



Smart decisions. Lasting value.

Crowe Chat Vol.7/2023 (Special Edition)

# Budget 2024

Key Highlights for Businesses & Individuals

13 October 2023

# Introduction to the Malaysia Budget 2024.

Announced on 13 October 2023 by the Prime Minister & Finance Minister, **YAB Dato' Seri Anwar bin Ibrahim**



## 3 Determinations

Good governance for service agility

Restructuring of the economy to boost growth

Raising *Rakyat's* standard of living

<i>Revised</i> 2023	2024
Government Revenue	
RM303.2bil	RM307.6bil
Government Expenditure	
RM396.4bil	RM393.0bil
Deficit	
-RM93.2bil	-RM85.4bil
Deficit/GDP	
-5%	-4.3%

# Snapshot of the Budget 2024



**8%**

Increase in Service Tax rate for all services excluding food and beverage, and telecommunications services.



**5% - 10%**

Implementation of the new High-Value Goods Tax.



**10%**

Implementation of Capital Gains Tax (CGT) for the disposal of unlisted local company shares.



**1 August 2024**

Implementation of the e-Invoicing system.



**2025**

Implementation of the Global Minimum Tax (GMT).



**RM3,000**

Income tax exemption on childcare allowances received by employees or paid directly by employers to childcare centres be increased.

# Foreword

Budget 2024 is tabled when the world is faced with unprecedented challenges in a post-normal era. The Prime Minister and Finance Minister, YAB Dato' Seri Anwar bin Ibrahim noted that such challenges are taking place at a scale and speed that is worrying. These developments are simultaneously damaging ecosystems as well as the livelihoods of the people. It is amidst this backdrop that Budget 2024, *Belanjawan MADANI Kedua* is tabled. With the *Ekonomi MADANI* framework as its North Star, Budget 2024 hopes to kickstart Malaysia's comeback as an economic champion within the ASEAN region and build on the other Unity Government initiatives such as the National Energy Transition Roadmap, New Industrial Master Plan 2030 and the Reviewed 12<sup>th</sup> Malaysia Plan. To achieve this, Budget 2024 focuses on three (3) key areas i.e. best governance for service agility, restructuring of the economy to increase growth and improving people's living standards.

The second *MADANI* budget is the largest budget ever tabled by any government in Malaysia's history, with a total allocation of RM393.8 billion, of which RM90 billion is allocated for development expenditure. Whilst the amount allocated for development is seemingly lower than the Revised Budget 2023, the total allocation represents an expansionary budget, which is aimed at addressing the key issues of the day and improving the lives of the people. The Unity Government has also underlined the need to address fiscal responsibility and has provided several measures to rationalize the subsidy structure in Malaysia, which remains one of the highest in the world.

To ensure the government can meet its fiscal responsibilities, reduce the deficit to 4.3% and increase its revenue to RM307.6 billion, several structural changes to the tax system have been introduced which taxpayers should take note of. Most notable is the long anticipated introduction of the Capital Gains Tax that will come into effect on 1 March 2024. In addition, the Unity Government is set to increase the Service Tax to a rate of 8% for all services excluding food and beverage as well as telecommunication services. The implementation of the High Value Goods Tax is also set to take place at a rate of 5% to 10%. Aside from this, the government has also affirmed its commitment to implement the e-invoicing system from 1 August 2024 onwards and Global Minimum Tax in the year 2025.

In our view, these structural changes to the tax system are an economic necessity that is needed to drive Malaysia forward. This is especially in light of the fact that Malaysia remains one of the countries with the lowest amount of taxes collected as a percentage of Gross Domestic Product in the ASEAN region. With a clear commitment to fiscal responsibility as well as an emphasis on the Malaysian citizen, Budget 2024 represents a responsible, timely and bold initiative to realize a more resilient and robust economy.

We believe that these structural changes will certainly have a significant impact towards Malaysian businesses and encourage taxpayers to review their business operations following these developments. It is hoped that the analysis contained herein would aid business and finance leaders in establishing the right game plans to meet the challenges these tax changes would bring in the year ahead.

An aerial photograph of a city skyline at sunset, with a warm orange and yellow color overlay. The sun is low on the horizon, creating a bright glow over the city. The skyline includes various buildings and a prominent tower. A highway with a train is visible in the foreground.

# Key Highlights of the Budget 2024

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# Highlights of the Budget 2024

## Businesses – New Taxes / Major Rules



### Review of Timeline for the Implementation of E-invoicing

The mandatory implementation of e-invoicing for taxpayers with an annual turnover or revenue of more than RM100million will be deferred from 1 June 2024 to 1 August 2024. Taxpayers in other income categories will be required to comply in phases with comprehensive implementation target by 1 July 2025.



### Implementation of GMT

The Global Minimum Tax (GMT) will be introduced as recommended under Pillar 2 of the Base Erosion and Profit Shifting (BEPS) 2.0. Subject to further studies, the Global Minimum Effective Tax Rate and Qualified Domestic Minimum Top-Up Tax (QDMTT) are targeted to be implemented in the year 2025.

### CGT for Disposal of Unlisted Local Company Shares

CGT will be imposed on the disposal of unlisted local company shares at the rate of 10% on net gains or 2% on gross sales value from 1 March 2024 onwards.



### Increase in Service Tax Rate

Please refer to Page 16 for details.



### Implementation of High-Value Goods Tax

Please refer to Page 16 for details.



# Highlights of the Budget 2024

## Businesses - ESG



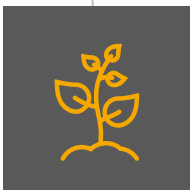
### **Extension of Tax Incentive for Rental of Electric Vehicles (EVs)**

Tax deduction of up to RM300,000 per vehicle for rental of EVs will be extended for a period of two (2) years, i.e. up to Year of Assessment (YA) 2027.



### **Review of Green Technology Tax Incentive**

The Green Technology tax incentives for Green Investment Tax Allowance (GITA) project, GITA asset and Green Investment Tax Exemption (GITE) solar leasing will be reviewed and extended for a period of two (2) years for applications received by MIDA or MGTC from 1 January 2024 to 31 December 2026.



### **Tax Deduction on Environmental, Social and Governance (ESG) Related Expenditures**

Tax deduction of up to RM50,000 for each YA will be given on ESG related expenditure from YA 2024 to YA 2027.

### **Tax Deduction on Contributions for Environmental Preservation and Conservation Projects**

Tax deduction will be given for contributions or sponsorships related to tree planting or environmental preservation and conservation awareness projects verified by Forest Research Institute Malaysia, for applications received by the Ministry of Finance from 1 January 2024 to 31 December 2026.



### **Further Tax Deduction for Voluntary Carbon Market**

Further tax deduction of up to RM300,000 will be given to companies for expenditure incurred on the Development and Measurement, Reporting and Verification related to the development of carbon projects.



# Highlights of the Budget 2024

## Businesses - Tax Incentives



### **Industrial Building Allowance (IBA) for Private Nursing Home for the Elderly**

Private nursing homes for the elderly approved by the Malaysian Ministry of Health will be given IBA at an annual rate of 10% for qualifying expenditure on the purchase or construction of a building including renovation costs incurred from 1 January 2024 to 31 December 2026.

### **Review of Tax Incentive for Automation in Manufacturing, Services and Agriculture sectors**

The scope of tax incentives for automation will be expanded to include the commodity sector under the Ministry of Plantation and Commodities for applications received by the Ministry of Plantation and Commodities from 14 October 2023 to 31 December 2027.



### **Review of Capital Allowance on Information and Communication Technology (ICT) Equipment and Computer Software**

Initial allowance rate will be revised from 20% to 40% for capital expenditure incurred by companies on the purchase of ICT equipment and computer software from YA 2024.

### **Incentive for Reinvestment under the New Industrial Master Plan (NIMP) 2030**

A tiered reinvestment tax incentive in the form of Investment Tax Allowance of 60% / 100% on qualifying capital expenditure will be given to existing companies that have exhausted their Reinvestment Allowance eligibility period. This incentive will be applicable for applications received by MIDA from 1 January 2024 to 31 December 2028.





