

Appendix II

Tax Measures

Budget 2024

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Expansion Of Scope Of Income Tax Relief For Medical Treatment Expenses For Self, Spouse And Child

Current Position

With effect from year of assessment 2023, the income tax relief limit for medical expenses is increased from RM8,000 to RM10,000. The scope of medical treatment expenses covers:

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

Proposal

To support the National Dental Health Policy in promoting dental care among the rakyat, it is proposed the scope of 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 Date

From the year of assessment 2024.

Expansion Of Scope Of Income Tax Relief For Medical Treatment, Special Needs And Carer Expenses For Parents

Current Position

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

- i. Treatment in clinics and hospitals;
- ii. Treatment at nursing homes;
- iii. Dental treatment not including cosmetic dental treatment; and
- iv. Treatment and home care nursing, daycare centres and residential care centres.

Proposal

To increase level of awareness among tax payers on parents' health and continue practicing a healthy lifestyle in line with the Malaysia MADANI pillars which prioritise on the prosperity of the rakyat and nurture compassion values, it is proposed the scope of tax relief be expanded to full medical examination for parents limited to RM1,000.

Effective Date

From the year of assessment 2024.

Review Of Income Tax Relief For Lifestyle

Current Position

Income tax relief for lifestyle of up to RM2,500 is provided to individual taxpayer on the purchase of reading materials including e-book, printed/electronic daily newspapers, personal computers, smartphones or tablets, internet subscriptions, sports equipments and gymnasium membership fees.

Additional relief for lifestyle of up to RM500 is specifically allocated for:

- i. Purchasing sports equipments;
- ii. Payment of rental/entry fees to sports facilities; and
- iii. Registration fees for participating in sports competitions.

Proposal

To streamline and improve income tax relief for lifestyle and sports activities, it is proposed the limit and scope of tax relief for lifestyle be restructured as follows:

- i. The lifestyle relief of up to RM2,500 is for the purchase of reading materials including e-book, printed/electronic daily newspapers, purchase of personal computers, smartphones or tablets and internet subscriptions.

The scope be expanded to include fees for self skills enhancement course. Whereas, the purchase of sports equipment and gymnasium membership fees are removed from the scope of lifestyle relief.

- ii. Specific tax relief be introduced for "Sports Equipment and Activities" limited to RM1,000.

The scope of relief covers the purchase of sports equipment, rental or entry fees to sports facilities, registration fees for participating in sports competitions and gymnasium membership fees. This relief is also expanded to 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 Date

From the year of assessment 2024.

Extension Of Individual Income Tax Relief For Up-Skilling And Self-Enhancement Courses Fees

Current Position

Individual income tax relief of up to RM2,000 from the total education fees relief of RM7,000 is given on fees paid for attending up-skilling or self-enhancement courses recognised by the Department of Skills Development, Ministry of Human Resources. The tax relief is given for the year of assessment 2022 and year of assessment 2023.

Proposal

To further encourage Malaysian citizens to improve and enhance their skills as well as to venture into new areas of income, it is proposed the income tax relief be extended for a period of 3 years.

Effective Date

From the year of assessment 2024 until the year of assessment 2026.

Extension Of Individual Income Tax Relief For Electric Vehicle Charging Facilities

Current Position

Individual income tax relief up to RM2,500 on expenses related to installation, rental, purchasing including hire-purchase equipment or subscription fees for Electric Vehicle (EV) charging facilities is given for the year of assessment 2022 and the year of assessment 2023.

Proposal

To further support the development of the local EV industry and in-line with the New Industrial Master Plan 2030, it is proposed individual income 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 Date

From the year of assessment 2024 until the year of assessment 2027.

Review Of Conditions For Institutions/Organisations/Funds Approved Under Subsection 44(6) Income Tax Act 1967

Current Position

Subsection 44(6) Income Tax Act 1967 (ITA 1967) provides income tax exemption as an incentive to institutions/organisations/funds that carry out charitable activities and operated not solely for profit. Institutions/organisations/funds must adhere to the approval conditions as stipulated in the legislation and regulations set by the Director General of Inland Revenue (DGIR) in the Guidelines for Approval Under Subsection 44(6) ITA 1967.

