



Key Tax-Aways for the Year 2024

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Audit / Tax / Advisory / Risk

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Foreword

Key Tax-Aways for the Year 2024

The year 2024 saw the MADANI Economy framework being instrumental in shaping a new economic landscape for Malaysia. The growth in Gross Domestic Product (GDP) coupled with the influx of foreign investment has supported a positive appreciation of the Ringgit against the US Dollar. This is a commendable performance by the Unity Government amid uncertainties around the world which is still engulfed by war and trading challenges.

Moving ahead to the year 2025, Malaysia's economic outlook appears optimistic with a mix of opportunities and challenges ahead. Global economic uncertainties will surely affect the economic growth. Although the outlook for Budget 2025 is positive, its success will hinge on effective policy implementation, especially in areas such as fiscal discipline, economic inclusivity, and the integration of technological innovations to drive sustained growth.

As such, this write up focuses on the key "Tax Aways" for the year 2024, which will highlight some of the important takeaways from a tax perspective that taxpayers need to be aware of before we go forward into the new year. Some of these items may be new, as they have only been implemented or announced in recent months, making this publication a timely resource for taxpayers who are in the midst of preparing for the new year.

Therefore, we encourage taxpayers to take stock of these takeaways for the year 2024 so that you may better position yourselves for the challenges ahead. As always, we hope that taxpayers will remain vigilant to the changes that are taking place amidst an uncertain environment, and we remain at your side to address any of these challenges. From all of us at Crowe Malaysia, we would also like to take this opportunity to wish all our clients a very Happy New Year ahead and greater success in the year 2025.



Corporate Tax



Corporate Tax

SIX-MONTHS GRACE PERIOD FOR E-INVOICE IMPLEMENTATION

The Inland Revenue Board of Malaysia (IRBM) has agreed to provide taxpayers a six (6)-months grace period from the date of mandatory implementation of each implementation phase. Hence, the first phase of e-invoicing will start on 1 January 2025 involving companies with annual income or sales exceeding RM100 million.



NEW MALAYSIA DIGITAL (MD) TAX INCENTIVE

MD tax Incentive was unveiled on 31 May 2024 as a new outcome-based tax incentive scheme offered to eligible MD companies proposing to undertake qualifying activities by leveraging in any of the promoted tech enablers such as Artificial Intelligence, Big Data Analytics, Internet of Things, Cybersecurity, Cloud, Blockchain, Drone Technology, Creative Media Technology including Extended Reality (XR) and/or Mixed Reality(MR), Integrated Circuit Design with Embedded Software, Robotics, Automation and Advanced Network Connectivity Technology.

This incentive scheme was designed to align with the international standards set by the Organisation for Economic Co-operation and Development (OECD).

GREEN TECHNOLOGY TAX INCENTIVES

The exemption orders for the extension and revision of the green technology tax incentives which were announced in the 2024 Budget were gazetted on 17 September 2024. Subsequently, the Malaysian Investment Development Authority (MIDA) issued the Guideline on Application for Green Technology Incentive covering:

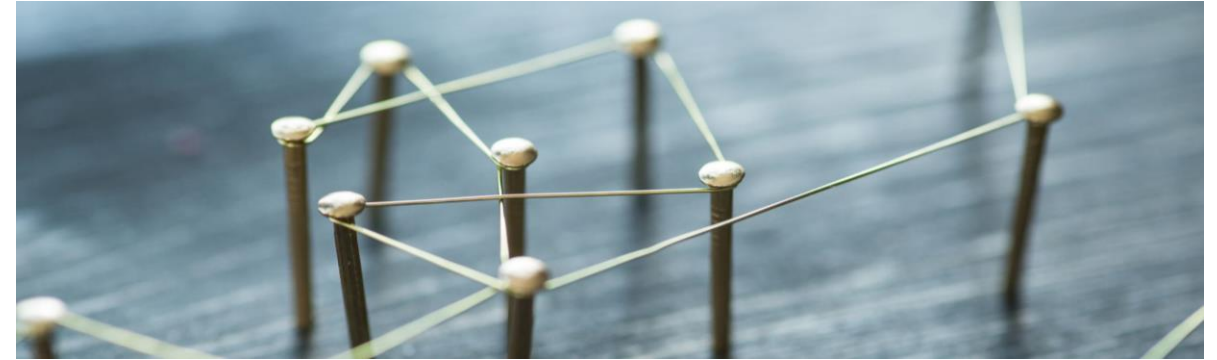
- i. Green Investment Tax Allowance (GITA) Project for Business Purposes;
- ii. Green Income Tax Exemption (GITE) Solar Leasing; and
- iii. Green Investment Tax Allowance (GITA) Asset for Own Consumption.

