



MOORE Advent

TAX FLASH

NOVEMBER 2023 (SPECIAL EDITION)

2024 Budget Highlights

With the release of the Finance (No. 2) Bill 2023 on 7th November 2023, we provide you with the updates on the additional amendments contained therein besides those key tax proposals of the Budget 2024 as announced by the honourable Prime Minister and Finance Minister Dato' Seri Anwar Ibrahim on 13th October 2023. The updated key amendments are outlined broadly into the following categories:-

- A. Income Tax – Changes Affecting Individuals
- B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
- C. Capital Gains Tax
- D. Investment Incentives
- E. Real Property Gains Tax
- F. Stamp Duty
- G. Sales and Service Tax and Indirect Taxes
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Legend

| | | |
|---------------|---|--|
| ACA | = | Accelerated Capital Allowance |
| CGT | = | Capital Gains Tax |
| DGIR | = | Director General of Inland Revenue |
| ESG | = | Environmental, Social and Governance |
| EV | = | Electric Vehicle |
| GMT | = | Global Minimum Tax |
| IBA | = | Industrial Building Allowance |
| ICT | = | Information and Communication Technology |
| ITA | = | Investment Tax Allowance |
| ITA 1967 | = | Income Tax Act 1967 |
| LLP | = | Limited Liability Partnership |
| MIDA | = | Malaysian Investment Development Authority |
| MNE | = | Multinational Enterprise |
| MOF | = | Ministry of Finance |
| MSME | = | Micro, Small and Medium Enterprise |
| RA | = | Reinvestment Allowance |
| RPGT | = | Real Property Gains Tax |
| RPGT Act 1976 | = | Real Property Gains Tax Act 1976 |
| SA 1949 | = | Stamp Act 1949 |
| SC | = | Securities Commission |
| SOCSSO | = | 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 the following expenses:-
 - expenses incurred on dental examination and treatment (such as teeth restoration and replacement involving crowning, root canal and dentures) provided in Malaysia by any dental practitioner registered with Malaysian Dental Council;
 - expenses incurred on complete medical examination for parents and such relief be limited to RM1,000
- Any claim for the above expenses must be evidenced by certification of the dental practitioner or medical practitioner that the parents require dental treatment or complete medical examination and supported by a receipt issued by the dental practitioner or medical practitioner
- Effective YA 2024

3. 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

4. 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 (other than the course of study failing under Section 46(1)(f)(iii) of the ITA 1967) 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 Commissioner of Sports or Companies Commission of Malaysia and carrying out sports activities as listed under the Sports Development Act 1997
- Effective YA 2024

5. 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

6. 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

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 LLP 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. Implementation of e-Invoice

- Please refer to Part B1 below

11. Amendment to the Definitions of Foreign Tax and Foreign Income

- Please refer to Part B4 below

12. Power of the DGIR to Issue Guidelines

- Please refer to Part B24 below

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

- Please refer to Part B16 below

14. Exemption of Entertainments Duty in the Federal Territories

- Please refer to Part G3 below

B. Income Tax – Changes Affecting Companies and Unincorporated Business

1. Implementation of e-Invoice

- The proposal to implement electronic invoice [“e-invoice”] was announced in 2023 Budget
- The e-invoice will be enforced in phases as follows:-

| Targeted Taxpayers | Implementation Date |
|---|------------------------------|
| Taxpayers with an annual turnover/revenue of more than RM100 million | 1 st August 2024 |
| Taxpayers with an annual turnover/revenue of more than RM25 million and up to RM100 million | 1 st January 2025 |
| All taxpayers | 1 st July 2025 |