Institutions/organisations/funds that have been granted approval will receive benefits, income tax exemption on all income received as provided under Paragraph 13(1) Schedule 6 ITA 1967 and donors are eligible for a tax deduction restricted to 10% of the aggregate income.

Among the conditions that must be complied by institutions/organisations/funds after obtaining approval under subsection 44(6) ITA 1967 are as follows:

- i. At least 50% of the income earned in the previous year must be spent in the following year for activities to achieve the objectives of the institutions/organisations/funds; and
- ii. Institutions/organisations/funds are allowed to participate in business with the condition that they utilise not more than 25% of the accumulated funds on the first day of the assessment year. All income generated must be channelled back into the fund to be used to fulfil its charitable objectives.

In the event where the institutions/organisations/funds breach any of the approval conditions stated in the guidelines or the ITA 1967, DGIR may withdraw the approval under subsection 44(6) of the ITA 1967.

Proposal

To enhance tax compliance among institutions/organisations/funds approved under subsection 44(6) ITA 1967, it is proposed the approval conditions be reviewed as follows:

- i. The accumulated funds utilisation limit of not more than 25% for participation in business activities be increased up to 35% to ensure the income of the approved institutions/organisations/funds continues to be sustainable;
- ii. Institutions/organisations/funds may choose any of the following options to continue receiving the subsection 44(6) incentives benefits:

Option	Utilisation of Accumulated Funds	Threshold of Charitable Activity Expenditure
1	Up to 25%	At least 50%
2	Over 25% and up to 35%	At least 60%

- iii. Approval conditions have been set out in the guidelines and DGIR approval letters to institutions/organisations/funds. In the event any of the conditions are breached, DGIR will not withdraw the approval under subsection 44(6) for institutions/organisations/funds during the validity period. The approval status is upheld to ensure that donors remain eligible for tax deductions on contributions made to institutions/organisations/funds throughout the approval period; and
- iv. For any breach of conditions within the approval period, the institutions/organisations/funds will not be eligible for tax exemption and DGIR will raise tax assessment on all income received by the institutions/organisations/funds in the year of assessment the breach of conditions occurred.

Effective Date

From the year of assessment 2024.

Review Of Income Tax Exemption For Child Care Allowance Under Perquisites From Employment

Current Position

From the year of assessment 2008, income tax exemption is given on perquisites received by employees including child care allowance for children aged 12 and below. Income Tax exemption on child care allowances received by employees or paid directly by employers to childcare centres is given up to RM2,400 per year.

From the year of assessment 2013, employers who provide child care centres in the workplace are given tax incentive is as follows:

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

Proposal

To instill the value of compassion among employers in line with Malaysia MADANI pillars, it is proposed the income tax exemption on child care allowances received by employees or paid directly by employers to child care centres be increased from RM2,400 to RM3,000 per year.

Effective Date

From the year of assessment 2024.

Extension Of Income Tax Exemption For Social Enterprise

Current Position

In the 2022 Budget, income tax exemption is given on all income of Social Enterprise up to 3 years of assessment subject to the validity period of accreditation by the Ministry of Entrepreneur Development and Cooperatives. The exemption is for applications received by the Ministry of Finance from 1 January 2022 until 31 December 2023.

Proposal

To assist Social Enterprise in raising funds that create positive social or environmental impact in line with Malaysia MADANI's pillars of sustainability, prosperity and compassion, it is proposed the application period for tax exemption on all income of Social Enterprise be extended for 2 years.

Effective Date

For applications received by the Ministry of Finance from 1 January 2024 until 31 December 2025.

Capital Gains Tax On Disposal Of Unlisted Shares

Current Position

Tax on gains from the disposal of real property and shares in real property companies is imposed under the Real Property Gains Tax Act 1976 at a rate of 10% to 30% depending on the holding period. There is no tax imposed on gains from the disposal of shares except shares in real property companies.

