

# Key Highlights of Malaysia's Budget 2025

| For individuals and businesses



# What lies ahead for Malaysia's economic landscape?

As we move into 2025, businesses and individuals alike must ask themselves: *How will the new Budget shape the way we manage resources, navigate financial responsibilities, and seize opportunities for growth?*

On 18 October 2024, the government announced a record-breaking RM420 billion budget, with significant allocations towards narrowing the fiscal deficit, cutting subsidies and bolstering the economy's competitiveness. The government is also looking into growing its revenue through a review of the sales and service tax which is set to progressively expand from May 2025.

But more importantly, how will these policies impact you? Will your business adapt and thrive under these new conditions, and are you personally prepared for the financial shifts that will affect households across the country?

In this article, we break down the key highlights of the Budget, shedding light on how the proposed changes can influence your strategic decisions and everyday financial choices.

## Ekonomi Madani: Negara Makmur, Rakyat Sejahtera

### Snapshot of the latest Budget 2025 announcement:

2024	2025
Government Revenue	
RM322.1 bil	RM339.7 bil
Government Expenditure	
RM406.4 bil	RM419.7 bil
Deficit	
-RM84.3 bil	-RM80 bil
Deficit / GDP	
-4.3%	-3.8%

#### 2% dividend tax

Introduction of new tax on dividends earned by individuals with annual dividend income of more than RM100,000.

#### 31 December 2036

Extension of tax exemption on foreign sourced income for individuals.

#### Self-assessment

Implementation of self-assessment system for stamp duty starting in phases from 1 January 2026.





# Budget 2025 Highlights For Businesses

## 1 New Taxes / Major Rules

### **EXTENSION OF INCOME TAX EXEMPTION ON FOREIGN SOURCE INCOME (FSI) FOR INDIVIDUALS**

The income tax exemption on foreign source income which has been taxed in the country of origin and received by a resident individual in Malaysia is effective until 31 December 2026. This exemption will be extended until 31 December 2036.

### **IMPLEMENTATION OF SELF- ASSESSMENT SYSTEM FOR STAMP DUTY**

A self-assessment system will be implemented for stamp duty, which will require duty payers to conduct self-assessments of the value of stamp duties payable on their instruments. The self-assessment system will be implemented progressively in phases from 1 January 2026 to 1 January 2028 based on the type of instruments or agreements.

### **IMPOSITION OF TAX ON DIVIDENDS RECEIVED BY INDIVIDUAL SHAREHOLDERS**

Dividend tax at the rate of 2% will be imposed on dividend income earned by individual shareholders earning annual dividend income exceeding RM100,000, effective from the Year of Assessment (YA) 2025.

### **TAX INCENTIVE PACKAGE FOR FOREST CITY SPECIAL FINANCIAL ZONE (FCSFZ)**

The Government has approved Forest City as a Duty-Free Island to promote tourism and stimulate local economic activities. A tax incentive package for FCSFZ was announced on 20 September 2024 to boost financing activities.

### **TAX INCENTIVES FOR IMPLEMENTATION OF E-INVOICING**

Expenses for the purchase of information and communication technology (ICT) equipment, computer software packages and consulting fees will be given Accelerated Capital Allowance that can be claimed within two (2) years from YA 2024 to YA 2025.

### **REVIEW OF TAX DEDUCTION ON THE COST OF DEVELOPING NEW COURSES AT PRIVATE HIGHER EDUCATION INSTITUTIONS**

Tax deduction on the cost of developing new courses by private higher education institutions will be allowed to be fully claimed within the same YA. This incentive is also expanded to include the development of Technical and Vocational Education and Training (TVET) courses by private skills training institutions.

### **EXPANSION OF FURTHER DEDUCTION ON CHILDCARE ALLOWANCE**

The further deduction given to employers on childcare allowance paid by employers to employees will be expanded to include elderly care (parents / grandparents). This will be effective from YA 2025.

### **TAX INCENTIVE FOR SMART LOGISTICS COMPLEX (SLC)**

The scope of tax incentives for the logistics industry will be expanded to include SLC for applications received by the Malaysian Investment Development Authority (MIDA) from 1 January 2025 to 31 December 2027.

### **TAX INCENTIVE FOR EMPLOYERS IMPLEMENTING FLEXIBLE WORK ARRANGEMENTS**

Employers who incur expenses for capacity building and software acquisition in implementing Flexible Work Arrangements will be eligible for a further tax deduction of 50%. Eligible expenses will be capped at RM500,000 for applications received by the Talent Corporation Malaysia Berhad from 1 January 2025 to 31 December 2027.

### **TAX INCENTIVE FOR EMPLOYERS PROVIDING CAREGIVING LEAVE BENEFIT**

Employers who provide additional paid leave of up to 12 months for employees caring for children or ill or disabled family members will be eligible for a further tax deduction of 50% for applications received by the Talent Corporation Malaysia Berhad from 1 January 2025 to 31 December 2027.

### **TAX INCENTIVE FOR HIRING WOMEN RETURNING TO WORK**

Employers who incur employment expenses paid for a period of 12 months for hiring women returning to work will be eligible for a further tax deduction of 50% for applications received by the Talent Corporation Malaysia Berhad from 1 January 2025 to 31 December 2027.

### **EXTENSION OF TAX DEDUCTION FOR SPONSORSHIP OF SMART ARTIFICIAL INTELLIGENCE DRIVEN REVERSE VENDING MACHINE**

A tax deduction under subsection 34(6)(h) of the Malaysian Income Tax Act, 1967 (MITA) for businesses that make contributions or sponsorships of Smart AI-Driven Reverse Vending Machine will be extended for two (2) years from 1 January 2025 to 31 December 2026.

### **TAX INCENTIVE FOR AUTOMATION**

Businesses in the manufacturing, services, agriculture and commodity sectors that incur capital expenditure for automation will be given tax incentives in the form of accelerated capital allowance which will be claimed in full within one (1) year and income tax exemption equivalent to the capital expenditure incurred.

### **TAX INCENTIVES FOR CARBON CAPTURE, UTILISATION & STORAGE (CCUS) ACTIVITIES**

Businesses conducting CCUS activities will be given tax incentives in the form of investment tax allowance or income tax exemption based on the new investment incentive framework, which emphasizes economic diversification.

### **TAX INCENTIVE FOR INCREASED EXPORTS**

The tax incentive for increased exports in the services sector will be expanded to include advanced integrated circuit design services to align with the mission of the New Industrial Master Plan (NIMP) 2030 which aims to establish Malaysia as a hub for advanced integrated circuit design technology and solutions.

### **TAX DEDUCTION ON NEW EQUIPMENT AND MACHINERY DONATED TO PUBLIC SKILLS TRAINING INSTITUTIONS, POLYTECHNICS AND VOCATIONAL COLLEGES**

Tax deduction will be given to companies that acquire new equipment and machinery that are donated to registered public skills training institutions, polytechnics, or vocational colleges from YA 2025 to YA 2027.

## 2 Tax Incentives (cont.)

---

### **EXTENSION OF DOUBLE DEDUCTION ON STRUCTURED INTERNSHIP PROGRAMME (SIP)**

The double deduction on expenses incurred in implementing the SIP under Talent Corporation Malaysia Berhad will be expanded to include students undertaking structured training conducted by industry regulatory bodies, and the tax incentive period will be extended to YA 2030.

## 3 Labuan

---

### **EXPANSION OF SCOPE OF INCOME TAX EXEMPTION FOR ISLAMIC FINANCIAL ACTIVITIES UNDER THE LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE (IBFC)**

The scope of income tax exemption given to Labuan trading entities that undertake Islamic financial-related trading activities will be expanded to include qualifying Labuan takaful business activities and Labuan takaful related activities from YA 2025 to YA 2028.

