



# Highlights of Malaysia Budget 2024 (Tax proposals from Budget Speech)

**13 October 2023**





The Finance Minister of Malaysia announced the Budget 2024 with the theme of "Economic Reform, Empowering the People" on 13 October 2023.

A snapshot of Budget 2024 tax proposals in numbers is as follows:

- 1** new major tax introduced – Capital Gains Tax at the rate of 10% will be imposed on net gain arising from disposal of unlisted shares by companies.
- 2** additional years are given for tax deduction on rental of electric vehicle.
- 3** years to fully claim capital allowances in relation to information and communication technology equipment (ICT) and computer software.
- 4** % flat rate stamp duty will be imposed on the instrument of transfer executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents).
- 5** % to 10% Luxury Goods Tax will be imposed on luxury goods.
- 6** types of expenditure related to Environmental, Social and Governance (ESG) are allowed tax deduction up to RM50,000 for each year of assessment.
- 7** types of qualifying services and additional services under the new Global Services Hub tax incentive.
- 8** % Service Tax will be imposed on selected taxable services.
- 9** categories of tax incentives for businesses being introduced or enhanced.

# Budget 2024 tax proposals in numbers

# Corporate tax proposals

## Key corporate tax proposals in Budget 2024:

01

### Capital Gains Tax (CGT)

CGT at the rate of 10% will be imposed on net gain arising from disposal of unlisted shares by companies with effect from 1 March 2024.

As a concession, an option is given to companies to choose between a 10% tax on net gain or 2% tax on gross sales value for disposal of shares acquired prior to 1 March 2024.

Exemption from CGT will be given for disposal of shares pursuant to Initial Public Offering approved by Bursa Malaysia and restructuring of shares within the same group.

# Corporate tax proposals

02

## Tax deduction for ESG related expenditure

Tax deduction of up to RM50,000 for each year of assessment will be given on ESG related expenditure incurred from YA 2024 to YA 2027. A list of ESG related expenditure is as follows:

- i. Enhance Sustainability Reporting Framework – ESG reporting by companies listed on the Bursa Malaysia stock exchange
- ii. Climate Risk Management and Scenario Analysis – ESG reporting by financial institutions regulated by Bank Negara Malaysia
- iii. Tax Corporate Governance Framework (TCGF) of Lembaga Hasil Dalam Negeri Malaysia – Preparation of reports related to TCGF by companies
- iv. Transfer Pricing Documentation – Preparation of transfer pricing documentation by companies
- v. E-Invoicing implementation – Consultation fee for implementing e-invoicing incurred by Micro, Small and Medium Enterprises
- vi. Any reporting requirement related to ESG – ESG reporting by companies to approved regulator by the Ministry of Finance

# Corporate tax proposals

## *Commentary*

Additional details on the CGT have finally been revealed. Hence, companies with plan to reorganise should take the opportunity to assess the current corporate structure to avoid any potential CGT come 1 March 2024.

However, there are several areas that require further details from the tax authorities such as availability of carry forward capital loss on disposal of shares, whether the CGT is mutually exclusive with Real Property Gains Tax for disposal of real property company shares, reporting procedure of capital gains, manner to determine net gain, conditions to be satisfied to qualify for exemption under restructuring of shares within same group, etc.

Furthermore, the proposal to allow tax deduction for ESG related expenditure is certainly a welcome move as companies can now consider engaging professionals to assist with the preparation of transfer pricing documentations since the penalty for non-submission of transfer pricing documentation upon request by the tax authorities is quite severe.



# Corporate tax proposals

## Other corporate tax proposals in Budget 2024:



Increase in threshold for utilisation of accumulated funds for business activities and no withdrawal of approval in cases of breach of approval conditions by institutions / organisations / funds approved under subsection 44(6).



Extension of application period for tax exemption on all income of Social Enterprise for a period of 2 years until 31 December 2025.



Tax deduction under subsection 34(6)(h) will be given to entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by FRIM and for applications received by Ministry of Finance by 31 December 2026.



Capital allowance i.e. Initial Allowance rate will be revised to from 20% to 40% for ICT equipment and computer software incurred from YA 2024.

# Corporate tax proposals



Extension of tax deduction on rental expenses incurred on electric vehicles to YA 2027.



Full income tax exemption for a period of 5 years will 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.



Further tax deduction up to RM300,000 which is deductible from the carbon credits income traded on BCX will be given to companies for costs incurred on the Development and Measurement, Reporting and Verification (MRV) related to the development of carbon projects.

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).

# Individual tax proposals

## Individual tax proposals in Budget 2024:



Expansion of scope of tax relief on medical treatment expenses to include dental examination and treatment expenses paid to dental practitioners registered with Malaysian Dentistry Council limited to RM1,000.



