

PKF E-TAX NEWS

KEY BUDGET TAX HIGHLIGHTS



Introduction

Budget 2024 : Economic Reforms, Empowering the People

The Budget 2024, announced on 13 October 2023 would support Malaysia in achieving its Madani Economy vision, namely to restore the nation's dignity by restructuring the economy and improving the quality of life for all Malaysians. The key focus areas in Budget 2024 include empowering the middle class group and reduce their burden due to the rise in the cost of living and to empower the small and medium enterprises (SMEs) in terms of increasing their business income as this sector can create employment opportunities as well as generate income for the people.

In this year's edition of PKF Budget 2024 E-News, we have summarized the key budget highlights from a tax perspective, documenting the tax related proposals and changes as announced in the Budget 2024, which would be essential for you and your businesses to be informed.

HIGHLIGHTS

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Indirect tax

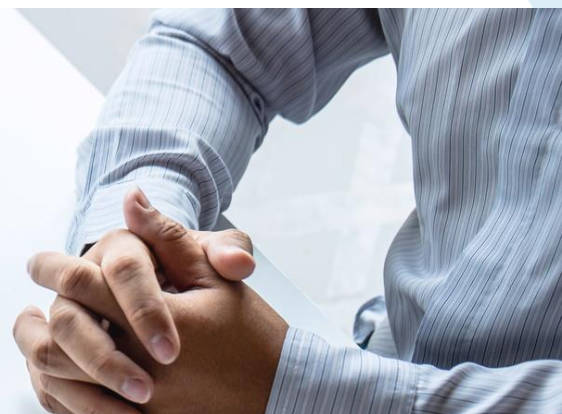
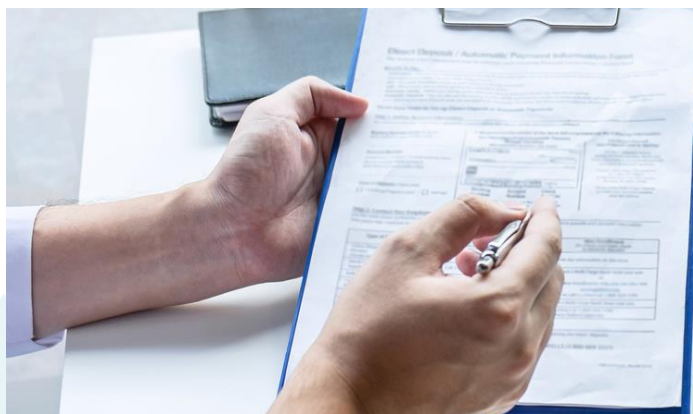
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Stamp Duty

PKF Malaysia : Budget 2024 Tax Webinar

Do join us at our complimentary half-day Budget 2024 Tax Webinar on 9 November 2023 for a more detailed analysis of the tax implications of Budget 2024.

Stay tuned for our invites to our webinar for registration. As this is a complimentary webinar, please note that slots are limited and will be on first-come-first-served basis.



Individual Tax

Expansion of Scope of Tax Relief on Medical Expenses for Self, Spouse and Child

Proposal	Effective Date
The income tax relief for medical expenses of RM 10,000 be expanded to cover dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council limited to RM1,000 .	Year of assessment (YA) 2024

Expansion of Scope of Tax Relief for Medical Treatment, Special Needs and Carer Expenses for Parents

Proposal	Effective Date
The scope of the relief for medical expenses incurred for parents be expanded to include full medical examination for parents limited to RM1,000 .	YA 2024