## 4 Global Minimum Tax (GMT)

---

### **IMPLEMENTATION OF GMT IN MALAYSIA IS SET FOR 1 JANUARY 2025**

Malaysia will implement GMT under Pillar 2 of BEPS 2.0 and to maintain its appeal for foreign direct investment, the government is addressing the potential negative impacts of GMT by streamlining existing incentives, introducing non-tax incentives and exploring the feasibility of Strategic Investment Tax Credit (SITC).



### **EXPANSION OF SCOPE OF EXCISE DUTY ON SUGAR SWEETENED BEVERAGES**

The excise duty on sugar sweetened beverages will be increased in phases by RM0.40 per litre, effective from 1 January 2025.



### **REVIEW OF EXPORT DUTY EXEMPTION ON CRUDE PALM OIL (CPO)**

The export duty for CPO will be revised to include new market price brackets above RM3,450 per metric tonne, with rates ranging from 8.0% to 10.0% effective from 1 November 2024.



### **REVIEW OF CPO THRESHOLD VALUE FOR WINDFALL PROFIT LEVY**

The threshold value for windfall profit levy on CPO will be increased by RM150 per metric tonne for Peninsular Malaysia, Sabah and Sarawak, effective from 1 January 2025.



### **SALES TAX EXEMPTION ON MASTECTOMY BRAS FOR BREAST CANCER PATIENTS**

A sales tax exemption will be given for mastectomy bras for breast cancer patients. This exemption applies to applications received by the Ministry of Finance (MOF) from 1 November 2024 to 31 December 2027.





### REVIEW OF THE RATE OF SALES TAX

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



### EXPANSION OF SCOPE OF TAXABLE SERVICES

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



### INTRODUCTION OF CARBON TAX

A carbon tax will be imposed on the iron and steel industry, as well as the energy sector by the year 2026.



### **REVIEW OF STAMP DUTY ON THE ASSIGNMENT OF LIFE INSURANCE POLICY AND FAMILY TAKAFUL CERTIFICATE**

Stamp duty on deeds of assignment for life insurance policy and family takaful certificate given by way of love and affection or through a trustee shall be charged at a fixed rate ranging from RM10 to RM1,000 based on the ownership transfer value. This will be effective on deeds of assignment executed from 1 January 2025.

### **EXEMPTION OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS THROUGH THE INITIAL EXCHANGE OFFERING (IEO) PLATFORM FOR MICRO, SMALL AND MEDIUM ENTERPRISES**

Stamp duty exemption of 100% will be given on loan or financing agreements executed by Micro, Small and Medium Enterprises (MSMEs) and investors through the IEO platforms registered with the Securities Commission Malaysia for loan or financing agreements executed from 1 January 2025 to 31 December 2026.



### **REVIEW OF STAMP DUTY ON LOAN OR FINANCING AGREEMENTS BASED ON SHARIAH PRINCIPLES**

A fixed stamp duty of RM10 is to be imposed on loan or financing agreements for the purchase of goods based on Shariah principles (excluding hire purchase) for loan or financing agreements executed from 1 January 2025.

### **REVISION OF STAMP DUTY EXEMPTION ON LOAN OR FINANCING AGREEMENTS FOR SKIM PEMBIAYAAN MIKRO (SPM)**

The stamp duty exemption for loan or financing agreements under SPM between MSMEs and financial institutions will be expanded to cover agreements for amounts up to RM100,000. This will be effective for loan or financing agreements under the SPM executed from 1 January 2025.



# Budget 2025 Highlights For Individuals



## REVIEW OF INDIVIDUAL INCOME TAX RELIEF ON MEDICAL TREATMENT EXPENSES FOR SELF, SPOUSE AND CHILD

The scope of income tax relief for medical expenses will be reviewed as follows:

- No changes for serious illness, fertility treatment, vaccinations (up to RM1,000), and dental treatment (up to RM1,000) for self, spouse, or child.
- The relief for full medical check-ups, mental health check-ups or consultations, and COVID-19 detection tests, currently limited to RM1,000, will be expanded to include the purchase of self-test kits, self-testing medical devices, and fees for disease detection examinations conducted at clinics or hospitals.
- Relief limit for assessment and diagnosis, early intervention programme and continuous rehabilitation treatment for children aged below 18 years with learning disabilities, will be increased from RM4,000 to RM6,000.

These will be effective from YA 2025.

## REVIEW OF INDIVIDUAL INCOME TAX RELIEF FOR DISABLED PERSONS

Further income tax relief for disabled individuals will be reviewed as follows:

- Relief for a disabled individual taxpayer will be increased from RM6,000 to RM7,000.
- Relief for a disabled spouse will be increased from RM5,000 to RM6,000.
- Relief for an unmarried disabled child will be increased from RM6,000 to RM8,000.

These will be effective from YA 2025.

## EXTENSION OF INDIVIDUAL INCOME TAX RELIEF ON CONTRIBUTIONS TO PRIVATE RETIREMENT SCHEMES (PRS) AND DEFERRED ANNUITIES

- The income tax relief of up to RM3,000 for contributions to PRS and premiums paid for deferred annuities will be extended for five (5) years.
- The current withholding tax at a rate of 8% will continue to be imposed on any amounts withdrawn, except for permitted purposes.

This will be effective from YA 2026 to YA 2030.



# Budget 2025 Highlights For Individuals (cont.)

## INDIVIDUAL INCOME TAX RELIEF FOR SPORTS ACTIVITIES, HEALTH AND ELDERLY CARE

The scope of income tax relief for sports activities, health and medical care will be reviewed as follows:

- The relief of up to RM1,000 for expenses on sports equipment and activities for self, spouse and child will be expanded to include parents.
- The relief of up to RM1,000 for full medical check-up expenses for parents will be expanded to include vaccinations.
- The relief for medical treatment, special needs, and parental care expenses will be expanded to include grandparents and covers medical treatment at clinics and hospitals; treatment and homecare nursing in day care centres, and residential care centres; dental treatment (excluding cosmetic dental treatment); and full medical check-up and vaccination (limited to RM1,000).
- The individual income tax exemption of up to RM3,000 per year for child care allowance received by employees or paid directly by employers to child care centres will be expanded to include elderly care (parents/grandparents).

This will be effective from YA 2025.

## REVIEW OF INDIVIDUAL INCOME TAX RELIEF ON EDUCATION AND MEDICAL INSURANCE

The income tax relief on premiums paid for education and medical insurance will be increased from RM3,000 to RM4,000 per year effective from YA 2025.

## EXTENSION OF INDIVIDUAL INCOME TAX RELIEF ON NET SAVINGS IN THE NATIONAL EDUCATION SAVINGS SCHEME

The income tax relief of up to RM8,000 on net annual savings in the National Education Savings Scheme (SSPN) will be extended for a period of three (3) years from YA 2025 to YA 2027.

## INDIVIDUAL INCOME TAX RELIEF ON HOUSING LOAN INTEREST PAYMENT FOR FIRST RESIDENTIAL HOME

The income tax relief on the interest payments for the first residential home loan (individually or jointly owned), is as follows:

HOUSE PRICE (RM)	TOTAL TAX RELIEF PER YEAR (RM)
Up to 500,000	7,000
Above 500,000 up to 750,000	5,000

This relief is applicable for the sales and purchase agreement of the first residential home executed from 1 January 2025 to 31 December 2027.



# Budget 2025 Highlights For Individuals (cont.)

---

## **EXTENSION OF INDIVIDUAL INCOME TAX RELIEF FOR NURSERY OR KINDERGARTEN FEES**

The income tax relief for nursery or kindergarten fees of up to RM3,000 will be extended for a period of three (3) years from YA 2025 to YA 2027.

## **INDIVIDUAL INCOME TAX RELIEF ON EXPENSES FOR THE PURCHASE OF DOMESTIC FOOD WASTE COMPOSTING MACHINE**

- The scope of income tax relief for electric vehicle (EV) charging equipment will be expanded to include the purchase of food waste composting machines for household use.
- The total relief remains limited at RM2,500.
- The relief for the purchase of food waste composting machines will be allowed to be claimed once within three (3) YAs.