- The tax identification number will be used to support the implementation of e-invoice
- “**Electronic invoice**” is defined as an invoice or any document approved by the DGIR, issued by a person in respect of goods sold or services performed
- For the implementation of e-invoice, the MOF shall prescribe the persons who shall issue the e-invoice containing the particulars required for each transaction in relation to goods sold or services performed
- The conditions and specifications under which an e-invoice is to be issued shall be determined by the DGIR under the guidelines issued
- The e-invoice issued shall be transmitted electronically to and validated by the DGIR
- Subject to the conditions determined by the DGIR, a person shall issue a self-billed e-invoice if the person acquires any goods sold or enjoys any services performed
- The DGIR may determine a person to consolidate the number of transactions in respect of goods sold or services performed in a year of assessment into a consolidated transaction e-invoice and to be transmitted to the DGIR within a specified time
- If a person makes an error or mistake in any e-invoice issued, the person may for the purpose of rectifying the error or mistake issue a substitute e-invoice within 3 days from the date of issuance of the defective e-invoice
- Upon implementation of e-invoice, the person carrying on a business is no longer required to issue printed receipt with serial number for every sum received on goods sold or services performed which is currently required if the gross takings from the business exceeded RM150,000 from sales of goods or RM100,000 from performance of services (*Note*)
- Notwithstanding the above, if the person is required to submit to the DGIR a consolidated transaction invoice, that person shall issue a printed receipt for every sum received in that year of assessment in respect of goods sold or services performed (*Note*)

- Any person who without reasonable excuse contravenes the requirements to:-
 - issue an e-invoice for each transaction in respect of goods sold or services performed;
 - issue a self-billed e-invoice; or
 - submit a consolidated transaction e-invoice
 shall be guilty of an offence and be liable to a fine of not less than RM200 and not more than RM20,000 or to imprisonment not exceeding 6 months or to both
- The DGIR is allowed to produce or disclose classified material in relation to e-invoice to the Director General of Customs and Excise (or to the public officers under his direction and control) to the extent that is necessary or expedient for the performance of their duties
- The definition of “classified person” under the ITA 1967 is expanded to include any person who has access to any information on an e-invoice (*Note*)
- The provisions of the Personal Data Protection Act 2010 shall not apply to any personal data processed for e-invoice issued and transmitted to the DGIR required under the ITA 1967

Note: The above is not applicable to the implementation of e-invoice under the Labuan Business Activity Tax Act 1990

2. Synchronisation of the definition of MSME

- Currently, a MSME that have 20% of its paid-up capital in respect of ordinary shares at the beginning of the basis period directly or indirectly owned by one or more companies incorporated outside Malaysia or by one or more individuals who are not Malaysian citizens, is not eligible to enjoy the preferential tax rates of 15% and 17%
- It is proposed that the above condition be extended to the following preferential tax treatments accorded to MSME:-
 - Tax estimate filing exemption for a period of 2 years of assessment from the date of commencement; and
 - No restriction of RM20,000 on special allowance for small value assets
- Effective YA 2024

3. Authorising the Amendment of the Estimated Tax Payable

- Currently, every company, LLP, trust body or co-operative society may furnish a revised estimate of tax payable for a year of assessment in the 6th month and/or 9th month of the basis period for that year of assessment
- It is proposed that in addition to the 6th month and 9th month revision, the above entities be allowed to submit a revised estimate of tax payable in the 11th month of the basis period of a year of assessment
- Effective YA 2024

4. Amendment to the Definitions of Foreign Tax and Foreign Income

- The definition of “foreign tax” has been amended as any tax on income (or any other tax of a substantially similar character) chargeable or imposed by or under the laws of a territory outside Malaysia in which the same income arose
- Besides, the meaning of “foreign income” has also be amended where “foreign income” means in relation to:-
 - Unilateral credit, income derived from outside Malaysia, charged to foreign tax;
 - Bilateral credit, income derived from outside Malaysia and from Malaysia, charged to foreign tax
- Effective YA 2024

5. Global Minimum Tax

- To be in line with the international taxation standards in curbing tax base erosion activities and the shifting of profits to countries with low tax rates, the Government has introduced the GMT through the Base Erosion and Profit Shifting [“BEPS”] Action Plan One

- GMT applies to MNE Group operating in at least 2 jurisdictions, with an annual consolidated revenue of EUR 750 million or more in at least two out of four consecutive financial years before the tested financial year
- Two categories of MNE need to be aware of the impact of GMT i.e. large Malaysian-based MNEs that have foreign operations and foreign-based MNEs that have operations in Malaysia
- The income tax known as Domestic Top-up Tax will be charged for each financial year on a Low-Taxed Constituent Entity located in Malaysia of a MNE Group whereas the income tax known as Multinational Top-up Tax will be charged for each financial year on a Constituent Entity that is the Ultimate Parent Entity ["UPE"] located in Malaysia of a MNE Group
- The tax rate of GMT is 15%
- Among the entities excluded from GMT are Government Entity, International Organisation, a Non-profit Organisation, a Pension Fund and an Investment Fund / Real Estate Investment Vehicle that is an UPE of a MNE Group
- There are also special rules for GMT relating to corporate restructurings, holding structures, tax neutrality and distribution regimes as well as transition rules during the transitional period
- Effective financial year beginning on or after 1st January 2025

