives;

v. Constructed or purchased building as a kindergarten;

vi. Constructed or purchased building as a child care centre; and

vii. Constructed or purchased commercial building in the Tun Razak Exchange used by a Tun Razak Exchange Marquee status company.

It is proposed that IBA be given at the rate of 10% of the cost of buildings built or purchased (including the renovation costs) for each year of assessment where the building is used as a Senior Citizens Private Nursing Care Home approved by the Ministry of Health Malaysia.

Effective date : From 1 January 2024 to 31 December 2026

Corporate Tax

6. TAX DEDUCTION ON CONTRIBUTIONS FOR ENVIRONMENTAL PRESERVATION AND CONSERVATION PROJECTS

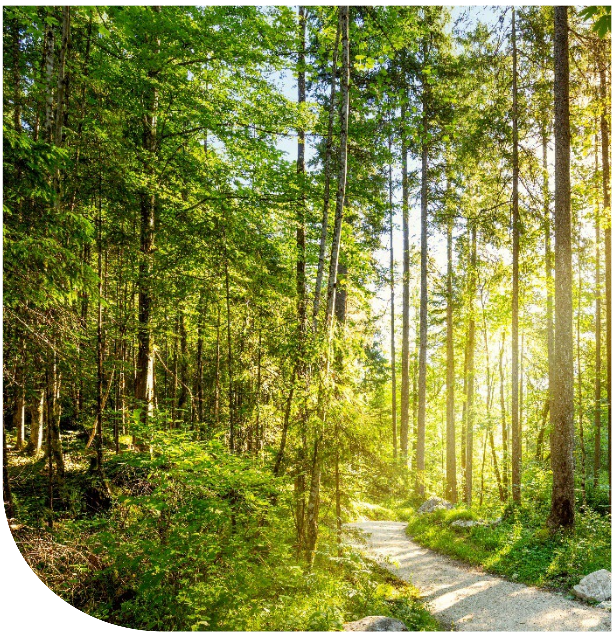
Global climate change has become a threat to the nature's sustainability and biodiversity in Malaysia. The Government has implemented various efforts and initiatives to preserve and conserve the environment, including reforestation activities such as 100 Million Tree Planting Campaign 2021 – 2025.

Forest Research Institute Malaysia (FRIM) is the Government agency involved directly in encouraging the participation of private sectors through corporate social responsibility (CSR) programmes in tree planting activities as well as instilling awareness and disseminating information to the public on the importance of protecting mother nature.

To encourage the participation of private sectors to contribute in charity or community projects, a tax deduction under Section 34(6)(h) of the Income Tax Act 1967 is given on expenses incurred by the company for provision of services, public amenities, charity or community projects pertaining to education, health, housing, enhancement of income of the poor, infrastructure, information and communication technology, maintenance of heritage building including environmental preservation or conservation projects.

To support the CSR programmes implemented by FRIM, it is proposed that tax deduction under Section 34(6)(h) of the Income Tax Act 1967 be given to entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by FRIM.

Effective date : Application received by the Ministry of Finance from 1 January 2024 to 31 December 2026



Corporate Tax

7. CONDITIONS FOR PREFERENTIAL TAX TREATMENTS ON MICRO, SMALL AND MEDIUM SIZED COMPANIES (MSME)

Currently, a MSME which satisfies the following conditions enjoys the following preferential tax treatments:

Conditions	Special allowance for small value asset (not subject to maximum limit claim of RM20,000)	Exemption from furnishing the estimate of tax payable (CP 204) for the first 2 years of assessment upon commencement of operation
Resident and incorporated in Malaysia	Yes	Yes
Paid-up ordinary share capital of not more than RM2.5 million and none of its related companies within the group (related by way of shareholding of more than 50%) is having ordinary paid-up share capital exceeding RM2.5 million at the beginning of the basis period for that year of assessment	Yes	Yes
Gross business income not exceeding RM50 million	Yes	N/A

It is proposed that additional shareholding condition be applied to a MSME to enjoy the above preferential tax treatments. A MSME with more than 20% of its ordinary paid-up capital at the beginning of the basis period for a year of assessment that is directly or indirectly owned by:

- One or more companies incorporated outside Malaysia; or
- One or more individuals who are not citizen of Malaysia

will not eligible for the above preferential tax treatments.

Effective date : From year of assessment 2024

Corporate Tax

8. REVISION OF ESTIMATE OF TAX PAYABLE IN THE 11TH MONTH (CP204A)

Currently, a company, limited liability partnership, trust body or co-operative society may revise the estimate of tax payable in the 6th month or the 9th month or in both months of the basis period for that year of assessment.

It is proposed that additional revision of the estimate of tax payable be allowed in the 11th month of the basis period for that year of assessment.

However, the abovementioned revisions to the estimate of tax payable do not apply to gains or profits from disposal of capital assets which is subject to income tax with effect from 1 January 2024.

Effective date : From year of assessment 2024

Real Property Gains Tax

1. IMPLEMENTATION OF REAL PROPERTY GAINS TAX (RPGT) SELF-ASSESSMENT SYSTEM

Currently, the RPGT is under an official assessment system where the Inland Revenue Board of Malaysia (IRBM) will issue a notice of assessment following the submission of the RPGT return that is due within 60 days from the date of disposal. The RPGT due and payable on the notice of assessment is required to be paid within 30 days from the date of the notice of assessment.

It is proposed that a RPGT self-assessment system be implemented. The details are as below:

- The RPGT return submitted to the IRBM shall be deemed to be a notice of assessment issued by the IRBM. The tax payable shall be due and payable within 60 days from the date of the disposal.
- The RPGT return submitted may be amended once within 6 months from the due date of submission of the RPGT return. The tax or additional tax payable pursuant to the amended return shall be increased by 10% of such tax or additional tax and it shall be due and payable on the day the amended return is furnished.

Effective date : From 1 January 2025

Tax Incentive

1. INCENTIVE FOR REINVESTMENT UNDER THE NEW INDUSTRIAL MASTER PLAN (NIMP) 2030

Currently, manufacturing and agricultural companies undertaking expansion, diversification, automation and modernisation projects are eligible for Reinvestment Allowance (RA) under Schedule 7A of the Income Tax Act 1967. The companies are eligible to claim RA of 60% of the capital expenditure incurred and can be set-off against up to 70% of statutory income for 15 consecutive years of assessment. This tax incentive is still in effect.

