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OCTOBER 2023 (SPECIAL EDITION)

2024 Budget Highlights

Executive Summary

The honourable Prime Minister and Finance Minister Dato’ Seri Anwar Ibrahim's 2024 Budget speech marks a pivotal moment in our nation's history. The 2024 Budget, often referred to as the Second MADANI Budget, symbolises our Government's commitment to uplifting the nation's economy and the well-being of its people.

Although Malaysia has made significant strides in various aspects during the past year, challenges persist, and Gross Domestic Product growth has shown signs of moderation. One of the pressing issues is the substantial national debt and liabilities, reaching a staggering 1.5 trillion or 82% of our Gross Domestic Product. Debt service payments alone are projected to account for 15.2% of the 2024 revenue. To secure our fiscal sustainability, the Government is dedicated to deficit reduction and obligation management and has initiated the MADANI Economy: Empowering the People, a comprehensive framework to address immediate and long-term challenges and achieve seven (7) benchmarks as medium-term targets.

The 2024 proposals underscore the Government’s ambition to uncover fresh revenue channels, allowing the country’s consistent growth trajectory. Concurrently, a calibrated approach to phasing out subsidies is palpable, ensuring a balanced fiscal landscape.

This executive summary provides a concise overview of the key significant tax measures:-

Service Tax Rate Increase: The Government plans to raise the Service Tax rate from 6% to 8%. Notably, this increase will exclude essential services like food and beverages as well as telecommunications. In addition, the scope of taxable services will be expanded to include logistics, brokerage, underwriting and karaoke services. These changes aim to boost Government revenue while sparing essential services from additional tax burdens.

Capital Gains Tax on Disposal of Unlisted Shares: Effective 1st March 2024, a 10% Capital Gains Tax will be levied on the disposal of unlisted shares in local companies, calculated based on net profit. Diverging from the 2023 Budget announcements, the proposal now suggests a wider net, not exclusively limited to disposers who are companies. The Government is also considering exemptions for specific activities, such as approved Initial Public Offering and internal share restructuring, subject to certain conditions. This measure aligns with the Government's commitment to tax system modernisation.

High Value Goods Tax: The Government is introducing a new tax on high value goods, ranging from 5% to 10%. This tax will be levied on specific luxury items such as jewelry and wristwatches, contingent upon a yet-to-be-announced threshold. The precise categories of high value goods under this tax remain ambiguous for now. This is seen as an effort to target luxury consumption.

E-Invoicing Implementation: E-invoicing will be mandated for taxpayers with annual income or sales exceeding RM100 million starting from 1st August 2024. A phased implementation for other income categories will commence from 1st July 2025. The tax identification number will play a more significant role, supporting e-invoicing implementation and enhancing tax compliance. All pertinent data on purchaser details will be channeled directly into the Inland Revenue Board’s database, facilitating their big data analytics objectives. Projected to be fully operational by the year 2027, the e-invoicing framework is anticipated to significantly curtail tax evasions and amplify revenue, targeting the prevailing substantial deficits caused by the shadow economy.

Individuals: Income tax relief will be expanded to cover dental examination and treatment expenses, promoting dental care among the population. Tax relief for parents will be expanded to include full medical examinations, focusing on parents’ health and well-being. Tax incentives for women re-entering the workforce will be extended until 31st December 2027. Additionally, the income tax exemption limit for childcare allowances received by employees or paid directly by employers to childcare centers will be increased to RM3,000 per annum, promoting gender equality and women's participation in the workforce.

In conclusion, the 2024 Budget measures indicate the Government's commitment to fiscal responsibility, tax modernisation, and promoting economic growth while maintaining a balanced fiscal landscape, ensuring that those in genuine need receive essential support.

The key proposals outlined in the 2024 Budget are summarised into the following broad categories:-

A. Income Tax – Changes Affecting Individuals
B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
C. Investment Incentives
D. Stamp Duty
E. Sales and Service Tax and Indirect Taxes
F. Labuan
G. Others

Please note that due to the unavailability of the Finance Bill (No. 2) 2023 at the time of publication, we will update you on any further developments affecting the above categories in due course.