This will be effective from YA 2025 to YA 2027.

## **INDIVIDUAL INCOME TAX EXEMPTION ON THE VICTORY PRIZE SCHEME SPORTS**

Income tax exemption is given on sports winning cash prizes received by individual and team athletes through the Victory Prize Scheme Sports provided by the government via the National Sports Council.





# Budget 2025 Highlights

## Financing

### EQUITY CROWDFUNDING (ECF) PLATFORM

A matching investment fund of at least RM100 million will be provided through an ECF platform for the development of local suppliers in the Electrical and Electronics, specialty chemicals and medical devices sectors.

### SMES AND MID-SIZED COMPANIES

Funding of RM200 million is allocated under the Dana Pelaburan Bersama Strategik (CoSIF) and Pembangunan Industri NIMP (NIDF) to foster the growth and drive innovation in SMEs and mid-sized companies.

### PROGRAM SYARIKAT MID-TIER

A fund of RM1 billion will be launched by Khazanah to support the capacity building of local companies.

### LOCAL EXPORTERS

A fund of RM750 million will be provided by EXIM Bank under Skim Insentif Pemampanan Pengeksport to encourage local exporters to expand their operations into overseas markets.

### FOOD SECURITY

Loan facility of RM200 million will be provided by Agrobank to support agro-food entrepreneurs in improving food security and promoting sustainable agriculture.

### HALAL CERTIFICATION FOR SMES

- Funding of RM600 million will be offered by Bank Pembangunan Malaysia Berhad (BPMB) and SME Bank to support halal certification for SMEs.
- Guarantee value of up to RM1 billion will be provided by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) to guarantee up to 80% of SMEs loans for halal certification.

### SMALL TRADERS

Funding of RM3.2 billion is allocated as small loan facilities under BSN and TEKUN to assist small traders, including the disabled community, the Chinese community and Bumiputeras.

### KEY DEVELOPMENTS

A financing fund of RM6.4 billion will be provided by Bank Pembangunan Malaysia Berhad to support the development of infrastructure, digitalisation, tourism, logistics and transportation as well as renewable energy and transition projects.



# Budget 2025 Highlights

## Financing (cont.)

---

### **GUARANTEE FINANCING FOR SME LOANS**

Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will continue to provide guarantee financing of up to RM20 billion for SME loans, including a special guarantee of RM5 billion for Bumiputera SMEs.

### **SUSTAINABILITY PRACTICES AND AGRO-FOOD SECTOR**

A loan fund of RM3.8 billion will be provided by BNM to SMEs to transition towards digitalisation and automation, in addition to continuing assistance for the agro-food sector and sustainable practices.

### **WOMEN AND YOUTH ENTREPRENEURS**

Funding of RM650 billion is allocated to support women and youth in entering the field of entrepreneurship.

### **SOCIAL WELFARE FOR THE INDIAN COMMUNITY**

Funding of RM130 million is allocated to implement various programmes to preserve human capital, social welfare, and the well-being of the Indian community, including financing for Indian community businesses.

### **SUPPORT FOR COOPERATIVE BODIES**

A financing fund of RM100 million will be made available under Suruhanjaya Koperasi Malaysia to support business activities of cooperative bodies.

### **BUMIPUTERA ENTREPRENEURS**

Funding of RM800 million will be allocated to Majlis Amanah Rakyat and Perbadanan Usahawan Nasional Berhad to support Bumiputera entrepreneurs, including local artisans.

### **G1-G4 CONTRACTORS**

A financing fund of RM200 million is allocated under SKIM CAKNA 2 to support the cash flow of G1-G4 contractors in completing small-scale government projects with contract value of up to RM1.5 million.

### **WOMAN-OWNED SMES**

A financing fund of RM470 million will be provided by SME Bank, BSN, Bank Rakyat and MARA to support women-owned SMEs in obtaining working capital, purchasing assets and subsequently enhancing their business capacity to a higher level.





# Budget 2025 Highlights

## Government Grants

### GRANT FOR FLOOD VICTIMS

A matching grant of RM20 million is immediately provided to *Yayasan GLIC dan GLC* to enhance response and delivery of aid to victims in flood-affected areas.

### DIGITAL GRANTS FOR SMEs AND TRADERS

Grants of RM50 million is allocated as Digital Matching Grants for SMEs and Digital Grants for Traders under BSN to help local entrepreneurs remain competitive in the market.

### EXPORTERS OF MALAYSIA-MADE PRODUCTS

A reimbursement grant of RM40 million is allocated under MATRADE to assist Malaysian exporters in promoting Malaysian-made products and services on the international stage, particularly in exploring new markets in Africa, Latin America, and the Middle East.

### SMALL RUBBER FARMERS

A matching grant of RM60 million will be allocated for Program Galakan Pengeluaran Lateks Pekebun Kecil under RISDA to encourage small rubber farmers to produce more latex to meet the needs of the industry.

### MICRO-ENTREPRENEURS

A matching grant of RM20 million is allocated to i-TEKAD, with RM5 million specifically allocated to contribute towards insurance or takaful premiums for micro-entrepreneurs.

### MYCIF PROGRAMME

A matching grant of RM40 million will be provided to support other social impact investments, including Shariah-compliant peer-to-peer (P2P) financing and equity crowdfunding under the MyCIF programme.

### R&D PROGRAMME

A matching grant of RM170 million will be allocated to Malaysia Science Endowment Trust fund for private entities and industry to drive R&D programmes.

### PROGRAM ANAK ANGKAT ILKA

A matching grant of RM50 million is allocated to encourage more industries to participate in the "Anak Angkat ILKA" programme, which contributes to the curriculum, teaching staff assistance, and training needs.

### INDUSTRIAL TRAINING PROGRAMME FOR SMES (LiKES)

A matching grant of RM10 million is provided through TalentCorp under LiKES to enable companies to train students in STEM fields through industrial training.



# Budget 2025 Highlights

## Other Key Initiatives

### EXTENSION OF NEM PROGRAMME

The Net Energy Metering (NEM) programme is extended until 30 June 2025 to encourage installation of solar photovoltaic (PV) systems on premises' rooftops.

### E-REBATE ON ENERGY EFFICIENT ELECTRICAL EQUIPMENT

An e-Rebate of up to RM70 million is provided to encourage consumers and industries to purchase energy-efficient electrical equipment.

### EXTENSION OF REBATE FOR PURCHASE OF ELECTRIC MOTORCYCLES

The government rebate of up to RM2,400 for the purchase of CKD EV motorcycles is extended with an allocation of RM10 million.

### SUMBANGAN TUNAI RAHMAH (STR) & SUMBANGAN ASAS RAHMAH (SARA)

An allocation of RM13 billion will be given to STR and SARA in year 2025, as follows:

- 4.1 million recipients of STR in the household category will receive SARA of RM100/month, as compared to 700,000 recipients in year 2024.
- Recipients in the single category will receive STR of RM600.
- The STR maximum rate received by those in the household category will be increased to RM4,600, compared to RM3,700 in year 2024.

### JABATAN KEBAJIKAN MASYARAKAT (JKM)

The cash assistance allocation under JKM will be increased to RM2.9 billion. Accordingly, the monthly welfare assistance rate for the poor will be increased as follows:

- The assistance for senior citizens has been increased to RM600/month from RM500/month.
- The assistance for children from poor families has also been increased as follows:
  - A) From RM200 to RM250 per child for those aged 6 years and below;
  - B) From RM150 to RM200 per child for those aged 7 to 18 years;
  - C) Subject to a maximum rate of RM1,000 per family.
- For the Federal Territories, the general assistance has been increased to from RM100 to RM150, with a maximum rate of RM500 per family per month.

### INCREASE OF MINIMUM WAGE

The minimum wage will be increased from RM1,500 to RM1,700 with effect from 1 February 2025. However, businesses with less than 5 employees will be given a deferment of 6 months until 1 August 2025.