Review of Tax Relief for Lifestyle

Proposal	Effective Date
<p>The limit and scope of tax relief for lifestyle will be restructured as follows:</p> <ol style="list-style-type: none">The scope of lifestyle relief of RM2,500 will be expanded to include fees for self-skills enhancement course but excludes the purchase of sports equipment and gymnasium membership fees.Specific tax relief will be introduced for "Sports Equipment and Activities" limited to RM1,000 which covers the following:<ul style="list-style-type: none">Purchase of sports equipmentRental or entrance fees to sports facilitiesRegistration fees for participating in sports competitionsGymnasium membership feesSports training fees imposed by associations, sports clubs or companies registered with the Sports Commissioner or Companies Commission of Malaysia and carrying out sports activities under the Sports Development Act 1997	YA 2024



Individual Tax

Extension of Tax Relief for Up-Skilling and Self-Enhancement Courses Fees

Proposal	Effective Date
Tax relief for fees on courses undertaken for up-skilling or self-enhancement up to RM2,000 to be extended for another 3 years .	YA 2024 to YA 2026

Extension of Tax Relief on Expenses Related to Electric Vehicle ("EV")

Proposal	Effective Date
The tax relief of up to RM2,500 given to a resident taxpayer for the expenditure related to EV charging facilities such as expenses related to installation, rental, purchase of equipment (including hire purchase) or subscription fees for EV charging facility be extended for another 4 years (i.e. up to YA 2027) .	YA 2024 to YA 2027

Increase of Income Tax Exemption for Childcare Allowance under Perquisites from Employment

Proposal	Effective Date
Income tax exemption for childcare allowance received by employees or paid directly by employers to childcare centres to be increased from RM2,400 to RM3,000 per YA .	YA 2024



Individual Tax

Review of Tax Incentive for Women Career Comeback Programme

Proposal	Effective Date
<p>The eligibility criteria for income tax exemption on employment income received for a maximum period of 12 consecutive months be enhanced as follows:</p> <ol style="list-style-type: none">Women returning to work after a career break at least 2 years before the date of application received by the Talent Corporation Malaysia Berhad; andEmployment income received from the YA 2025 until YA 2028.	<p>For applications received by the Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027</p>

Review of Tax Incentive for Returning Expert Programme

Proposal	Effective Date
<p>It is proposed that the application period for returning expert programme which offers fixed income tax rate of 15% on employment income received by an individual for 5 consecutive YAs be extended for another 4 years.</p>	<p>For applications received by the Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027</p>



Corporate Tax

Global Minimum Tax (GMT)

Proposal	Effective Date
Implementation of GMT to be deferred to year 2025 instead of year 2024 as announced in Budget 2023	Year 2025

Capital Gain Tax (CGT)

- The disposal of unlisted shares for companies will be subject to CGT at the following proposed rate:-

Shares Acquisition Date	CGT Rate
Before 1st March 2024	10% on net gain; or 2% on gross sales value
From 1st March 2024	10% on net gain

- CGT exemption is applicable for capital gains from disposal of shares related to:
 - Initial public offering (IPO) exercise approved by Bursa Malaysia
 - Restructuring of shares within the same group
 - Venture capital companies

E-invoicing

Implementation of E-invoicing	Enforcement Date
Taxpayer with annual turnover or revenue in excess of RM 100 million	1st August 2024
Other annual turnover or revenue categories of taxpayers	1st July 2025 onwards

ACA on ICT Equipment and Computer Software Equipment

Qualifying Capital Expenditure	Proposal	Effective Year
Purchase of ICT equipment and computer software packages	Initial allowance of 40% and annual allowance of 20%	YA 2024
Consultation, licensing and incidental fees related to customised computer software development		



Corporate Tax

Extension of Income Tax Exemption for Social Enterprise

Proposal	Effective Date
The application period for tax exemption on all income of Social Enterprise be extended for 2 years	For application received by MOF from 1 January 2024 to 31 December 2025

Sustainable and Responsible Investment (SRI)

Proposal	Effective Date
Income tax exemption on management fee income for companies that providing SRI management services be extended for 4 years	YA 2024 to YA 2027
Tax deduction on issuance cost of SRI sukuk approved or authorised or lodged with the Securities Commission Malaysia (SC) be extended for 4 years	YA 2024 to YA 2027
Income tax exemption be expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by SC	For application received by SC from 1 January 2024 until 31 December 2025.