# Highlights of the Budget 2024

## Businesses - Tax Incentives (cont.1)



### **Extension of Income Tax Exemption for Social Enterprises**

The income tax exemption for social enterprises accredited by the Ministry of Entrepreneur Development and Cooperation will be extended for applications received by the Ministry of Finance from 1 January 2024 to 31 December 2025.

### **Review of Income Tax Exemptions on Shariah-Compliant Fund Management Services**

The income tax exemption given to Shariah-compliant fund management services companies will be reduced from 100% to 60% on statutory income. However, the income tax exemption period will be extended for another four (4) years, i.e from YA 2024 to YA 2027.



### **Income Tax Exemption for Islamic Financial Activities under the Labuan International Business and Financial Centre (IBFC)**

Full income tax exemption will be given to Labuan entities that undertake Islamic financial-related trading activities such as Islamic digital banking, Islamic digital bourses, ummah-related companies and Islamic digital token issuers from YA 2024 to YA 2028.

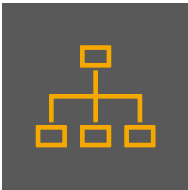
### **Tax Incentive for Global Services Hub**

A Global Services Hub tax incentive based on outcome-based approach will be introduced for applications received by MIDA from 14 October 2023 to 31 December 2027.



# Highlights of the Budget 2024

## Businesses - Tax Incentives (cont.2)

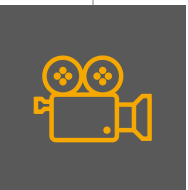


### **Review of Conditions for Institutions / Organisations / Funds Approved Under Subsection 44(6) of the Malaysian Income Tax Act, 1967 (MITA)**

The limit for accumulated funds utilisations has been increased from 25% to 35% effective from YA 2024.

### **Pengerang Integrated Petroleum Complex (PIPC) – Special Tax Rate or Investment Tax Allowance**

PIPC will be turned into a development hub for the chemical and petrochemical sector with a tax incentive package in the form of a special tax rate or Investment Tax Allowance to support the ecosystem of high-value activities.

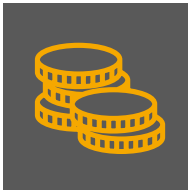


### **Special Income Tax Rate on Film Production**

A special income tax rate ranging from 0% to 10% will be given to film production companies, foreign actors, and film crews who carry out filming activities in Malaysia.

# Highlights of the Budget 2024

## Businesses - SRI



### **Extension of Tax Exemption on Management Fee Income for Sustainable and Responsible Investment (SRI) Funds**

The income tax exemption on management fee income for managing SRI funds will be extended for a period of four (4) years from YA 2024 to YA 2027.



### **Expansion of Scope of Income Tax Exemption on the SRI Sukuk Grant and Bond Grand Scheme**

The scope of income tax exemption under the SRI Sukuk Grant and Bond Grand Scheme will be expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by Securities Commission Malaysia (SC). This applies to applications received by SC from 1 January 2024 to 31 December 2025.

### **Extension of Tax Deduction on Issuance of SRI Sukuk**

The tax deduction on issuance cost of SRI (Sustainable and Responsible Investment) Sukuk approved, authorised or lodged with the SC will be extended for a period of four (4) years from YA 2024 to YA 2027.



# Highlights of the Budget 2024

## Businesses – Indirect taxes



### **Import Duty and Sales Tax Exemptions on Manufacturing Aids**

Import duty and sales tax exemptions will be given to eligible manufacturers on the importation and purchase of local manufacturing aids for certain sectors of the manufacturing industry and category of goods, effective from 1 January 2024.

### **Imposition of Excise Duty on Chewing Tobacco**

The scope of excise duty will be expanded to include the imposition of excise duty on chewing tobacco at a rate of 5% plus RM27 per kilogram effective from 1 January 2024.



### **Entertainment Duty Exemption in Federal Territories**

The entertainment tax rate in the Federal Territories will be reduced from 25% to reduced rates, for applications received by the Ministry of Finance from 1 January 2024 to 31 December 2018.

### **Increase in Excise Duty Rate on Sugar Sweetened Beverages**

The excise duty rate for sugar sweetened beverages will be increased from RM0.40 per litre to RM0.50 per litre effective from 1 January 2024.



# Highlights of the Budget 2024

## Stamp Duty



### **Review of Stamp Duty for Property Ownership by Non-Citizen**

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



### **Stamp Duty for Transfer of Property Ownership by Renunciation of Rights**

Fixed duty of RM10 is imposed on the 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 for instruments of property ownership transfer executed from 1 January 2024.

# Highlights of the Budget 2024

## Individuals



### Expansion of Scope of Income Tax Relief for Medical Treatment Expenses for Self, Spouse and Child

The scope of income tax relief for medical treatment will be expanded to include dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council limited to RM1,000. This will be effective 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 will be expanded to include full medical examination for parents limited to RM1,000. This will be effective from YA 2024.

### Review of Lifestyle Income Tax Relief

- The scope of lifestyle income tax relief will be expanded to include fees for self-improvement courses.
  - However, expenditure on the purchase of sports equipment and gymnasium membership fees are removed from the scope of lifestyle income tax relief.
    - Specific tax relief will be introduced, i.e. “Sports Equipment and Activities”, which will include expenditure on sports equipment and fees for use of sports facilities, registration for sports tournaments and gym memberships. This tax relief will be limited to RM1,000.
      - These changes will be effective from YA 2024.

### Extension of Individual Income Tax Relief for Up-Skilling and Self-Enhancement Courses Fee

The income tax relief of up to RM2,000 from the total education fees relief of RM7,000 for Up-Skilling and Self-Enhancement Courses Fee will be extended for a period of three (3) years effective from YA 2024 to YA 2026.



# Highlights of the Budget 2024

## Individuals (cont.1)

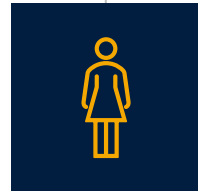


### Extension of Individual Income Tax Relief for EV Charging Facilities

The tax relief on expenses related to installation, rental, purchasing including hire-purchase equipment or subscription fees for EV charging facilities will be extended for a period of four (4) years from YA 2024 to YA 2027.

### Review of Tax Incentive for Women Career Comeback Programme

Women returning to work after a career break of at least two (2) years from the date of application to Talent Corporation Malaysia Berhad will be eligible for income tax exemption on employment income received from YA 2025 to YA 2028.



### 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 is increased from RM2,400 to RM3,000 per year effective from YA 2024.

### Review of Tax Incentives for Returning Expert Programme

The preferential tax rate of 15% on employment income for five (5) consecutive years received by an individual participating in the Returning Expert Programme will be extended for applications received by Talent Corporation Malaysia Berhad from 1 January 2024 to 31 December 2027.



# Highlights of the Budget 2024

## Individuals (cont.2)



### **Increase in Service Tax Rate**

The Service Tax rate will be increased from 6% to 8%, with the exception for food and beverage, and telecommunications services which will remain at 6%.



### **Expansion of Scope of Taxable Services**

The scope of taxable services will be expanded to include the imposition of service tax on logistics, brokerage, underwriting and karaoke services.

### **Implementation of High-Value Goods Tax**

A High-Value Goods Tax will be imposed on specific high-value items such as jewellery and watches, with rates ranging from 5% to 10% depending on the value of the item.



### **Review of Tax Incentive for Equity Crowdfunding (ECF)**

The tax incentive for participating in ECF will be expanded to investments made by individual investors through Limited Liability Partnership nominee companies and will be extended for a period of three (3) years for investments made from 1 January 2024 until 31 December 2026.



### **Extension of Tax Incentive for Angel Investors**

The tax incentive for Angel Investors will be extended for a period of three (3) years for investments made from 1 January 2024 until 31 December 2026.





# Highlights of the Budget 2024

## Financing



### **Funds allocated to protect consumers from uncontrollable price increases**

Funding of RM10 million will be made available to achieve the intention of retargeting subsidies and to eliminate any parasitic practices through strict and comprehensive control measures by Ministry of Domestic Trade and Cost of Living (KPDN) in addition to strengthening the capacity and function of the Competition Commission Malaysia (MyCC).



### **Non-Governmental Organisations (NGO) and Civil Society Organisations**

The Government is allocating RM100 million to continue supporting the efforts taken by NGOs and civil society organisations including Yayasan Hasanah.



