Budget 2024

14 October 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 and the relevant appendices. Further details of the tax measures will be set out in the Finance Bill, which will be released in due course. An update for this publication will be issued by Grant Thornton once the Finance Bill is available.

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

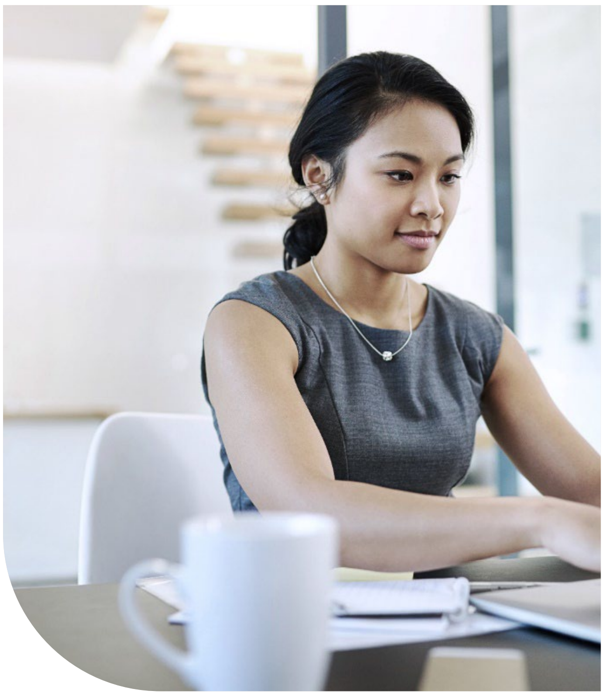
iii. Employment income received from year of assessment 2018 to year of assessment 2024.

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 associations/sports clubs/companies registered with the Sports Commissioner or Companies Commission of Malaysia and carrying out sports activities as listed 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

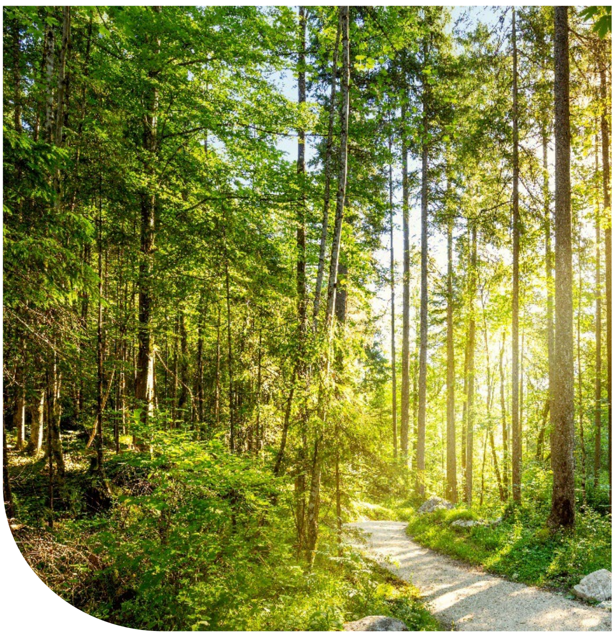
Global climate change has become a threat to the nature's sustainability and biodiversity in Malaysia. The Government has implemented various efforts and initiatives to preserve and conserve the environment, including reforestation activities such as 100 Million Tree Planting Campaign 2021 – 2025.

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



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. TAX INCENTIVES FOR HIGH-GROWTH AND HIGH-VALUE (HGHV) SECTOR

The Government plans to introduce results-based incentive that uses a tiered system in the provision of incentives to stimulate companies to invest in HGHV areas and create new economic clusters, expand the domestic network and establish the balance between the economy and environment. With this, companies will enjoy an incentive equivalent to their respective commitments.

To begin with, the Government plans to provide a tiered reinvestment tax incentive in the form of Investment Tax Allowance of either 70% or 100%.