6. Appointment of Employees of a Company or a Body of Persons for Submission of Any Prescribed Form via Electronic Medium

- It is proposed that a new provision be introduced to allow the individuals referred to in Section 75(1) of the ITA 1967 who are responsible for performing on behalf of a company or a body of persons in granting authorisation in writing to their employees to furnish any prescribed form through electronic medium
- Effective upon coming into operation of the Finance (No. 2) Act 2023

7. Submission of Forms E, CP21, CP22, CP22A and CP22B Electronically

- It is proposed that all employers are required to submit the following forms by way of an electronic medium or electronic transmission:-
 - Return Form of Employer ["Form E"];
 - Notification by Employer of Departure from Country of an Employee ["Form CP21"];
 - Notification of New Employee ["Form CP22"];
 - Tax Clearance Form for Cessation of Employment of Private Sector Employees ["Form CP22A"]; and
 - Tax Clearance Form for Cessation of Employment of Public Sector Employees ["Form CP22B"]
- Form E – Effective year ending 31st December 2023
- Forms CP21, CP22, CP22A and CP22B – Effective 1st January 2024

8. Amendment to Exemption Conditions for the Submission of Forms CP22A and CP22B

- Currently, where an employer is about to cease to employ an employee who is or is likely to be chargeable to tax in respect of income from the employment, the employer is required to furnish Form CP22A / CP22B not less than 30 days before the cessation of his/her employment, unless:-
 - the income from the employment of the employee is subject to monthly tax deductions ["MTD"] or the total monthly remuneration from the employment of the employee is below the minimum amount of income that is subject to MTD; and
 - it is known to the employer that the employee is not retiring from any employment
- It is proposed that the condition for the employer to confirm that the employee is not retiring from any employment be removed
- Effective 1st January 2024

9. Submission of Information and Documents for Ascertaining Chargeable Income and Tax Payable

- It is proposed that a person (such as individual and company) who filed his return under Sections 77 or 77A of the ITA 1967 must submit information and documents (e.g. accounts, tax computations and worksheets etc.) electronically through the Malaysian Income Tax Reporting System within 30 days after the deadline for submission of the income tax return form for the purpose of ascertaining his chargeable income and tax payable
- It is further proposed that non-compliance with these requirements shall, on conviction, be liable to a fine ranging from RM200 to RM20,000, or to imprisonment for a term not exceeding 6 months or to both
- Effective YA 2025

10. 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:-

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

- Effective YA 2024

11. 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

12. 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 |

| ESG Related Expenditure | Description |
|--|--|
| 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

13. 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

14. 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

15. 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

16. 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 in collaboration with the Ministry of Education
- Effective YA 2024

17. 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 incentives under Section 44(6) of the ITA 1967:-

| Option | Utilisation 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) of the ITA 1967 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. For this, Paragraph 13(1)(a) of Schedule 6 to the ITA 1967 would be amended to specify that the income of an approved institution/organisation/fund is exempted from income tax in a year of assessment as long as the institution/organisation/fund complies with the conditions of the approval in that basis period for that year of assessment
- Effective YA 2024

18. 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

19. 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

20. 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

21. 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

22. 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

23. 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

24. Power of the DGIR to Issue Guidelines

- Currently, there is no provision to empower the DGIR to issue guidelines
- A new Section 134A of the ITA 1967 be introduced to empower the DGIR to issue guidelines to clarify the provisions of the ITA 1967 or to facilitate the compliance of the law or any other matter relating to the ITA 1967
- The DGIR may revoke, revise or amend the whole or any part of any guidelines issued under Section 134A of the ITA 1967
- Effective 1st January 2024