Income tax exemptions on Shariah-Compliant Fund Management Services

Proposal	Effective Date
Income tax exemption period for Shariah-compliant fund management services companies be extended for 4 years with 60% tax exemption	YA 2024 to YA 2027



Corporate Tax

Environmental, Social And Governance (ESG) Related Expenditures

Proposal	Tax deduction up to RM 50,000 for each YA	
ESG related expenditure	Description	Effective Year
Enhance Sustainability Reporting Framework	ESG reporting by companies listed on the Bursa Malaysia Stock Exchange	From YA 2024 to YA 2027
Climate Risk Management and Scenario Analysis	ESG reporting by financial institutions regulated by Bank Negara Malaysia	
Tax Corporate Governance Framework (TCGF) of IRB	Preparation of reports related to TCGF by companies	
Transfer pricing documentation	Preparation of transfer pricing documentation by companies	
E-invoicing implementation	Consultation fee for implementing e-invoicing incurred by Micro, Small and Medium Enterprises	
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by MOF	



Corporate Tax

Review of conditions for institutions/ organisations/ funds approved under Section 44(6) of the Act

Proposal			Effective Date
<p>The approval conditions to be reviewed as follows:</p> <ul style="list-style-type: none">- the accumulated funds utilisation limit of not more than 25% for participation in business activities be increased up to 35%;- The entities may choose any of the options below to qualify for Section 44(6) tax exemption			YA 2024
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%	
<p>In the event any conditions are breached, the entities will not be eligible for tax exemption and IRB will raise tax assessment. However, the IRB will not withdraw the approval under Section 44(6) during the validity period.</p>			



Tax Incentives

Tax Incentives for Global Services Hub

Proposal	Effective Date
<ul style="list-style-type: none"> The Global Services Hub tax incentives based on outcome-based approach be introduced as follows:- The income tax rate of 15% will be given for a period of 3 consecutive years of assessment and limited to 3 non-citizen individuals holding key/C- Suite positions with a monthly salary of at least RM35,000 appointed by a new company approved with Global Services Hub tax incentives 	For applications received by the MIDA from 14/10/2023 to 31/10/2027

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Exemption Years	5 + 5		5	
Tax Incentive	Tax Rate 5%	Tax Rate 10%	Tax Rate at 5% on the value-added income	Tax Rate at 10% on the value-added income
Types of Income Exempted	<ol style="list-style-type: none"> Services income; or Services and trading income. 			
Qualifying Services & Additional Services	Undertake the following activities: <ol style="list-style-type: none"> Regional P&L/Business Management Unit; Strategic business planning; Corporate development; AND Any 2 qualifying activities under the services category as follows: <ol style="list-style-type: none"> Strategic services; Business services; Shared services; or Other services. 			
Conditions (Outcome-based)	<ol style="list-style-type: none"> Annual operating expenditure; High value full-time employees; C-Suite with a minimum monthly salary of RM35,000; Local ancillary services; Collaboration with higher education institution/TVET; Training for Malaysian students/citizen; Environmental, Social and Governance (ESG) elements; or Other conditions as determined by the Minister of Finance. 			



Tax Incentives

Incentive for Reinvestment under the New Industrial Master Plan 2030

Proposal		Effective Date
<ul style="list-style-type: none"> To increase capacity and investment in high-value activities under the New Industrial Master Plan 2030, the tax incentives are proposed as follow:- The eligible investment tax allowance rate will be determined based on outcome-based approach 		For applications received by the MIDA from 1/1/2024 to 31/12/2028
Investment Tax Allowance	Tier 1	Tier 2
Qualifying Capital Expenditure	100%	60%
Statutory Income to be Set-Off	100%	70%