# Budget 2025 Highlights

## Other Key Initiatives (cont.)

---

### **EPF i-SARAAN**

To encourage more informal workers and those without fixed income to save for retirement, the matching incentive for the i-Saraan Employees Provident Fund (EPF) scheme has been increased from 15% to 20%. This is subject to an annual incentive limit of RM500 and a lifetime maximum of RM5,000.

### **EPF SCHEME REVIEW FOR INTERGENERATIONAL TRANSFER OF SAVINGS**

EPF will review their scheme to strengthen intergenerational transfer approach. This would allow a portion of a member's EPF savings to be directly transferred into the EPF accounts of their immediate family members.

### **MANDATORY EPF CONTRIBUTIONS FOR NON-CITIZEN EMPLOYEES**

The Government is committed to providing fair treatment for all employees, regardless of nationality, in line with international standards. It plans to mandate EPF contributions for all non-citizen employees, which will be implemented in phases.

### **SOCIAL SECURITY ORGANISATION (SOCSO) INCENTIVES FOR HIRING PERSONS WITH DISABILITIES AND FORMER CONVICTS**

Employers who hire disabled and former convicts will be given an incentive of RM600 per month for three (3) months under the supervision of SOCSO.

### **GOVERNMENT INITIATIVE TO SIMPLIFY EMPLOYER REGISTRATION PROCESSES**

The government will reassess business dealings to simplify the employer registration process with EPF, SOCSO, and Human Resources Development Corporation (HRD Corp). The aim is to consolidate employer registrations and reduce the burden on companies.

### **INCREASED ALLOCATION OF HRD CORP FUNDS FOR SKILL TRAINING FACILITIES**

Employers will be permitted to use up to 50% of HRD Corp funds, compared to the current 30%, for financing skill training facilities, including the cost of equipment and modifications to training facilities.

### **HRD CORP INITIATIVES FOR TRAINING AND SUPPORT PROGRAMS**

HRD Corp will allocate RM3 billion to provide 3 million training opportunities. Additionally, 15% of the total levy collection will be reallocated to fund the MADANI Training Program for vulnerable groups. Employers are permitted to use the levy to finance allowances of up to RM1,000 per year for graduates, including skill training through HRD Corp.

### **EPF i-SURI**

The i-Suri program will continue with matching incentives through government contributions and active contributions from members.



# Budget 2025 Highlights

## Other Key Initiatives (cont.)

### SELF-EMPLOYMENT SOCIAL SECURITY SCHEME CONTRIBUTION SUBSIDY

The Self-Employment Social Security Scheme will subsidise up to 70% of workers' contributions, with a budget of RM100 million. This is to prepare for the upcoming mandatory contribution requirement for renewing vocational licenses for self-employed individuals. Companies are encouraged to cover the remaining contributions to support employees' welfare.

### CONTINUATION OF SKIM PERLINDUNGAN TENANG UNDER SOCIAL INSURANCE PROGRAM

The Skim Perlindungan Tenang will continue with the support of the Central Bank of Malaysia, the insurance industry, and takaful providers. It aims to benefit up to 2 million STR recipients, who can claim a RM30 voucher to help cover the cost of Perlindungan Tenang products. These products provide coverage for death, personal accidents, and general risks like fire and floods.

### NEW INVESTMENT INCENTIVE FRAMEWORK

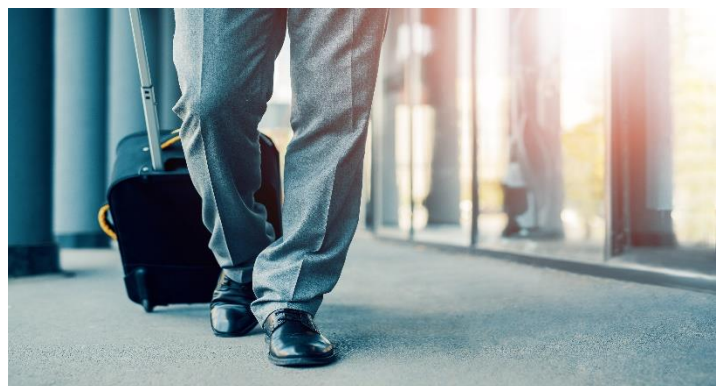
To facilitate strategic investors, the MIDA will be the approving authority for Employment Passes involving non-citizen graduates from local universities to meet human capital needs in the NIMP sectors.

### SINGLE FAMILY OFFICE SCHEME

The Single Family Office Scheme has been launched for the Forest City Special Financial Zone to encourage family fund management. To facilitate the operation of the Family Offices, the Securities Commission will act as the approving authority for issuance of Resident Passes and Employment Passes to both Founding Family Investors and related Family Office investment professionals.

### NATIONAL BORDER AFFAIRS

- The Malaysian Checkpoints and Border Agency (MCBA) has been established to improve the management of the entry and exit of our national border.
- A total of 63 countries have implemented the automated gate system at Kuala Lumpur International Airport (KLIA).
- The QR code method has been used to inspect bus passengers and motorcyclists at the main entry point of the Southern Peninsula, which has reduced the inspection time by up to 40%.



# Budget 2025

## Proposed Measures

| For businesses





## PRESENT

From YA 2024, the rates of capital allowance allowed to be claimed on capital expenditure for ICT equipment and computer software are as follows:

No.	Qualifying Expenditure	Capital Allowance Rate
1.	Purchase of ICT equipment and computer software package	Initial Allowance: 40%
2.	Consultation, licensing and incidental fees related to customised computer software development	Annual Allowance: 20%

The period to claim the capital allowance has been accelerated to 3 (three) years.

## PROPOSED

It is proposed that the expenses for the purchase of ICT equipment, computer software packages and consulting fees be given accelerated capital allowance that can be fully claimed within a period of two (2) years as follows:

No.	Qualifying Expenditure	Capital Allowance Rate
1.	Purchase of ICT equipment and computer software package	Initial Allowance: 20%
2.	Consultation, licensing and incidental fees related to customised computer software development	Annual Allowance: 40%

## DATE

From YA 2024 to YA 2025.

## COMMENTARY

This proposal shows that the government is aware that the implementation of e-invoicing and in particular the cost of acquiring the necessary systems can be costly for businesses. Hence, this proposal aims to encourage more businesses to invest in software systems and to accelerate the implementation of e-invoicing. Businesses may benefit from the accelerated capital allowance that can be claimed fully within two (2) years which will reduce the tax payable and ease the business' cash flow.



PRESENT	<p>Since YA 2002, companies engaged in selected service activities are given a tax incentive for achieving incremental export growth which is given by way of tax exemption on 70% of statutory income equivalent to 50% of the value of increased exports. The selected service activities are as follows:-</p> <table> <tr> <td>1. Legal services</td><td>9. Plantation management services</td></tr> <tr> <td>2. Accounting services</td><td>10. Private education services</td></tr> <tr> <td>3. Architecture services</td><td>11. Publishing services</td></tr> <tr> <td>4. Marketing services</td><td>12. Printing services</td></tr> <tr> <td>5. Business consultancy services</td><td>13. Information technology and communication services</td></tr> <tr> <td>6. Office services</td><td>14. Engineering services</td></tr> <tr> <td>7. Construction management services</td><td>15. Local franchise services</td></tr> <tr> <td>8. Building management services</td><td></td></tr> </table>	1. Legal services	9. Plantation management services	2. Accounting services	10. Private education services	3. Architecture services	11. Publishing services	4. Marketing services	12. Printing services	5. Business consultancy services	13. Information technology and communication services	6. Office services	14. Engineering services	7. Construction management services	15. Local franchise services	8. Building management services	
1. Legal services	9. Plantation management services																
2. Accounting services	10. Private education services																
3. Architecture services	11. Publishing services																
4. Marketing services	12. Printing services																
5. Business consultancy services	13. Information technology and communication services																
6. Office services	14. Engineering services																
7. Construction management services	15. Local franchise services																
8. Building management services																	
PROPOSED	<p>It is proposed that the tax incentive for increased exports in the services sector be expanded to include advanced integrated circuit design services.</p>																
DATE	<p>Effective from YA 2025.</p>																
COMMENTARY	<p>This proposal is in line with the government's mission of NIMP 2030 which aims to establish Malaysia as a hub for advanced integrated circuit design technology and solutions. This inclusion will not only attract foreign investment but also enable local companies to access global markets, boosting exports and enhancing the overall export value of the services sector which contributes to the country's economic growth.</p>																