### **Kumpulan Wang Amanah Rakyat Malaysia Luar Negeri (KWARMLN)**

MADANI budget provides an additional RM10 million to the KWARMLN to defend the fate of our people who are victims of employment fraud syndicates and other welfare cases abroad.

# Highlights of the Budget 2024

## Financing (cont. 1)



### **NIMP**

- NIMP targets a total investment of up to RM95 billion while involving 3.3 million job opportunities with median salaries of up to RM4,510/month by 2030.
- The Government will allocate up to 10% from the total NIMP investment as a catalyst to accelerate the NIMP mission with a 2024 startup fund amounting to RM200 million.



### **MYStartup platform**

National Digital Economy and Industrial Revolution Council decided to provide RM28 million to develop the MYStartup platform as a single window that brings together startups while simplifying business activities throughout their lifecycle. This initiative will optimise RM200 million fund under various funding agencies and venture capital under a single platform.



### **Micro, Small and Medium Enterprises**

Funding of RM44 billion is allocated as loans and financing guarantees available for the benefit of Micro, Small and Medium Enterprises.

# Highlights of the Budget 2024

## Financing (cont. 2)



### Micro-entrepreneurs and small traders under BNM, BSN and TEKUN

Funding of RM2.4 billion is allocated as small loan facilities under agencies including BNM, BSN and TEKUN for micro-entrepreneurs and small traders.



### Sustainability practices and food security related sectors

A total of RM8 billion in loan funds are provided to support SME companies under BNM. From this amount, RM600 million is dedicated to help micro-enterprises and low-income entrepreneurs, small contractors, the application of sustainability practices and food security related sectors.



### Dana Impak Khazanah Nasional

Funding of RM600 million is allocated under the Dana Impak Khazanah Nasional, with priority to promote economic growth and provide more opportunities to rural, semi-urban communities and those with less access to financial services in 2024.

# Highlights of the Budget 2024

## Financing (cont. 3)



### **SMEs**

Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will guarantee up to 80 percent of SME entrepreneurs' loans, especially those involved in the green economy, technology and halal fields with the availability of a guarantee fund of up to RM20 billion.



### **Amanah Ikhtiar Malaysia (AIM)**

Funding of RM100 million is allocated to support AIM's function to eradicate poverty.



### **Revolving Capital Fund under the Malaysian Cooperative Commission (MCC)**

Financing funding of RM100 million is allocated to the cooperative movement through the Revolving Capital Fund under MCC to assist more cooperatives.

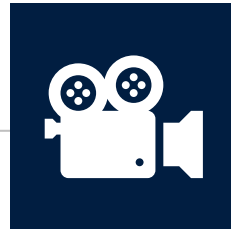
# Highlights of the Budget 2024

## Financing (cont. 4)



### Franchise Strengthening Programme

Funding of RM10 million is allocated to the Franchise Strengthening Programme to expand the franchise trade.



### Local artistic works

Funding of RM160 million is allocated to implement various initiatives for the benefit of creative artists as follows:

- RM60 million under the Digital Content Fund to promote local works and support content based on national values;
- RM90 million under the Film in Malaysia Incentive (FIMI) initiative to further encourage international film production; and
- RM10 million to provide for the MyCreative Matching Grant Scheme to support artists in the production of creative projects.



### Funds available for an economic growth model led by research, development, commercialisation and innovation (R&D&C&I) activities

R&D funding of RM510 million is allocated under the Ministry of Science, Technology and Innovation as well as the Ministry of Higher Education. In which RM50 million is a matching grant for public universities to collaborate with the private sector in intensifying research and innovation activities that can be commercialised.

# Highlights of the Budget 2024

## Financing (cont. 5)



### **Palm Replanting Program Incentive**

Funding of RM100 million is allocated to Palm Replanting Programme Incentive and offered through a grant and loan to 7,000 private oil palm smallholders.



### **Funds allocated to optimise the production of crops and livestock**

Funding of RM90 million is allocated to RISDA and FELCRA to encourage smallholders to optimise the use of production of crops and livestock such as mushrooms, pineapple, matag coconut, cattle and poultry.



### **Transition towards a low-carbon economy**

Funding of RM200 billion is provided by Financial Institutions to encourage the industry to transition towards a low-carbon economy.

# Highlights of the Budget 2024

## Financing (cont. 6)



### Farmers and fisherman

Allocation of RM2.6 billion to channel various forms of subsidies and incentives to farmers and fishermen.



### Payung Rahmah

Funding of RM200 million will be provided to implement Payung Rahmah as follows:

- Rahmah Sales Program – offers basic necessities at prices 30% lower
- Pasar Rahmah Program – offers incentives to 1.2 million wholesale market, night market and farmer's market entrepreneurs.



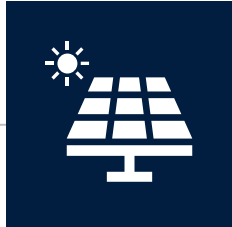
### Sumbangan Tunai Rahmah (STR)

The allocation of RM10 billion will be given to STR:

- STR maximum rate will be increased to RM3,700
- STR minimum rate for youths will be increased to RM500
- First payment of STR for households will be increased to RM500
- Sumbangan Asas Rahmah (SARA) will be introduced with 200,000 recipients receiving RM100/month for 6 months in their myKad

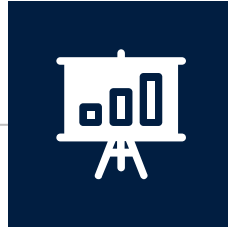
# Highlights of the Budget 2024

## Financing (cont. 7)



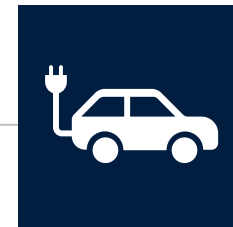
### **Program Bina Kerja Perkeso**

Allocation of RM35 million will be provided to finance the training fees and income replacement incentives for 9,000 gig workers who attended the training program.



### **Skim Keselamatan Sosial Suri Rumah**

Allocation of RM 50 million will be provided to benefit more than 400,000 female housewives registered under e-kasih.



### **Program Tunas Usahawan Belia Bumiputera & Skim TEKUN Belia Mobilepreneur**

Both the programs will be continued with allocation of RM20 million and RM10 million respectively.



# Highlights of the Budget 2024

## Government Grants



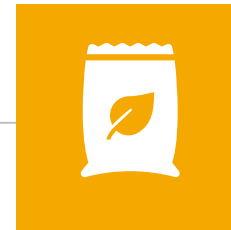
### Special Grant Sarawak and Sabah

Increased rates of the grant to RM300 million compared to RM16 million for Sarawak and RM125.6 million for Sabah as the last review were made in 1969 and 2022 respectively.



### High Growth and High Value (HGHV)

GLCs to provide funds up to RM1.5 billion to encourage startups including SME and Bumiputera to venture into HGHV fields such as digital economy, space technology and electronics and electrical (E&E).



### i-Tekad

Additional funds up to RM25 million in matching grants with financial institutions to give more benefits to entrepreneurs.

# Highlights of the Budget 2024

## Government Grants (cont. 1)



### Logistics Sector

Matching grant of RM50 million and RM20 million is allocated to Port Klang Authority and Port Authorities to maintain Jalan Port Klang and upgrade the Malaysia Maritime Single Window.



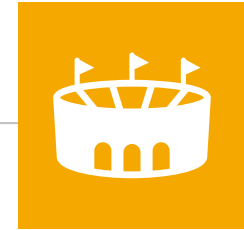
### Biodiversity Sukuk

Biodiversity sukuk up to RM1 billion will be issued for the replanting of degraded forest that will in return generate carbon credit.



### EPF – i-Saran

Government matching contribution limit under EPF's i-Saran will be increased to RM500 per year, limited to RM5,000 or life.



### EPF – i-Suri

Government matching contribution limit under EPF's i-Saran will be increased to RM300 per year, limited to RM3,000 or life.

# Highlights of the Budget 2024

## Government Grants (cont. 2)



### Madani Community Fund

Funding of RM1 billion is allocated under the MADANI Community Fund to provide grants ranging from RM50,000 to RM100,000 to communities to facilitate the Program Komuniti Madani.