Legend

ACA	=	Accelerated Capital Allowance
DGIR	=	Director General of Inland Revenue
ESG	=	Environmental, Social and Governance
EV	=	Electric Vehicle
IBA	=	Industrial Building Allowance
ICT	=	Information and Communication Technology
ITA	=	Investment Tax Allowance
ITA 1967	=	Income Tax Act 1967
MIDA	=	Malaysian Investment Development Authority
MOF	=	Ministry of Finance
MSME	=	Micro, Small and Medium Enterprise
RA	=	Reinvestment Allowance
SC	=	Securities Commission
SOCSO	=	Social Security Organisation
SRI	=	Sustainable Responsible Investment
YA	=	Year of Assessment

A. Income Tax – Changes Affecting Individuals

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

- Currently, tax relief of up to RM10,000 is given for medical treatment expenses incurred:-
  - for self/spouse/child on:-
    - serious disease;
    - vaccination (limited to RM1,000); and
    - complete medical examination, mental health examination, Coronavirus Disease 2019 detection test including the purchase of self-test kit (limited to RM1,000)
  - for self/spouse on:-
    - fertility treatment
  - for child on:-
    - diagnostic and rehabilitation treatment for children with learning disabilities such as Autism, Down Syndrome and Specific Learning Disabilities (limited to RM4,000)
- It is proposed that the scope of the tax relief be expanded to cover dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council (limited to RM1,000)
- Effective YA 2024

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

- Currently, tax relief of up to RM8,000 is given on medical expenses, special needs and parental care in respect of:-
  - treatment in clinics and hospitals;
  - treatment at nursing homes;
  - dental treatment not including cosmetic dental treatment; and
  - treatment and home care nursing, daycare centres and residential care centres
- It is proposed that the scope of the tax relief be expanded to cover full medical examination for parents and such relief be limited to RM1,000
- Effective YA 2024

3. Review of Income Tax Exemption for Child Care Allowance under Perquisites from Employment

- Currently, income tax exemption of up to RM2,400 per year of assessment is given on perquisites received by employees, whether in the form of child care allowance or payment of child care fee directly by employers to child care centres, in respect of children aged 12 and below
- In addition, employers who provide child care centres at the workplace are eligible for the following tax incentives:-
  - Double deduction on the expenditure incurred for the management and maintenance of the child care centres;
  - Double deduction on the child care allowances or subsidies paid to employees; and
  - IBA at an annual rate of 10% for buildings used as child care centres
- In order to instil the value of compassion among employers, it is proposed that the income tax exemption on child care allowances received by employees or child care fees paid directly by employers to child care centres be increased from RM2,400 to RM3,000 per year of assessment
- Effective YA 2024

4. Extension of Tax Relief for Up-Skilling and Self-Enhancement Course Fees

- Currently, tax relief of up to RM2,000 (which forms part of the relief for the education fees of RM7,000) is given on fees incurred for up-skilling or self-enhancement course in any field recognised by the Department of Skills Development, Ministry of Human Resources for the YA 2022 and YA 2023
- It is proposed that the tax relief be extended for another 3 years
- Effective YA 2024 to YA 2026

5. Restructuring of Tax Relief for Lifestyle

- Currently, tax relief of up to RM2,500 is given on the expenses incurred on:-
  - purchase of reading materials including e-books, printed/electronic daily newspapers, personal computers, smartphones or tablets and internet subscriptions [hereinafter referred to as "the Existing Relief"]; and
  - purchase of sports equipment and payment for gymnasium membership subscription
- In addition, an additional tax relief of lifestyle of up to RM500 is specifically allocated for:-
  - purchasing sports equipment;
  - payment of rental/entry fees to sports facilities; and
  - registration fees for participating in sports competitions
- It is proposed that the scope of the relief for lifestyle be restructured as follows:-
  - widening the scope of the relief for lifestyle to include fees incurred for self-skills enhancement course, in addition to the Existing Relief referred to above
  - introducing a specific tax relief that covers sports equipment and related activities whereby this specific tax relief is limited to RM1,000 and it covers the expenses incurred on:-
    - purchase of sports equipment, rental or entry fees to sports facilities, registration fees for participating in sports competitions and gymnasium membership fees; and
    - sports training fees imposed by associations/sports clubs/companies registered with the Sports Commissioner or Companies Commission of Malaysia and carrying out sports activities as listed under the Sports Development Act 1997
- Effective YA 2024