C. Capital Gains Tax

1. Capital Gains Tax on Disposal of Unlisted Shares of Companies

- It was announced in 2023 Budget that CGT will be introduced for the disposal of unlisted shares of companies ["capital asset"]
- It is now proposed that a new chapter – Chapter 9 be introduced to the ITA 1967 for the implementation of CGT
- The disposal of capital asset by a company, LLP, trust body or co-operative society will be subject to the following CGT rates:-

| Disposal of Capital Asset | CGT Rate |
|--|--|
| (a) Disposal of capital asset situated in Malaysia which was acquired before 1 st January 2024 | The taxpayers may choose:- i. 10% on the chargeable income from the disposal of capital asset; or ii. 2% on the gross disposal price |
| (b) Disposal of capital asset situated in Malaysia which was acquired on or after 1 st January 2024 | 10% on the chargeable income from the disposal of capital asset |
| (c) Disposal of capital asset other than a disposal under (a) and (b) above (e.g. shares of companies incorporated outside Malaysia) | At the prevailing tax rate on the chargeable income from the disposal of capital asset |

- **“Shares”** in a company means all or any of the following:-
 - stock and shares in a company;
 - loan stock and debentures;
 - a member’s interest in a company not limited by shares whether or not it has a share capital;
 - any option or other right in, over or relating to shares as defined in the above
- It is proposed that exemption from the CGT be given on the disposal of unlisted shares related to the following activities:-
 - Initial Public Offering approved by Bursa Malaysia; and
 - Restructuring of shares within the same group
- Income arising from disposal of capital asset shall not be treated as business income, unless the capital asset is a trading stock
- In the case of a unit trust, gains arising from realisation of investment in capital asset is subject to the CGT, while gains arising from realisation of investment in real property is subject to RPGT
- Determination of gains/profits from the disposal of capital asset:-
 - Gains from disposal of each capital asset shall be ascertained separately and be treated as a separate source of income
 - The adjusted income or adjusted loss from disposal is determined based on the difference between the disposal price and the acquisition price

| Disposal Price | Acquisition Price |
|---|--|
| Consideration for the disposal less:- <ul style="list-style-type: none"> ● Expenditure incurred on the capital asset (at any time after its acquisition) to:- <ul style="list-style-type: none"> ○ enhance or preserve the value of the capital asset; and ○ establish, preserve or defend the title or the right over the capital asset ● Incidental costs of making the disposal | Consideration together with the incidental costs for the acquisition of the capital asset less:- <ul style="list-style-type: none"> ● compensation received for any damage to the capital asset ● insurance claim received for any damage to the capital asset ● any deposit forfeited in connection with an intended transfer of the capital asset |
| Notes: 1. The above is not applicable to disposal of capital asset taxed at 2% on the gross disposal price 2. Incidental costs refer to:- <ul style="list-style-type: none"> ● Fees, commission or remuneration paid for the professional services of any valuer, accountant, agent or legal adviser; ● Costs of transfer (including stamp duty); ● Cost of advertising, to find a seller or a buyer; and ● Cost reasonably incurred in making valuation or ascertaining market value of the capital asset (in the case of disposal) | |

- In the case where the acquisition price exceeds the disposal price, the adjusted loss from disposal is allowed to set-off against the gains of the subsequent disposal of capital asset. The adjusted loss that arose in the basis period for a year of assessment is allowed to be carried forward up to 10 consecutive years of assessment. Any balance of unabsorbed loss after the end of the 10-year period shall be disregarded
- Consideration is deemed to be equal to the market value if:-
 - The disposal is made under the following circumstances:-
 - The transfer is made otherwise than by way of bargain at arm's length, or by way of gift;
 - For a consideration that cannot be valued;
 - The capital asset is transferred as full or part satisfaction of any debt due when the person is acting as a trustee for the creditors;
 - In a transaction for the transfer of a business for a lump sum consideration, in which the capital asset is included as part of the business sold; or
 - The transfer is between connected persons
 - Apart from the above, market value will be determined by the DGIR under the following circumstances:-
 - The parties disposing the capital asset are unable to agree on its market value;
 - There is only one party to the disposal of capital asset; or
 - The DGIR is of the view that the market value determined by disposer is incorrect
- In the case where a capital asset is disposed of by being exchanged for another asset, the market value of the asset received is deemed to be the consideration for the disposal. If the asset received has no market value, the market value of the asset disposed is deemed to be the consideration for the disposal

