

HIGHLIGHTS OF BUDGET 2024

Budget 2024 was unveiled on 13 October 2023 by the Prime Minister Datuk Seri Anwar Ibrahim. Themed “**MADANI Economy: Empowering the People**”, Budget 2024 aims to strengthen the economy, raise the living standards of all Malaysians and to broaden the tax base.

We have extracted in this Budget 2024 Highlights, budget proposals which in our view would be relevant from both the business and individual perspectives to our clients for their consideration.

The implementation of the proposals would be subject to any clarification and guidance from the relevant authorities and being legislated where applicable. As such, further details on the proposals are expected to be released by the authorities in due course.

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| Glossary | |
|----------|--|
| MIDA | Malaysian Investment Development Authority |
| MOF | Ministry of Finance |
| YA | Year of Assessment |

HIGHLIGHTS OF BUDGET 2024

| A | INDIVIDUAL TAX | <i>Effective</i> |
|----|--|--------------------|
| 1. | <p><u>Expansion of Scope of Tax Relief for Medical Treatment Expenses</u></p> <ul style="list-style-type: none"> The scope of tax relief of up to RM10,000 is expanded to cover dental examination and treatment expenses for taxpayer, spouse or child limited to RM1,000 from dental practitioners registered with the Malaysian Dental Council | YA2024 |
| 2. | <p><u>Expansion of Scope of Tax Relief for Medical Treatment, Special Needs and Carer Expenses for Parents</u></p> <ul style="list-style-type: none"> The scope of tax reliefs of up to RM8,000 is expanded to cover the full medical examination for parents limited to RM1,000 | YA2024 |
| 3. | <p><u>Review of Tax Relief for Lifestyle</u></p> <ul style="list-style-type: none"> The scope is expanded to include fees for self-skills enhancement courses The purchase of sports equipment and gymnasium membership fees are removed from the scope | YA2024 |
| 4. | <p><u>Specific Tax Relief for Sports Equipment and Activities</u></p> <ul style="list-style-type: none"> The scope of tax 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 It 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 The relief is limited to RM1,000 | YA2024 |
| 5. | <p><u>Extension of Tax Relief for Up-Skilling and Self-Enhancement Courses Fees</u></p> <ul style="list-style-type: none"> The tax relief of up to RM2,000 from the total education fees relief of RM7,000 be extended for a period of 3 years | YA 2024 to YA 2026 |
| 6. | <p><u>Extension of Tax Relief for Electric Vehicle (EV) charging facilities</u></p> <ul style="list-style-type: none"> The tax relief of up to RM2,500 on expenses related to installation, rental, purchasing including hire-purchase equipment or subscription fees for Electric Vehicle (EV) charging facilities be extended for a period of 4 years | YA 2024 to YA 2027 |
| 7. | <p><u>Review of Income Tax Exemption for Childcare Allowance under Perquisites from Employment</u></p> <ul style="list-style-type: none"> The income tax exemption on childcare allowances received by employees or paid directly by employers to childcare centres be increased from RM2,400 to RM3,000 per year | YA 2024 |
| 8. | <p><u>Review of Tax Incentive for Women Career Comeback Programme</u></p> <ul style="list-style-type: none"> The tax exemption eligibility criteria for the Women Career Comeback Programme be enhanced as follows: <ul style="list-style-type: none"> Eligibility period extended to 31 December 2027 Eligible employment income extended to income received from YA 2025 until YA 2028. For applications received by the Talent Corp from 1 January 2024 until 31 December 2027 | 1 Jan 2024 |

HIGHLIGHTS OF BUDGET 2024

| A | INDIVIDUAL TAX | <i>Effective</i> |
|----|---|-------------------|
| 9. | <p><u>Review of Tax Incentives for Returning Expert Programme</u></p> <ul style="list-style-type: none"> • The following tax incentive for returning Malaysian professionals be extended from 31 December 2023 to 31 December 2027: <ul style="list-style-type: none"> ○ Income tax at a fixed rate of 15% on employment income received by an individual for 5 consecutive YAs; and ○ Exemption on excise duty for the purchase of a CKD vehicle subject to an exemption amount of up to RM100,000 • For applications received by the Talent Corp from 1 January 2024 until 31 December 2027 | <i>1 Jan 2024</i> |