To encourage existing companies that have exhausted their RA eligibility period and to increase capacity and investment in high-value activities under the NIMP 2030, it is proposed that tax incentives be given as follows:

Investment Tax Allowance (ITA)	Tier 1	Tier 2
Qualifying Capital Expenditure	100%	60%
Statutory Income to be Set-Off	100%	70%

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

Effective date : Application received by the Malaysian Investment Development Authority from 1 January 2024 to 31 December 2028. Further clarification required on the meaning of outcome-based approach

2. REVIEW OF GREEN TECHNOLOGY TAX INCENTIVE

Currently, companies undertaking qualifying green activities are given tax incentive as follows:

i. Green Investment Tax Allowance (GITA)

Investment Tax Allowance of 100% on capital expenditure for qualifying green activities for a period of 3 years. The allowance can be set-off against up to 70% of statutory income.

ii. Green Income Tax Exemption (GITE)

a. Income tax exemption of 70% of statutory income on qualifying green services activities for a period of 3 years of assessment; and

b. Income tax exemption of 70% of statutory income for a period of up to 10 years of assessment on solar leasing activity.

In line with Malaysia's aspiration to be an inclusive, sustainable and carbon neutral nation by 2050, it is proposed that green technology tax incentives be reviewed as follows:

GITA Project (Business Purposes)

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

Tax Incentive

2. REVIEW OF GREEN TECHNOLOGY TAX INCENTIVE (cont'd)

GITA Asset (Own Consumption)

Qualifying Activities	% GITA	% of Statutory Income to be Set-Off	Incentive Period
<u>Tier 1:</u> i. List of qualifying assets approved by Minister of Finance ii. Battery Energy Storage System iii. Green building	100%	70%	Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026
<u>Tier 2:</u> i. List of qualifying assets approved by Minister of Finance ii. Renewable Energy System iii. Energy efficiency	60%	70%	

GITE Solar Leasing

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

Effective date :

GITA Project	Applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2024 to 31 December 2026
GITA Asset	Qualifying capital expenditure as verified by the Malaysian Green Technology and Climate Change Corporation for the purchase of green technology assets starting from 1 January 2024 to 31 December 2026
GITE Solar Leasing	Applications received by MIDA from 1 January 2024 to 31 December 2026

Tax Incentive

3. TAX INCENTIVE FOR CONTRIBUTION TO SUPPORT EDUCATIONAL PROGRAMMES INCLUDING SPORTS EDUCATION

To cultivate a well-informed, proficient, and sports-talented future generation, it is proposed that tax incentive of up to 10% of aggregate income be given to individuals or businesses that make contributions to institutions, organisations or funds approved under Section 44(6) of the Income Tax Act 1967 that support educational programmes, including sports education.

Effective date : Further details are expected to be released in due course

4. SPECIAL INCOME TAX RATE FOR FILM PRODUCTION COMPANIES, FOREIGN FILM ACTORS AND MOVIE CREWS

To encourage the entry of foreign film production to Malaysia and compete with incentives offered by other countries, a special income tax rate of 0% to 10% will be offered to film production companies, foreign film actors and movie crews who carry out filming in Malaysia.

Effective date : Further clarifications required on the conditions for the special income tax rate

5. EXPANSION OF RESPONSIBILITIES OF MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) AND MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY (MIDA)

To develop Malaysia's advantage as a foreign investment destination, the Government will continue to intensify its efforts to attract more high-impact investments. One of the new policies and directives aimed to facilitate businesses is to expand the responsibilities of the MITI and MIDA.

MITI and MIDA's responsibilities will no longer be limited to approval of investment incentives, but are expanded to facilitate issues relating to investments, beginning from application until the investment is realised. For this, an Investment and Coordination Action Committee has been established and will report to the National Investment Council that is chaired by the Finance Minister.

Effective date : Further details are expected to be released in due course

Tax Incentive

6. TAX INCENTIVE FOR GLOBAL SERVICES HUB

Currently, the Government has introduced the Principal Hub tax incentive with the objective of transforming Malaysia into a global business hub for high-value activities which are managing, controlling and supporting core business functions such as risk management, decision-making, strategic business and finance. The incentive given is income tax at a rate of 0%, 5% and 10% subject to certain conditions such as incur minimum annual business expenditure and provide full-time high value employment. However, the current tax incentives are not based on outcome-based approach.

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

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Exemption Years	5 + 5		5	
Tax Incentive	Tax rate 5%	Tax rate 10%	Tax rate at 5% on the value-added income	Tax rate at 10% on the value-added income
Types of Income Exempted	i. Services income; or ii. Services and trading income.			
Qualifying Services & Additional Services	Undertake the following activities: i. Regional P&L/Business Management Unit; ii. Strategic business planning; iii. Corporate development; and iv. Any 2 qualifying activities under the services category as follows: a. Strategic services; b. Business services; c. Shared services; or d. Other services.			
Conditions (Outcome-based)	i. Annual operating expenditure; ii. High value full-time employees; iii. C-Suite with a minimum monthly salary of RM35,000; iv. Local ancillary services; v. Collaboration with higher education institution/TVET; vi. Training for Malaysian students/citizen; vii. Environmental, Social and Governance elements; or viii. Other conditions as determined by the Minister of Finance.			

6. TAX INCENTIVE FOR GLOBAL SERVICES HUB (cont'd)

The determination of the eligibility for the income tax rate that a company will enjoy for each year of assessment is based on the outcome-based approach.

In addition, it is proposed that income tax rate of 15% be given for a period of 3 consecutive years of assessment and limited to 3 non-citizen individuals holding key/C-Suite positions with a monthly salary of at least RM35,000 appointed by a new company approved with Global Services Hub tax incentive.

Effective date : Application received by the Malaysian Investment Development Authority from 14 October 2023 to 31 December 2027. Further clarification required on the meaning of outcome-based approach

7. FURTHER TAX DEDUCTION FOR VOLUNTARY CARBON MARKET

A resident company incorporated under the Companies Act 1965 is exempted from payment of income tax on the income received from the sale of Certified Emissions Reduction. The exemption was given from the year of assessment 2008 until the year of assessment 2012.

In 2022, Bursa Malaysia launched a voluntary carbon market (VCM) initiative known as the Bursa Carbon Exchange (BCX). This initiative acts as a voluntary platform for carbon credit trading between carbon development project owners with any entity that aims to shift to low carbon practices. Expenditure related to development of carbon projects incurred by carbon credit trading companies is allowed for tax deduction under Section 33(1) of the Income Tax Act 1967.