Proposal

In line with Budget 2023 announcement to implement Capital Gains Tax (CGT) on the disposal of unlisted shares for companies, it is proposed CGT rate be imposed as follows:

Shares Acquisition Date	CGT Rate
Before 1 March 2024	The taxpayers may choose: <ul style="list-style-type: none"> i. 10% on the net gain of the disposal of shares; or ii. 2% on the gross sales value.
From 1 March 2024	10% on the net gain of the disposal of shares

To ensure the smooth implementation of CGT and reduce the cost of doing business, it is proposed CGT exemption be given on the disposal of shares related to the following activities:

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

Effective Date

From 1 March 2024.

Tax Deduction On Environmental, Social And Governance Related Expenditures

Current Position

Environmental, Social and Governance (ESG) represents the criteria used to assess a company's sustainability practices and ethics, encompassing environmental impact, social responsibility and governance effectiveness. The implementation of ESG will support Government initiatives and efforts in achieving sustainable development goals.

However, compliance to ESG standards will increase the costs of doing business as it is not allowed for tax deduction under Income Tax Act 1967.

Proposal

To encourage more corporate participation in complying with ESG standards towards sustainable and inclusive development in line with Ekonomi MADANI as well as enhancing the governance in tax administration system, it is proposed tax deduction 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 Lembaga Hasil Dalam Negeri Malaysia (LHDNM)	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 (MSME)
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by the Minister of Finance

Effective Date

From the year of assessment 2024 until the year of assessment 2027.

Review Of Capital Allowance On Information And Communication Technology Equipment And Computer Software

Current Position

Capital expenditure incurred by companies on purchase of information and communication technology (ICT) equipment and computer software are allowed to claim capital allowance as follows:

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

Proposal

To assist companies to remain competitive in tandem with the current technological advancement, it is proposed capital allowances rates be revised as follows:

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

With the revised rate, the capital allowance claim period be reduced from 4 years to 3 years.

Effective Date

From the year of assessment 2024.

Extension Of Tax Exemption On Management Fees Income For Sustainable And Responsible Investment Funds

Current Position

Companies that provide Sustainable and Responsible Investments (SRI) fund management services to investors, business trusts investors or Real Estate Investment Trusts (REITs) investors in Malaysia approved by the Securities Commission Malaysia are given tax exemption on management fees income for managing SRI funds.

Proposal

To further strengthen SRI's fund management services in line with Malaysia MADANI's pillars of sustainability, prosperity and compassion, it is proposed the income tax exemption be extended for a period of 4 years.

Effective Date

From the year of assessment 2024 until the year of assessment 2027.

Extension Of Tax Deduction On Issuance Of Sustainable And Responsible Investments Sukuk

Current Position

Tax deduction is given on the issuance cost of Sustainable and Responsible Investments (SRI) sukuk approved or authorised or lodged with the Securities Commission Malaysia. 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.

The incentive is given from the year of assessment 2016 until the year of assessment 2023.

Proposal

To further promote the issuance of SRI sukuk that achieve green, social and sustainable standards in line with Malaysia MADANI, it is proposed the tax deduction be extended for a period of 4 years.

Effective Date

From the year of assessment 2024 until the year of assessment 2027.

Expansion Of Scope Of Income Tax Exemption On The Sustainable And Responsible Investments Sukuk Grant And Bond Grant Scheme

Current Position

Capital Market Development Fund (CMDf) has provided Green Sustainable and Responsible Investments (SRI) Sukuk Grant amounting to RM6 million. Each Green SRI sukuk issuer needs to apply the grant to the Securities Commission Malaysia (SC) to finance the external review expenses up to RM300,000.

The Green SRI Sukuk Grant covers all types of SRI sukuk and bonds that meet the ASEAN Green, Social and Sustainability Bond Standards approved by SC. The grant is then renamed to SRI Sukuk Grant and Bond Grant Scheme. The income tax exemption on the grant is given from 1 January 2018 until 31 December 2025.

Proposal

To further encourage the issuance of SRI sukuk and bonds that achieve green, social and sustainable standards in Malaysia, it is proposed the 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.

Effective Date

For applications received by SC from 1 January 2024 until 31 December 2025.