6. Extension of Individual Income Tax Relief for EV Charging Facilities

- Currently, tax relief of up to RM2,500 is given on expenses related to installation, rental, purchasing including hire-purchase equipment or subscription fees for EV charging facilities for the YA 2022 and YA 2023
- In order to further support the development of the local EV industry and in-line with the New Industrial Master Plan 2030, it is proposed that the tax relief on expenses related to installation, rental, purchasing including hire-purchase equipment or subscription fees for EV charging facilities be extended for a period of 4 years
- Effective YA 2024 to YA 2027

7. Review of Exemption and Extension of Application Period for Tax Incentives on the Returning Expert Programme

- Currently, a qualified individual participating in the Returning Expert Programme (whose application has been made to Talent Corporation Malaysia Berhad ["TalentCorp"] from 1st January 2021 to 31st December 2023) is entitled to the following incentives once the application is approved:-
  - employment income be taxed at a flat rate of 15% for 5 consecutive years of assessment; and
  - exemption on import duty and excise duty 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 the total exemption of up to RM100,000
- It is proposed that the application period be extended for another 4 years and the tax incentive be reviewed as follows:-
  - employment income be taxed at a flat rate of 15% for 5 consecutive years of assessment; and
  - eligible for the tax exemption on excise duty for the purchase of a CKD vehicle, subject to the total exemption of up to RM100,000
- Applications must be received by TalentCorp from 1st January 2024 to 31st December 2027

8. Extension of Exemption of Income for Women Returning to Work After Career Break

- Currently, tax exemption on employment income of up to 12 consecutive months is given to female taxpayers who return to work after being on a career break for at least 2 years prior to, or as at 27th October 2017 and the exemption is applicable up to YA 2024

- It is proposed that this exemption be extended for another 4 years, i.e. up to YA 2028
- The condition for the career break has also been enhanced whereby in order to qualify for this exemption, the career break must be at least 2 years before the date of application is received by TalentCorp
- The application for this tax exemption must be received by TalentCorp from 1st January 2024 to 31st December 2027
- Effective YA 2025 to YA 2028

9. Review of Tax Incentive for Equity Crowdfunding

- Currently, a tax exemption on the aggregate income is given to a qualifying individual for investments made in an investee company through an equity crowdfunding ["ECF"] platform approved by the SC or through a nominee company established by an ECF operator in Malaysia to receive investments to be channeled into the investee company through an ECF platform approved by the SC ["hereinafter referred to as "the Nominee Company"]
- The exemption is granted to the qualifying individual in the second year of assessment following the initial year of assessment in which the investment is made. The qualifying person is given the tax exemption on his aggregate income:-
  - equivalent to 50% of the investment amount made (restricted to RM50,000) for each year of assessment; and
  - the deductible amount is limited to 10% of the aggregate income of the qualifying individual for the year of assessment in which the exemption is granted and any excess amount not so deducted will be disregarded
- To qualify for the exemption, the qualifying individual must make the investment in an investee company:-
  - between 1st January 2021 and 31st December 2023; and
  - in the form of holding of shares in which the considerations for the shares are paid in cash to the investee company through an ECF platform approved by the SC or through the Nominee Company
- Other conditions that have to be met in order to qualify for the exemption are:-
  - the qualifying individual must obtain an annual certification (verified by the SC) from the ECF operator in relation to the investment and the amount of the investment made;
  - the investment must not be disposed of either partially, or in full, within 2 years from the date the investment is made; and
  - the qualifying individual must not have any family relationships with the investee company
- It is now proposed that:-
  - the scope of the tax incentive be expanded to include investment made by an individual investor through limited liability partnership nominee company; and
  - the investment period be extended for another 3 years
- Effective for investment made from 1st January 2024 to 31st December 2026

10. Review of Scope of Deduction for Donations Made to Approved Institutions, Organisations and Funds

- Please refer to Part B7 below

11. Exemption of Entertainments Duty in the Federal Territories

- Please refer to Part E3 below

B. Income Tax – Changes Affecting Companies and Unincorporated Business

1. Review of Capital Allowance on ICT Equipment and Computer Software

- It is proposed that the capital allowance rates on qualifying expenditure incurred by a resident person on the purchase of ICT equipment and computer software be revised as follows:-