In line with the Government's aspiration to become a carbon-neutral nation by 2050 and to encourage more companies to participate in VCM, it is proposed that further tax deduction up to RM300,000 be given to companies for costs incurred on the Development and Measurement, Reporting and Verification related to the development of carbon projects. The further tax deduction is deductible from the carbon credits income traded on BCX.

The development of carbon projects must be registered with an international standards body recognised by Bursa Malaysia and expenditure on development of carbon projects must be certified by the Malaysia Green Technology and Climate Change Corporation (MGTC).

Effective date : Application received by the MGTC from 1 January 2024 to 31 December 2026

Tax Incentive

8. TAX INCENTIVE FOR PENGERANG INTEGRATED PETROLEUM COMPLEX (PIPC)

To support the ecosystem of high-value activities, it is proposed that PIPC be transformed into a development hub for chemical and petrochemical sectors, with tax incentive package in the form of special income tax rate or investment tax allowance as follows:

Types of Tax Incentives	Implementing Company	
	New companies with a minimum investment of RM500 million and above in chemical and petrochemical activities	Approved developer for PIPC Industrial Park Development
Income Tax Rate	Tier 1 = 5% Tier 2 = 10%	10% on real estate sales or rental activities for eligible projects for a period of 10 years
Investment Tax Allowance	100% of eligible capital expenditure	-
Exemption Year	5 + 5	-
Types of Excluded Income	Income from qualifying chemical and petrochemical product manufacturing activities	-
Other Tax Incentives	i. Stamp duty exemption on land/building transfer agreement or land/building rental agreement for eligible projects ii. Exemption from stamp duty on land/building transfer agreements or land/building rental agreements to implement eligible projects	Stamp duty exemption on land/building transfer agreement or land/building rental agreement for eligible projects

Effective date : Application received by the Malaysian Investment Development Authority from 14 October 2023 to 31 December 2028

Indirect Tax

1. IMPORT DUTY AND SALES TAX EXEMPTION ON MANUFACTURING AIDS

Manufacturing aids refers to goods used in the manufacturing process to accelerate, improve, complement and complete the manufacturing process of the finished goods, but it is not part of the finished goods.

Currently, manufacturers are not entitled for import duty and sales tax exemption on the importation and locally purchased of manufacturing aids under the Customs Act 1967 and the Sales Tax Act 2018.

To enhance the competitiveness of manufacturing sector, it is proposed that import duty and sales tax exemption be given to eligible manufacturers on the importation and locally purchased of manufacturing aids, subject to the types of industry and category of goods determined.

Effective date : From 1 January 2024

2. EXCISE DUTY RATE ON SUGAR SWEETENED BEVERAGES

The imposition of excise duty on sugar sweetened beverages at the rate of RM0.40 per litre based on the threshold of sugar content has come into effect from 1 July 2019 on the following beverages:

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

To be in line with the effort to improve the health and well-being of the people especially to prevent diabetes and obesity, it is proposed that the excise duty rate for the above sugar sweetened beverages be increased to RM0.50 per litre.

Effective date : From 1 January 2024

Indirect Tax

3. EXCISE DUTY ON CHEWING TOBACCO

Smokeless tobacco products such as chewing tobacco and snuff tobacco are subject to import duty, excise duty and sales tax as follows:

Types of Duty/Tax	Chewing Tobacco	Snuff Tobacco
Import duty	5% + RM50/kilogram	5% + RM40/kilogram
Excise duty	Not applicable	5% + RM27/kilogram
Sales tax	10%	10%

To improve the health and well-being of the people as well as considering the risk of consuming chewing tobacco is the same as smoking, it is proposed that excise duty at the rate of 5% + RM27/kilogram be imposed on chewing tobacco products under the tariff code 2403.99.5000.

Effective date : From 1 January 2024

4. EXPANSION OF SCOPE OF TAXABLE SERVICES

It is proposed that the scope of taxable service be expanded to include delivery (except for delivery of food and beverage), logistics, brokerage, underwriting and karaoke services.

Effective date : From 1 March 2024

Indirect Tax

5. INCREASE OF SERVICE TAX RATE

Prior to 1 January 2011, service tax was chargeable at the rate of 5%. It was increased to 6% with effect from 1 January 2011. When service tax was re-introduced on 1 September 2018, the rate is 6% which is also the current rate.

It is proposed that the service tax rate be increased from 6% to 8%. This increased rate does not apply to:

i. Food and beverage;

ii. Telecommunications services;

iii. Vehicle parking space services; and

iv. Logistics services.

Effective date : From 1 March 2024

6. DEFINITION OF SELLER FOR SALES TAX ON LOW VALUE GOODS (LVG)

It was announced in Budget 2022 that sales tax be imposed on LVG (i.e. all goods with amount of not more than RM500) sold online by sellers and delivered to consumers in Malaysia by air mode. The scope of LVG was later expanded to include delivery into Malaysia by land and sea.

Sellers in this context for sales tax on LVG cover both local and foreign persons who sell LVG on an online marketplace or operates an online marketplace for the sale and purchase of LVG.

It is proposed that the definition of seller be amended to local and foreign persons who sell LVG on an online platform or operates an online marketplace for the sale and purchase of LVG.

Effective date : Upon coming into operation of the Finance (No. 2) Act 2023

7. CREDIT NOTES AND DEBIT NOTES FOR LOW VALUE GOODS (LVG)

Currently, there are no provisions for registered sellers of LVG to issue credit notes and debit notes.

It is proposed that a registered seller of LVG may issue credit notes and debit notes with the prescribed particulars and that the registered seller is required to make deduction or addition of sales tax in the returns accordingly.

Effective date : Upon coming into operation of the Finance (No. 2) Act 2023

Indirect Tax

8. POWER OF THE MINISTER TO EXEMPT AND REFUND OF SALES TAX ON LOW VALUE GOODS (LVG)

Currently, the Minister of Finance's power to exempt and refund sales tax does not include sales tax on LVG.

It is proposed that power of the Minister to exempt and refund of sales tax be extended to sales tax on LVG.

Effective date : Upon coming into operation of the Finance (No. 2) Act 2023

9. SALES TAX EXEMPTION ON IMPORTATION OF LOW VALUE GOODS (LVG)

Currently, sales tax is charged and levied on all taxable goods imported into Malaysia.