| B | CORPORATE TAX | <i>Effective</i> | | | | | |
|---|--|-------------------------|------|--|--|---|---------------|
| 1. | <p><u>Review of Capital Allowance on Information and Communication Technology (ICT) Equipment and Computer Software</u></p> <ul style="list-style-type: none"> • The capital allowances rate be revised as follows: <table border="1" style="margin-left: 20px; width: 100%;"> <thead> <tr> <th style="background-color: #fce4d6;">Qualifying Expenditure</th> <th style="background-color: #fce4d6;">Rate</th> </tr> </thead> <tbody> <tr> <td>Purchase of ICT equipment and computer software packages</td> <td rowspan="2" style="text-align: center;">Initial Allowance: 40% <i>(increased from 20%)</i> Annual Allowance: 20%</td> </tr> <tr> <td>Consultation, licensing and incidental fees related to customised computer software development</td> </tr> </tbody> </table> | Qualifying Expenditure | Rate | Purchase of ICT equipment and computer software packages | Initial Allowance: 40% <i>(increased from 20%)</i> Annual Allowance: 20% | Consultation, licensing and incidental fees related to customised computer software development | <i>YA2024</i> |
| Qualifying Expenditure | Rate | | | | | | |
| Purchase of ICT equipment and computer software packages | Initial Allowance: 40% <i>(increased from 20%)</i> Annual Allowance: 20% | | | | | | |
| Consultation, licensing and incidental fees related to customised computer software development | | | | | | | |
| 2. | <p><u>Extension of Tax Deduction on Issuance Cost of Sustainable and Responsible Investment (SRI) Sukuk</u></p> <ul style="list-style-type: none"> • Tax deduction on the cost of issuing SRI Sukuk be extended for a period of 4 years | <i>YA2024 to YA2027</i> | | | | | |