Tax Incentive for Automation in Manufacturing, Services and Agriculture Sectors

Proposal	Effective Date
The scope of 100% ACA on the first RM10 million on the qualifying expenditure and 100% income tax exemption on the same capital expenditure be expanded to include the commodity sector under the Ministry of Plantation and Commodities (KPK)	For applications received by KPK from 14/10/2023 until 31/12/2027

Extension of Tax Incentive for Angel Investor

Proposal	Effective Date
Tax incentive extended for a period of 3 years	For investment made from 1/1/2024 until 31/12/2026

Extension of Tax Incentive for Rental of Electric Vehicle

Proposal	Effective Date
Tax deduction on EV rental cost be extended for a period of 2 years	Until the Year of Assessment 2027



Tax Incentives

Tax Incentive for Equity Crowdfunding

Proposal	Effective Date
Tax incentive expanded to investment made by individual investor through Limited Liability Partnership nominee company and be extended for a periods of 3 years	For investment made from 1/1/2024 until 31/12/2026

Tax Deduction on Contributions For Environmental Preservation and Conservation Projects

Proposal	Effective Date
Tax deduction under subsection 34(6)(h) Income Tax Act 1967 be given to entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by FRIM	For applications received by Ministry of Finance from 1/1/2024 to 31/12/2026

Further Tax Deduction for Voluntary Carbon Market

Proposal	Effective Date
<ul style="list-style-type: none">Further tax deduction up to RM300,000 be given to companies for costs incurred on the Development and Measurement, Reporting and Verification (MRV) related to development of carbon projects. The further tax deduction is deductible from the carbon credits income traded on BCXThe development of carbon projects must be registered with an international standards body recognised by Bursa Malaysia and expenditure on development of carbon projects must be certified by Malaysia Green Technology and Climate Change Corporation (MGTC)	For applications received by MGTC from 1/1/2024 until 31/12/2026.



Tax Incentives

Review of Green Technology Tax Incentive

- Green technology tax incentives will be reviewed as follows:-

GITA Project (Business Purposes)

Qualifying Activities	% GITA	% of Statutory Income to be Set-Off	Incentive Period
<u>Tier 1</u> i. Green hydrogen	100%	100% or 70%	up to 10 years (5+5)
<u>Tier 2</u> i. Integrated waste management ii. Electric Vehicle charging station	100%	100%	5 years
<u>Tier 3</u> i. Biomass ii. Biogas iii. Mini hydro iv. Geo thermal v. Solar vi. Wind energy	100%	70%	5 years

GITA asset (Own Consumption)

Qualifying Activities	% GITA	% of Statutory Income to be Set-Off	Incentive Period
<u>Tier 1</u> 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
<u>Tier 2</u> i. List of qualifying assets approved by Minister of Finance ii. Renewable Energy System iii. Energy efficiency	60%	70%	

GITE Solar Leasing

Tier	% of Statutory Income to be Set-Off	Incentive Period
>3MW - ≤10MW	70%	5 years
>10MW - ≤30MW		10 years

Effective Date

GITA Project	For applications received by MIDA from 1 January 2024 until 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 until 31 December 2026.
GITE Solar Leasing	For applications received by MIDA from 1 January 2024 until 31 December 2026.

Indirect Tax

Increase in the Rate of Service Tax from 6% to 8%

Proposal	Effective Date
The rate of service tax be increased to 8% from 6% with the <u>exception</u> of the following services: <ul style="list-style-type: none">• Food and beverage (F&B)• Telecommunications	Yet to be announced

Expansion of Service Tax Scope

Proposal	Effective Date
The scope of service tax be expanded to include the following services: <ul style="list-style-type: none">• Logistics• Underwriting• Brokerages• Karaoke	Yet to be announced

Imposition of High Value Goods Tax on Certain High Value Goods

Proposal	Effective Date
A high value goods tax (previously announced as luxury goods tax in Budget 2023) at the rate of 5% to 10% be imposed on certain high value goods or luxury goods such as jewelry and watches, based on the threshold value of the goods	Yet to be announced