<table>
<tr><th>Qualifying Expenditure</th><th>Existing Capital Allowance Rates</th><th>Proposed Capital Allowance Rates</th></tr>
<tr><td>Purchase of ICT equipment and computer software packages</td><td rowspan="2">Initial allowance: 20%
Annual allowance: 20%</td><td rowspan="2">Initial allowance: 40%
Annual allowance: 20%</td></tr>
<tr><td>Consultation, licensing and incidental fees related to the development of customised computer software</td></tr>
</table>

- Effective YA 2024

2. Industrial Building Allowance for Senior Citizens Private Nursing Care Home

- Currently, IBA with the rates of 10% for the initial allowance and 3% for the annual allowance is given to:-
  - the owner who bears expenses for the construction or purchase of a building which used by him as a licensed nursing home; and
  - a business operator who is a tenant of the building who incurs any capital expenditure incurred for alteration or renovation of rented premises for the purposes of carrying on a licensed nursing home
- It is proposed that IBA at the rate of 10% be given for each year of assessment for the cost incurred on construction, purchase, or renovation of the building used as the Senior Citizens Private Nursing Care Home approved by the Ministry of Health
- Applicable for eligible expenditure incurred from 1st January 2024 to 31st December 2026

3. Tax Deduction on Environmental, Social and Governance Related Expenditures

- Currently, there is no tax deduction given for expenditure incurred to comply with the ESG standards.
- It is proposed that a tax deduction of up to RM50,000 for each year of assessment be given on ESG related expenditure as follows:-

ESG Related Expenditure	Description
Enhance Sustainability Reporting Framework	ESG reporting by companies listed on the Bursa Malaysia Stock Exchange
Climate Risk Management and Scenario Analysis	ESG reporting by financial institutions regulated by the Bank Negara Malaysia
Tax Corporate Governance Framework [“TCGF”] of Inland Revenue Board	Preparation of reports related to TCGF by companies
Transfer Pricing [“TP”] Documentation	Preparation of TP documentation by companies
E-Invoicing implementation	Consultation fee for implementing e-invoicing incurred by MSME
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by the MOF

- Effective YA 2024 to YA 2027

4. Special Income Tax Rate for Film Production Companies, Foreign Film Actors and Film Crews

- To encourage the entry of foreign film productions to Malaysia and further competing with the incentives offered by other countries, it is proposed to set a special income tax rate between 0% to 10% for film production companies, foreign film actors and film crews who carry out filming in Malaysia
- The effective date of this proposal is unknown

5. Tax Deduction on Contribution for Environmental Preservation and Conservation Projects

- Currently, tax deduction under Section 34(6)(h) of the ITA 1967 is given on expenditure incurred by any person who carries out community projects that provide significant benefits to the public in Malaysia related to education, health, housing, infrastructure, information and communication technology, maintenance of a building designated as a heritage site or projects to increase the income of the poor as well as environmental preservation/conservation projects
- It is proposed that the tax deduction be given to entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by Forest Research Institute Malaysia
- Effective for application received by the MOF from 1st January 2024 to 31st December 2026

6. Further Deduction on Development and Measurement, Reporting and Verification Expenses in Relation to Carbon Projects

- To encourage carbon trading company to participate in the voluntary carbon market, it is proposed that a further tax deduction subject to a maximum amount of RM300,000 be given to companies for cost incurred on the Development and Measurement, Reporting and Verification related to the development of carbon projects. The further tax deduction is allowed against the carbon credits income traded on Bursa Carbon Exchange
- 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 for applications received by MGTC from 1st January 2024 to 31st December 2026

7. Review of Scope of Deduction for Donations Made to Approved Institutions, Organisations and Funds

- Presently, a tax deduction of up to 10% of aggregate income of a person is given on cash donation made by the person to institutions, organisations or funds approved for the purpose of Section 44(6) of the ITA 1967
- It is proposed that the scope of deduction under Section 44(6) of the ITA 1967 be expanded to cover donations made to approved institutions, organisations or funds which support sports education programmes
- The effective date of this proposal is unknown

8. Review of Conditions for Institutions/Organisations/Funds Approved under Section 44(6) of the ITA 1967

- Currently, among the conditions that must be adhered by institutions/organisations/funds after obtaining approval under Section 44(6) of the ITA 1967 are as follows:-
    - At least 50% of the income earned in the prior year must be spent in the ensuing year toward activities aligned with the objectives of the institutions/organisations/funds; and
    - Institutions/organisations/funds are permitted to engage in business with the condition that they utilise not more than 25% of the funds held at the onset of the assessment year. All income generated must be channelled back into the fund ensuring it serves its charitable objectives