Review Of Income Tax Exemptions On Shariah-Compliant Fund Management Services

Current Position

Shariah-compliant fund management services companies approved by the Securities Commission Malaysia are given 100% income tax exemption on statutory income from fund management services as follows:

Investor Categories	Years of Assessment
Foreign investors in Malaysia	2007 until 2023
Local investors	2008 until 2023
Business Trust investors or Real Estate Investment Trusts (REITs) investors in Malaysia	2014 until 2023

Proposal

To further support the growth of Shariah-compliant fund management services, it is proposed the income tax exemption period for Shariah-compliant fund management services companies be extended for 4 years with 60% tax exemption.

Effective Date

From the year of assessment 2024 until the year of assessment 2027.

Review Of Stamp Duty For Transfer Of Property Ownership By Renunciation Of Rights

Current Position

Transfer of property ownership involving inheritance property is subject to a fixed duty of RM10 under Item 32(i) of the First Schedule, Stamp Act 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 eligible beneficiary renounces his/her right to another eligible beneficiary or non-beneficiary, ad valorem duty is charged under Item 66(c) of the First Schedule, Stamp Act 1949.

Proposal

In line with the Malaysia MADANI pillars which prioritise the prosperity of the rakyat and nurture compassion values, it is proposed the transfer of property ownership in which the eligible beneficiary renounces his/her right to another eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958 be subjected to a fixed duty of RM10.

Effective Date

For the instrument of property ownership transfer executed from 1 January 2024.

Review Of Stamp Duty For Property Ownership By Non-Citizen

Current Position

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

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

Proposal

As part of the property price control mechanism, it is proposed a flat rate stamp duty of 4% be imposed on the instrument of transfer executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents).

Effective Date

For instrument of property ownership transfer executed from 1 January 2024.

Income Tax Exemption For Islamic Financial Activities Under Labuan IBFC

Current Position

Labuan entity that undertakes trading activities such as banking, insurance and trust companies are taxed at a fixed rate of 3% on audited net profits, while Labuan entity that undertakes non-trading activities such as equity holding are taxed at a fixed rate of 0% on audited net profits. Labuan entities are also subject to substantive requirements which are full-time employees and annual operating expenses in Labuan.

Proposal

As an initiative to develop the Labuan International Business and Financial Centre (IBFC) as an Islamic and Shariah-compliant financial centre, it is proposed full income tax exemption for a period of 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 Date

From the year of assessment 2024 until the year of assessment 2028.

Incentive For Reinvestment Under The New Industrial Master Plan 2030

Current Position

Manufacturing and agricultural companies undertaking expansion, diversification, automation and modernization projects are eligible for Reinvestment Allowance (RA) under Schedule 7A of the Income Tax Act 1967. The companies are eligible to claim RA of 60% of the capital expenditure incurred and can be set-off against up to 70% of statutory income for 15 consecutive years of assesment. This tax incentive is still in effect.

Proposal

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 proposed tax incentives be given as follows:

Investment Tax Allowance	Tier 1	Tier 2
Qualifying Capital Expenditure	100%	60%
Statutory Income to be Set-Off	100%	70%

The eligible investment tax allowance rate will be determined by outcome-based approach.

Effective Date

For applications received by the Malaysian Investment Development Authority from 1 January 2024 until 31 December 2028.

Tax Incentive For Global Services Hub

Current Position

To attract quality investment, the Government has introduced the Principal Hub tax incentive with the objective of transforming Malaysia into a global business hub for high-value activities which are managing, controlling and supporting core business functions such as risk management, decision-making, strategic business and finance. The incentive given is income tax at a rate of 0%, 5% and 10% subject to certain condition such as incur minimum annual business expenditure and provide full-time high value employment. However, the current tax incentives are not based on outcome-based approach.

Proposal

To maintain Malaysia's competitiveness as a key player in the global services sector in the region and to establish the country as a high-impact strategic services hub, it is proposed Global Services Hub tax incentive based on 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	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	<ul style="list-style-type: none"> i. Services income; or ii. Services and trading income. 			
Qualifying Services & Additional Services	<p>Undertake the following activities:</p> <ul style="list-style-type: none"> i. Regional P&L/Business Management Unit; ii. Strategic business planning; iii. Corporate development; <p>AND</p> <p>Any 2 qualifying activities under the services category as follows:</p> <ul style="list-style-type: none"> i. Strategic services; ii. Business services; iii. Shared services; or iv. Other services. 			
Conditions (Outcome-based)	<ul style="list-style-type: none"> 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/TVET; vi. Training for Malaysian students/citizen; vii. Environmental, Social and Governance (ESG) elements; or viii. Other conditions as determined by the Minister of Finance. 			