Corporate Tax



NEW GUIDELINE ON THE TAX TREATMENT OF HYBRID INSTRUMENTS

A new guideline that provided clarity on the tax treatment of various financial instruments was issued on 19 June 2024. The Guideline outlined the general characteristics of equity and debt instruments, emphasising the importance of considering these features before determining the appropriate tax treatment. The clarifications in the Guideline have substantial implications for businesses involved with or issuing hybrid financial instruments.



IMPLEMENTATION OF GLOBAL MINIMUM TAX (GMT) IN MALAYSIA

Malaysia will implement GMT under Pillar 2 of BEPS 2.0 starting from 1 January 2025, with the following mechanisms:

A. Who are impacted?

- Constituent Entity : member of Multinational Enterprise Group with annual consolidated group revenue exceeding EUR 750 million in two of the four immediately preceding fiscal years

B. What are the mechanisms?

- Domestic Top-Up Tax (DTT)
- Multinational Top-Up Tax (MTT)
- GMT rate: a minimum top-up tax of 15%

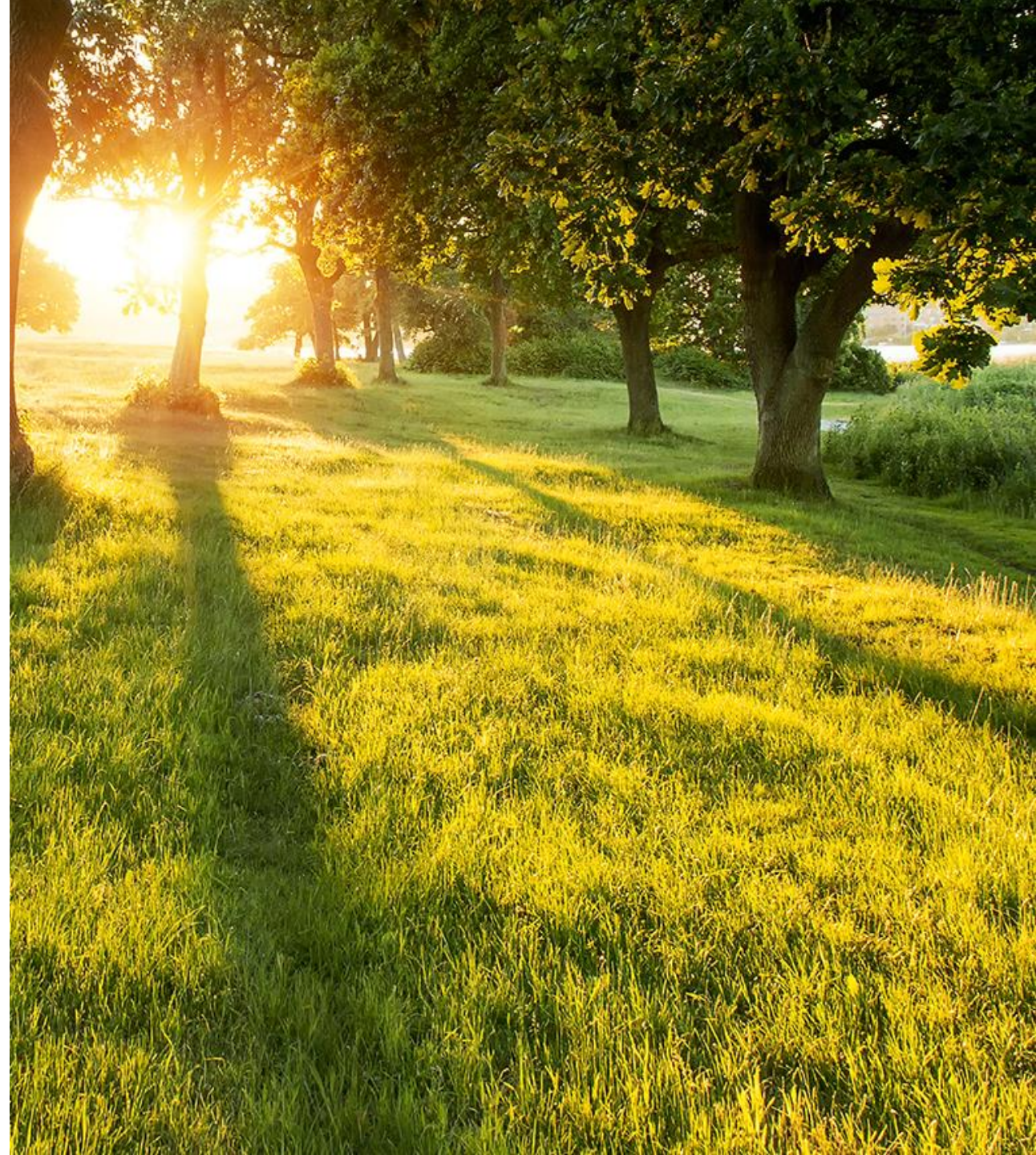


Corporate Tax

TAX INCENTIVE FOR FOREST CITY SPECIAL FINANCIAL ZONE (SFZ)

A list of tax incentives that will be available in the SFZ was announced on 20 September 2024. Among the incentives that were announced are as follows:

- 0% tax rate for the Single-Family Office Scheme, coordinated by the Securities Commission of Malaysia (SC);
- Special individual income tax rate of 15% for knowledge workers, including Malaysians that work in the SFZ;
- Concessionary tax rate of 5% for financial global business services, financial technology or fintech, and foreign payment system operators; and