Exemption on Excise Duty for Returning Expert Programme

Proposal	Effective Date
The current exemption on excise duty for the purchase of a Completely Knocked-Down (CKD) vehicle of up to RM100,000 being offered in the Returning Expert Programme under Talent Corporation Malaysia Berhad, be extended until 31 December 2027	For applications received by Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027



Indirect Tax

Import Duty and Sales Tax Exemption on Manufacturing Aids

Proposal	Effective Date
Import duty and sales tax exemption be given to eligible manufacturers on the importation and local purchase of manufacturing aids The above exemption given is subject to the types of industry and category of goods determined	1 January 2024

Entertainments Duty Exemption in the Federal Territories

Proposal	Effective Date											
<p>A partial or full exemption be given on the current entertainments duty rate of 25% to selected type of entertainments held in the Federal Territories as follows:</p> <table><tr><th>Type of Entertainments</th><th>Entertainments Duty Rate After Exemption</th></tr><tr><td>Stage performance by international artist / Light show / Circus</td><td rowspan="4">10%</td></tr><tr><td>Film screening (cinema) / Theatre</td></tr><tr><td>Exhibition / Zoo / Aquarium</td></tr><tr><td>Sports event / E-sports / Bowling / Snooker / Pool / Billiard / Karaoke</td></tr><tr><td>Theme park / Family recreation centre / Indoor games centre / Simulator</td><td>5%</td></tr><tr><td>Stage performance by local artist</td><td>0%</td></tr></table>	Type of Entertainments	Entertainments Duty Rate After Exemption	Stage performance by international artist / Light show / Circus	10%	Film screening (cinema) / Theatre	Exhibition / Zoo / Aquarium	Sports event / E-sports / Bowling / Snooker / Pool / Billiard / Karaoke	Theme park / Family recreation centre / Indoor games centre / Simulator	5%	Stage performance by local artist	0%	For applications received by the Ministry of Finance from 1 January 2024 to 31 December 2028
Type of Entertainments	Entertainments Duty Rate After Exemption											
Stage performance by international artist / Light show / Circus	10%											
Film screening (cinema) / Theatre												
Exhibition / Zoo / Aquarium												
Sports event / E-sports / Bowling / Snooker / Pool / Billiard / Karaoke												
Theme park / Family recreation centre / Indoor games centre / Simulator	5%											
Stage performance by local artist	0%											



Indirect Tax

Increase in Excise Duty Rate on Sugar Sweetened Beverages

Proposal			Effective Date
The excise duty rate for sugar sweetened beverages be increased to RM0.50 per litre from the current rate of RM0.40 per litre, based on the sugar content threshold of the following sugar sweetened beverages:			1 January 2024
Tariff Code	Type 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	

Imposition of Excise Duty on Chewing Tobacco

Proposal	Effective Date
An excise duty at a rate of 5% + RM27/kg be imposed on chewing tobacco under the tariff code 2403.99.5000	1 January 2024



Stamp Duty

Review of Stamp Duty for Transfer of Property Ownership by Renunciation of Rights to Another Eligible Beneficiary

Proposal	Effective Date
Fixed stamp duty of RM10 (previously ad valorem duty) for transfer of property ownership in which the eligible beneficiary renounces its right to another eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958.	Instruments of transfer of property executed from 1 January 2024

Review of Stamp Duty for Property Ownership by Non-Citizen Individuals and Foreign-Owned Companies

Proposal	Effective Date
Flat stamp duty rate of 4% (previously ad valorem duty) will be imposed on the instrument of transfer of property executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents).	Instruments of transfer of property executed from 1 January 2024



HOW CAN WE HELP?

Should you have any questions or concerns, our team of department professionals would be pleased to discuss and assist you. Please feel free to contact us:

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