The determination of the eligibility for the income tax rate that a company will enjoy for each year of assessment is based on the outcome-based approach.

In addition, it is proposed income tax rate of 15% 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 incentive.

Effective Date

For applications received by the Malaysian Investment Development Authority from 14 October 2023 until 31 December 2027.

Review Of Tax Incentive For Automation In Manufacturing, Services And Agriculture Sectors

Current Position

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

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

Proposal

To increase agricultural productivity and minimise dependency on foreign labour, it is proposed the scope of ACA be expanded to include the commodity sector under the Ministry of Plantation and Commodities (KPK).

Effective Date

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

Review Of Tax Incentive For Women Career Comeback Programme

Current Position

Women in career break and return to work are eligible for income tax exemption on employment income received for a maximum period of 12 consecutive months.

The eligibility criteria set are as follows:

- i. Women returned to work after a career break of at least 2 years before or up to 27 October 2017; and
- ii. Employment income received in the year of assessment 2018 until the year of assessment 2024.

The tax incentive is for applications received by the Talent Corporation Malaysia Berhad not later than 31 December 2023.

Proposal

In line with the Sustainable Development Goals (SDGs) and Ekonomi MADANI targets to increase women workforce, it is proposed the eligibility criteria for the Women Career Comeback Programme tax incentive be enhanced as follows:

- i. Women returning to work after a career break at least 2 years before the date of application received by the Talent Corporation Malaysia Berhad; and
- ii. Employment income received from the year of assessment 2025 until the year of assessment 2028.

Effective Date

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

Review Of Tax Incentives For Returning Expert Programme

Current Position

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

- i. Income tax at a fixed rate of 15% on employment income for 5 consecutive years of assessment; and
- ii. Import and excise duties exemption for the purchase of a Completely Built-Up (CBU) vehicle or excise duty exemption for the purchase of a Completely Knocked-Down (CKD) vehicle, subject to an exemption amount of up to RM100,000.

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

Proposal

To further encourage global talent circulation and attract professional Malaysian diaspora to return, it is proposed the tax incentive be reviewed as follows:

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

Effective Date

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

Review Of Tax Incentive For Equity Crowdfunding

Current Position

Individual investors who invest in equity crowdfunding (ECF) are eligible for tax exemption on aggregate income equivalent to 50% of the amount invested subject to the following conditions:

- i. The eligible amount for tax exemption is limited to RM50,000 for each year of assessment;
- ii. The deductible amount is limited to 10% of the aggregate income for that year of assessment. The excess amount which is not deductible will be disregarded;
- iii. The investor, investee company and amount of investment must be verified by the Securities Commission Malaysia;
- iv. The investor must not have any family relationship with the investee company;
- v. Investment must be made through ECF platform approved by the Securities Commission Malaysia; and
- vi. The investment is not allowed to be wholly or partly disposed within 2 years from the date of investment.

The tax incentive is for investment made from 1 January 2021 until 31 December 2023.

Proposal

To attract more individual investors to invest in start-up companies through ECF platform, it is proposed the tax incentive be expanded to investment made by individual investor through Limited Liability Partnership nominee company and be extended for a period of 3 years.

Effective Date

For investment made from 1 January 2024 until 31 December 2026.

Extension Of Tax Incentive For Angel Investor

Current Position

An angel investor investing in a tech start-up company in the form of ordinary shares is eligible for tax exemption at the aggregate income level. The amount of aggregate income exempted is equivalent to the amount of investment made in a tech start-up company.

The tax incentive is for applications received by the Ministry of Finance from 1 January 2021 to 31 December 2023.

Proposal

To attract more angel investors to provide capital funding for tech start-up companies, it is proposed the tax incentive be extended for a period of 3 years.