Disposal and Acquisition of Capital Asset

- Date of disposal:-
 - Where there is a written agreement, the disposal of the capital asset shall be deemed to have taken place on the date of such written agreement;
 - Where there is no written agreement, the disposal of the capital asset shall be the date of completion of the disposal of the capital asset, which is the earlier of:-
 - The date on which the ownership of the capital asset disposed of is transferred by the disposer; or
 - The date on which the disposer has received the whole of the amount or value of the consideration (in money or money's worth) for the transfer
- The date of acquisition of capital asset by a person (i.e. the acquirer) shall be deemed to coincide with the date of disposal of that capital asset by disposer to the acquirer
- Conditional contract:-
 - Date of acquisition and disposal of capital asset shall be regarded as taking place at the time the contract was made, unless the acquisition or disposal requires the approval by the Government or a State Government, the date of disposal shall be the date of the approval (for unconditional approval); or the date when the last of all such conditions is satisfied (for conditional approval)
- If the acquisition is by a financing facility provided by an Islamic bank in accordance with the *Syariah*, the acquisition price of the capital asset shall be the amount or value of the consideration given by or on behalf of the acquirer to the person disposing that asset other than such Islamic bank or in the case where the capital asset is owned by such bank, the amount or value of the consideration given to the bank, for the acquisition of the capital asset (together with the incidental costs) less compensation received for damages to the acquirer
- If the capital asset is taken into the trading stock of the person:-
 - Date of acquisition shall be deemed to be a disposal of the capital asset on the date that capital asset is taken into the trading stock; and
 - The amount or value of the consideration in money or money's worth of the capital asset shall be equal to the market value on the date the capital asset is taken into the trading stock

- If there is disposal of part of capital asset:-
 - The amount or value of consideration for disposal of the capital asset shall be apportioned between that part of the capital asset disposed of and the remainder thereof on whatever basis is most appropriate

2. Capital Gains Tax – Gains or Profits from the Disposal of Share of a Controlled Company Incorporated Outside Malaysia

- Gains or profits arising from the disposal of capital asset which is a share of a controlled company [hereinafter referred to as the “relevant company”] incorporated outside Malaysia shall be deemed to be derived from Malaysia and subject to CGT if the relevant company owns real property situated in Malaysia or shares of another controlled company or both
- The CGT shall apply to the above disposal if at the date of acquisition of the shares of the relevant company, the defined value of the following assets owned by the relevant company is not less than 75% of the value of its total tangible asset:-
 - real property situated in Malaysia;
 - shares of another controlled company (provided that the defined value of the real property owned is not less than 75% of its total tangible asset); or
 - both the above
- The shares of the relevant company shall be deemed to be acquired:-
 - on the date the defined value of real property or shares or both owned by the relevant company are not less than 75% of the value of its total tangible asset; or
 - on the date of acquisition of the shares of the relevant company
- Where the shares are deemed acquired on the date the defined value of real property or shares or both owned by the relevant company are not less than 75% of the value of its total tangible asset, the acquisition price of shares of the relevant company shall be determined according to the following formula:-

| | | |
|---|---|--|
| $\frac{\text{Number of shares of the relevant company}}{\text{Total number of issued shares in the relevant company (at the date of acquisition of the shares of the relevant company)}}$ | x | $\text{Defined value of the real property or shares or both owned by the relevant company (at the date of acquisition of the shares of the relevant company)}$ |
|---|---|--|

- “**Defined value**” means the market value of real property or the acquisition price of shares of another controlled company
- “**Value of its total tangible assets**” means the aggregate of defined value of real property or shares of another controlled company or both and the value of other tangible assets

3. Capital Gains Tax – Filing of Return, Appeal and Penalty for Defaults

- A new Section 77A(1B) of the ITA 1967 be introduced which requires every company, LLP, trust body or co-operative society who disposes capital asset to furnish to the DGIR, a return in the prescribed form by way of electronic medium or electronic transmission within 60 days from the date of disposal of that asset
- The due date for the payment of the capital gains tax shall be 60 days from the date of the disposal of the capital asset
- The person may make amendment to such return in an amended return as prescribed by the DGIR, and the amended return can only be made after the due date for the furnishing of the return, but not later than 6 months from that date