### Housing Credit Guarantee Scheme

Government will provide guarantees up to RM10 billion benefitting 40,000 borrowers.



### High Performance Sport Events

Matching grant of RM50 million will be provided to encourage the organization of high-performance sport events by sports association and the private sector.

# Highlights of the Budget 2024

## Government Grants (cont. 3)



### SME

- RM100 million provided to provide grants for digitization up to RM5,000 benefitting more than 20,000 SMEs
- RM900 million loans under BNM to encourage SME to increase productivity and digitizations
- RM40 million provided to implement Shop Program Malaysia Online to encourage small traders in the field of food to do business from home
- RM25 million allocated to Digital Economy Centre in each DUN to support small entrepreneurs



### Geran Pertubuhan MADANI

Grants of RM20 million under the Geran Pertubuhan MADANI for the benefit of locals to implement volunteer and unity programmes as well as activities related to crime prevention and disaster preparedness.

# Highlights of the Budget 2024

## Other Key Initiatives



### Increased Cash Assistance – Rahmah Cash Donation

Rahmah Cash Donation will be increased from RM8 billion to RM10 billion.



### Electricity Subsidy

- The Government has implemented targeted subsidy for 10% consumers with highest electricity consumption.
- The Government will continue giving electricity bill rebates up to RM40 per month to hardcore poor households with allocation of RM55 million.



### Diesel Fuel

- Sales of subsidized diesel have increased by up to 40% since 2019 while total vehicles using diesel has only increased less than 3%.
- Government intends to rationalize diesel prices in stages to prevent leakage and smuggling.

# Highlights of the Budget 2024

## Other Key Initiatives (cont. 1)



### Public Institutions Reform

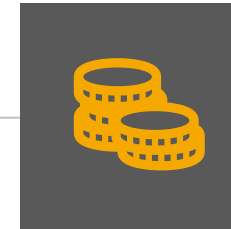
To improve revenue sustainability, social protection, governance of GLCs and national debt management, the following recommendations will be implemented:-

- Improving the imposition of stamp duty;
- Strengthening tax administration;
- Expanding the coverage of social protection system;
- Restructuring of development finance institutions (DFIs);
- Strengthening the venture capital environment through the centralization of venture capital agencies.



### Extension of MITI and MIDA's role

Government to intensify efforts to achieve more high-impact investments by expanding the responsibilities of MITI and MIDA to facilitate issues related to investments beginning from the date of application until the investment is realised.



### Malaysia Visa Liberalisation Plan

Government to introduce new initiatives involving the following:-

- Facilitate Employment Pass (EP) approvals for strategic investors in key sectors;
- Introduce Long-Term Social Visit Pass for international students who have graduated to meet industrial skilled personnel needs;
- Improve Visa-On-Arrival facilities, social visit passes and multiple entry visa offers to encourage tourists and investors especially from India and China.

# Highlights of the Budget 2024

## Other Key Initiatives (cont. 2)



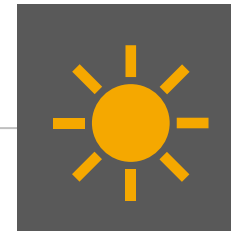
### Malaysia My 2<sup>nd</sup> Home (MM2H)

Existing application of MM2H will be eased to increase arrival of tourists and foreign investors to Malaysia.



### EV Motorcycles - Rebate

Electric Motorcycle Usage Incentive Scheme with rebate up to RM2,400 will be offered to buyers with an annual income of less than RM120,000.

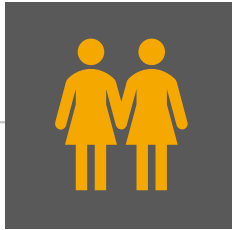


### Solar Panels

- Net Energy Metering (NEM) programme will be extended until 31 December 2024 to encourage installations in residential premises.
- Roof solar buyback programme with minimal cost implications to the system will be developed.
- Companies are encouraged to offer “Zero Capital Cost” subscription model for residential housing category.

# Highlights of the Budget 2024

## Other Key Initiatives (cont. 3)



### EPF i-Sayang

EPF's i-Sayang programme will be expanded to allow wives to transfer 2% of their EPF contributions to their husband.



### SOCSSO

Monthly salary ceiling for SOCSSO contributions will be increased from RM5,000 to RM6,000.



### EPF Flexible Account

EPF Flexible Account will be introduced as a new account to allow accessibility to members at any time in order to strengthen retirement savings.



# Highlights of the Budget 2024

## Other Key Initiatives (cont. 4)



### Youth

A RM500 amount will be awarded to youths who have successfully volunteered with bodies recognised by the Government in order to inculcate the spirit of volunteerism amount youths aged 18 to 20 years.



### PTPTN Discount

Discounts will be given for PTPTN loan repayment from 14 October 2023 until 31 March 2024 at the following rates:-

- 10% discount on balance of the debt for full settlement of the loan;
- 10% discount on payment of at least 50% of the remaining debt in a single payment receipt; and
- 15% discount on payment by salary deduction or scheduled direct debit.



# Budget 2024 Impact

Tax measures relating to **Businesses**

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## 01

### Deferment of E-invoicing Implementation Timeline

Based on the e-invoice guidelines issued by the IRBM, the timelines for mandatory implementation are as follows:

Type of taxpayer	1 June 2024	1 January 2025	1 January 2026	1 January 2027
Businesses that commenced in year 2022 or earlier	Mandatory implementation for taxpayers with annual turnover / revenue exceeding RM100 million	Mandatory implementation for taxpayers with annual turnover / revenue of more than RM50 million and up to RM100 million	Mandatory implementation for taxpayers with annual turnover / revenue of more than RM25 million and up to RM50 million	Mandatory implementation for all taxpayers and certain non-business transactions
Businesses commenced from year 2023 onwards	Not applicable			

Present

The annual turnover or revenue for the e-invoicing implementation will be based on the annual turnover or revenue stated in the audited financial statements for financial year 2022. For taxpayers without audited financial statements, it will be based on the annual revenue reported in the tax return for YA 2022. If there is a change in the accounting year end for financial year 2022, the taxpayer's turnover or revenue will be pro-rated to a 12-month period to determine the e-invoicing implementation date.

Taxpayers who are ready for early adoption of the e-invoicing system may opt to do so at an earlier date.

## 01

### Deferment of E-invoicing Implementation Timeline (cont.)

#### Proposed

It is proposed that the mandatory timeline for implementing e-invoicing will be deferred as follows:

- i. For taxpayers with an annual turnover or revenue exceeding RM100 million, the implementation date will move from 1 June 2024 to **1 August 2024**.
- ii. For taxpayers with an annual turnover or revenue of more than RM50 million but not exceeding RM100 million, the implementation target in phases date will move from 1 January 2025 to **1 July 2025**.

#### Effective Date

From 1 August 2024.

#### Commentary

Given the tight deadline for the implementation of e-invoicing, the government has taken into account the feedback received and decided to give businesses more time to prepare and onboard the e-invoicing system.

# Budget 2024: Proposed Measures for **Businesses**

## 02

### Tax Deduction on ESG Related Expenditures

Present

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. Presently, ESG related expenditure are capital expenditure which does not qualify for tax deduction under the MITA.

Proposed

Tax deduction of up to RM50,000 for each YA will be given on ESG related expenditure such as ESG reporting by companies listed on the Bursa Malaysia stock exchange and by financial institutions regulated by the Bank Negara Malaysia, preparation of reports related to Tax Corporate Governance Framework, preparation of transfer pricing documentation, consultation fee for implementation of e-invoicing incurred by Micro, Small and Medium Enterprises, and ESG reporting by companies submitted to regulatory bodies approved by the Ministry of Finance.

Effective Date

From YA 2024 to YA 2027.

Commentary

This proposal aims to reduce the costs of doing business and encourage more companies in complying with ESG standards towards sustainable and inclusive development in line with the MADANI Economy as well as enhancing governance in the tax administration system.

# Budget 2024: Proposed Measures for **Businesses**

## 03

### Tax Deduction on Contributions for Environmental Preservation and Conservation Projects

#### Present

Tax deductions under Section 34(6)(h) of the MITA can be given to any party / person who carries out community projects that provide significant benefits to the public in Malaysia related to the fields of education, health, housing, infrastructure, information and communication technology or maintenance of a building designated as a heritage site, projects to increase the income of the poor as well as environmental preservation / conservation projects.