Effective Date

For investment made from 1 January 2024 until 31 December 2026.

Review Of Green Technology Tax Incentive

Current Position

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

i. Green Investment Tax Allowance (GITA)

Investment Tax Allowance of 100% on capital expenditure for qualifying green activities for a period of 3 years. The allowance can be set-off against up to 70% of statutory income.

ii. Green Income Tax Exemption (GITE)

- a. Income tax exemption of 70% of statutory income on qualifying green services activities for a period of 3 years of assessment; and
- b. Income tax exemption of 70% of statutory income for a period of up to 10 years of assessment on solar leasing activity.

These tax incentives are for applications received by the Malaysian Investment Development Authority (MIDA) until 31 December 2023.

Proposal

In line with Malaysia's aspiration to be an inclusive, sustainable and carbon neutral nation by 2050, it is proposed green technology tax incentives 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
<p><u>Tier 1</u></p> <ul style="list-style-type: none"> 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
<p><u>Tier 2</u></p> <ul style="list-style-type: none"> i. List of qualifying assets approved by Minister of Finance ii. Renewable Energy System iii. Energy efficiency 	60%	70%	

GITE Solar Leasing

Tier	Tax Exemption on Statutory Income	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.

Extension Of Tax Incentive For Rental Of Electric Vehicle

Current Position

In the 2023 Budget, companies that rent non-commercial electric vehicles (EV) are given tax deduction up to RM300,000 effective from the year of assessment 2023 until the year of assessment 2025.

Proposal

To encourage the use of EV and to support green mobility ecosystem in line with the National Energy Transition Roadmap, it is proposed tax deduction on EV rental cost be extended for a period of 2 years.

Effective Date

Until the year of assessment 2027.

Tax Deduction On Contributions For Environmental Preservation And Conservation Projects

Current Position

Global climate change has become a threat to the nature's sustainability and biodiversity in Malaysia. The Government has implemented various efforts and initiatives to preserve and conserve the environment, including reforestation activities such as 100 Million Tree Planting Campaign 2021 – 2025.

Forest Research Institute Malaysia (FRIM) is the Government agency involved directly in encouraging the participation of the private sector through corporate social responsibility (CSR) programmes in tree planting activities as well as instilling awareness and disseminating information to the public on the importance of protecting mother nature.

To encourage the participation of the private sector to contribute in charity or community projects, tax deduction under subsection 34(6)(h) Income Tax Act 1967 are given on expenses incurred by the company for provision of services, public amenities, charity or community projects pertaining to education, health, housing, enhancement of income of the poor, infrastructure, information and communication technology, maintenance of heritage building including environmental preservation or conservation projects.

Proposal

To support the CSR programmes implemented by FRIM, it is proposed 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.

Effective Date

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

Further Tax Deduction For Voluntary Carbon Market

Current Position

In line with the efforts to encourage companies to invest in Clean Development Mechanism Projects to reduce greenhouse gases, income tax exemption on the sale of Certified Emissions Reduction (CERs) was given from the year of assessment 2008 until the year of assessment 2012.

In 2022, Bursa Malaysia launched a voluntary carbon market (VCM) initiative known as the Bursa Carbon Exchange (BCX). This initiative acts as a voluntary platform for carbon credit trading between carbon development project owners with any entity that aims to shift to low carbon practices. Expenditure related to development of carbon projects incurred by carbon credit trading companies is allowed for tax deduction under subsection 33(1) Income Tax Act 1967.

Proposal

In line with the Government's aspiration to become a carbon-neutral nation by 2050 and to encourage more companies to participate in VCM, it is proposed 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 the development of carbon projects. The further tax deduction is deductible from the carbon credits income traded on BCX.

The 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 the Malaysia Green Technology and Climate Change Corporation (MGTC).

Effective Date

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

Import Duty And Sales Tax Exemption On Manufacturing Aids

Current Position

Manufacturing aids refers to goods used in the manufacturing process to accelerate, improve, complement and complete the manufacturing process of the finished goods, but it is not part of the finished goods.

Manufacturers are not entitled for import duty and sales tax exemption on the importation and locally purchased of manufacturing aids under the Customs Act 1967 and the Sales Tax Act 2018.