- Special deductions on relocation costs, enhanced industrial building allowances and withholding tax exemptions for banking institutions, insurance, capital market intermediaries and other eligible financial sector entities.



Individual Tax



Individual Tax

REVIEW OF LIFESTYLE INCOME TAX RELIEF

The scope of lifestyle income tax relief has been expanded to include fees for self-improvement courses. However, expenditure on the purchase of sports equipment and gymnasium membership fees was removed from the scope of lifestyle income tax relief. A specific tax relief has been introduced, i.e. “Sports Equipment and Activities”, which includes expenditure on sports equipment and fees for the use of sports facilities, registration for sports tournaments and gym memberships. Deduction is limited to RM1,000 from YA 2024.

KEEP SUPPORTING DOCUMENTS

Individual taxpayers must remember to retain all receipts and supporting records for seven (7) years as evidence for making tax relief claims.

REVIEW OF INCOME TAX EXEMPTION FOR CHILDCARE ALLOWANCE UNDER PERQUISITES FROM EMPLOYMENT

The income tax exemption on childcare allowances received by employees or paid directly by employers to childcare centres has been increased from RM2,400 to RM3,000 per year from YA 2024.

EXPANSION OF SCOPE OF INCOME TAX RELIEF FOR MEDICAL TREATMENT EXPENSES FOR SELF, SPOUSE AND CHILD

The income tax exemption on childcare allowances received by employees or paid directly by employers to childcare centres has been increased from RM2,400 to RM3,000 per year from YA 2024.