| C | TAX INCENTIVES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--------------------------|---|--|--------------------------------|------|--------|--------------------------------|--------|--------|-----------------|-------|--|---|--|---------------|----------------|-----------------|---|--|--------------------------|---|--|--|--|---|---|--|--|--|----------------------------|---|--|--|--|
| 1. | <p><u>Incentive for Reinvestment under the New Industrial Master Plan 2030</u></p> <ul style="list-style-type: none"> 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: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #fce4d6;">Investment Tax Allowance</th> <th style="background-color: #fce4d6;">Tier 1</th> <th style="background-color: #fce4d6;">Tier 2</th> </tr> </thead> <tbody> <tr> <td>Qualifying Capital Expenditure</td> <td>100%</td> <td>60%</td> </tr> <tr> <td>Statutory Income to be Set-Off</td> <td>100%</td> <td>70%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The eligible investment tax allowance rate will be determined by outcome-based approach, that uses a tiered system to incentivise taxpayers based on their commitments and contributions <p><i>Effective: For applications received by the MIDA from 1 January 2024 until 31 December 2028</i></p> | Investment Tax Allowance | Tier 1 | Tier 2 | Qualifying Capital Expenditure | 100% | 60% | Statutory Income to be Set-Off | 100% | 70% | | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment Tax Allowance | Tier 1 | Tier 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Qualifying Capital Expenditure | 100% | 60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Statutory Income to be Set-Off | 100% | 70% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | <p><u>Tax Incentive for Global Services Hub</u></p> <ul style="list-style-type: none"> 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: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2" style="background-color: #fce4d6;">New Company</th> <th colspan="2" style="background-color: #fce4d6;">Existing Company</th> </tr> <tr> <th style="background-color: #fce4d6;">Tier 1</th> <th style="background-color: #fce4d6;">Tier 2</th> <th style="background-color: #fce4d6;">Tier 1</th> <th style="background-color: #fce4d6;">Tier 2</th> </tr> </thead> <tbody> <tr> <td>Exemption Years</td> <td colspan="2" style="text-align: center;">5 + 5</td> <td colspan="2" style="text-align: center;">5</td> </tr> <tr> <td>Tax Incentive</td> <td style="text-align: center;">Tax Rate 5%</td> <td style="text-align: center;">Tax Rate 10%</td> <td style="text-align: center;">Tax Rate at 5% on the value-added income</td> <td style="text-align: center;">Tax Rate at 10% on the value-added income</td> </tr> <tr> <td>Types of Income Exempted</td> <td colspan="4">(a) Services income; or (b) Services and trading income.</td> </tr> <tr> <td>Qualifying Services & Additional Services</td> <td colspan="4">Companies undertaking the following activities: (a) Regional P&L/Business Management Unit; (b) Strategic business planning; (c) Corporate development; and (d) Any 2 qualifying activities under the following services categories: (i) Strategic services; (ii) Business services; (iii) Shared services; or (iv) Other services</td> </tr> <tr> <td>Conditions (Outcome-based)</td> <td colspan="4">(a) Annual operating expenditure; (b) High value full-time employees; (c) C-Suite with a minimum monthly salary of RM35,000; (d) Local ancillary services; (e) Collaboration with higher education institution/TVET; (f) Training for Malaysian students/citizen; (g) Environmental, Social and Governance (ESG) elements; or (h) Other conditions as determined by the MOF.</td> </tr> </tbody> </table> | | 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 | (a) Services income; or (b) Services and trading income. | | | | Qualifying Services & Additional Services | Companies undertaking the following activities: (a) Regional P&L/Business Management Unit; (b) Strategic business planning; (c) Corporate development; and (d) Any 2 qualifying activities under the following services categories: (i) Strategic services; (ii) Business services; (iii) Shared services; or (iv) Other services | | | | Conditions (Outcome-based) | (a) Annual operating expenditure; (b) High value full-time employees; (c) C-Suite with a minimum monthly salary of RM35,000; (d) Local ancillary services; (e) Collaboration with higher education institution/TVET; (f) Training for Malaysian students/citizen; (g) Environmental, Social and Governance (ESG) elements; or (h) Other conditions as determined by the MOF. | | | |
| | 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 | (a) Services income; or (b) Services and trading income. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Qualifying Services & Additional Services | Companies undertaking the following activities: (a) Regional P&L/Business Management Unit; (b) Strategic business planning; (c) Corporate development; and (d) Any 2 qualifying activities under the following services categories: (i) Strategic services; (ii) Business services; (iii) Shared services; or (iv) Other services | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conditions (Outcome-based) | (a) Annual operating expenditure; (b) High value full-time employees; (c) C-Suite with a minimum monthly salary of RM35,000; (d) Local ancillary services; (e) Collaboration with higher education institution/TVET; (f) Training for Malaysian students/citizen; (g) Environmental, Social and Governance (ESG) elements; or (h) Other conditions as determined by the MOF. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| C | TAX INCENTIVES (Cont'd) |
|----------|--|
| 2. | <p><u>Tax Incentive for Global Services Hub (Cont'd)</u></p> <ul style="list-style-type: none"> • The determination of the eligibility for the income tax rate that a company will enjoy for each YA is based on the outcome-based approach • Additionally, it is proposed a personal income tax rate of 15% be given to qualifying expatriates for a period of 3 consecutive YAs and limited to 3 non-citizen individuals holding key/C-Suite positions with a monthly salary of at least RM35,000 appointed by an approved Global Services Hub new company <p><i>Effective: For applications received by the MIDA from 14 October 2023 until 31 December 2027</i></p> |
| 3. | <p><u>Review of Accelerated Capital Allowances (ACA) in Manufacturing, Services and Agriculture Sectors</u></p> <ul style="list-style-type: none"> • Manufacturing, services and agricultural companies that incurred capital expenditure for automation equipment including the adaptation of Industry 4.0 elements are given existing tax incentive as follows: <ul style="list-style-type: none"> ○ 100% ACA on the first RM10 million of the qualifying capital expenditure and can be fully absorbed within 1 year ○ Income tax exemption equivalent to 100% on the same capital expenditure • To increase agricultural productivity and to 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) <p><i>Effective: For applications received by KPK from 14 October 2023 until 31 December 2027</i></p> |
| 4. | <p><u>Review of Tax Incentive for Equity Crowdfunding</u></p> <ul style="list-style-type: none"> • Existing incentive reviewed to further encourage individual investor through limited liability Partnership nominee company • Extended for 3 years <p><i>Effective: For investment made from 1 January 2024 until 31 December 2026</i></p> |
| 5. | <p><u>Extension of Tax Incentive for Angel Investor</u></p> <ul style="list-style-type: none"> • An angel investor who invests in an investee company in the form of ordinary shares is eligible for tax exemption equivalent to the amount of investment made • Extended for 3 years <p><i>Effective: For investment made from 1 January 2024 until 31 December 2026</i></p> |
| 6. | <p><u>Review of Green Technology Tax Incentives</u></p> <ul style="list-style-type: none"> • Companies undertaking qualifying green activities are given existing tax incentives as follows: <ul style="list-style-type: none"> ○ <u>Green Investment Tax Allowance (GITA)</u> 100% GITA on capital expenditure for qualifying green activities for a period of 3 years to be set-off against up to 70% of statutory income ○ <u>Green Income Tax Exemption (GITE)</u> <ul style="list-style-type: none"> i. 70% GITE of statutory income on qualifying green services activities for a period of 3 YAs; and ii. 70% GITE of statutory income on solar leasing activity for a period of up to 10 YAs. |

C TAX INCENTIVES (Cont'd)