#### Proposed

It is proposed that tax deduction under Section 34(6)(h) of the MITA be given to companies, individuals, partnerships, trusts and cooperatives that contribute to or sponsor activities related to tree planting or environmental preservation and conservation awareness projects verified by Forest Research Institute Malaysia (FRIM).

#### Effective Date

For applications received by Ministry of Finance from 1 January 2024 until 31 December 2026.

#### Commentary

This proposal will encourage the public to support corporate social responsibility programmes implemented by FRIM in tree planting activities as well as environmental preservation and conservation awareness projects. This is in line with the government's efforts and initiatives to preserve and conserve the environment, including reforestation activities to prevent global climate change from worsening, as it has become a threat to nature's sustainability and biodiversity in Malaysia.

# Budget 2024: Proposed Measures for **Businesses**

## 04

### Further Tax Deduction for Voluntary Carbon Market

Present

Income tax exemption on the sale of Certified Emissions Reduction (CERs) was given from YA 2008 to YA 2012.

In 2022, Bursa Malaysia launched the voluntary carbon market 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 subsection 33(1) of the Malaysian Income Tax Act, 1967 (MITA).

Proposed

It is proposed that a further tax deduction of 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. The further tax deduction is deductible against income on the sale of carbon credits traded on BCX.

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

Effective Date

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

Commentary

This proposal is in line with the Government's commitment to become a carbon-neutral nation by 2050 and is to encourage more companies to participate in the BCX. Participation in the BCX will allow companies to offset their carbon emission footprint by purchasing carbon credits generated from projects that remove or reduce greenhouse gases from the atmosphere.

## 05

### Review of Green Technology Tax Incentive

Companies undertaking qualifying green activities are given tax incentives as follows:

Category	Rates of incentives	Effective date
<b>Green Investment Tax Allowance (GITA)</b>	Income tax allowance of 100% on capital expenditure for qualifying green activities for a period of three (3) years. This allowance can be set off against up to 70% of statutory income	The tax incentives are available for applications received by MIDA until 31 December 2023.
<b>Green Investment Tax Exemption (GITE)</b>	Income tax exemption of 70% of statutory income on qualifying green services for a period of three (3) YAs	
	Income tax exemption of 70% of statutory income for a period of up to ten (10) YAs on solar leasing activity	

Present



## 05

### Review of Green Technology Tax Incentive (cont.)

It is proposed that the green technology tax incentives be reviewed as follows:

#### GITA Project (Business purpose)

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. EV 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

Proposed

## 05

### Review of Green Technology Tax Incentive (cont.)

It is proposed that the green technology tax incentives be reviewed as follows (cont.):

#### GITA Asset (own consumption)

Qualifying activities	% GITA	% of Statutory Income to be Set-Off	Incentive Period
Tier 1 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.
Tier 2 i. List of qualifying assets approved by Ministry of Finance ii. Renewable Energy System iii. Energy Efficiency	60%	70%	

Proposed

## 05

### Review of Green Technology Tax Incentive (cont.)

It is proposed that the green technology tax incentives be reviewed as follows (cont.):

**GITE Solar Leasing**

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

Proposed

**GITA Project & GITE Solar Leasing** - For applications received by 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.

Effective Date

In line with Malaysia’s goal to achieve inclusivity, sustainability and carbon neutrality by 2050, the proposal is designed to encourage the adoption of environmentally friendly practices and technologies. This initiative contributes to the nation’s long term environmental and sustainability objectives while motivating more companies to embrace these practices.

Commentary

# Budget 2024: Proposed Measures for **Businesses**

## 06

### Review of Tax Incentive for Automation in Manufacturing, Services and Agricultural Sectors

#### Present

Manufacturing, services and agricultural companies that incurred capital expenditure for automation equipment including the adaptation of Industry 4.0 elements are given 100% Accelerated Capital Allowance (ACA) on the first RM10 million of the qualifying capital expenditure and can be fully absorbed within one (1) year. Companies are also eligible for income tax exemption equivalent to 100% on the same capital expenditure.

The tax incentive is for applications received by MIDA and the Ministry of Agriculture and Food Security from 1 January 2023 until 31 December 2027.

#### Proposed

It is proposed that the scope of ACA be expanded to include the commodity sector under the Ministry of Plantation and Commodities (MPC).

#### Effective Date

For applications received by MPC from 14 October 2023 until 31 December 2027.

#### Commentary

This proposal was previously presented and is now being reintroduced with a minor change to include the commodity sector within the scope of ACA. Plantation companies may choose to invest in automation equipment, such as drones and self-driving vehicles, to reduce dependency on foreign labour and to increase productivity. For companies interested in applying for this incentive, it is advisable to prepare a simple simulation for comparing it with other mutually exclusive incentives and ACA to assess the potential amount of incentives that can be claimed. Selecting the optimal tax incentive will help companies reduce their tax-related costs.

# Budget 2024: Proposed Measures for **Businesses**

## 07

### Review of Capital Allowances on ICT Equipment and Computer Software

Companies incurred capital expenditure on purchase of ICT equipment and computer software are allowed to claim capital allowances as follows:

Qualifying Expenditure	Effective Date	Capital Allowances Rates
Purchase of ICT equipment and computer software packages	From YA 2017	Initial Allowance: 20%
Consultation, licensing and incidental fees related to customised computer software development	From YA 2018	Annual Allowance: 20%

Present

It is proposed that the capital allowance rates be revised as follows:

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

Proposed

Effective Date

From YA 2024.

Commentary

This proposal would accelerate the capital allowance claim for companies incurring capital expenditure on the purchase of ICT equipment and computer software from four (4) years to three (3) years. In line with the government's initiatives to boost digital adoption in Malaysian businesses, this proposal will encourage companies to invest in ICT equipment and computer software and increase the rate of business digital transformation.

## 08

### Incentive for Reinvestment under the New Industrial Master Plan (NIMP) 2030

Present

Currently, manufacturing and agricultural companies undertaking expansion, diversification, automation and modernization projects are eligible for Reinvestment Allowance (RA) under Schedule 7A of the MITA. The companies are eligible to claim RA of 60% of the capital expenditure incurred which can be set-off against up to 70% of statutory income for fifteen (15) consecutive YAs.

Proposed

It is proposed that tax incentive in the form of investment tax allowance be given to existing manufacturing and agricultural companies that have exhausted their RA eligibility period, as follows:-

Investment Tax Allowance	Tier 1	Tier 2
Qualifying capital expenditure	100%	60%
Statutory income to be set-off	100%	70%

Effective Date

For applications received by MIDA from 1 January 2024 until 31 December 2028.

Commentary

This proposal is in line with the government's commitment in promoting the NIMP 2030 via the introduction of additional tax incentives for manufacturing and agricultural companies in the form of investment tax allowance that will encourage these companies to continue to boost production capacity and invest in high value activities. This incentive will boost Malaysia's gross domestic product contributed by the manufacturing and agricultural industries.

## 09

### Tax Incentive for Global Services Hub

Present

Currently, the Principal Hub tax incentive is given by way of preferential income tax rates of 0%, 5% and 10%. The tax incentive given is subject to certain condition such as minimum annual business expenses incurred and provide full-time high value employment. The objective is to transform Malaysia into a global business hub for high-value activities which are managing, controlling and supporting core business functions. However, the current tax incentives are not based on the outcome-based approach.

Proposed

It is proposed that the Global Services Hub tax incentive be introduced based on the outcome-based approach as follows:-

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
<b>Exemption Years</b>	5 + 5		5	
<b>Tax Incentive</b>	Tax Rate of 5%	Tax Rate of 10%	Tax rate of 5% on the value-added income	Tax rate of 10% on the value-added income
<b>Type of Income Exempted</b>	i. Services income; or ii. Services and trading income.			