- Where a person makes default in furnishing a return for the disposal of capital asset, the DGIR and that person may come to an agreement in writing and a notice of composite assessment may be served by the DGIR to that person
- A person who has failed to furnish a return for the disposal of capital asset may appeal against the assessment made by the DGIR by furnishing a return together with the written notice of appeal within the time stipulated for giving the notice
- Section 97A of the ITA 1967 – Notification of Non-Chargeability be expanded to cover return submitted for the disposal of capital asset
- Section 131A of the ITA 1967 – A Relief Other Than in Respect of Error or Mistake be expanded to cover CGT to allow any person to make application to the DGIR for relief of assessment which is excessive
- Section 107C of the ITA 1967 – Estimate of Tax Payable and Payment by Instalments for Companies shall not apply to gains or profits from the disposal of capital asset
- Any person who makes default in furnishing a return in respect of the disposal of capital asset without reasonable excuses, be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM200 and not more than RM20,000 or to imprisonment for a term not exceeding 6 months or to both
- A special penalty equal to 3 times the amount of CGT as determined based on the best judgement of the DGIR may be imposed for cases of default in furnishing the return for 2 years or more
- Any person who fails to furnish the correct particulars as required in the return for the disposal of asset shall be guilty of an offence and shall, on conviction, be liable to a fine not less than RM200 and not more than RM20,000 or to imprisonment for a term not exceeding 6 months or to both
- Effective 1st January 2024

D. 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 | <ul style="list-style-type: none"> • 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:- <ul style="list-style-type: none"> ○ <u>Category 1: Labour-intensive industry (rubber, plastic, wood and textile products)</u> <ul style="list-style-type: none"> - ACA of 100% for automation equipment on the first RM10 million for qualifying capital expenditure incurred; and ○ <u>Category 2: Industries other than Category 1 including the services sector</u> <ul style="list-style-type: none"> - ACA of 100% for automation equipment on the first RM10 million for qualifying capital expenditure incurred | <ul style="list-style-type: none"> • 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 |
|----------------------------------|--|---|
| | <ul style="list-style-type: none"> Both categories are also eligible for income tax exemption equivalent to 100% on qualifying capital expenditure incurred for automation equipment | |
| Angel Investor | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 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 3 consecutive years of assessment and limited to 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 1 st January 2024 to 31 st 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

E. Real Property Gains Tax

1. New Definition of Business Trust, Co-Operative Society and Trust Body and Widening of the Definition of Company

- New definitions of business trust, co-operative society and trust body be introduced to the RPGT Act 1976 as follows:-
 - Business trust – has the meaning assigned to it in the Capital Markets and Services Act 2007
 - Co-operative society – means any co-operative society registered under Co-operative Societies Act 1993
 - Trust body – means the trust body provided for by Section 61 of the ITA 1967
- The definition of a “company” chargeable to RPGT be widened to include “business trust”
- The definitions of “co-operative society” and “trust body” are effective 1st January 2024
- The definitions of “business trust” and “company” are effective 1st January 2025

2. Implementation of Self-Assessment System for RPGT

- Currently, gains from the disposal of chargeable assets under the RPGT Act 1976 are assessed by the DGIR under Official Assessment System
- It is proposed that the RPGT on gains from the disposal of chargeable assets be self-assessed by the taxpayer. Please refer to the salient points as follows:-
 - **Deemed Assessment on the Return Submitted**
 - An assessment under Section 14 of the RPGT Act 1976 shall be deemed to have been made by the DGIR on the day the return is furnished in accordance with Section 13 of the RPGT Act 1976
 - The return shall be deemed to be a notice of assessment and be served on that person on the day which the DGIR is deemed to have made the assessment
 - **Amendment of Return**

A new Section 13A of the RPGT Act 1976 has been introduced to enable a person to make amendment to a return furnished in accordance with Section 13 of the RPGT Act 1976 as follows:-