Proposal

To enhance the competitiveness of manufacturing sector, it is proposed import duty and sales tax exemption be given to eligible manufacturers on the importation and locally purchased of manufacturing aids subject to types of industry and category of goods determined.

Effective Date

From 1 January 2024.

Entertainments Duty Exemption In The Federal Territories

Current Position

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

Under subsection 12(1)(b) Entertainments Duty Act 1953, the Minister of Finance may exempt entertainments duty on any entertainment events held in the Federal Territories, while under subsection 12(2), the State Authorities may exempt entertainments duty on any entertainment events held in their respective states.

Proposal

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

Type of Entertainments	Entertainments Duty Rate	
	Current	After Exemption
Stage performance by international artist / Light Show / Circus	25%	10%
Film screening (Cinema) / Theatre		
Exhibition / Zoo / Aquarium		
Sports Event / E-Sports / Bowling / Snooker / Pool / Billiard / Karaoke		5%
Theme Park / Family Recreation Centre / Indoor Games Centre / Simulator		
Stage performance by local artist		

Effective Date

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

Review Of Excise Duty Rate On Sugar Sweetened Beverages

Current Position

The imposition of excise duty on sugar sweetened beverages at the rate of RM0.40 per litre based on sugar content threshold has come into effect from 1 July 2019 on the following beverages:

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

Proposal

In line with the effort to improve the health and well-being of the rakyat especially through the prevention of diabetic disease and obesity, it is proposed the excise duty rate for sugar sweetened beverages be increased to RM0.50 per litre.

Effective Date

From 1 January 2024.

Imposition Of Excise Duty On Chewing Tobacco

Current Position

Smokeless tobacco products such as chewing and sucking tobacco and snuff tobacco are subjected to import and excise duties and sales tax as follows:

Types of Duty/Tax	Chewing Tobacco	Snuff Tobacco
Import duty	5% + RM50/kg	5% + RM40/kg
Excise duty	Not applicable	5% + RM27/kg
Sales tax	10%	10%

Proposal

To improve the health and well-being of the rakyat as well as considering the risk of consuming chewing tobacco is the same as smoking, it is proposed excise duty at a rate of 5% + RM27/kg be imposed on chewing and sucking tobacco under the tariff code 2403.99.5000.

Effective Date

From 1 January 2024.

Expansion Of Taxable Service Scope And Changes On The Service Tax Rate

Current Position

Service tax is imposed on taxable services specified in the First Schedule, Service Tax Regulations 2018 with tax rates as follows:

Group	Taxable Services	Tax Rate
A	Accommodation	6%
B	Food and Beverage	
C	Nightclubs, Dance Halls, Cabarets, Health and Wellness Centres, Massage Parlours, Public Houses and Beer Houses	
D	Private Club	
E	Golf Club and Golf Driving Range	
F	Betting and Gaming	
G	Professionals	
H	Credit Card and Charge Card	
I	Other Service Providers	6%

In the Budget 2022, the scope of courier services has been expanded to include delivery services. However, the implementation of service tax on delivery services had been postponed.

Proposal

In line with measures to strengthen the fiscal position through a progressive approach, it is proposed:

A. Expansion of Taxable Services Scope

The existing taxable services be expanded to include **new type of taxable services** as follows:

- i. Group C: **Karaoke centre** services;
- ii. Group I:
 - a. **Delivery** services (except for delivery of food and beverage);
 - b. **Brokerage and underwriting** services for **non-financial services** such as brokerage for ship and aircraft space, commodity and real estate; and
 - c. **Logistic** services.

For the purpose of mandatory registration by service providers of karaoke centers, delivery services, brokerage and underwriting (other than financial) and logistics, the **threshold value** of taxable services is set at RM500,000.

B. Changes on the Service Tax Rate

Service tax rate is increased from 6% to **8%** on all taxable services **except** for the following taxable services which are subject to service tax at the rate of 6%:

- i. Group B: Food and beverage;
- ii. Group I: Telecommunication services;
- iii. Group I: Vehicle parking space services; and
- iv. Group I: Logistic services.

Effective Date

Starting from 1 March 2024.



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