EXPANSION OF SCOPE OF INCOME TAX RELIEF FOR MEDICAL TREATMENT, SPECIAL NEEDS AND CARER EXPENSES FOR PARENTS

The scope of income tax relief for medical expenses, special needs and parental care has been expanded to include full medical examination for parents. Deduction is limited to RM1,000 from YA 2024.



Payroll and Immigration



Payroll and Immigration

NEW SALARY CEILING

The salary ceiling for Social Security Organisation (SOCSO) and Employment Insurance System (EIS) contributions has been increased from RM5,000 to RM6,000. This applies to both local and foreign employees. While foreign workers are covered under SOCSO, they are not included under the Employment Insurance System Act 2017 (Act 800). This was effective from 1 October 2024.

EPF FLEXIBLE ACCOUNT

EPF Flexible Account has been introduced as a new account to allow accessibility to members at any time to strengthen their retirement savings.

EMPLOYEES PROVIDENT FUND (EPF) I-SARAAN INCENTIVE LIMIT RAISED

The maximum matching incentive limit for the i-Saraan programme has been increased from RM300 to RM500 per year effective 1 January 2024. This special incentive from the government that amounts to 15% of the total voluntary contribution by self-employed individuals and gig economy workers is subject to a maximum RM500 incentive limit per year and maximum lifetime incentive of RM5,000.

EXPATRIATE SATELLITE CENTRE (ESC) KLIA TERMINAL 2

The ESC has been fully operational 24 hours a day, 7 days a week to facilitate the issuance of new Employment Passes, Professional Visit Passes, Dependant Passes, and the Residence Pass-Talent for expatriates from 23 July 2024.

MALAYSIA MY SECOND HOME (MM2H) PROGRAMME

A new version of the MM2H package has been introduced in June 2024 by the Ministry of Tourism, Arts, and Culture to make it easier for participants to apply by grouping applicants into three (3) categories, "Platinum," "Gold," and "Silver". Participation in the MM2H Programme is open to all eligible foreign individuals from sovereign countries with diplomatic relations with Malaysia.



Indirect Tax



Indirect Tax

EXPANSION OF TAXABLE SERVICES EFFECTIVE 1 MARCH 2024

Effective 1 March 2024, the scope of taxable services has been expanded to include karaoke centre services, logistics services, non-financial services relating to brokerage and underwriting, and maintenance or repair services.

INCREASE IN SERVICE TAX RATE TO 8% EFFECTIVE 1 MARCH 2024

Effective 1 March 2024, the Service Tax rate has increased from 6% to 8%, except for food and beverage, telecommunications services, vehicle parking services and logistic services, which remain at 6%.

In addition, the Service Tax rate on digital services provided by foreign registered persons also increased from 6% to 8%.

EXPANSION OF TAXABLE SERVICES EFFECTIVE 1 MAY 2025

The scope of taxable services will be expanded to include new taxable services, such as commercial service transactions between businesses effective from 1 May 2025.

INCREASE IN SALES TAX RATE EFFECTIVE 1 MAY 2025

The Sales Tax rate will be increased for non-essential items such as imported premium goods effective from 1 May 2025.



Indirect Tax

CUSTOMS COMPLIANCE VERIFICATION AUDIT PROGRAMME (AViP)

This initiative is to strengthen tax compliance based on awareness, education, and facilitation. The programme is to encourage taxpayers to voluntarily disclose any non-compliance through self-assessment. The key points of AViP are:

- The AViP covers all areas of indirect taxes, duties and levies under the purview of Royal Malaysian Customs Department (RMCD) such as Sales Tax, Service Tax, Customs Duties, Excise Duties and Tourism Tax.
- Taxpayers selected/ subject to audit by RMCD can request to participate in the AViP.
- Taxpayers not under audit but have underpayment of taxes, duties and/ or levies can approach RMCD to request to participate in the AViP.



Got a question?

We're here to help, talk to us today.



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