- It is proposed that:-
  - The cap on the utilisation of accumulated funds for participation in business activities be increased up to 35% to bolster the financial sustainability of the approved institutions/organisations/funds
  - Institutions/organisations/funds may choose any of the following options to continue receiving Section 44(6) incentives benefits:-

Option	Uitlisation of Accumulated Funds	Threshold of Charitable Activity Expenditure
a	Up to 25%	At least 50%
b	Over 25% and up to 35%	At least 60%

  - Should any of the stipulated conditions in the guidelines or the approval letters from the DGIR to the approved institutions/organisations/funds be contravened, it will not result in a withdrawal of the approved status under Section 44(6) by the DGIR during its validity period. The approval status is upheld to ensure that donors retain their eligibility for tax deductions on donations made to the institutions/organisations/funds throughout the approval period; and
  - For violation of any stipulated conditions during the approval period, the implicated institutions/organisations/funds will not be eligible for tax exemption and the DGIR will raise tax assessment on all income received by the institutions/organisations/funds in the year of assessment during which the breach transpired
- Effective YA 2024

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

- Currently, 100% income tax exemption is given on the statutory income derived by companies providing management services of *Shariah*-compliant fund to foreign investors, local investors, business trusts investors and Real Estate Investment Trusts investors in Malaysia approved by the SC, up to the YA 2023
- It is proposed that income tax exemption period for *Shariah*-compliant fund management services companies be extended for another 4 years with 60% income tax exemption
- Effective YA 2024 to YA 2027

10. Extension of Tax Exemption for Social Enterprise

- Currently, tax exemption is given on all income for up to 3 years of assessment received by a Social Enterprise, subject to the validity period of the Social Enterprise Accreditation
- It is proposed that the application period for the tax exemption be extended for another 2 years from the initial period of 1st January 2022 until 31st December 2023
- Effective for applications received by the MOF from 1st January 2024 to 31st December 2025

11. Extension of Tax Deduction on Issuance of SRI *Sukuk*

- Currently, tax deduction is given on the issuance cost of SRI *sukuk* approved/authorised/lodged with the SC from the YA 2016 to YA 2023
- The SRI *sukuk* is used exclusively for financing activities or transactions related to eligible SRI projects with the aim of preserving and conserving the environment, promoting sustainable development and enhancing the quality of life of the community
- It is proposed that the tax deduction on the issuance cost of SRI *sukuk* be extended for a period of 4 years
- Effective YA 2024 to YA 2027

12. Extension of Tax Exemption on Management Fees Income for SRI Funds

- Currently, income tax exemption is granted to a company in respect of statutory income derived from the business of providing fund management services for SRI Fund in Malaysia approved by the SC, until the YA 2023
- It is proposed that the income tax exemption on management fees income for managing the SRI Fund be extended for a period of 4 years
- Effective YA 2024 to YA 2027

13. Extension of Tax Incentive for Company Renting Non-Commercial EV

- Currently, companies renting non-commercial EV are given tax deduction up to a maximum of RM300,000 for 3 years until YA 2025
- It is proposed that the tax deduction on EV rental costs be extended for another 2 years
- Effective YA 2026 and YA 2027

14. Expansion of Scope of Income Tax Exemption on SRI *Sukuk* Grant and Bond Grant Scheme

- Currently, income tax exemption is given to the recipient of the Green SRI *Sukuk* Grant, now known as SRI *Sukuk* Grant and Bond Grant Scheme, to finance the external review expenditure incurred for the issuance of *sukuk*
- It is proposed that the tax exemption on the SRI *Sukuk* Grant and Bond Grant Scheme be expanded to include SRI-Linked *Sukuk* Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards approved by SC
- Effective for applications received by SC from 1st January 2024 to 31st December 2025

C. *Investment Incentives*

1. Review of Tax Incentives for Various Sectors

It is proposed that the following tax incentives granted to eligible companies in various sectors be expanded/extended:-