## Review of Tax Deduction on the Cost of Developing New Courses at Private Higher Education Institutions

PRESENT	<p>Effective YA 2006, Private Higher Education Institutions are eligible to claim tax deduction on expenses incurred for the following purposes:-</p> <ul style="list-style-type: none"> <li>i. Development of new courses; and</li> <li>ii. To comply with regulatory requirements for introducing new courses.</li> </ul> <p>The tax deduction is allowed for a period of 3 years from the year of completion of development of new courses.</p>
PROPOSED	<p>It is proposed that the tax deduction on the cost of developing new courses by private higher education institutions be allowed to be fully claimed within the same YA. This incentive is also expanded to include the development of Technical and Vocational Education and Training (TVET) courses by private skills training institutions.</p>
DATE	<p>Effective from YA 2025 to YA 2030.</p>
COMMENTARY	<p>The objective of the government is to develop a highly skilled and competitive workforce in the industrial revolution era focusing on digital technology and innovation which includes digital technology and artificial intelligence. By aligning their programmes with the government's vision, private higher education institutions can enhance their educational offerings and ensure that students are equipped with the latest skills required in a rapidly evolving job market.</p>

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

### PRESENT

For YAs 2024 to 2028, full income tax exemption is granted to Labuan trading entities that carry out Islamic financial activities such as Islamic digital banking, Islamic digital bourses, ummah-related companies and Islamic digital token issuers.

### PROPOSED

It is proposed that the full income tax exemption granted to Labuan trading entities that are engaged in Islamic financial activities be expanded to include qualifying Labuan takaful business activities and Labuan takaful related activities as follows:

No	Labuan Trading Entity	Qualifying Activities
1	Labuan insurer; Labuan reinsurer; Labuan takaful operator; or Labuan re-takaful operator.	Takaful and re-takaful businesses that comply with Shariah principles: i. risk management; or ii. product development.
2	Labuan captive insurer; or Labuan captive takaful.	Takaful and re-takaful businesses that comply with Shariah principles where takaful participants are related companies or associated companies or as approved by the Labuan Financial Services Authority: i. risk management; or ii. product development.
3	Labuan underwriting manager; or Labuan underwriting takaful manager.	Provides underwriting services including administration related to Labuan takaful business.
4	Labuan insurance manager; or Labuan takaful manager.	Provides management or administrative services related to Labuan takaful business.
5	Labuan insurance broker; or Labuan takaful broker.	Provides services such as: i. arrange Labuan takaful and re-takaful business; or ii. financial analysis.

### DATE

From YA 2025 to YA 2028.

### COMMENTARY

This proposal aims to further attract investment in the Islamic finance sector driven by digital technology at the Labuan IBFC.

### PRESENT

The SLC is a modern warehouse that uses technologies such as the Internet of Things (IoT) and Artificial Intelligence (AI) to automate various warehouse operations, reduce costs and enhance overall supply chain performance. However, there are no specific incentives for companies in Malaysia that incorporate Industrial Revolution 4.0 elements in smart warehousing.

For Integrated Logistics Services (ILS) such as delivery, transportation and warehousing, tax incentives are provided as follows:

- i. Pioneer Status with a tax exemption of 70% of statutory income for a period of five (5) years; or
- ii. Investment Tax Allowance (ITA) of 60% on qualifying capital expenditure incurred within five (5) years. This allowance can be set-off against up to 70% of statutory income for each YA.

Additionally, tax incentives for automation in the form of Accelerated Capital Allowance and income tax exemptions equivalent to the ITA are available to companies in the services sector that invest in machinery and automation equipment with IR4.0 elements. The qualifying capital expenditure for the first RM10 million can be claimed under this incentive. The incentive is available for applications received by the MIDA until 31 December 2027.

### PROPOSED

It is proposed that income tax exemption equivalent to an ITA of 60% on qualifying capital expenditure incurred for a period of five (5) years be provided to SLCs. This allowance can be set-off against up to 70% of statutory income for each YA, subject to the following conditions:

#### A. Eligible SLC companies

- i. SLC Investor and Operator that invest in the construction of smart warehouses and undertake eligible logistics services activities; or
- ii. SLC Operator that leases a smart warehouse under a long-term lease of at least ten (10) years and undertakes eligible logistics services activities.

#### B. Eligible logistics services

- i. regional distribution centres;
- ii. integrated logistics services;
- iii. storage of hazardous goods; or
- iv. cold chain logistics.

#### C. Warehouse with a minimum build-up area of 30,000 square metres;

#### D. Adaptation of at least three (3) Industrial Revolution 4.0 elements; and

#### E. Other conditions as prescribed.



**DATE**

For applications received by the MIDA from 1 January 2025 to 31 December 2027.

**COMMENTARY**

With advancements in information technology, more transactions are now being conducted online. However, physical goods still need to be transported manually. Therefore, the advanced features embedded in an SLC, such as IoT and AI, can help optimise the supply chain. The SLC plays a key role in supporting Malaysia's ambition to become a major logistics hub in the region. In this context, the proposal is a welcomed move to attract investors to the SLC.



## Tax Incentive Package for Forest City Special Financial Zone (FCSFZ)

### PRESENT

In 2016, Forest City was declared as a Duty-Free zone, and a range of corporate tax incentives were provided to encourage new investment by the previous government administration under Prime Minister Dato' Seri Najib Tun Razak.

### PROPOSED

On 20 September 2024, the Government approved Forest City as a Duty-Free Island to promote tourism and stimulate local economic activities. In addition, the following tax incentive schemes were announced on the same day, and the outline was published on the Securities Commission's (SC) website on 23 September 2024:

- Zero percent concessionary tax rate on income generated by eligible investments from the Single Family Office Vehicle (SFVO)
- The incentive is subject to the following conditions:
  1. Location: Establish and operate a registered office in Pulau 1, FCSFZ.
  2. Duration: 20 years, covering the initial period of 10 years and additional / subsequent 10 years.
  3. To qualify for the Initial Period (10 years):
    - a) The SFOV must be a new investment holding company incorporated in Malaysia and seek pre-registration with the SC on the eligibility of the tax incentives;
    - b) Management company or Single Family Office (SFO), which is a related company of SFOV to be set up and operate in Pulau 1, Forest City Special Financial Zone with at least one investment professional with minimum monthly salary of RM10,000.
    - c) Hold assets under management (AUM) of at least RM30 million and meet minimum local investment in eligible and promoted investments of at least 10% of AUM or RM10 million, whichever is lower;
    - d) SFOV is to spend operating expenditure (OPEX) locally of a minimum of RM500,000 annually;
    - e) Employ a minimum of two (2) full-time employees of whom at least one is an investment professional, with minimum monthly salary of RM10,000; and

## Tax Incentive Package for Forest City Special Financial Zone (FCSFZ) (cont.)

### PROPOSED

- To qualify for the Additional Period (additional 10 years):
  - a) Hold AUM of at least RM50 million and meet minimum local investment in eligible and promoted investments of at least 10% of AUM or RM10 million whichever is higher;
  - b) SFOV to spend OPEX locally (30% higher than Initial Period) of a minimum of RM650,000 annually;
  - c) Employ a minimum of four (4) full-time employees.

For avoidance of doubt, the following are the further details of SFOV:

- A SFOV is typically a corporate vehicle which is wholly owned, directly or indirectly, by one or more individuals from a single family and established solely for the purposes of holding the investments of the family members.
- A SFO Management Company is an entity that provides management services exclusively to its related SFOV, handling tasks such as investment management, administrative services, and other related activities for the benefit of the family members.

