

2024

Budget Highlights

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Pertinent Tax Measures

The 2024 Budget was announced on 13 October 2023 by the Prime Minister Datuk Seri Anwar Ibrahim who is also the Honourable Finance Minister. The most notable tax measures observed are as follows:



Capital Gains Tax (“CGT”) on the disposal of unlisted shares **effective from 1 March 2024:**

- 1) CGT on the disposal of unlisted shares has been proposed at the following rates:
 - ❖ Shares acquired before 1 March 2024, taxpayers may choose either 10% on the net gain of the disposal of shares or 2% on the gross sales value.
 - ❖ Shares acquired from 1 March 2024, 10% on the net gain of the disposal of shares.
- 2) CGT exemption is given for disposal of shares in relation to:
 - ❖ Initial Public Offering (IPO) approved by Bursa Malaysia; and
 - ❖ Restructuring of shares within the same group.



Tax deduction up to RM50,000 for each year of assessment (“YA”) be given for **Environmental, Social and Governance (“ESG”) related expenditure** in respect of the following, **effective from YA 2024 until YA 2027:**

- ❖ ESG reporting on Enhance Sustainability Reporting Framework by companies listed on Bursa Malaysia.
- ❖ ESG reporting on Climate Risk Management and Scenario Analysis by financial institutions regulated by Bank Negara Malaysia.
- ❖ Preparation of reports related to Tax Corporate Governance Framework of the Inland Revenue Board of Malaysia by companies.
- ❖ Preparation of Transfer Pricing Documentation by companies.
- ❖ Consultation fee for e-invoicing implementation incurred by Micro, Small and Medium Enterprises.
- ❖ Any ESG reporting requirement by companies to approved regulator by the Ministry of Finance (“MOF”).



E-invoicing would be mandatory for taxpayers with income or annual sales turnover exceeding RM100 million **starting from 1 August 2024**. Implementation will be in phases for other categories of taxpayers **from 1 July 2025**.

Personal Income Tax



Expansion of scope of tax relief for medical treatment expenses for taxpayer, spouse and child to cover dental treatment by registered dental practitioners, limited to RM1,000. Effective from YA 2024.



Medical treatment, special need and carer expenses for parents expanded to cover complete medical examination for parents, limited to RM1,000. Effective from YA 2024.



Tax relief on education fees (self) for course of study undertaken for the purpose of up-skilling or self-enhancement extended from YA 2024 to YA 2026.

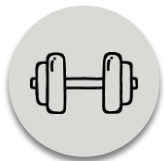


Tax relief on expenses related to installation, rental and purchase (including hire purchase of equipment) or subscription fees for use of EV charging facilities be extended from YA 2024 to YA 2027.



Tax exemption on child care allowance received by employees or paid directly by employer to child care centres be increased from RM2,400 to RM3,000 per year. Effective from YA 2024.

Personal Income Tax



The scope of lifestyle relief of RM2,500 to exclude purchase of sports equipment and gym membership fees but expanded to include fees for self-skills enhancement course.

Specific relief for Sports Equipment and Activities up to RM1,000 be introduced to cover purchase of sports equipment, rental or entry fees to sports facilities, registration fees for participating in sports competitions and gym membership fees. This relief is also expanded to include sports training fees paid to association / sports club / 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 from YA 2024.



Income tax exemption for women returning to work (after a career break of at least 2 years) on employment income received from YA 2025 until YA 2028.

For applications received by TalentCorp which will be extended from 1 January 2024 until 31 December 2027.



Tax incentive on Returning Expert Programme (flat income tax rate of 15% and excise duty exemption of CKD vehicle) be extended for applications received by TalentCorp from 1 January 2024 until 31 December 2027.

Corporate Income Tax Incentives



Capital allowance claim on Information and Communication Technology Equipment and Computer Software would be shortened from 4 years to 3 years (initial allowance of 40% and annual allowance of 20%) effective from YA 2024.



Further tax deduction for Voluntary Carbon Market up to RM300,000 be given to companies for costs incurred on the Development and Measurement, Reporting and Verification (MRV) related to the development of carbon projects which are registered with an international standards body recognised by Bursa Malaysia and the expenditure on development of carbon projects certified by the Malaysia Green Technology and Climate Change Corporation ("MGTC"). The further tax deduction is deductible from the carbon credits income traded on the Bursa Carbon Exchange.

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

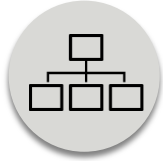


Existing companies that have exhausted their Reinvestment Allowance (RA) eligibility period be given Investment Tax Allowance of 60% / 100% of qualifying capital expenditure which is available for set-off against 70% / 100% of statutory income.