Tax Incentive / Allowance	Current Position	Proposed Changes and Effective Period
Automation in Manufacturing, Services and Agriculture Sectors	• Manufacturing, services and agriculture companies which incur qualifying capital expenditure on automation equipment including the adaptation of Industry 4.0 elements are given tax incentive as follows:- ○ Category 1: Labour-intensive industry (rubber, plastic, wood and textile products) - ACA of 100% for automation equipment on the first RM10 million for qualifying capital expenditure incurred; and ○ Category 2: Industries other than Category 1 including the services sector - ACA of 100% for automation equipment on the first RM10 million for qualifying capital expenditure incurred • Both categories are also eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred for automation equipment	• The scope of tax incentives be expanded to include commodity sector under the Ministry of Plantation and Commodities • Effective for applications received by the Ministry of Plantation and Commodities from 14th October 2023 to 31st December 2027

Tax Incentive / Allowance	Current Position	Proposed Changes and Effective Period
Angel Investor	• Tax exemption is granted to an Angel Investor in the second year of assessment following the year of assessment in which an investment is made in a tech start-up company in the form of ordinary shares • The amount of aggregate income to be exempted is equivalent to the amount of investment made by the Angel Investor in the investee company • For applications received by MOF from 1st January 2021 to 31st December 2023	• The tax exemption be extended for another 3 years from 1st January 2024 to 31st December 2026

2. Tax Incentives for Reinvestment under the New Industrial Master Plan 2030

- Currently, manufacturing and agricultural companies undertaking expansion, diversification, automation and modernisation projects are eligible for RA for 15 consecutive years of assessment
- This RA incentive is still in effect
- To encourage existing companies that have exhausted their RA eligibility period and to increase capacity and investment in high-value activities under the New Industrial Master Plan 2030, it is now proposed that a new tax incentive be given as follows:-
  - **Tier 1**
    - ITA of 100% of qualifying capital expenditure incurred and to be set off against 100% of the statutory income of a business
  - **Tier 2**
    - ITA of 60% of qualifying capital expenditure incurred and to be set off against 70% of the statutory income of a business

  The eligible ITA rate will be determined by outcome-based approach
- Effective for applications received by MIDA from 1st January 2024 to 31st December 2028

3. Tax Incentive for Global Services Hub

- Currently, Principal Hub tax incentive is given to attract investment with the objective of transforming Malaysia into a global business hub for high-value activities
- The current tax incentives are not based on outcome-based approach
- It is now proposed that Global Services Hub tax incentive subject to an outcome-based approach be introduced as follows:-

	New Company		Existing Company	
	Tier 1	**Tier 2**	**Tier 1**	**Tier 2**
Exemption Years	5 + 5		5	
Tax Incentive (Preferential Tax Rate)	5%	10%	5% on the value-added income	10% on the value-added income
Type of Income Exempted	(i) Services income; or (ii) Services and trading income			

Qualifying Services & Additional Services	Engaged in the following activities:- (i) Regional Profit and Loss / Business Management Unit; (ii) Strategic business planning; (iii) Corporate development; or (iv) Any two (2) qualifying activities under the services category as follows:- (a) Strategic services; (b) Business services; (c) Shared services; or (d) Other services
Conditions (Outcome-based)	(i) Annual operating expenditure; (ii) High value full-time employees; (iii) C-Suite with a minimum monthly salary of RM35,000; (iv) Local ancillary services; (v) Collaboration with higher education institution / Technical and Vocational Education and Training (vi) Training for Malaysian students/citizen; (vii) ESG elements; or (viii) Other conditions as determined by the MOF

- In addition, a special income tax rate of 15% be given for a period of three (3) consecutive years of assessment and limited to three (3) non-citizen individuals holding key / C-Suite positions with a minimum monthly salary of RM35,000 in a newly approved Global Services Hub company
- Effective for applications received by MIDA from 14th October 2023 to 31st December 2027

4. Review of Green Technology Tax Incentive

- Currently, companies undertaking qualifying green activities are given Green Investment Tax Allowance ["GITA"] or Green Investment Tax Exemption ["GITE"]
- Applications for the current tax incentive will expire on 31st December 2023
- It is now proposed that the green technology tax incentive be reviewed as follows:-

GITA Project (Business Purposes)

Qualifying Activities	% GITA	% of Statutory Income to be Set-off	Incentive Period
Tier 1:- 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

- Effective for applications received by MIDA from 1st January 2024 to 31st December 2026