### DATE

Targeted to be operational by the first quarter of 2025.

### COMMENTARY

The establishment of the FCSFZ positions Malaysia to attract foreign investments, stimulate economic growth, create jobs, promote innovation, and strengthen its position as a regional financial hub while fostering collaboration with Singapore and other ASEAN nations. The zone also offers an opportunity for sustainable development, contributing to Malaysia's long-term economic and environmental objectives.

The proposed tax incentives may seem attractive. However, further eligibility details will need to be reviewed carefully. These details are expected to be available on the SC's website by the first quarter of 2025.

PRESENT	Currently, stamp duty is on the official assessment system. Duty payers will submit the instrument to the IRBM for their assessment on the stamp duty payable. Upon a Notice of Assessment being issued by the IRBM, payments are then made by the duty payers through the Stamp Assessment and Payment System (STAMPS).																		
PROPOSED	<p>It is proposed that the self-assessment stamp duty system (STSDS) be implemented progressively in phases based on the type of instruments or agreements.</p> <p>STSDS requires duty payers or appointed agents to upload information in STAMPS and undertake self-assessment of the value of stamp duties for the instruments or agreements, and subsequently make payments within the specified timeframe.</p>																		
DATE	<table> <tr> <th>No.</th><th>Phase</th><th>Effective Date</th><th>Types of Instruments</th></tr> <tr> <td>1.</td><td>Phase 1</td><td>From 1 January 2026</td><td>Instruments or agreements related to rental or lease, general stamping and securities</td></tr> <tr> <td>2.</td><td>Phase 2</td><td>From 1 January 2027</td><td>Instruments of transfer of property ownership</td></tr> <tr> <td>3.</td><td>Phase 3</td><td>From 1 January 2028</td><td>Instruments or agreements other than stated in Phase 1 and Phase 2</td></tr> </table>			No.	Phase	Effective Date	Types of Instruments	1.	Phase 1	From 1 January 2026	Instruments or agreements related to rental or lease, general stamping and securities	2.	Phase 2	From 1 January 2027	Instruments of transfer of property ownership	3.	Phase 3	From 1 January 2028	Instruments or agreements other than stated in Phase 1 and Phase 2
No.	Phase	Effective Date	Types of Instruments																
1.	Phase 1	From 1 January 2026	Instruments or agreements related to rental or lease, general stamping and securities																
2.	Phase 2	From 1 January 2027	Instruments of transfer of property ownership																
3.	Phase 3	From 1 January 2028	Instruments or agreements other than stated in Phase 1 and Phase 2																
COMMENTARY	This proposal allows taxpayers to self-assess the value of stamp duty payable for instruments by streamlining and enhancing the efficiency of the current stamping procedure, thus reducing the time required for an instrument to be stamped.																		



PRESENT	Sales Tax is imposed on taxable goods manufactured in Malaysia as well as on imported goods. Under the Sales Tax Act 2018, there is a list of goods exempted from Sales Tax (0%) consisting mainly of essential items. Meanwhile for other goods, Sales Tax at 5%, 10% or specific rates are imposed depending on the type of goods.
PROPOSED	It is proposed that the Sales Tax rate be increased for non-essential items such as imported premium goods.
DATE	Effective from 1 May 2025.
COMMENTARY	This proposal is the government's effort to increase tax collections by increasing consumption tax on premium goods which should have minimal impact on the B40 group and to a certain extent, on the M40 group.

PRESENT	Service Tax is imposed on taxable services provided by service providers including imported taxable services and digital services as specified in the Service Tax Regulations 2018 and Service Tax Regulations (Digital Services) 2019. The Service Tax rates are 6%, 8%, or a specific rate depending on the services provided.
PROPOSED	It is proposed that the scope of Service Tax be expanded to include new services such as commercial service transactions between businesses.
DATE	Effective from 1 May 2025.
COMMENTARY	This proposal is the government's effort to strengthen the country's fiscal position by widening the Service Tax base and thus increasing Service Tax collections.

Effective 1 January 2020, the export duty for CPO is as follows:

No	CPO Market Price	Export Duty Rate
1	< RM2,250 per metric tonne	NIL
2	RM2,250 per metric tonne – RM2,400 per metric tonne	3.0%
3	RM2,401 per metric tonne – RM2,550 per metric tonne	4.5%
4	RM2,551 per metric tonne – RM2,700 per metric tonne	5.0%
5	RM2,701 per metric tonne – RM2,850 per metric tonne	5.5%
6	RM2,851 per metric tonne – RM3,000 per metric tonne	6.0%
7	RM3,001 per metric tonne – RM3,150 per metric tonne	6.5%
8	RM3,151 per metric tonne – RM3,300 per metric tonne	7.0%
9	RM3,301 per metric tonne – RM3,450 per metric tonne	7.5%
10	> RM3,450 per metric tonne	8.0%

The proposed export duty for CPO is revised as follows:

No	CPO Market Price	Export Duty Rate
1	< RM2,250 per metric tonne	NIL
2	RM2,250 per metric tonne – RM2,400 per metric tonne	3.0%
3	RM2,401 per metric tonne – RM2,550 per metric tonne	4.5%
4	RM2,551 per metric tonne – RM2,700 per metric tonne	5.0%
5	RM2,701 per metric tonne – RM2,850 per metric tonne	5.5%
6	RM2,851 per metric tonne – RM3,000 per metric tonne	6.0%
7	RM3,001 per metric tonne – RM3,150 per metric tonne	6.5%
8	RM3,151 per metric tonne – RM3,300 per metric tonne	7.0%
9	RM3,301 per metric tonne – RM3,450 per metric tonne	7.5%
10	RM3,451 per metric tonne – RM3,600 per metric tonne	8.0%
11	RM3,601 per metric tonne – RM3,750 per metric tonne	8.5%
12	RM3,751 per metric tonne – RM3,900 per metric tonne	9.0%
13	RM3,901 per metric tonne – RM4,050 per metric tonne	9.5%
14	> RM4,050 per metric tonne	10.0%

PROPOSED

DATE

Effective from 1 November 2024.

COMMENTARY

The proposed revision of the export duty for CPO aims to ensure a stable supply of CPO in the domestic market and to promote the production of value-added products like biodiesel and oleochemicals.



## PRESENT

As of 1 January 2022, the thresholds for CPO prices for the windfall profit levy are as follows:

Location	Threshold of CPO Prices	Levy Rate
Peninsular Malaysia	RM3,000 per metric tonne	3%
Sabah and Sarawak	RM3,500 per metric tonne	3%

## PROPOSED

The proposed thresholds for CPO prices for the windfall profit levy are revised as follows:

Location	Threshold of CPO Prices	Levy Rate
Peninsular Malaysia	RM3,150 per metric tonne	3%
Sabah and Sarawak	RM3,650 per metric tonne	3%

## DATE

Effective from 1 January 2025.

## COMMENTARY

The increase in the CPO threshold price for the windfall profit levy is a show of the government's continuous support to the sustainability as well as appreciation to the palm oil industry for its important contributions to the economy.