It is proposed that sales tax exemption be given on the importation of LVG, if it is proven that sales tax on LVG has been charged by the registered seller and has been paid.

Effective date : Upon coming into operation of the Finance (No. 2) Act 2023

Stamp Duty

1. **STAMP DUTY FOR PROPERTY OWNERSHIP BY FOREIGNERS**

   Currently, foreign-owned companies and non-citizen individuals are allowed to own properties in Malaysia and subject to the same ad valorem stamp duty rate on the instrument of transfer as imposed on Malaysian citizens as follows:

Sale Price/Market Value of Property (whichever is higher)	Stamp Duty Rate
First RM100,000	1%
Next RM100,001 to RM500,000	2%
Next RM500,001 to RM1,000,000	3%
Next RM1,000,001 and above	4%

   As part of the property price control mechanism, it is proposed that a flat stamp duty rate of 4% be imposed on the instrument of transfer of property executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents).

   Effective date : Instrument of transfer of property executed from 1 January 2024

2. **STAMP DUTY FOR TRANSFER OF PROPERTY OWNERSHIP BY RENUNCIATION OF RIGHTS**

   Currently, stamp duty at a fixed duty of RM10 is chargeable for transfer of property ownership involving inheritance property pursuant to Item 32(i) of the First Schedule, Stamp Act 1949 if the ownership is transferred from the administrator to an eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958. However, ad valorem duty is charged under Item 66(c) of the First Schedule, Stamp Act 1949 if the eligible beneficiary renunciates his/her right to another eligible beneficiary or non-beneficiary.

   To be in line with Malaysia MADANI pillars which prioritise the prosperity of the people and nurture compassion values, it is proposed that the transfer of property ownership in which the eligible beneficiary renunciates his/her right to another eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958 will only be subject to a fixed duty of RM10.

   Effective date : Instrument of transfer of property executed from 1 January 2024

Stamp Duty

3. DEFINITION OF 'WRITING' AND 'WRITTEN'

It is proposed to introduce a new definition of 'writing' or 'written' that incudes any handwriting, typewriting, printing, electronic record or transmission which is in an electronically readable form. This is to provide that instrument includes an electronic instrument.

Effective date : From 1 January 2024

4. DISCONTINUATION OF USE OF ADHESIVE STAMP AND IMPRESSED STAMP

An instrument chargeable with duty shall be paid, and payment shall be indicated on such instrument by means of an adhesive stamp or impressed stamp by using a postal franking machine or digital franking machine. The usage of digital franking machine was discontinued on 30 June 2021.

It is proposed that the usage of adhesive stamp and digital franking machine for impressed stamp be discontinued.

Effective date : From 1 January 2024

5. APPEAL TO HIGH COURT FOR STAMP DUTY

Currently, any person who is dissatisfied with the decision of the Collector may appeal against the decision to the High Court within 21 days after the person is notified in writing of that decision and upon payment of duty, by filing a notice of appeal to the High Court.

It is proposed that the High Court exercises original jurisdiction when hearing an appeal against an assessment by the Collector.

Effective date : From 1 January 2024

Stamp Duty

6. INSTRUMENTS EXECUTED OUTSIDE OF MALAYSIA

Currently, any instruments executed outside Malaysia are subject to stamping within 30 days of the date of receipt of the instruments as shown in the envelope.

It is proposed that the date of receipt of any electronic instruments executed outside Malaysia shall be verified by the production of a copy or print out of the electronic transmission.

Effective date : From 1 January 2024

7. STAMP DUTY FOR CONVENTIONAL LOAN AGREEMENTS AND SYARIAH-COMPLIANT FINANCING IN FOREIGN CURRENCY

Currently, agreements in foreign currency or financing made according to the Syariah in currencies other than Ringgit Malaysia is subject to stamp duty at the rate of RM5 for every RM1,000 of the loan amount and subject to a maximum stamp duty of RM2,000.

It is proposed that the maximum limit of RM2,000 be abolished.

Effective date : Instrument of loan executed from 1 January 2024

Others

1. **HIGH VALUE GOODS TAX**

   It is proposed that the Government will enact a new legislation to implement the High Value Goods Tax (previously Luxury Goods Tax) at the rate of 5% to 10% on certain high value goods such as jewellery and watches. The rate will be determined based on the threshold value of the goods.

   Effective date : From 1 May 2024

2. **ENTERTAINMENTS DUTY EXEMPTION IN THE FEDERAL TERRITORIES**

   Currently, entertainments duty at the rate of 25% is imposed on admission fees to entertainment places or events such as theme parks, stage performances, sports events and competitions as well as film screening in cinemas.

   To support the national creative industry's development, nurturing cultural unity and strengthening family bonding, it is proposed that an exemption of the current entertainments duty rate be given to selected type of entertainments held in the Federal Territories as follows:

<table>
<tr><th rowspan="2">Type of Entertainments</th><th colspan="2">Entertainments Duty Rate</th></tr>
<tr><th>Current</th><th>After Exemption</th></tr>
<tr><td>Stage performance by international artist/light show/circus</td><td rowspan="6">25%</td><td rowspan="4">10%</td></tr>
<tr><td>Film screening (cinema)/theatre</td></tr>
<tr><td>Exhibition/zoo/aquarium</td></tr>
<tr><td>Sports event/e-sports/bowling/snooker/pool/billiard/karaoke</td></tr>
<tr><td>Theme park/family recreation centre/indoor games centre/simulator</td><td>5%</td></tr>
<tr><td>Stage performance by local artist</td><td>0%</td></tr>
</table>

   Effective date : Application received by the Ministry of Finance from 1 January 2024 to 31 December 2028

Others

3. **E-INVOICING**

Currently, the e-invoice implementation timeline is as follows:

Targeted Taxpayers	Implementation Timeline
Annual turnover or revenue of more than RM100 million	From 1 June 2024
Annual turnover or revenue of more than RM50 million and up to RM100 million	From 1 January 2025
Annual turnover or revenue of more than RM25 million and up to RM50 million	From 1 January 2026
All taxpayers and certain non-business transactions	From 1 January 2027

The Government had considered the feedback received and to provide ample time to taxpayers to implement the e-invoice, the Government had agreed to enforce the e-invoice on a mandatory basis as follows :

Targeted Taxpayers	Implementation Timeline
Annual turnover or revenue of more than RM100 million	From 1 August 2024
Annual turnover or revenue of more than RM25 million and up to RM100 million	1 January 2025
All taxpayers	Full implementation by 1 July 2025 (This is an earlier implementation timeline instead of 1 January 2027)

In addition, the use of Tax Identification Number (TIN) will be expanded to support the implementation of the e-invoice.