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 MOF (ii) Battery Energy Storage System (iii) Green building	100%	70%	Qualifying capital expenditure incurred from 1st January 2024 to 31st December 2026
Tier 2:- (i) List of qualifying assets approved by MOF (ii) Renewable Energy System (iii) Energy efficiency	60%	70%	

- Effective for qualifying capital expenditure as verified by MGTC for the purchase of green technology assets starting from 1st January 2024 to 31st December 2026

GITE Solar Leasing

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

- Effective for applications received by MIDA from 1st January 2024 to 31st December 2026

5. Tax Incentives for the Pengerang Integrated Petroleum Complex

- To support the ecosystem of high-value activities, it is proposed that the Pengerang Integrated Petroleum Complex be turned into a development hub for the chemical and petrochemical sector with a new tax incentive package in the form of either a special tax rate or ITA
- The effective date of this proposal is unknown, pending the gazette of the relevant legislations

6. Income Tax Exemption on Income Derived from Islamic Securities Selling and Buying

- To increase the overall volume of securities trading and the liquidity of the *shariah*-compliant stock market, it is proposed that the income derived from Islamic Securities Selling and Buying be exempted from income tax
- Effective YA 2024

D. Stamp Duty

1. Review of Stamp Duty for Ownership of Property by Foreign-Owned Companies and Non-Citizens

- Currently, foreign-owned companies and non-citizen individuals who purchase properties in Malaysia are subjected to the same *ad valorem* stamp duty rates applicable to Malaysian citizens on the instrument of transfer

- It is proposed that a flat rate stamp duty of 4% be imposed on the instruments of transfer which are executed by foreign-owned companies and non-citizen individuals, except for Malaysian permanent residents
- Effective for the instrument of transfer of property ownership executed from 1st January 2024

2. Review of Stamp Duty for Transfer of Property Ownership by Renunciation of Rights

- Currently, stamp duty on instrument of transfer of property ownership is subject to a fixed duty of RM10 under Item 32(i) of the First Schedule, Stamp Act 1949 ["SA 1949"] if the ownership is transferred from the administrator to an eligible beneficiary in accordance with a will/*faraid* or the Distribution Act 1958
- If the eligible beneficiary renunciates his/her rights to another eligible beneficiary or non-beneficiary, *ad valorem* duty is charged under Item 66(c) of the First Schedule, SA 1949
- It is proposed that the stamp duty on the instrument of transfer of property ownership in which the eligible beneficiary renunciates his/her rights to another eligible beneficiary in accordance with a will/*faraid* or the Distribution Act 1958 be subjected to the fixed duty of RM10
- Effective for the instrument of transfer of property ownership executed from 1st January 2024

E. Sales and Service Tax and Indirect Taxes

1. Increase in Rate of Service Tax

- It is proposed that the rate of service tax be increased from 6% to 8%. However, in a bid to shield the Rakyat from undue financial strain, this increase will exclude essential services such as food and beverages as well as telecommunications

2. Expansion of the Scope of Taxable Services for Service Tax

- It is proposed that the scope of taxable services for service tax be expanded to include logistics, brokerage, underwriting and karaoke services

3. Exemption of Entertainments Duty in the Federal Territories

- In supporting the national creative industry's development, nurturing cultural unity and strengthening family bonding, it is proposed that an exemption of the current entertainments duty rate be given to selected type of entertainments held in the Federal Territories as follows:-

<table>
<tr><th rowspan="2">Type of Entertainments</th><th colspan="2">Entertainments Duty Rate</th></tr>
<tr><th>Current</th><th>Proposed (After Exemption)</th></tr>
<tr><td>Stage performance by international artists / light show / circus</td><td rowspan="6">25%</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 artists</td><td>0%</td></tr>
</table>

- Effective for applications received by the MOF from 1st January 2024 to 31st December 2028

4. Import Duty and Sales Tax Exemption on Manufacturing Aids

- To enhance the competitiveness of the manufacturing sector, it is proposed that import duty and sales tax exemption be given to eligible manufacturers on the importation and locally purchase of manufacturing aids, subject to the types of industry and the category of goods to be determined
- Effective 1st January 2024

5. Review of Excise Duty Rate of Sugar Sweetened Beverages

- To bolster the health and well-being of the *Rakyat* particularly targeting the prevention of diabetes and obesity, it is proposed that the excise duty rate on sugar sweetened beverages be increased from RM0.40 per litre to RM0.50 per litre
- Effective 1st January 2024