# Budget 2025

## Proposed Measures

| For individuals



# Imposition of Tax on Dividends Received by Individual Shareholders

PRESENT	<p>Since YA 2008, the single-tier dividend system has been introduced where profits are taxed at company level and dividends received by shareholders are exempted from tax.</p>
PROPOSED	<p>Dividend Tax at the rate of 2% will be imposed on chargeable dividend income received by <b>individual shareholders</b>, including resident individuals, non-residents and individuals who hold shares through nominees, for dividends paid, credited or distributed from company profits. This tax will be imposed on individuals with annual dividend income exceeding RM100,000. It is not clear whether the dividend income of RM100,000 refers to the gross dividend income or the statutory income from dividends (i.e after allowable deductions).</p> <p>Chargeable dividend income is determined based on the formula below.</p> $A / B \times C$ <p>Where:-</p> <p>A – Dividend Statutory Income B – Aggregate Income C – Chargeable Income</p> <p>However, exemptions would be given for dividend income from abroad, dividends distributed from profits of companies that received pioneer status and reinvestment allowances, dividends distributed from profits of exempted shipping companies, dividends from profits of cooperatives, dividend income declared by closed-end funds, dividends received by residents from Labuan entities, and dividends for which exemption is given at shareholder level. Additionally, it does not apply to profit distributions made to contributors and depositors by KWSP, Lembaga Tabung Angkatan Tentera (LTAT), Amanah Saham Nasional Bumiputera (ASNB), or any unit trust.</p>
DATE	<p>Effective from YA 2025.</p>
COMMENTARY	<p>This proposal aims to increase government revenue by targeting individuals who receive substantial dividend income. The imposition of this 2% of dividend tax could potentially encourage fairer wealth distribution and provide additional funds for various sectors and stakeholders.</p>

## Review of Individual Income Tax Relief on Medical Treatment Expenses for Self, Spouse and Child

### PRESENT

Currently, the scope of medical treatment expenses includes:

- i. Serious illness for self, spouse, or child;
- ii. Fertility treatment for self or spouse;
- iii. Vaccination for self, spouse, or child, limited to RM1,000;
- iv. Dental examination and treatment expenses for self, spouse, or child, limited to RM1,000;
- v. Full medical check-up, mental health check-up or consultation, and COVID-19 detection test, including the purchase of self-test kits for self, spouse, or child, limited to RM1,000; and
- vi. Assessment and diagnosis, early intervention programs, and rehabilitation treatment for children aged below 18 years with learning disabilities such as autism, attention deficit hyperactivity disorder (ADHD), global developmental delay (GDD), intellectual disability, Down syndrome, and specific learning disabilities, limited to RM4,000.

### PROPOSED

It is proposed that the current scope of individual income tax relief for medical expenses be reviewed as follows:

Scope of relief	
Relief to be maintained	<ol style="list-style-type: none"> <li>i. Serious illness for self, spouse, or child;</li> <li>ii. Fertility treatment for self or spouse;</li> <li>iii. Vaccination for self, spouse, or child, limited to RM1,000; and</li> <li>iv. Dental examination and treatment expenses for self, spouse, or child, limited to RM1,000.</li> </ol>
Expansion of relief for full medical check-ups, mental health check-ups or consultations, and COVID-19 detection tests, limited to RM1,000	<ol style="list-style-type: none"> <li>i. Full medical check-up, mental health check-up, or consultation;</li> <li>ii. Purchase of self-test kits, such as COVID-19 and influenza test kits;</li> <li>iii. Purchase of self-testing medical devices such as glucometers, pulse oximeters, blood pressure monitors, and thermometers; and</li> <li>iv. Fees for disease detection examinations conducted at clinics or hospitals, such as blood tests, ultrasounds, mammograms, and Pap smears.</li> </ol>
Increase limit of income tax relief from RM4,000 to RM6,000	Relief of assessment and diagnosis, early intervention programme and continuous rehabilitation treatment for children aged below 18 years with learning disability.



## Review of Individual Income Tax Relief on Medical Treatment Expenses for Self, Spouse and Child (cont.)

### DATE

Effective from YA 2025.

### COMMENTARY

This proposal broadens the scope of medical treatment and is aimed to encourage proactive health management and provide financial relief for essential medical expenses, ultimately promoting a healthier population and reducing long-term healthcare costs.

Additionally, increasing the income tax relief limit for children with learning disabilities from RM4,000 to RM6,000 acknowledges the high costs of these essential services and offers better support for affected families.



## Individual Income Tax Relief for Sports Activities, Health And Elderly Care

### PRESENT

Individual income tax relief is given for expenses incurred for sports activities, health and child care at registered child care centres as follows:

1. Relief on expenses for sports equipment and activities for self, spouse or child for up to RM1,000.
2. Relief on medical treatment, special needs and parental care expenses of up to RM8,000, covering medical treatment at clinics and hospitals, treatment and homecare nursing, day care centres and nursing home, dental treatment not including cosmetic dental treatment, and limited to RM1,000 for full medical check-up.

Additionally, an individual income tax exemption of up to RM3,000 per year is given for child care allowance received by employees or paid directly by employers to child care centres for children aged 12 years and below.

### PROPOSED

It is proposed that the individual income tax relief and income tax exemption be revised as follows:

Individual income tax relief	Income tax exemption
<ul style="list-style-type: none"> <li>• Sports equipment and activities for self, spouse and child up to RM1,000 will be expanded to parents.</li> </ul>	The individual income tax exemption of up to RM3,000 per year for child care allowance received by employees or paid directly by employers to child care centres will be expanded to include elderly care (parents/ grandparents).
<ul style="list-style-type: none"> <li>• Full medical check-up expenses for parents, limited to RM1,000 will be expanded to include vaccination.</li> </ul>	
<ul style="list-style-type: none"> <li>• Medical treatment, special needs, and parental care expenses will be expanded to grandparents, which include:               <ul style="list-style-type: none"> <li>✓ Medical treatment at clinics and hospitals;</li> <li>✓ Treatment and homecare nursing, day care centres, residential care centres;</li> <li>✓ Dental treatment (excluding cosmetic dental treatment); and</li> <li>✓ Full medical check-up and vaccination limited to RM1,000.</li> </ul> </li> </ul>	

### DATE

Effective from YA 2025.

### COMMENTARY

The government proposes expanding individual income tax relief and exemptions to include expenses for sports activities, health, medical care, and elderly care. This initiative is aimed to alleviate financial burdens, promote health and well-being, support multi-generational family care and enhance the overall quality of life for families. It represents a holistic approach to family welfare, addressing the diverse needs of modern families.

## Individual Income Tax Relief on Housing Loan Interest Payments for Residential Home

### PRESENT

The individual income tax relief of up to RM10,000 per year was given on housing loan interest payments, subject to the following conditions:

- i. The taxpayer is a Malaysian citizen and resident;
- ii. Limited to one (1) residential property; and
- iii. The sales and purchase agreement is executed from 10 March 2009 until 31 December 2010.

The tax relief was given for three (3) consecutive YAs, commencing from the first year the housing loan interest was paid.

### PROPOSED

The individual tax relief will be given on the interest payments for the first residential home loan (individually or jointly owned), as follows:

House price	Tax relief per year
Up to RM500,000	RM7,000
Above RM500,000 up to RM750,000	RM5,000

Conditions to be met:

- i. The residential home must not be used to generate any income;
- ii. The sales and purchase agreement must be executed from 1 January 2025 until 31 December 2027;
- iii. Applicable for three (3) consecutive YAs, commencing from the first year the housing loan interest is paid; and
- iv. Two or more individuals are eligible to claim tax relief on the housing loan interest for the same residential home based on apportionment of the interest payment.

### DATE

For the sales and purchase agreement of the first residential home executed from 1 January 2025 to 31 December 2027.

### COMMENTARY

The income tax relief announced is lower than the similar tax relief introduced in Budget 2009.

Nevertheless, this tax relief will benefit individuals who purchase their first residential home. It can ease the financial burden on first-time homebuyers, thereby making home ownership more accessible and manageable.

Over the years, the cumulative tax savings can add up, providing substantial financial benefits to homeowners, which can be used for home improvements, education, or other investments.