Introduction of new tax relief for Sports Equipment and Activities of RM1,000.



Tax exemption on childcare allowances under perquisites from employment will be increased to RM3,000 per year.



Expansion of scope of tax relief on medical treatment expenses for parents to include full medical examination for parents limited to RM1,000.



Review of lifestyle relief limited to RM2,500 to include purchase of reading materials, purchase of personal computers, smartphones or tablets, internet subscriptions and fees for self-skills enhancement course.



Tax relief period in respect of education fee on courses undertaken for upskilling or self-enhancement will be extended until YA 2026.



# Individual tax proposals



Extension of tax relief on expenses relating to installation, rental, purchase of electric vehicle charging facilities until YA 2027.



Tax incentive for Women Career Comeback Programme will be enhanced and applicable for employment income received from YA 2025 to YA 2028.



Review of tax incentives for Returning Expert Programme, for applications made to Talent Corporation Berhad from 1 January 2024 to 31 December 2027.

## Commentary

The review and restructuring of personal tax relief on medical expenses, lifestyle and sports activities are timely given that individuals can now claim additional tax relief on expenses incurred for well-being of that individual.

Employers should also relook into policy on child care allowance given as perquisites since the tax exemption will be increased by RM600 come year 2024.

# Tax incentives

## Tax incentives proposed in Budget 2024:

Measure	Proposal	Effective Date
Review of Green Technology Tax Incentive – Green Investment Tax Allowance (GITA) Project	<p>Tax incentives to be given as follows:</p> <p>a) Tier 1 – Green Hydrogen:</p> <ul style="list-style-type: none"><li>GITA of 100% on Qualifying Capital Expenditure (QCE), be set-off against 70% or 100% of Statutory Income (SI), up to 10 years.</li></ul> <p>b) Tier 2 – Integrated waste management and electric vehicle charging station:</p> <ul style="list-style-type: none"><li>GITA of 100% on QCE, be set-off against 100% of SI for 5 years.</li></ul> <p>c) Tier 3 – Biomass, biogas, mini hydro, geo thermal, solar, wind energy</p> <ul style="list-style-type: none"><li>GITA of 100% on QCE, be set-off against 70% of SI for 5 years.</li></ul>	Applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2024 until 31 December 2026

# Tax incentives

Measure	Proposal	Effective Date
Review of Green Technology Tax Incentive – GITA Asset	<p>Tax incentives to be given as follows:</p> <p>a) Tier 1 – Qualifying assets approved by Ministry of Finance (MOF), Battery Energy Storage System, Green Building</p> <ul style="list-style-type: none"><li>• GITA of 100% on QCE, be set-off against 70% of SI.</li></ul> <p>b) Tier 2 – Qualifying assets approved by MOF, Renewable Energy System and Energy Efficiency</p> <ul style="list-style-type: none"><li>• GITA of 60% on QCE, be set-off against 70% of SI.</li></ul>	QCE verified by Malaysian Green Technology and Climate Change Corporation (MGTC) for the purchase of green technology assets starting from 1 January 2024 until 31 December 2026
Review of Green Technology Tax Incentive – Green Income Tax Exemption (GITE) Solar Leasing	<p>Tax incentives to be given as follows:</p> <p>a) 3MW to 10MW – GITE of 70% for 5 years</p> <p>b) 10MW to 30 MW – GITE of 70% for 10 years</p>	Applications received by MIDA from 1 January 2024 until 31 December 2026



# Tax incentives

Measure	Proposal	Effective Date
Incentive for reinvestment under the New Industrial Master Plan 2030	<p>Tax incentives to be given as follows:</p> <ul style="list-style-type: none"><li>a) Tier 1: Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure, be set-off against 100% of statutory income.</li><li>b) Tier 2: ITA of 60% on qualifying capital expenditure, be set-off against 70% of statutory income.</li></ul>	Applications received by MIDA from 1 January 2024 until 31 December 2028
Expansion of tax incentive for automation in manufacturing services and agriculture sectors	<p>Tax incentives to be given as follows:</p> <ul style="list-style-type: none"><li>a) 100% Accelerated Capital Allowance on the first RM10million of the qualifying expenditure; and</li><li>b) 100% income tax exemption equivalent to the amount of capital expenditure.</li></ul>	Applications received by Ministry of Plantation and Commodities from 14 October 2023 until 31 December 2027