The Inland Revenue Board of Malaysia (IRBM) had further issued various guidelines and catalogue on its website to aid businesses in the implementation of e-invoice, i.e. :

- e-Invoice Guideline Version 2.1 (published on 28 October 2023)
- e-Invoice Specific Guideline Version 1.1 (published on 28 October 2023)
- e-Invoice Catalogue (published on 12 October 2023)

Others

3. **E-INVOICING (cont'd)**

The Finance (No. 2) Bill 2023 released on 7 November 2023 provides more clarification on e-invoicing. Some of the salient points in the Finance Bill are as follows:

Item	Legislation	Changes
Definition of "electronic invoice (e-invoice)"	Section 2(1) of the Income Tax Act 1967 (ITA)	• An invoice or any document approved by the Director General of Inland Revenue (DGIR), issued by a person in respect of goods sold or services performed for that year of assessment (YA).
Duty to issue receipt	Section 82(2A) & Section 82(2B) of the ITA	• Currently, businesses with gross takings that exceed RM150,000 from the sale of goods or RM100,000 from the performance of services, shall issue a printed receipt with serial number for every sum received and shall retain a duplicate of every receipt issued. • Section 82(2A) of the ITA states the issuance of printed receipts can be dispensed with if the e-invoice is issued in respect of goods sold or services performed. • Section 82(2B) of the ITA states that a person shall issue a printed receipt for every sum received in the YA in respect of goods sold or services performed if he is required to submit a consolidated transaction invoice to the DGIR.
Duty to issue e-invoice	Section 82C of the ITA	• A person shall issue e-invoice for each transaction in respect of any goods sold or services performed in that YA • The e-invoice shall be transmitted electronically to and validated by the DGIR. • The e-invoice shall satisfy the conditions and specifications to be issued by the DGIR. • A person who acquires any goods sold or enjoys any services performed for that YA shall issue a self-billed invoice, which shall be treated as an e-invoice. The issuance of the self-billed invoice is subject to conditions as determined by the DGIR. • The DGIR may determine a person to consolidate the number of transactions in respect of goods sold or services performed in that YA and issue a consolidated transaction invoice, which shall be treated as an e-invoice. The consolidated transaction invoice shall be transmitted to the DGIR within a specified time and in accordance with the conditions determined by the DGIR.

Others

3. **E-INVOICING (cont'd)**

Item	Legislation	Changes
Duty to issue e-invoice (cont'd)	Section 82C of the ITA	• If a person makes an error or mistake in the e-invoice, the mistake can be rectified by issuing a substitute e-invoice within 3 days from the date of issuance of the defective e-invoice. • Where any goods sold or serviced performed for that YA involves the issuance of Credit Note or Debit Note, the necessary adjustments shall be made in ascertaining the chargeable income for that YA accordingly. • The Personal Data Protection Act 2010 shall not apply to any personal data processed for e-invoice issued or transmitted to the DGIR.
Failure to issue e-invoice	Section 120(1) of the ITA	• A person, who without reasonable excuse, shall be liable to a fine of RM200 to RM20,000 or imprisonment of not exceeding 6 months, or both, if he fails to comply with the following: (a) Failure to issue e-invoice in respect of goods sold or services performed for that YA (b) Failure to issue self-billed invoice for that YA to the DGIR and in accordance with the conditions determined by the DGIR (c) Failure to issue and submit a consolidated transaction invoice for that YA to the DGIR within a specified time and in accordance with the conditions determined by the DGIR
Disclosure of e-invoice information to the Director General of Customs and Excise	Section 138 of the ITA	• The Director General of Customs and Excise (or the public officers under his direction and control) shall be allowed to access to the classified material in the e-invoice or use the classified material in performing his functions.

Effective date : From 1 January 2024

Others

4. **REVIEW OF CONDITIONS AND EXEMPTIONS FOR INSTITUTIONS/ORGANISATIONS/FUNDS APPROVED UNDER SECTION 44(6) OF THE INCOME TAX ACT 1967**

Currently, among the conditions that must be complied by institutions/organisations/funds after obtaining approval under Section 44(6) of the Income Tax Act 1967 are as follows:

i. At least 50% of the income earned in the previous year must be spent in the following year for activities to achieve the institution's or organisation's objectives.

ii. Institution or organisation is allowed to participate in business with the condition that they utilise not more than 25% of its accumulated funds on the first day of the assessment year. All income earned shall be channelled back into the fund used to achieve its welfare objectives.

To enhance tax compliance among institutions/organisations/funds approved under Section 44(6) of the Income Tax Act 1967, it is proposed that the approval conditions be reviewed as follows:

i. The accumulated funds utilisation limit of not more than 25% for participation in business activities be increased up to 35% to ensure the income of the approved institutions/organisations/funds continues to be sustainable;

ii. Institutions/organisations/funds may choose any of the following options to continue receiving incentives benefits of the Section 44(6) of the Income Tax Act 1967:

Option	Utilisation of Accumulated Funds	Threshold of Charitable Activity Expenditure
1	Up to 25%	At least 50%
2	Over 25% and up to 35%	At least 60%

iii. Approval conditions have been set out in the guidelines and the Director General of Inland Revenue (DGIR) approval letters to institutions/organisations/funds. In the event any of the conditions are breached, the DGIR will not withdraw the approval under Section 44(6) of the Income Tax Act 1967 for institutions/organisations/funds during the validity period. The approval status is upheld to ensure that donors remain eligible for tax deductions on contributions made to institutions/organisations/funds throughout the approval period; and

iv. For any breach of conditions within the approval period, the institutions/organisations/funds will not be eligible for tax exemption and the DGIR will raise tax assessment on all income received by the institutions/organisations/funds in the year of assessment the breach of conditions occurred.