6. Imposition of Excise Duty on Chewing Tobacco

- In order to improve the health and well-being of the *Rakyat* as well as recognising the health risk of chewing tobacco which is comparable to smokers, it is proposed that excise duty at a rate of 5% + RM27/kg be levied on chewing tobacco under the tariff code 2403.99.5000
- Effective 1st January 2024

F. Labuan

1. Income Tax Exemption for Islamic Financial Activities under Labuan International Business and Financial Centre

- As an initiative to develop the Labuan International Business and Financial Centre as an Islamic and *Shariah*-compliant financial centre, it is proposed that full income tax exemption for 5 years be given to Labuan entity that undertakes Islamic financial-related trading activities such as Islamic digital banking, Islamic digital bourses, *ummah*-related companies and Islamic digital token issuers
- Effective YA 2024 to YA 2028

G. Others

1. Capital Gains Tax on Disposal of Unlisted Shares

- It was announced in 2023 Budget that Capital Gains Tax ["CGT"] will be introduced for the disposal of unlisted shares of companies
- It is now proposed that the CGT rate be imposed as follows:-

Shares Acquisition Date	CGT Rate
Before 1st March 2024	The taxpayers may choose:- i. 10% on the net gain of the disposal of shares; or ii. 2% on the gross sales value
From 1st March 2024	10% on the net gain of the disposal of shares

- Exemption from the CGT be given on the disposal of shares related to the following activities:-
  - Initial Public Offering approved by Bursa Malaysia; and
  - Restructuring of shares within the same group
- Effective 1st March 2024

2. Introduction of High Value Goods Tax

- A new legislation be introduced to implement the High Value Goods Tax at a rate of 5% to 10% on certain high value goods such as jewellery and watches based on the threshold value

3. Implementation of Global Minimum Tax

- To be in line with international taxation standards in curbing tax base erosion activities and the shifting of profits to countries with low tax rates, the Government targets to implement the global minimum tax in year 2025 for companies with a global income of at least EUR750 million

4. Implementation of e-Invoice

- The proposal to implement e-invoice was announced in 2023 Budget
- It is now proposed that the e-invoice will be enforced in phases as follows:-

Targeted Taxpayers	Implementation Date
Mandatory for taxpayers with annual income/sales exceeding RM100 million	1st August 2024
Taxpayers in other income categories will be enforced in phases	1st July 2025

- The tax identification number will be used to support the implementation of e-invoice

5. Incentives for Employers Hiring the Vulnerable Group

- Currently, incentive of RM600 per month for a period of 3 months is given to employers for hiring the vulnerable group such as persons with disabilities, ex-convicts, homeless people and the hardcore unemployed
- To encourage the employment of over 3,300 job seekers, it is announced that a special incentive of RM1,500 per month will be given to employers for a period of 6 months for each hiring of the vulnerable

6. Increase in Monthly Wage Ceiling for SOCSO Contributions

- The Government propose to raise the monthly wage ceiling for SOCSO contributions from the current RM5,000 to RM6,000. The increase in cash will benefit 1.45 million workers and their dependents

7. Grants

- The Government has allocated funds for the following grants in 2024 Budget:-

No.	Type of Grants	Allocation	Targeted Beneficiary and Purposes	Eligible Amount
i.	i-TEKAD Social Finance Programme	RM25 million	Financial assistance for MSME	Matching grant
ii.	MSME Digitalisation Grant	RM100 million	To benefit more than 20,000 MSME entrepreneurs in upgrading the sales, inventory and digital accounting systems	Matching grant up to RM5,000
iii.	Jalan Port Klang Grant	RM50 million	To maintain Jalan Port Klang while enforcing the overload limit on heavy vehicles	Matching grant
iv.	Malaysia Maritime Single Window Grant	RM20 million	To unite the trading communities at the port through an integrated digital portal along with various other Government agencies	Matching grant

No.	Type of Grants	Allocation	Targeted Beneficiary and Purposes	Eligible Amount
v.	Research and Development Grant	RM50 million	For the collaboration between public universities and private sectors in intensifying research and innovation activities	Matching grant
vi.	Sports Matching Grant	RM50 million	To encourage the organisation of high-performance sports events by sports association and the private sector	Matching grant