## 09

### Tax Incentive for Global Services Hub (cont.)

Proposed

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
<b>Qualifying Services &amp; Additional Services</b>	Undertake the following activities: <ul style="list-style-type: none"> <li>i. Regional P&amp;L / Business Management unit; or</li> <li>ii. Strategic business planning; or</li> <li>iii. Corporate development; and</li> <li>i. Any two (2) qualifying activities under the services category as follows:                             <ul style="list-style-type: none"> <li>a. Strategic services;</li> <li>b. Business services;</li> <li>c. Shared services; or</li> <li>d. Other services.</li> </ul> </li> </ul>			
<b>Conditions (Outcome-based)</b>	<ul style="list-style-type: none"> <li>i. Annual operating expenditure;</li> <li>ii. High value full-time employees;</li> <li>iii. C-Suite employees with a minimum monthly salary of RM35,000;</li> <li>iv. Local ancillary services;</li> <li>v. Collaboration with higher education institutions/TVET;</li> <li>vi. Training for Malaysian students/citizens;</li> <li>vii. ESG elements; or</li> <li>viii. Other conditions as determined by the Minister of Finance.</li> </ul>			



## 09

### Tax Incentive for Global Services Hub (cont.)

#### Proposed

The determination of the preferential income tax rate that a company will enjoy for each YA will be based on the outcome-based approach.

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

#### Effective Date

For applications received by MIDA from 14 October 2023 until 31 December 2027.

#### Commentary

This proposal will incentivise foreign multinational companies to shift their global services hub into Malaysia. It will also help Malaysia maintain its competitiveness as a main player for global services in the region and make Malaysia the preferred destination for high value strategic service activities.

Furthermore, this would increase foreign direct investments and the number of employment opportunities in Malaysia.

## 10

### **Review of Conditions for Institutions / Organisations / Funds Approved Under Subsection 44(6) of the MITA**

Subsection 44(6) of the MITA provides income tax exemption as an incentive to institutions / organisations / funds that carry out charitable activities and operated not solely for profit. Institutions/organisations/funds must adhere to the approval conditions as stipulated in the legislation and regulations set by the Director General of Inland Revenue (DGIR) in the Guidelines for Approval Under Subsection 44(6) of the MITA.

Institutions / organisations / funds that have been granted approval will receive benefits, income tax exemption on all income received as provided for under Paragraph 13(1) Schedule 6 of the MITA and donors are eligible for a tax deduction restricted to 10% of their aggregate income.

The conditions that must be complied by institutions / organisations / funds after obtaining approval under Subsection 44(6) of the MITA 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 objectives of the institutions / organisations / funds; and
- ii. Institutions / organisations / funds are allowed to participate in business with the condition that they utilise not more than 25% of the accumulated funds on the first day of the YA and all income generated must be channelled back into the fund to be used to fulfill its charitable objectives.

In the event where the institutions / organisations / funds breach any of the approval conditions stated in the guidelines or the MITA, the DGIR may withdraw the approval under Subsection 44(6) of the MITA.

Present

## 10

### Review of Conditions for Institutions / Organisations / Funds Approved Under Subsection 44(6) of the MITA (cont.)

To enhance tax compliance among institutions / organisations / funds approved under Subsection 44(6) of the MITA, it is proposed 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 the Subsection 44(6) of the MITA incentives or benefits:

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 DGIR approval letters to institutions / organisations / funds. In the event any of the conditions are breached, DGIR will not withdraw the approval under Subsection 44(6) of the MITA for institutions / organisations / funds during the validity period. The approval status is upheld to ensure that donors remain eligible for tax deduction 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 DGIR will raise tax assessment on all income received by the institutions / organisations / funds in the YA the breach of conditions occurred.

Proposed

## 10

### **Review of Conditions for Institutions / Organisations / Funds Approved Under Subsection 44(6) of the MITA (cont.)**

#### Effective Date

From YA 2024.

#### Commentary

This proposal intends to provide institutions / organisations / funds with greater flexibility in utilising funds and options for enjoying the incentives while also encouraging compliance with the conditions as laid out in the guidelines and approval letters.

On the other hand, the assurance of maintaining approval status under Subsection 44(6) of the MITA will provide assurance to donors that their donations will continue to be eligible for income tax deduction.

## 11

### CGT for Disposal of Unlisted Local Company Shares

Present

Currently, gains from the disposal of real property and shares in real property companies are taxed under the Real Property Gains Tax Act, 1976 (RPGTA) 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 of real property companies.

Proposed

It is proposed that CGT will be imposed as follows:

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

CGT exemption be given on the disposal of shares related to the following activities:

- i. Initial Public Offering (IPO) approved by Bursa Malaysia; and
- ii. Restructuring of shares within the same group.

Effective Date

From 1 March 2024.

Commentary

This proposal was previously tabled in the Revised Budget 2023. It is now being re-tabled with additional details such as the CGT rate, exemptions and effective date. With these additional details being proposed, taxpayers with plans to dispose of their shares in unlisted local companies will have to consider to expedite their plans before 1 March 2024.

If not, these taxpayers may have to consider the impact of CGT which is an additional tax cost on their disposal of unlisted local company shares.

## 12

### Review of Stamp Duty for Property Ownership by Non-Citizen

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

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

Present

Proposed

It is proposed that a flat stamp duty rate of 4% be imposed on the instrument of transfer executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents).

Effective Date

For instruments of property ownership transfer executed from 1 January 2024 onwards.

Commentary

This proposal is introduced by the government as a measure to control the increasing property prices.

Furthermore, this would be in line with individual income tax whereby the highest income tax rate is imposed on non-resident individuals.

# Budget 2024: Proposed Measures for **Businesses**

## 13

### Implementation of GMT will be postponed to the year 2025

#### Present

Presently, Malaysia has not implemented the Global Minimum Tax (GMT). In Budget 2023, it was announced that GMT, following the Global Anti-Base Erosion (GloBE) Rules as recommended under Pillar 2 of BEPS 2.0, would be implemented in the year 2024.

#### Proposed

It is proposed that the implementation of the global minimum effective tax rate of 15% together with the Qualified Domestic Minimum Top-Up Tax (QDMTT) under the GloBE Rules will be postponed to the year 2025.

#### Effective Date

To be advised upon issuance of the Finance Bill.

#### Commentary

The global minimum effective tax rate of 15% will only apply to large multinational enterprises (MNE) and Malaysian conglomerates with annual global revenues exceeding EUR 750 million. The introduction of the global minimum effective tax rate necessitates the Malaysian government to restructure its tax incentive regime as Malaysian companies that are currently enjoying tax incentives and have an effective tax rate of below 15% may potentially result in Malaysia losing its taxing rights over these companies to the home country of the MNE's holding company.

The implementation of QDMTT will enable Malaysia to have priority in imposing top-up taxes when a company under Malaysian jurisdiction has an effective tax rate that is below 15%, thus preventing Malaysia from losing its tax rights to a foreign country.

To align with international taxation standards, the government initially aimed to enact these rules in 2024. However, this proposal will be postponed to 2025 because detailed studies of the implementation process and rule applications are required from the Ministry of Finance and the Inland Revenue Board of Malaysia (IRBM).

## 14

### Import Duty and Sales Tax Exemptions on Manufacturing Aids

Present

Currently, importation and locally purchased manufacturing aids are subject to import duty and sales tax.

Proposed

It is proposed that import duty and sales tax exemptions be given to eligible manufacturers on the importation and purchase of local manufacturing aids for certain sectors of the manufacturing industry and category of goods.

Effective Date

From 1 January 2024.

Commentary

This proposal would ease the financial burden of manufacturers looking to invest in manufacturing aids that will improve the efficiency and quality of the manufactured products.

These exemptions have the potential to stimulate the growth of the manufacturing sector, making it more cost-effective and competitive for businesses.



## 15

### Imposition of Excise Duty on Chewing Tobacco

The following table shows the rates of import duty, excise duty and sales tax for chewing tobacco and snuff tobacco:

Types of Duty or Tax	Chewing Tobacco	Snuff Tobacco
Import duty	5% plus RM50 per kg	5% plus 40% per kg
Excise duty	-	5% plus 27% per kg
Sales Tax	10%	10%

Present

Proposed

It is proposed that an excise duty be imposed at a rate of 5% plus RM27 per kg on chewing tobacco under the tariff code 2403.99.5000.

Effective Date

From 1 January 2024.

Commentary

The proposed excise duty rate adjustment for smokeless tobacco products, including chewing tobacco and snuff tobacco, serves the purpose of standardising the excise duty between these two types of products. Furthermore, it aims to address public health concerns by making smokeless tobacco products less affordable, thus encouraging healthier choices among consumers.