Effective date : From year of assessment 2024

Others

5. IMPLEMENTATION OF GLOBAL MINIMUM TAX (GMT)

On 3 June 2022, the Ministry of Finance published a Pre-Budget Statement which included an announcement that the Malaysian Government and the Organisation for Economic Co-operation and Development (OECD) were discussing the implementation of the OECD's BEPS 2.0 Two-Pillar approach in Malaysia. The OECD's two-pillar solution aims to address profit shifting and tax base erosion caused by tax avoidance practices, as well as challenges posed by the increasing digitalisation of the global economy.

The 2 Pillars are as follows:

- Pillar One seeks to re-allocate the taxing rights over part of the profits of multinational groups with annual turnovers exceeding €20 billion and profits exceeding 10%, to the jurisdictions in which their customers are located, i.e. market jurisdictions.
- Pillar Two introduces a new GMT at a rate of 15% for multinational enterprises (MNEs) with a turnover of more than €750 million in at least two of the four immediately preceding fiscal years. This minimum rate will apply in each jurisdiction in which the MNE operates and is calculated based on profits and taxes paid. If a MNE's excess profits (as calculated based on GloBE principles) in a jurisdiction are taxed below the minimum 15% rate, a top-up tax will be imposed.

It is announced in the Budget 2024 speech that the Government is expected to implement the GMT under Pillar Two in 2025 and only applies to companies with a global income of at least €750 million. The Government will continue to monitor the development of the GMT at the international level.

The Finance (No. 2) Bill 2023 released on 7 November 2023 incorporates the legislative provisions of the GloBE Rules into the Malaysian tax legislations. Among the salient points are as follows:

Item	Description
In-scope MNEs	Apply to all Constituent Entities of a MNE Group: (a) With at least one entity or permanent establishment not located in the same jurisdiction as the Ultimate Parent Entity; and (b) Ultimate Parent Entity's consolidated annual revenue is €750 million or more in at least 2 out of the 4 consecutive financial years immediately preceding the tested financial year.
Exclusion	• Government entity • International organisation • Non-profit organisation • Pension Fund • Investment Fund that is an Ultimate Parent Entity • Real Estate Investment Vehicle that is an Ultimate Parent Entity • An entity that is 85% or 95% owned (subject to certain conditions) by the above entities, other than a Pension Services Entity
Minimum Rate	• Minimum tax rate is 15% • In-scope MNEs are required to compute the Effective Tax Rate (ETR) for each jurisdiction that the MNE Group operates. Top-up tax shall be charged if the ETR for a jurisdiction is less than 15%

Others

5. IMPLEMENTATION OF GLOBAL MINIMUM TAX (GMT) (cont'd)

Item	Description
Multinational Top-up Tax (MTT)	An income tax to be imposed on the Ultimate Parent Entity located in Malaysia if the ETR for a jurisdiction is less than 15%
Domestic Top-up Tax (DTT)	An income tax to be imposed on the Low-Taxed Constituent Entity located in Malaysia if the jurisdictional ETR in Malaysia is less than 15%
Information Return and Top-up Tax Return by Constituent Entity	• Constituent Entity of a MNE Group is required to furnish Information Return and Top-up Tax Return in a prescribed form on a electric medium or by way of electronic transmission not later than 15 months from the last day of the Reporting Financial Year. • With regards to Information Return, the Constituent Entity located in Malaysia may appoint a Designated Local Entity to furnish the return to the Director General of Inland Revenue (DGIR) on its behalf.
Offences and Penalties	Penalties for non-compliance are as follows: • 10% late payment penalty on the unpaid tax amount • RM20,000 to RM100,000, or imprisonment not exceeding 6 months, or both for failure to furnish Information Return • RM20,000 to RM100,000, or imprisonment not exceeding 6 months, or both for failure to furnish Top-up Tax Return. • If the Constituent Entity fails to furnish the Top-up Tax Return for 2 years or more, the DGIR may further impose a penalty of RM1,000 to RM20,000, or imprisonment not exceeding 6 months, or both and a special penalty of 300% of the tax charged as determined by the DGIR. • RM20,000 to RM100,000, or imprisonment not exceeding 6 months, or both for incorrect Information Return • RM20,000 to RM100,000 and a special penalty of 200% of the tax undercharged for incorrect Top-up Tax Return • RM20,000 to RM100,000, or imprisonment not exceeding 6 months, or both and a special penalty of 300% of the tax undercharged for wilful evasion of MTT or DTT

Effective date : From financial years commencing on or after 1 January 2025

Others

6. MANDATORY SUBMISSION OF PRESCRIBED FORM BY EMPLOYER ELECTRONICALLY

Currently, where the employer is a company, limited liability partnership, trust body or co-operative society, the Return Form of Employer (Form E) must be furnished on an electronic medium or by way of electronic transmission.

It is proposed that submission of the following prescribed forms to the Director General of Inland Revenue be made mandatory on an electronic medium or by way of electronic transmission:

- Form E - Return Form of Employer
- CP21 - Notification Form by Employer of Employee's Departure from Malaysia
- Form CP22 - Notification Form by Employer for New Employee
- Form CP22A - Notification for Cessation of Employment (Private Sector)
- Form CP22B - Notification for Cessation of Employment (Public Sector)

Effective date : (a) Form E - For year ending 31 December 2023 and subsequent years

(b) Other prescribed forms (i.e. Forms CP21, CP22, CP22A and CP22B) - From 1 January 2024

7. REVISION OF EXEMPTION CONDITIONS FOR SUBMISSION OF FORMS CP22A AND CP22B

Currently, an employer who is about to cease to employ an employee is required to notify the Director General of Inland Revenue by furnishing the prescribed Form CP22A (for the private sector) or Form CP22B (for the public sector). However, the employer is not required to furnish the above prescribed form if:

(a) the employee's income is subject to Monthly Tax Deduction (MTD); or

(b) where the employee's monthly remuneration is below the minimum amount of income that is subject to MTD

and the employer knows that the employee will continue working or not retiring from any employment in Malaysia.

It is proposed that the requirement for an employer to know that the employee is not retiring from any employment be removed.

Effective date : From 1 January 2024

Others

8. REDEFINITION OF FOREIGN TAX AND FOREIGN INCOME

FOREIGN TAX

Currently, Section 2 of the Income Tax Act 1967 (ITA) defines "foreign tax" as any tax on income (or any other tax of substantially similar character) imposed under the laws of a territory outside Malaysia and in relation to bilateral relief under a Double Taxation Agreement (DTA) or unilateral relief under Section 132A of the ITA.