 - an amended RPGT return shall be made not later than 6 months from the due date of filing of RPGT return
 - amendment of RPGT return can only be made once
 - the tax or additional tax payable shall be increased by a sum equal to 10% of the amount of such tax or additional tax
 - no amendment will be allowed where a return has been furnished in accordance with Section 13 of the RPGT Act 1976 and the DGIR has made an assessment or additional assessment for the relevant year of assessment under Section 15 of the RPGT Act 1976
 - **Deemed Assessment on the Amended Return**
 - The DGIR is deemed to have made an assessment or additional assessment under Section 15A of the RPGT Act 1976 on the day the amended return is furnished
 - The amended return shall be deemed to be a notice of assessment or additional assessment and be served on the person on the day which the DGIR is deemed to have made the assessment or additional assessment
 - **Relief Application**
 - A person may apply to the DGIR for a relief on error or mistake made in a return or statement for any year of assessment within 5 years after the end of the year of assessment
 - A person may also apply to the DGIR for a relief by reason of any exemption, relief, remission, allowance or deduction granted for the year of assessment made under any written law mentioned in the Gazette after the year of assessment in which the return is furnished, or the approval for any exemption, relief, remission, allowance or deduction is granted after the year of assessment in which the return is furnished
 - If the applicant is aggrieved with the decision of the DGIR that no relief shall be given, the applicant may within 6 months after being informed of the decision, request in the prescribed form, for the DGIR to forward the application to the Special Commissioners of Income Tax ["SCIT"]
 - **Finality of Assessment**
 - The assessment shall become final and conclusive for the purpose of the RPGT Act 1976 where:-
 - there is no valid notice of appeal against an assessment;
 - an agreement has been reached pursuant to a disposal of appeal;
 - an assessment has been determined on the appeal; or
 - a valid notice of appeal against an assessment has been given but the appellant dies before the hearing of the appeal by the SCIT is commenced or completed

- **Payment of the Tax**
 - For submission of return, the tax on deemed assessment shall be due and payable within the period of 60 days from the date of disposal
 - For submission of amended return, the tax or additional tax on the deemed assessment or additional assessment shall be due and payable on the day the amended return is furnished
 - In cases other than the above, the existing period of 30 days from the date of notice of assessment and additional assessment shall apply
- Effective 1st January 2025

3. Discharge of Double Assessments

- New Sections 16A of the RPGT Act 1976 be introduced to allow the DGIR to discharge duplicate assessment where two or more assessments have been made to a person on the same gain in respect of the same chargeable asset for a year of assessment, in order to ensure that gain is charged to tax only once for that year
- Effective 1st January 2025

4. Power to Call for Specific Returns, Production of Books and Statement of Bank Accounts and Duty to Keep Documents for Ascertaining Chargeable Gain and Tax Payable

- New Sections 28A and 28B of the RPGT Act 1976 be introduced to empower the DGIR to:-
 - call for specific returns, production of books, accounts, returns and other documents, information and particulars which the DGIR thinks necessary; and
 - furnish statement of bank and other accounts, assets, disposals and facts bearing upon present or past chargeability to tax
- A new Section 28C of the RPGT Act 1976 be introduced requiring any person who is required to furnish a return of his disposal to keep and retain all records:-
 - for a period of 7 years from the end of the year of assessment which the disposal takes place; or
 - for a period of 7 years after the end of the year in which the return is furnished if the person fails to furnish a return within the stipulated deadline
- Effective 1st January 2025

5. Authorisation in Writing

- Currently, a person may give an authorisation in writing to a tax agent, an advocate and solicitor of the High Court of Malaya or an advocate of the High Court of Sabah and Sarawak to furnish on his behalf the prescribed form through electronic medium or by way of an electronic transmission
- It is proposed that the authorisation be extended to a nominee
- Effective 1st January 2025

6. Acquisition and Disposal of Shares in Real Property Company by Company, LLP, Trust Body and Co-operative Society

- Currently, acquisition and disposal of shares in real property company shall be deemed to be an acquisition and disposal of chargeable asset and the gains or profits from the disposal of the chargeable asset is subject to tax under Paragraph 34A of Schedule 2 to the RPGT Act 1976
- It is proposed that the application of Paragraph 34A of Schedule 2 to the RPGT Act 1976 be excluded on the acquisition and disposal of shares in real property company by company, LLP, trust body and co-operative society in line with the introduction of CGT
- The above exclusion does not apply to a Labuan entity as provided under Section 2B of the Labuan Business Activity Tax Act 1990
- Effective 1st January 2024