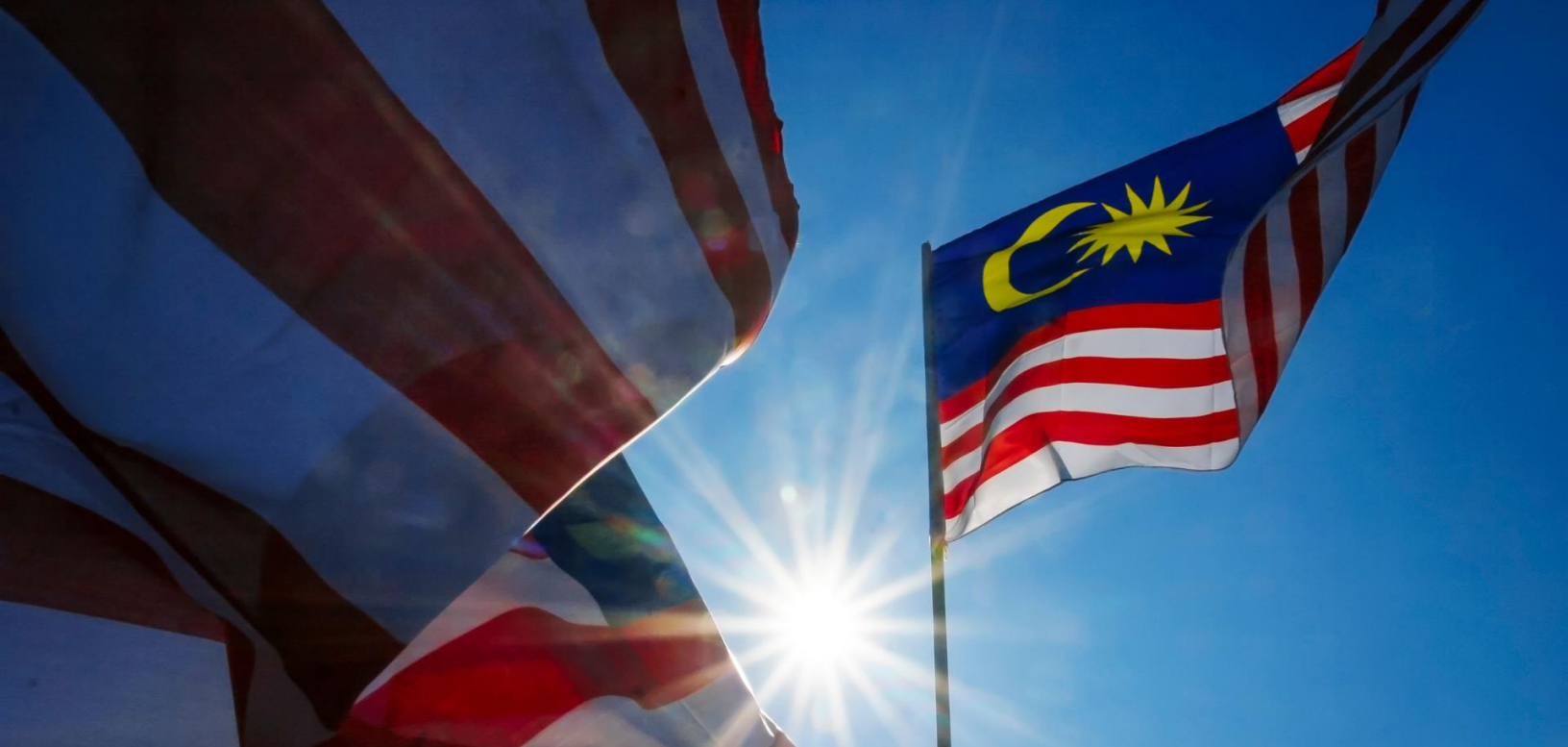
## Individual Income Tax Relief on Expenses for the Purchase of Domestic Food Waste Composting Machine

PRESENT	<p>Food waste composting machines are among the technologies for recycling food waste to help reduce waste disposal at landfills. Local Authorities are actively conducting pilot projects for the use of industrial composting machines in public markets, food courts and residential areas. However, the use of food waste composting machines among households remains low. Currently, there is no income tax relief for the purchase of domestic food waste composting machines.</p> <p>Currently, individual income tax relief of up to RM2,500 on expenses related to installation, rental, purchasing (including hire-purchase equipment) or subscription fees for EV charging facilities is given from YA 2022 to YA 2027.</p>
PROPOSED	<p>It is proposed that the scope of relief on expenses for EV charging equipment be expanded to include the purchase of food waste composting machines for household use, with the relief limit remaining at RM2,500. The relief for the purchase of food waste composting machines is allowed to be claimed once within three (3) YAs.</p>
DATE	<p>Effective from YA 2025 to YA 2027.</p>
COMMENTARY	<p>The government is actively promoting green technology, including through the introduction of income tax relief. For example, using EV helps in curbing carbon emissions, while the use of food waste composting machines can produce end products such as organic fertilisers as well as support the circular economy through more sustainable waste management practices.</p>



## Extension of Income Tax Exemption on Foreign Source Income (FSI)

PRESENT	<p>Effective from 1 January 2022, FSI remitted into Malaysia by a Malaysian tax resident is subject to tax at the taxpayer's prevailing tax rate.</p> <p>However, FSI exemption is given to resident individuals from the payment of income tax on all types of FSI (except income from a partnership business in Malaysia) received in Malaysia from outside Malaysia, on the condition that the FSI has been subjected to tax in the country where the income arose subject to the conditions as specified in the relevant guidelines. The exemption is given for the period from 1 January 2022 to 31 December 2026.</p>
PROPOSED	<p>It is proposed that the FSI exemption given be extended for an additional ten (10) years.</p>
DATE	<p>To be extended until 31 December 2036.</p>
COMMENTARY	<p>This proposal for the extension of FSI exemption will provide certainty to resident individuals, allowing them to effectively plan their foreign employment, business and investment arrangements. This certainty will go a long way to encourage resident individuals to remit their FSI into Malaysia which will have an impact on our currency and economic growth.</p>



# So, where do we go from here?

As we digest the key measures introduced in Budget 2025, the question on everyone's mind is how to move forward in this evolving landscape. The initiatives aim to restore confidence in the Malaysian economy while promoting sustainable growth, institutional reform, and social justice. But with new taxes and structural changes on the horizon, the compliance environment for businesses could become more complex.

While these measures are largely welcomed, they also present challenges that cannot be overlooked. Staying informed on future tax updates and carefully reviewing your business' financial and tax positions is crucial.

The road ahead requires strategic foresight and proactive planning to navigate economic uncertainties while maintaining your competitive edge.

**Businesses and individuals alike must adapt, innovate, and plan for long-term resilience to thrive in 2025**



If you are uncertain about the next steps or how the new measures might affect your business - our tax experts are here to help.

**Reach out to us for tailored advice on navigating the evolving tax landscape and ensuring you're prepared for what's ahead.**



# Talk to us about your goals for 2025



**Foo Meng Huei**  
Head of Tax  
[menghuei.foo@crowe.my](mailto:menghuei.foo@crowe.my)

---

## **Crowe Malaysia**

Level 15, Tower C, Megan Avenue II,  
12 Jalan Yap Kwan Seng,  
50450 Kuala Lumpur.

Tel. +603 2788 9898

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

Crowe Malaysia is the 5th largest accounting firm in Malaysia and an independent member of Crowe Global. The firm in Malaysia has more than 10 offices, employs over 1,200 staff, serves mid-to-large companies that are privately-owned, publicly-listed and multinational entities, and is registered with the Audit Oversight Board in Malaysia and the Public Company Accounting Oversight Board in the US.

Crowe Malaysia PLT is a member of Crowe Global, a Swiss verein. Each member firm of Crowe is a separate and independent legal entity. Crowe Malaysia PLT and its affiliates are not responsible or liable for any acts or omissions of Crowe or any other member of Crowe and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe or any other Crowe member.

The information in this document is not – and is not intended to be – audit, tax, accounting, advisory, risk, performance, consulting, business, financial, investment, legal, or other professional advice, and should not be relied upon as such. Some firm services may not be available to attest clients. The information is general in nature, based on existing authorities, and is subject to change. The information is not a substitute for professional advice or services, and you should consult a qualified professional adviser before taking any action based on the information. Crowe is not responsible for any loss incurred by any person who relies on the information discussed in this document.