The definition of "foreign tax" is enhanced to provide clarity that "territory outside Malaysia" shall refer to the foreign tax imposed by the foreign country in which the same income arose. This shall ease taxpayers in identifying the tax associated with income earned in a foreign country.

FOREIGN INCOME

Currently, Paragraph 16 of Schedule 7 of the ITA refers "foreign income" as income derived from outside Malaysia or in the case of bilateral credit, includes income derived from Malaysia charged to foreign tax.

To provide more clarity on the application for tax relief on foreign income, the definition of "foreign income" is enhanced for the following purposes:

i. For unilateral credit, foreign income shall constitute income derived from outside Malaysia charged to foreign tax; and

ii. For bilateral credit, foreign income shall constitute income derived from outside Malaysia, and includes income derived from Malaysia charged to foreign tax.

Effective date : From year of assessment 2024

Others

9. INCOME RECEIVED BY TRUST BODY OR OF ANY TRUST

Currently, gains arising from the realisation of investments by a unit trust shall not be treated as income of the trust body of any trust.

Section 61(1)(b) of the Income Tax Act 1967 (ITA) has been amended to further define the taxability of such gains, i.e.

(a) Gains arising from realisation of investments under Section 4(aa) of the ITA (i.e. gains or profit from the disposal of capital asset) shall be treated as income of the trust body of any trust.

(b) Gains from realisation of investments which relates to real property as defined in the Real Property Gains Tax Act 1976 shall not be treated as income of the trust body of any trust.

Effective date : From 1 January 2024

10. AUTHORISATION TO EMPLOYEE FOR THE SUBMISSION OF PRESCRIBED FORMS

Currently, a person referred to under subsection 75(1) (i.e. the manager, directors, secretary and etc.) of the Income Tax Act 1967 (ITA) may authorise a tax agent to furnish any prescribed forms under the ITA for the company or body of persons on an electronic medium or by way of an electronic transmission.

It is proposed that the abovementioned person may also authorise in writing its employee to furnish any prescribed forms under the ITA on his behalf for the company or body of persons on an electronic medium or by way of an electronic transmission.

Effective date : Upon coming into operation of the Finance (No. 2) Act 2023

11. DUTY TO PROVIDE INFORMATION AND FURNISH DOCUMENTS FOR ASCERTAINING CHARGEABLE INCOME AND TAX PAYABLE

It is proposed that a person is required to provide information and furnish documents as determined by the Director General of Inland Revenue for the purpose of ascertaining his chargeable income and tax payable on an electronic medium or by way of electronic transmission within 30 days after the due date for furnishing the tax return.

Failure to comply shall result in an offence and shall, on conviction, be liable to a fine of between RM200 and RM20,000 or to imprisonment for a term not exceeding 6 months, or both.

Effective date : From year of assessment 2025

Others

12. CAPITAL GAINS TAX (CGT)

Currently, Malaysia does not have a CGT system. A close resemblance to the CGT is the Real Property Gains Tax (RPGT) which taxes on gains from the disposal of real property and shares in real property companies at a rate of 10% to 30% depending on the holding period.

The CGT was first mooted in Budget 2023 on 24 February 2023, whereby the Government would consider the introduction of CGT at a low rate for the disposal of unlisted shares by companies.

The Finance (No. 2) Bill 2023 released on 7 November 2023 provides additional details on CGT. Among the salient points are as follows:

Item	Legislation	Description
Application	Section 4(aa) & Section 6(1) of the Income Tax 1967 (ITA)	• CGT is applicable on the gains or profits from: i) disposal of shares of an unlisted company incorporated in Malaysia (Malaysian source); ii) disposal of shares under Section 15C of the ITA (Malaysian source); and iii) disposal of capital asset outside Malaysia – gains or profits transferred or brought into Malaysia (Foreign source) • Applicable in respect of disposal of shares or capital asset by: i) company; ii) limited liability partnership; iii) trust body; or iv) co-operative society
Exemptions		• Gains from disposal of shares of an unlisted company incorporated in Malaysia related to the following activities: (a) Initial Public Offering approved by Bursa Malaysia; (b) Restructuring of shares within the same group; and (c) Disposal of shares by Venture Capital Companies

Others

12. CAPITAL GAINS TAX (CGT) (cont'd)

<table>
<tr><th>Item</th><th>Legislation</th><th>Description</th></tr>
<tr><td>Definition of "capital asset"</td><td>Section 2(1) of the ITA</td><td>Movable or immovable property including any rights or interests thereof.</td></tr>
<tr><td>Tax rate for disposal of capital asset</td><td>Part XXI of Schedule 1 of the ITA</td><td>
<table>
<tr><th>Type of Capital Asset</th><th>Tax Rate</th></tr>
<tr><td>Shares of an unlisted company incorporated in Malaysia and shares under Section 15C, acquired before 1 March 2024</td><td>(a) 10% of chargeable income from the disposal of the shares; or
(b) 2% on gross income on the disposal price of the shares</td></tr>
<tr><td>Shares of an unlisted company incorporated in Malaysia and shares under Section 15C, acquired on or after 1 March 2024</td><td>10% on chargeable income from the disposal of the shares</td></tr>
<tr><td>Capital asset outside Malaysia – gains or profits transferred or brought into Malaysia</td><td>At prevailing income tax rate of the company, limited liability partnership, trust body or co-operative society.</td></tr>
</table>
</td></tr>
</table>

Others

12. CAPITAL GAINS TAX (CGT) (cont'd)

Item	Legislation	Description
CGT on disposal of shares of companies incorporated outside Malaysia	Section 15C of the ITA	• Capital asset includes shares of a controlled company incorporated outside Malaysia (relevant company). • The gains or profits from the disposal of such shares shall be deemed to be derived from Malaysia if the relevant company owns real property situated in Malaysia or shares of another controlled company, or both. • Nevertheless, the above shall only apply if at the date of acquiring the shares of the relevant company: (a) The defined value of the real property situated in Malaysia (including rights or interest) owned by the relevant company or another controlled company is at least 75% of the value of its tangible asset; (b) The defined value of the shares of another controlled company owned by the relevant company at least 75% of the value of its tangible asset; or (c) The defined value of the real property situated in Malaysia and shares of another controlled company referred in (a) and (b) above owned by the relevant company is at least 75% of the value of its tangible asset. • "Shares" is defined as: (a) Stocks and shares in a company (b) Loan stock and debentures (c) A member's interest in a company not limited by shares (d) Any option or other right relating to "shares" as defined in (a), (b) and (c) above. • "Disposal" is defined as sell, convey, transfer, assign, settle or alienate by agreement or law and includes reduction of share capital and purchase by a company of its own shares.
Capital losses	Section 65E(5) & (6) of the ITA	• Allowed as deduction to offset against the gains for the subsequent disposal of capital asset • Unabsorbed capital losses can be carried forward for 10 consecutive years of assessment.