# Tax incentives

Measure	Proposal	Effective Date
Review of tax incentive for equity crowdfunding	<p>Tax incentive to be reviewed as follows:</p> <ul style="list-style-type: none"><li>a) Scope of incentive be expanded to include investment made by individual investor through Limited Liability Partnership nominee company;</li><li>b) Tax incentive period be extended for 3 years.</li></ul>	Applicable for investment made from 1 January 2024 to 31 December 2026
Extension of tax incentive for angel investor	Angel investors are eligible to a tax exemption at aggregate income level equivalent to the amount of investment made in a tech start-up company. The tax incentive period will be extended for 3 years.	Applicable for investment made from 1 January 2024 to 31 December 2026
Tax incentive for Global Services Hub	<p>Tax incentives to be given as follows:</p> <ul style="list-style-type: none"><li>a) New company: Income tax rate for Tier 1: 5%, and Tier 2: 10% on the service income / service and trading income for 5 years + 5 years;</li><li>b) Existing company: Income tax rate for Tier 1: 5%, and Tier 2: 10% on the value-added service income / service and trading income for 5 years.</li></ul>	Applications received by MIDA from 14 October 2023 until 31 December 2027

# Tax incentives



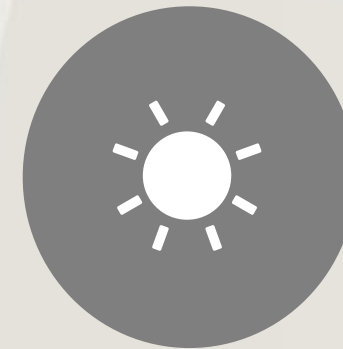
Tax exemption period on management fees income for Sustainable and Responsible Investment (SRI) funds will be extended for 4 years, until YA 2027.



60% of income tax exemption on statutory income will be given to Shariah-compliant fund management services companies approved by Securities Commission Malaysia and period of incentive will be extended for 4 years, until YA 2027.



Special tax deduction on issuance of SRI Sukuk will be extended for 4 years, until YA 2027.



Expansion of scope of income tax exemption on SRI Sukuk grant and bond grant scheme to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards approved by Securities Commission Malaysia (SC) for application received by SC from 1 January 2024 until 31 December 2025.



# Tax incentives

## *Commentary*

The introduction of ITA incentive for reinvestment under the New Industrial Master Plan 2030 is a positive news for manufacturers with plan for capacity expansion in view of the expiry of the PENJANA Reinvestment Allowance (RA) incentive in YA 2024. This incentive is mutually exclusive with the RA incentive and hence, proper planning and study should be carried out by interested manufacturers to ensure that the best incentive is selected and potentially maximised the incentive to be enjoyed by qualifying for Tier 1 of the ITA incentive.

The new Global Services Hub incentive should appeal to service provider companies servicing related and non-related companies in and outside of Malaysia. Companies wishing to apply for this incentive should study the conditions attached to the incentive in order to select the best incentive tier as the incentive is now given based on outcome-based approach.

# Stamp duty proposals

## Stamp duty proposals in Budget 2024:



Instrument of transfer of property ownership in which the eligible beneficiary renounces his/her right to another eligible beneficiary in accordance with a will / faraid or the Distribution Act 1958 will be subjected to a fixed duty of RM10 with effect from 1 January 2024.



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

## *Commentary*

The imposition of stamp duty at 4% will increase the cost of acquisition of property for foreign-owned companies by up to RM24,000. In the absence of the definition of foreign-owned companies for stamp duty purposes, it is uncertain whether the new proposal applies to the acquisition of property made by a local company wholly owned by another local intermediate holding company which is in turn owned by the foreign-owned companies.

# Indirect tax proposals

## Key indirect tax proposals in Budget 2024:

01

### **Revision in Service Tax rate to 8% on selected taxable services and expansion of scope of taxable services**

The Service Tax rate of selected taxable services will be revised to 8% from the current 6%. However, such revision will not apply to services such as food and beverages and telecommunication.

In addition, the scope of taxable services will be expanded to include logistics, brokerage, underwriting and karaoke services.

### *Commentary*

The revision in Service Tax rate to 8% on selected taxable services will increase the cost of doing business and indirectly may impact the end consumers. Businesses that come under the expanded list of taxable services should get ready and may consider engaging professionals to advise on the implementation of Service Tax for the business.



# Indirect tax proposals

## Other indirect tax proposals in Budget 2024:



Import duty and sales tax exemption will be given to eligible manufacturers on the importation and locally purchased of manufacturing aids with effect from 1 January 2024.



Excise duty rate for sugar sweetened beverages will be increased from RM0.40 per litre to RM0.50 per litre with effect from 1 January 2024.



Exemption of entertainment duty rate of between 15% and 25% will be given to selected type of entertainments held in the Federal Territories for applications received by the Ministry of Finance from 1 January 2024 to 31 December 2028.



Excise duty at a rate of 5% + RM27/kg will be imposed on chewing tobacco under the tariff code 2403.99.5000 with effect from 1 January 2024.





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