6. Review of Green Technology Tax Incentives (Cont'd)

- 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 |
| Tier 1 o Green hydrogen | 100% | 100% or 70% | Up to 10 years (5 +5) |
| Tier 2 o Integrated waste management o Electric Vehicle charging station | 100% | 100% | 5 years |
| Tier 3 o Biomass o Biogas o Mini hydro o Geothermal o Solar o Wind energy | 100% | 70% | 5 years |

Effective: For applications received by MIDA from 1 January 2024 until 31 December 2026

| GITA Asset (Own Consumption) | | | |
|---|---------------|--|---|
| Qualifying Activities | % GITA | % of Statutory Income to be Set-Off | Incentive Period |
| Tier 1 o List of qualifying assets approved by Minister of Finance o Battery Energy Storage System o Green building | 100% | 70% | Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026 |
| Tier 2 o List of qualifying assets approved by Minister of Finance o Renewable Energy System o Energy efficiency | 60% | 70% | |

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

Effective: For applications received by MIDA from 1 January 2024 until 31 December 2026

| C | TAX INCENTIVES (Cont'd) |
|----------|---|
| 7. | <p><u>Extension of Tax Incentives for Renting Non-Commercial Electric Vehicle (EV)</u></p> <ul style="list-style-type: none">Existing tax deduction for rental of EV is allowed up to RM300,000 extended for 2 years <p><i><u>Effective:</u> From YA2026 to YA2027</i></p> |
| 8. | <p><u>Tax Deduction on Contributions for Environmental Preservation and Conservation Projects</u></p> <ul style="list-style-type: none">Special tax deduction under Section 34(6)(h) of the Act for entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by the Forest Research Institute Malaysia <p><i><u>Effective:</u> For applications received by the MOF from 1 January 2024 to 31 December 2026</i></p> |

D STAMP DUTY AND INDIRECT TAX

1. **Transfer of Property Ownership by Renunciation of Right**

- 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: From 1 January 2024

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

- 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: From 1 January 2024

3. **Import Duty and Sales Tax Exemption on Manufacturing Aids**

- Import duty and sales tax exemption be given to eligible manufacturers on the importation and locally purchased manufacturing aids subject to types of industry and category of goods determined

Effective: From 1 January 2024

4. **Reduction of Entertainments Duty in the Federal Territories**

| Description | Current Rate | Proposed New Rate |
|---|--------------|-------------------|
| Stage performance by international artist/Light shows/Circus | 25% | 10% |
| Film screening (Cinema)/Theatre | | |
| Exhibition/Zoo/Aquarium | | |
| Sports Event/Esports/Bowling/Snooker/Pool/Billiard/Karaoke | | 5% |
| Theme Park/Family Recreation Centre/Indoor Games Centre/Simulator | | |
| Stage performance by local artist | | |

Effective: For applications received by the MOF from 1 January 2024 to 31 December 2028

5. **Review of Excise Duty on Sugar Sweetened Beverages**

- The excise duty rate for sugar sweetened beverages be increased from RM0.40 to RM0.50 per litre

Effective: From 1 January 2024

6. **Increase in Rate and Scope of Service Tax**

- The rate of service tax to be increased from 6% to 8%.
- The increased rate will not apply to services such as food & beverages, telecommunications, parking and logistics services.
- Service tax to be expanded to karaoke, delivery, brokerage and underwriting, and logistics services.

Effective: From 1 March 2024

D STAMP DUTY AND INDIRECT TAX (Cont'd)

7. Luxury Goods Tax

- A new Luxury Goods Tax at rates ranging from 5% to 10% will be introduced.
- It would apply to certain high value goods such as jewelry and watches based on value thresholds

Effective: To be confirmed

E OTHER BUDGET HIGHLIGHTS

1. Capital Gains Tax (CGT) on Disposal of Unlisted Shares

- CGT rate be imposed as follows:

| Shares Acquisition Date # | CGT Rate |
|---------------------------|--|
| Before 1 March 2024 | The taxpayers (disposers) may choose: (a) 10% on the net gain of the disposal of shares; or (b) 2% on the gross sales value. |
| From 1 March 2024 | 10% on the net gain on the disposal of shares |

Refer to acquisition date of the shares disposed by the taxpayers

- CGT exemption be given on the disposal of shares related to the following activities:
 - Initial Public Offering (IPO) approved by Bursa Malaysia; and
 - Restructuring of shares within the same group

Effective: For 1 March 2024

2. E-Invoicing

- The implementation deadline for companies with annual turnover of RM100 million and above has been deferred from 1 June 2024 to 1 August 2024
- E-Invoice for taxpayers by other income category will be enforced in phases with a comprehensive implementation target by 1 July 2025 (subject to further details)