# Budget 2024: Proposed Measures for **Businesses**

# 16

## Entertainment Duty Exemption in Federal Territories

Present

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

Proposed

It is proposed that the entertainment duty rate be reduced for selected types of entertainment held in the Federal Territories as follows:

Types of Entertainments	Proposed Entertainment Duty Rate
Stage performance by international artist / light show / circus	10%
Film screening (cinema) / theatre	10%
Exhibition / zoo / aquarium	10%
Sports event / e-sports / bowling / snooker / pool / billiard / karaoke	10%
Theme park / family recreation centre / indoor games centre / simulator	5%
Stage performance by local artist	0%

Effective Date

For applications received by the Ministry of Finance from 1 January 2024 to 31 December 2028.

Commentary

This is a good initiative to support the country's creative industry, promote cultural harmony and enhance family bonds.

## 17

### Increase in Excise Duty Rate on Sugar Sweetened Beverages

Excise duty is imposed on sugar sweetened beverages at RM0.40 per litre on the following type of beverages:

Tariff Code	Types 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	>5g/100ml
	Flavoured milk-based beverages containing lactose	>7g/100ml
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml

Present

Proposed

It is proposed that the excise duty rate for sugar sweetened beverages be increased to RM0.50 per litre.

Effective Date

From 1 January 2024.

Commentary

This measure aligns with the global efforts to address the health issues caused by excessive sugar consumption. Sugar sweetened beverages have been linked to problems such as obesity and diabetes. By imposing higher excise duty on these drinks, the government aims to encourage people to opt for healthier options and make these sugar sweetened beverages more expensive. This change should lead to better overall public health.



# Budget 2024 Impact

Tax measures relating to **Individuals**

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## **01** | **Expansion of Scope of Income Tax Relief for Medical Treatment Expenses for Self, Spouse and Child**

Present

Currently, income tax relief of up to RM10,000 is given on medical treatment expenses as follows:-

- i. Serious illness for taxpayer, husband/wife or child;
- ii. Fertility treatment for taxpayer or husband/wife;
- iii. Vaccination for taxpayer, husband/wife or child limited to RM1,000;
- iv. Full medical check-up, mental health examination and COVID-19 detection test including the purchase of self-test kit for taxpayer, husband/wife or child limited to RM1,000; and
- v. Diagnostic and rehabilitation treatment for children with learning disabilities such as Autism, Down Syndrome and Specific Learning Disabilities limited to RM4,000.

Proposed

It is proposed that the scope of income tax relief for medical treatment expenses be expanded to cover dental examination and treatment expenses paid to dental practitioners registered with the Malaysian Dental Council but limited to RM1,000.

Effective Date

From YA 2024.

Commentary

This proposal is in line with the government's initiatives to encourage and promote healthcare for the Rakyat. The tax relief will provide financial relief and encourage the Rakyat to maintain dental health.

Overall, this initiative is expected to have a positive impact on resident individual taxpayers and reflects the government's commitment to support the National Dental Health Policy.

## **02** | **Expansion of Scope of Income Tax Relief for Medical Treatment, Special Needs and Carer Expenses for Parents**

Present

Currently, income tax relief of up to RM8,000 is given on medical, special needs and parental care expenses as follows:

- i. Treatment at clinics and hospitals;
- ii. Treatment at nursing homes;
- iii. Dental treatment excluding cosmetic dental treatment; and
- iv. Treatment and home care nursing, daycare centres and home care centres.

Proposed

It is proposed that the scope of tax relief be expanded to include expenditure on full medical examination for parents but limited to RM1,000.

Effective Date

From YA 2024.

Commentary

The proposal is in line with the government's initiative to encourage and promote healthcare for the Rakyat. The tax relief will provide financial relief to resident taxpayers and encourage medical examinations for senior citizens. It will promote proactive care for taxpayers' parents' health, potentially resulting in improved well-being for their loved ones and long-term savings on healthcare costs.

Overall, this initiative encourages both financial responsibility and a sense of responsibility among taxpayers for their parents' well-being.

## 03

### Review of Lifestyle Income Tax Relief

Present

Currently, lifestyle income tax relief of up to RM2,500 is provided to individual taxpayers on the purchase of reading materials including e-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 equipments;
- ii. Payment of rental/entry fees to sports facilities; and
- iii. Registration fees for participating in sports competitions.

Proposed

It is proposed that the lifestyle income tax relief be restructured as follows:

- i. The lifestyle income tax relief of up to RM2,500 is provided for the purchase of reading materials including e-books, printed/electronic daily newspapers, purchase of personal computers, smartphones or tablets and internet subscriptions. The scope will be expanded to include fees for self-improvement courses.
- ii. The purchase of sports equipment and gymnasium membership fees are removed from the scope of lifestyle income tax relief and a specific tax relief is introduced for "Sports Equipment and Activities" limited to RM1,000 per year. The scope of relief covers 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 will also include fees for sports training imposed by associations, sports clubs and companies registered with the Sports Commissioner or Companies Commission of Malaysia who are carrying out sports activities as listed under the Sports Development Act 1997.

## 03

### Review of Income Tax Relief for Lifestyle (cont.)

#### Effective Date

From YA 2024.

#### Commentary

The restructuring involves several key changes. The limit of RM2,500 remains for the purchase of specific items such as reading materials, personal computers, and internet subscriptions. Notably, the scope is expanded to include fees for self-improvement courses which will encourage the Rakyat's personal growth and development.

On the other hand, the newly introduced tax relief for "Sports Equipment and Activities" that will replace the "Additional Lifestyle Tax Relief" related to sports activities, which will cover a broader range of expenses that includes the purchase of sports equipment, rental or entry fees for sports facilities, registration fees for sports competitions, and gymnasium membership fees. The tax relief also includes fees for sports training imposed by associations, sports clubs, or companies registered with the Sports Commissioner or Companies Commission of Malaysia who are carrying out sports activities as listed under the Sports Development Act 1997.

The split between lifestyle relief and "Sports Equipment and Activities" relief will provide a higher amount of tax relief for taxpayers, i.e. RM3,500 in total compared to RM3,000 previously. Furthermore, the introduction of the "Sports Equipment and Activities" is in line with the Government's initiative to promote a healthy lifestyle and will encourage the Rakyat to participate more in sports activities.



## **04** | **Review Of Income Tax Exemption For Childcare Allowance Under Perquisites From Employment**

Present

From YA 2008, income tax exemption is given for childcare allowance for children aged 12 and below that is recognised as perquisites received by employees or paid directly by employers to childcare centres, for up to RM2,400 per year.

From YA 2013, employers who provide childcare centres in the workplace are given tax incentives as follows:

- i. Double deduction on expenditure for management and maintenance of childcare centres;
- ii. Double deduction on allowances or subsidies to employees for childcare expenses; and
- iii. Industrial Building Allowance at an annual rate of 10% for buildings used as childcare centres.

Proposed

It is proposed that the income tax exemption on childcare allowances received by employees or paid directly by employers to childcare centres be increased from RM2,400 to RM3,000 per year.

Effective Date

From YA 2024.

Commentary

This proposal provides financial relief to taxpayers who incur child-care expenses, saving taxpayers up to RM900 cash per year.

It is in line with the country's social values and family needs, making it easier for parents to balance between their work and family responsibilities. Additionally, it demonstrates the government's acknowledgment of the importance of supporting working parents in the modern workforce.

## 05

### Review of Tax Incentive for Women Career Comeback Programme

Present

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

- i. Woman taxpayer returning to work after a career break of at least two (2) years on or before 27 October 2017; and
- ii. For employment income received in YA 2018 to YA 2024.

For applications received by Talent Corporation Malaysia Berhad not later than 31 December 2023.

Proposed

It is proposed that the period of income tax exemption be extended until YA 2028 provided that:

- i. The female taxpayers are returning to work after a career break of at least two (2) years before the date of application received by Talent Corporation Malaysia Berhad from 1 January 2024 to 31 December 2027; and
- ii. The employment income is received from YA 2025 to YA 2028.

Effective Date

From YA 2025 to YA 2028.