For applications received by the Malaysian Investment Development Authority ("MIDA") from 1 January 2024 until 31 December 2028.



Extension/Expansion of Current Corporate Income Tax Incentives



Tax exemption for social enterprise would be extended for applications received by MOF from 1 January 2024 until 31 December 2025.



Tax exemption on management fees income for Sustainable and Responsible Investment ("SRI") funds would be extended from YA 2024 until YA 2027.



Tax deduction on issuance of SRI sukuk would be extended from YA 2024 until YA 2027.



The scope of income tax exemption for Green SRI sukuk grant be expanded to include SRI-Linked Sukuk grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by the Securities Commission Malaysia from 1 January 2024 to 31 December 2025.



Income tax exemption on Shariah-compliant fund management services companies approved by the Securities Commission Malaysia would be extended from YA 2024 to YA 2027.

Extension/Expansion of Current Corporate Income Tax Incentives



Tax incentive for Global Services Hub (based on outcome-based approach) would be extended for applications received by MIDA from 14 October 2023 until 31 December 2027.



Tax incentive for Automation in Manufacturing, Services and Agriculture sectors [100% Accelerated Capital Allowance (ACA) on the first RM10 millions of qualifying capital expenditure] be expanded to include the commodity sector under the Ministry of Plantation and Commodities (KPK) for applications received by the KPK from 14 October 2023 until 31 December 2027.



Tax incentive for Equity Crowdfunding be expanded to investment made by individual investor through Limited Liability Partnership nominee company and extended for a period of 3 years from 1 January 2024 until 31 December 2026.



Tax incentive for Angel Investor to provide capital funding for technology start-up companies would be extended for applications received by MOF from 1 January 2024 until 31 December 2026.



Extension/Expansion of Current Corporate Income Tax Incentives



Green technology tax incentives would be reviewed:

- ❖ Green Investment Tax Allowance ("GITA") for green technology projects (business purposes) would be given on tier categories for applications received by MIDA from 1 January 2024 until 31 December 2026.
- ❖ GITA for the purchase of green technology assets (own consumption) would be given on tier categories and to be verified by the Malaysia Green Technology and Climate Change Corporation ("MGTC") from 1 January 2024 until 31 December 2026.
- ❖ Green Income Tax Exemption ("GITE") for Solar Leasing would be given on tier categories for applications received by MIDA from 1 January 2024 until 31 December 2026.



Tax deduction for rental of non-commercial Electric Vehicles (EV) up to RM300,000 be extended from YA 2026 to YA 2027.



Tax deduction on contributions for environmental preservation and conservation projects be given to entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by the Forest Research Institute Malaysia ("FRIM").

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

Global Minimum Tax & Stamp Duty



The Malaysian Government is expecting to implement the Global Minimum Tax ("GMT") in 2025 which will be applicable to multinational enterprises (MNEs) with annual global revenue of Euro 750 million or more. The developments of the GMT will continue to be monitored at the international level.



A fixed stamp duty of RM10 to replace the previous ad-valorem rate on real estate transfer documents, involving eligible beneficiary who renounces his/her right to another eligible beneficiary in accordance with a will/faraid, or the Distribution Act 1958.

For instrument of transfer of property executed from 1 January 2024.



Stamp duty at a flat rate of 4% on Memorandum of Transfer executed by foreign-owned companies and non-citizens (except Malaysian permanent residents).
Effective from 1 January 2024

Indirect Tax



New legislation will be enacted to implement the High Value Goods tax ("HVGT"). HVGT is proposed at a rate of 5% to 10% on certain high-value items such as jewelry and luxury watches based on price threshold. The mechanics and date of implementation have yet to be announced.



Service tax rate be increased from 6% to 8% on all prescribed taxable services except for the food and beverages and telecommunications.

Effective date and details have yet to be announced.



Scope of the taxable services be expanded to include logistics, brokerage, underwriting and karaoke services.

Registration threshold, Service Tax rate and effective date have yet to be announced.



Import duty and sales tax exemption be given to eligible manufacturers on the importation and locally purchased manufacturing aids, subject to the type of industries and categories of goods. Effective from 1 January 2024.



Exemption of entertainment duty be given to selected type of entertainments held in the Federal Territories.

For applications received by MOF from 1 January 2024 to 31 December 2028.

Disclaimer:

The information contained in this document is based on current taxation laws and other related legislation, including proposals and measures contained in the 2024 Malaysian Budget announcement on 13 October 2023. Every effort has been made to ensure that the information contained in this leaflet is accurate and based upon our understanding and interpretation of the relevant information obtained from the Budget 2024 Speech, Appendices and relevant sources, and is subject to the issuance of the impending Finance Bill.