F. Stamp Duty

1. New Definition of “Writing” or “Written”

- It is proposed that the new definitions of “writing” or “written” be included under Section 2 of the SA 1949. The term “writing” or “written” is now defined to include any handwriting, typewriting, printing, electronic record or transmission which is in an electronically readable form
- Effective 1st January 2024

2. Instruments Executed Out of Malaysia

- Currently, instruments executed out of Malaysia may be stamped within 30 days after it has first been received in Malaysia. When any such instrument is brought for stamping, the Collector may require the date of receipt thereof be verified
- It is proposed that for instrument that is received by way of electronic transmission, the date of receipt thereof shall be verified by the production of a copy or print-out of the electronic transmission
- Effective 1st January 2024

3. Review of Stamp Duty on Agreements for Foreign Currency Loan and *Shariah*-Compliant Financing in Foreign Currency

- Currently, stamp duty on agreements for foreign currency loan and *Shariah*-compliant financing in foreign currency are subject to *ad valorem* duty of RM5 for every RM1,000 (or part thereof) of the loan amount and the maximum stamp duty limit is RM2,000 under Item 27(a)(ii) of the First Schedule to the SA 1949
- It is proposed that the maximum stamp duty limit of RM2,000 be removed
- Effective 1st January 2024

4. Review of Stamp Duty on 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 to the 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 renounces his/her rights to another eligible beneficiary or non-beneficiary, *ad valorem* duty is charged under Item 66(c) of the First Schedule to the SA 1949
- It is proposed that the stamp duty on the instrument of transfer of property ownership in which the eligible beneficiary renounces 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 under Item 32(h)(ii) of the First Schedule to the SA 1949
- Effective 1st January 2024

5. Review of Stamp Duty on 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 of 1% to 4% 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 1st January 2024

6. Discontinuation of the Usage of Adhesive Stamp and Impressed Stamp

- Currently, stamp duty payment made on instruments are indicated by way of:-
 - adhesive stamp;
 - impressed stamp;
 - affixing an official receipt;
 - attaching a stamp certificate; or
 - digital stamping

- It is proposed that the usage of adhesive stamps and impressed stamp on instruments be discontinued
- Effective 1st January 2024

G. 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 the following essential services:-
 - Group B : Food and beverage;
 - Group I : Telecommunication services;
 - Group I : Vehicle parking space services; and
 - Group I : Logistics services
- Effective 1st March 2024

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 the following new type of taxable services:-
 - Group C : Karaoke centre services;
 - Group I :
 - Delivery services (except for delivery of food and beverage);
 - Brokerage and underwriting services for non-financial services such as brokerage for ship and aircraft space, commodity and real estate; and
 - Logistics services
- The threshold for mandatory registration by service providers of karaoke centres, delivery services, brokerage and underwriting (other than financial) and logistics is set at RM500,000
- Effective 1st March 2024

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:-

| Type of Entertainments | Entertainments Duty Rate | |
|---|--------------------------|----------------------------|
| | Current | Proposed (After Exemption) |
| Stage performance by international artists / 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 artists | | |

- 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 and sucking tobacco under the tariff code 2403.99.5000
- Effective 1st January 2024

H. 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

2. Admissibility of Electronic Record

- It is proposed that where an electronic record of any document which is stored or received by or communicated to the DGIR on an electronic medium or by way of electronic transmission, the electronic record (including copy or print-out) shall be admissible as evidence of the facts stated or contained therein, provided that the record or the copy or print-out is:-
 - certified by the DGIR to contain all information furnished, stored, communicated or received on an electronic medium or by way of electronic transmission; or
 - authenticated in the manner provided in the Evidence Act 1950 for authentication of documents produced by computer
- It is presumed that the content of the above electronic record or copy or print-out is accurately reproduced until the contrary is proven
- “**Electronic medium**” includes data, text, image or any other information stored, received or communicated by means of electronic, magnetic, optical, imaging or any other data processing device
- Effective 1st January 2024

3. Implementation of e-Invoice

- Please refer to Part B1 above

I. Others

1. 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

2. 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

3. 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

4. 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 |
| 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 |

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