Commentary

This proposal is in line with the Government's Sustainable Development Goals and the Ekonomi Madani's aim to encourage higher women participation in the work force.

The tax incentive provided will encourage female taxpayers to rejoin the workforce which will help in the recovery of the labour market and to boost the economy. It also aligns with gender equality objectives and underscores the government's commitment to fostering a more inclusive and diverse workforce.

## 06

### Review of Tax Incentives for Returning Expert Programme

#### Present

Currently, the Returning Expert Programme under the Talent Corporation Malaysia Berhad offers the following tax incentives:

- i. Fixed income tax rate of 15% on employment income for five (5) consecutive years; and
- ii. Import and excise duties exemption 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 an exemption amount of up to RM100,000.

The tax incentive is available for applications received by Talent Corporation Malaysia Berhad from 1 January 2021 to 31 December 2023.

#### Proposed

It is proposed that the tax incentive be reviewed as follows:

- i. Fixed income tax rate of 15% on employment income received by an individual for five (5) consecutive years; and
- ii. Exemption on excise duty for the purchase of a CKD vehicle subject to an exemption amount of up to RM100,000.

#### Effective Date

For applications received by Talent Corporation Malaysia Berhad from 1 January 2024 to 31 December 2027.

#### Commentary

This proposal is in line with the Government's objectives to continue to encourage Malaysian professionals working overseas to bring home their vital experiences, skill sets, knowledge, and intercultural abilities that they have gained from their time overseas and contribute to the Malaysian economy.

**07**

**Increase in Service Tax Rate**

Present

Pursuant to Paragraph 3 of the Service Tax (Rate of Tax) Order 2018, the Service Tax to be charged and levied are as follows:  
a) fixed rate of 6% on all taxable services, except for taxable services relating to credit card or charge card services, and  
b) fixed amount of RM25 per card for taxable services related to credit card or charge card services.

Proposed

It is proposed that the Service Tax rate be increased to 8% for all taxable services, except for food and beverage, and telecommunication services.

Effective Date

To be announced.

Commentary

This proposal will boost government revenue while the exclusion on food and beverage, and telecommunications services will provide some relief on the burden caused by the increased cost of living for the Rakyat.

## 08

### Expansion of Scope of Taxable Services

Present

Service tax is levied on taxable services prescribed by the Minister under the First Schedule of Service Tax Regulations 2018.

Proposed

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

Effective Date

To be announced.

Commentary

This proposal will boost government revenue by expanding the scope of taxable services subject to Service Tax. It would be in line with the government's objectives to increase the revenue base to meet the increase in government expenditures.

# Conclusion

The measures in Budget 2024, *Belanjawan MADANI Kedua*, are welcomed as they aim to ensure Malaysia is heading in the right fiscal direction as well as spur the economy forward in the years to come. While Budget 2024 offers some incentives for businesses to achieve better efficiencies, structural changes to Malaysia's tax system will mean a more complex tax environment for most businesses. As a result, businesses should prepare to face these challenges head on and ensure they are able to adapt to a new tax landscape amidst an increasingly volatile global environment.



Further details on the changes to the tax system are expected to be introduced. As these developments take place, clients are encouraged to keep this resource on hand and review their business' financial and tax positions on a periodic basis. Going forward, proper planning and timely preparation is essential to navigate the challenges that businesses are likely to face in a more complex tax environment.



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For more information, please contact:

Nur Zafirah

+6014 548 4686

[events@crowe.my](mailto:events@crowe.my)

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### Corporate Tax Compliance

Foo Meng Huei  
Executive Director  
[menghuei.foo@crowe.my](mailto:menghuei.foo@crowe.my)  
+603 2788 9898 Ext 12501

Voon Yuen Hoong  
Executive Director  
[yuenhoong.voon@crowe.my](mailto:yuenhoong.voon@crowe.my)  
+603 2788 9898 Ext 12522

Wong Man Yee  
Executive Director  
[manyee.wong@crowe.my](mailto:manyee.wong@crowe.my)  
+603 2788 9898 Ext 12519

### Business Outsourcing

Esther Chan  
Senior Manager  
[esther.chan@crowe.my](mailto:esther.chan@crowe.my)  
+603 2788 9898 Ext 12546

### Transfer Pricing

Song Sylvia  
Executive Director  
[sylvia.song@crowe.my](mailto:sylvia.song@crowe.my)  
+603 2788 9898 Ext 12514

### Global Mobility Services

Shalina Binti Jaafar  
Executive Director  
[shalina.jaafar@crowe.my](mailto:shalina.jaafar@crowe.my)  
+603 2788 9898 Ext 12505

Monaliza Binti Mohd Ali  
Executive Director  
[monaliza@crowe.my](mailto:monaliza@crowe.my)  
+603 2788 9898 Ext 12621

### Tax Advisory

Chong Mun Yew  
Executive Director  
[munyew.chong@crowe.my](mailto:munyew.chong@crowe.my)  
+603 2788 9898 Ext 12523

Michael Cheah  
Associate Director  
[michael.cheah@crowe.my](mailto:michael.cheah@crowe.my)  
+603 2788 9898 Ext 12622

### Indirect Tax

Fam Fui Chien  
Senior Manager  
[fuichien.fam@crowe.my](mailto:fuichien.fam@crowe.my)  
+603 2788 9898 Ext 12504





## Our offices (West Malaysia)

### **Kuala Lumpur**

Level 16, Tower C,  
Megan Avenue 2,  
12 Jalan Yap Kwan Seng,  
50450 Kuala Lumpur.

+603 2788 9898 Main  
+603 2788 9899 Fax

### **Klang**

Suite 50-3, Setia Avenue,  
No. 2, Jalan Setia Prima SU13/S,  
Setia Alam, Seksyen U13,  
40170 Shah Alam, Selangor.

+603 3343 0730 Main  
+603 3344 3036 Fax

### **Ipoh**

A-2-16, 2nd Floor, Wisma MFCB  
1, Persiaran Greentown 2  
Greentown Business Centre  
30450 Ipoh, Perak Darul Ridzuan.

+605 238 0411 Main

### **Penang**

Level 6, Wisma Penang Garden,  
42 Jalan Sultan Ahmad Shah,  
10050 Penang.

+604 227 7061 Main  
+604 227 8011 Fax

### **Melaka**

52 Jalan Kota Laksamana 2/15,  
Taman Kota Laksamana, Seksyen 2,  
75200 Melaka.

+606 282 5995 Main  
+606 283 6449 Fax

### **Johor Bahru**

E-2-3 Pusat Komersial Bayu Tasek,  
Persiaran Southkey 1,  
Kota Southkey,  
80150 Johor Bahru,  
Johor.

+607 288 6627 Main  
+607 338 4627 Fax

### **Muar**

8, Jalan Pesta 1/1,  
Taman Tun Dr. Ismail 1,  
Jalan Bakri, 84000 Muar,  
Johor.

+606 952 4328 Main  
+606 952 7328 Fax



## Our offices (East Malaysia)

### **Kuching**

2nd Floor, C378, Block C,  
iCom Square, Jalan Pending,  
93450 Kuching,  
Sarawak.

+6082 552 688 Main  
+6082 266 987 Fax

### **Sibu**

1st & 2nd Floor,  
No. 1 Lorong Pahlawan 7A2, Jalan  
Pahlawan, 96000 Sibu, Sarawak.

+6084 211 777 Main  
+6084 216 622 Fax

### **Miri**

Lot 2395, Block 4,  
Bulatan Business Park,  
Jalan Bulatan Park, 98000 Miri,  
Sarawak.

+6085 658 835 Main  
+6085 655 001 Fax

### **Bintulu**

1st floor, Lot 4542-4543,  
Jalan Abang Galau Shophouse,  
Kampung Masjid, 97000 Bintulu,  
Sarawak.

+6086 333 328 Main  
+6086 334 802 Fax

### **Kota Kinabalu**

Damai Plaza 3, 3rd Floor, C11,  
Jalan Damai 88300, P.O. Box 11003,  
88811 Kota Kinabalu, Sabah.

+6088 233 733 Main  
+6088 238 955 Fax



Crowe Malaysia PLT  
Level 16, Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Malaysia

Tel. +603 2788 9999

[www.crowe.my](http://www.crowe.my)

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