TAX & BUDGET WEBINAR

1 November 2023 | 2.00pm – 5.00pm



Moderator



Cynthia Ng
*Anchor, Senior Editor
& Producer*
Astro AWANI

E-Invoice
& SVDP 2.0



Murugan Anbanantham
*Technical Director
Tax Services*
Baker Tilly Malaysia

Adopting a Sustainable
ESG Strategy



Murugason R Thangaratnam
Chief Executive Officer
Novem ESG

2024 Budget
Highlights



Marcus Tan
*Executive Director
Tax Services*
Baker Tilly Malaysia

Transfer Pricing
Updates



Yohan Francis
*Executive Director
Transfer Pricing & International Tax*
Baker Tilly Malaysia

Budget 2024
Panel



Datuk Hisham Rusli
Deputy Chief Executive Officer (Management)
Inland Revenue Board Malaysia



Datuk William Ng
National President
SAMENTA



Dr Ong Kian Ming
Program Director, Philosophy Politics & Economics
Taylor's University



Foong Pui Chi
Tax Partner
Shearn Delamore & Co.

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In partnership with:



Supported by:



Federation of Public Listed Companies Bhd

Our Experts

Kuala Lumpur

Mr Anand Chelliah
Managing Partner
Tax Leader
anand.chelliah@bakertilly.my

Mr Marcus Tan
Executive Director
Tax Advisory Services
marcus.tan@bakertilly.my

Mr Yohan Francis Xavier
Executive Director
International Tax & Transfer Pricing Services
yohan.xavier@bakertilly.my

Mr Murugan Anbanantham
Director
Technical & Tax Compliance
murugan.anbanantham@bakertilly.my

Ms Sandra Saw
Director
Tax Advisory & Indirect Tax Services
sandra.saw@bakertilly.my

Ms Tay Siew Chu
Director
Tax Compliance
siewchu.tay@bakertilly.my

Regional

Mr Huang Shze Jiun
Managing Partner
Johor Bahru
sj.huang@bakertilly.my

Ms Joanne Khor
Tax Director
Penang
joanne.khor@bakertilly.my

Mr Ni Chen Chuen
Tax Director
Sabah
chenchuen.ni@bakertilly.my

Ms Khoo Shaw Cbyn
Senior Managing Consultant,
Tax Services, Batu Pahat
shawcbyn.khoo@bakertilly.my

Ms Wong Poh Ling
Senior Managing Consultant
Tax Services, Seremban
pohling.wong@bakertilly.my

Our Offices



Kuala Lumpur Head Office

Baker Tilly Tower
Level 10 Tower 1 Avenue 5
Bangsar South City
59200 Kuala Lumpur
Federal Territory of Kuala Lumpur
Malaysia

T: +603 2297 1000
F: +603 2282 9980

www.bakertilly.my

Penang

9-2, 9th Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Georgetown
Penang

T: +604 227 9258
F: +604 227 5258

Johor Bahru

38-02, Jalan Sri Pelangi 4
Taman Pelangi
80400 Johor Bahru
Johor

T: +607 332 6925 / 6926
F: +607 332 6988

Kota Kinabalu

1-3-1A, 3rd Floor
Block B, Kolam Centre Phase II
Jalan Lintas, Luyang
88300 Kota Kinabalu
Sabah

T: +6088 233 791
F: +6088 249 691

Malacca

2, Ground Floor, Jalan PS 3 Plaza
Semabok, Semabok
75050 Melaka
Melaka

T: +606 282 6422
F: +606 283 7280

Batu Pahat

33, Jalan Penjaja 3, Ground Floor
Kim's Park Business Centre
83000 Batu Pahat
Johor

T: +607 431 5403
F: +607 431 4840

Seremban

Level 2, Wisma Sim Du
37, Jalan Dato' Bandar Tunggal
70000 Seremban
Negeri Sembilan

T: +606 762 2518 / 763 8936
F: +606 763 6950

Segamat

125, Jalan Susur Pemuda 2
85000 Segamat
Johor

T: +607 932 1125
F: +607 931 1125

Labuan

1st Floor, U0509
Lazenda Commercial Centre Phase 11
Jalan Tun Mustapha
87000 Labuan
Federal Territory of Labuan

T: +608 744 0800

Phnom Penh (Cambodia)

No. 87, Street 294
Sangkat Boeung Keng Kang 1
Khan Chamkarmon
Phnom Penh
Cambodia

T: +855 23 987 100
F: +855 23 987 388

www.bakertilly.com.kh