Others

12. CAPITAL GAINS TAX (CGT) (cont'd)

Item	Legislation	Description
CGT return	Section 77A of the ITA	Submission of return in the prescribed form on an electronic medium or by way of electronic transmission within 60 days from the date of disposal of the capital asset.
CGT payment	Section 103(12)(aa) of the ITA	Within 60 days from the date of disposal of the capital asset.
Offences and Penalties	Section 112 of the ITA	• RM20,000 to RM100,000, or imprisonment not exceeding 6 months, or both for failure to furnish CGT Return. • Failure to furnish the CGT Return for 2 years or more, the DGIR may further impose a penalty of RM1,000 to RM20,000, or imprisonment not exceeding 6 months, or both and a special penalty of 300% of the tax charged as determined by the Director General of Inland Revenue.

Effective date : i) Malaysian source – from 1 March 2024

ii) Foreign source – from 1 January 2024

Summary of Extension of Time and Revision of Scope

INDIVIDUAL TAX

Description	Extension of Time	Revision of Scope
1. Income tax exemption of up to RM2,400 per year for child care allowance received by employee or paid directly by employer to child care centre	Not applicable	• Exemption to be increased to RM3,000 per year **Effective date :** From YA 2024
2. Tax relief of up to RM10,000 for the following medical expenses: • Serious illness for taxpayer, spouse or child; • Fertility treatment for taxpayer or spouse; • Vaccination for taxpayer, spouse or child (maximum RM1,000); • Full medical examination, mental health examination and Covid-19 detection test, including purchase of self-test kit for taxpayer, spouse or child (maximum RM1,000); and • Diagnostic and rehabilitation treatment for children (aged 18 years and below) with learning disabilities such as Autism, Down Syndrome and Specific Learning Disabilities (maximum RM4,000)	Not applicable	• To include dental examination or treatment expenses from dental practitioners registered with the Malaysian Dental Council (maximum RM1,000) **Effective date :** From YA 2024
3. Tax relief (maximum RM2,000 from the total RM7,000 education fee relief) for up-skilling and self enhancement course fee	3 years **Effective date :** From YA 2024 to YA 2026	Not applicable
4. Tax relief for expenses related to installation, rental, purchasing (including hire-purchase equipment or subscription fees) for Electric Vehicle (EV) charging facilities (maximum RM2,500)	4 years **Effective date :** From YA 2024 to YA 2027	Not applicable

Summary of Extension of Time and Revision of Scope

INDIVIDUAL TAX

Description	Extension of Time	Revision of Scope
5. Tax relief for medical treatment, dental treatment, complete medical examination, special needs and carer expenses for parents (maximum RM8,000)	Not applicable	• Dental treatment to include treatment for restoration and replacement such as dentures, root canal and crowning; and • Full medical examination from medical practitioners registered with the Malaysian Medical Council (maximum RM1,000). **Effective date :** From YA 2024
6. Tax incentive for Returning Expert Programme • Flat income tax rate of 15% for a period of 5 consecutive years of assessment; and • Exemption on import duty and excise duty for the purchase of a Completely Built-Up (CBU) vehicle or excise duty exemption for the purchase of a Completely Knocked-Down (CKD) vehicle subject to the total duty exemption up to RM100,000	4 years **Effective date :** Application received by Talent Corporation Malaysia Berhad from 1 January 2024 to 31 December 2027	To exclude import duty and excise duty exemption for the purchase of a CBU vehicle

Summary of Extension of Time and Revision of Scope

CORPORATE TAX

Description	Extension of Time	Revision of Scope
1. Shariah-compliant fund management services companies (approved by the Securities Commission Malaysia) are given 100% income tax exemption on statutory income from fund management services for the following: • Foreign investors in Malaysia; • Local investors; and • Business Trust investors or Real Estate Investment Trusts (REITs) investors in Malaysia.	4 years **Effective date :** From YA 2024 to YA 2027	• Income tax exemption on statutory income from fund management services be revised to 60%
2. Tax deduction up to RM300,000 for company for rental of non-commercial Electric Vehicles (EV) from YA 2023 to YA 2025	2 years **Effective date :** From YA 2026 to YA 2027	Not applicable
3. Income tax exemption on all income of Social Enterprise for up to 3 YAs	2 years **Effective date :** Application received by the Ministry of Finance from 1 January 2024 to 31 December 2025	Not applicable
4. Income tax exemption on the Sustainable and Responsible Investments (SRI) Sukuk Grant and Bond Grant Scheme	Not applicable	• To include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards approved by Securities Commission Malaysia (SC) **Effective date :** Application received by SC from 1 January 2024 to 31 December 2025

Summary of Extension of Time and Revision of Scope

CORPORATE TAX

Description	Extension of Time	Revision of Scope
5. Tax exemption on management fee income for SRI funds	4 years **Effective date :** From YA 2024 to YA 2027	Not applicable
6. Tax deduction on issuance of SRI Sukuk	4 years **Effective date :** From YA 2024 to YA 2027	Not applicable

Summary of Extension of Time and Revision of Scope

TAX INCENTIVE

Description	Extension of Time	Revision of Scope
1. Tax incentive for equity crowdfunding for individual investors	3 years **Effective date :** For investment made from 1 January 2024 to 31 December 2026	• To include investment made by individual investors through Limited Liability Partnership nominee company
2. Tax incentive for automation in manufacturing, services and agriculture sectors • Accelerated capital allowance (100%) and automation capital allowance (100%) on the first RM10mill of qualifying capital expenditure; and • Scope of automation to include the adaptation of Industry 4.0 elements.	Not applicable	Tax incentive for automation to include commodity sector under the Ministry of Plantation and Commodities (KPK) **Effective date :** Application received by KPK from 14 October 2023 to 31 December 2027
3. Tax incentive for angel investor	3 years **Effective date :** Investment made from 1 January 2024 to 31 December 2026	Not applicable

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