Effective date : Further clarifications required on the details of the tiered reinvestment tax incentive

Tax Incentive

3. 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
Tier 1 i. Green hydrogen	100%	100% or 70%	Up to 10 years (5 + 5)
Tier 2 i. Integrated waste management ii. Electric Vehicle charging station	100%	100%	5 years
Tier 3 i. Biomass ii. Biogas iii. Mini hydro iv. Geo thermal v. Solar vi. Wind energy	100%	70%	5 years

Tax Incentive

3. 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

4. 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

5. 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

6. 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

7. 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.			

Tax Incentive

7. 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

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.

Effective date : Further clarifications required on the conditions for the tax incentive

Tax Incentive

9. 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

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. 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 food and beverage as well as telecommunications services.

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

5. EXPANSION OF SCOPE OF TAXABLE SERVICES

It is proposed that the scope of taxable service be expanded to include logistics, brokerage, underwriting and karaoke services.

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

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

Others

1. **HIGH VALUE GOODS TAX**

   It is proposed that the Government will enact a new legislation to implement the High Value 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.

   The Government previously used the term Luxury Goods Tax in the Budget 2023. We shall wait for further announcement on its implementation date as well as clarification if this is a revamp of the previous proposal to implement the Luxury Goods Tax.

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

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-INVOICE IMPLEMENTATION TIMELINE**

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
Other income category • Annual turnover or revenue of more than RM50 million and up to RM100 million; • Annual turnover or revenue of more than RM25 million and up to RM50 million; • All taxpayers and certain non-business transactions	In phases with comprehensive implementation target by 1 July 2025 (This is an earlier implementation timeline instead of 1 January 2027. Further clarification required from IRBM)

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

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

Others

4. **REVIEW OF CONDITIONS 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. CAPITAL GAINS TAX (CGT) ON DISPOSAL OF UNLISTED SHARES

Currently, tax on gains from the disposal of real property and shares in real property companies is imposed under the Real Property Gains Tax Act 1976 at a rate of 10% to 30% depending on the holding period. There is no tax imposed on gains from the disposal of shares except shares in real property companies.

In line with Budget 2023 announcement to implement CGT on the disposal of unlisted shares for companies, it is proposed that CGT rate be imposed as follows:

Share Acquisition Date	CGT rate
Before 1 March 2024	The taxpayers may choose: i. 10% on the net gain of the disposal of shares; or ii. 2% on the gross sales value.
From 1 March 2024	10% on the net gain of the disposal of shares

To ensure the smooth implementation of CGT and reduce the cost of doing business, it is also proposed that CGT exemption be given on the disposal of shares related to the following activities:

i. Initial Public Offering approved by Bursa Malaysia; and

ii. Restructuring of shares within the same group.

Effective date : From 1 March 2024

Others

6. IMPLEMENTATION OF GLOBAL MINIMUM TAX

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 Global Minimum Tax at a rate of 15% for multinational corporations (MNCs) 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 MNC operates and is calculated based on profits and taxes paid. If a MNC'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 Global Minimum Tax 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 Global Minimum Tax at the international level.

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

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 and 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, special needs and carer expenses for parents (maximum RM8,000)	Not applicable	• To include full medical examination for parents (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

<table>
<tr><th>Description</th><th>Extension of Time</th><th>Revision of Scope</th></tr>
<tr><td>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.</td><td>4 years

Effective date :
From YA 2024 to YA 2027</td><td>• Income tax exemption on statutory income from fund management services be revised to 60%</td></tr>
<tr><td>2. Tax deduction up to RM300,000 for rental of non-commercial Electric Vehicles (EV) from YA 2023 to YA 2025</td><td>2 years

Effective date :
From YA 2026 to YA 2027</td><td>Not applicable</td></tr>
<tr><td>3. Income tax exemption on all income of Social Enterprise for up to 3 YAs</td><td>2 years

Effective date :
Application received by the Ministry of Finance from 1 January 2024 to 31 December 2025</td><td>Not applicable</td></tr>
<tr><td>4. Income tax exemption on the Sustainable and Responsible Investments (SRI) Sukuk Grant and Bond Grant Scheme</td><td>Not applicable</td><td>• 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</td></tr>
</table>

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 and automation capital allowance of 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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