

# Malaysia Budget 2024

## Tax snapshots

**13 October 2023**



# Highlights

## Budget 2024 was announced today, 13 October 2023.

Budget 2024 is Malaysia's largest ever budget at RM393.8 billion, made up of operating expenditure of RM303.8 billion and development expenditure of RM90 billion. The Budget was formulated based on the *Madani* economic framework. With the theme of "Economic Reforms, Empowering the *Rakyat*", the Budget is focused on spurring economic activity as well as increasing foreign direct investments and domestic direct investments. The Budget proposals are also targeted towards elevating the well-being of Malaysians, particularly the lower-income group. The tax proposals include measures aimed at increasing government tax revenues and encouraging new investments as well as reinvestments.

## Key takeaways

- ▶ The service tax rate will generally be increased to 8%. Certain essential services, such as food and beverage, and telecommunications, will continue to be subject to 6% service tax. The scope of taxable services will be expanded to include logistics, brokerage, underwriting and karaoke.
- ▶ In the retabled Budget 2023 on 23 February 2023, it was announced that the Government would study the introduction of a capital gains tax (CGT) on the sale of unlisted shares by companies, beginning from 2024. Budget 2024 stated that the CGT will be introduced from 1 March 2024 on the sale of unlisted shares by companies. For shares acquired before 1 March 2024, the taxpayer can elect to pay CGT at 10% of the net gains or 2% of the gross sale value. For shares acquired from 1 March 2024, the CGT rate will be 10% on the net gains. The Government is also evaluating CGT exemptions in certain circumstances, for example, the disposal of shares as part of an approved initial public offering or intragroup restructuring exercises, subject to conditions. There is no guidance at this stage on how the CGT will operate alongside the real property gains tax regime.
- ▶ In the retabled Budget 2023, it was announced that the Government is exploring the introduction of a Luxury Goods Tax in 2023. The Budget 2024 speech indicated that this tax will apply at a rate of 5% to 10% on certain high-value goods such as jewelry and watches, based on prescribed thresholds.

## Key takeaways (cont'd)

- ▶ In the retabled Budget 2023, it was announced that investment incentives would be restructured to be more outcome-based. Budget 2024 announced that a tiered incentive system will be adopted, whereby investors will enjoy incentives which commensurate with their commitments to Malaysia. As a start, the Government proposes to introduce a tax incentive for reinvestments, in the form of an investment tax allowance of 60% (to be utilized against up to 70% of statutory income) or 100% (to be utilized against up to 100% of statutory income).
- ▶ A Global Services Hub tax incentive has been proposed, with a reduced income tax rate of 5% or 10% based on the outcome-based approach, for a period of up to 10 years. This proposal is for applications received by the Malaysian Investment Development Authority (MIDA) from 14 October 2023 until 31 December 2027.
- ▶ It was previously announced that e-invoicing would be implemented in Malaysia in stages. The mandatory e-invoicing deadline for taxpayers with annual turnover or revenue exceeding RM100 million has been extended from 1 June 2024 to 1 August 2024. Implementation of mandatory e-invoicing for other taxpayers will be undertaken in phases, with full implementation targeted from 1 July 2025.
- ▶ Many countries will begin implementing Pillar Two of the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) 2.0 project, also known as the Global Minimum Tax project, in 2024 or 2025. The Ministry of Finance's "Mid-year 2023 Budget Performance Report" dated 27 September 2023 indicated that Malaysia expects to implement Pillar Two in 2025, and this was confirmed in today's Budget speech. The Government will also continue to monitor global developments on this matter. Once Pillar Two is implemented, multinational enterprise (MNE) groups with group turnover of over €750 million (around RM3.7 billion) will have to pay a top-up tax if they are not subject to an effective tax rate (ETR) of at least 15% in each country in which they operate.

**Read on for more tax snapshots from the Budget 2024 speech.**

## Corporate income tax

- ▶ The initial allowance for information and communication technology equipment and software will be increased from 20% to 40%, from YA2024.
- ▶ A further tax deduction of up to RM300,000 will be given to companies that incur Development and Measurement, Reporting and Verification expenditures in relation to the development of carbon projects. This further deduction is to be claimed against income generated from the trading of carbon credits on the Bursa Carbon Exchange. This applies to applications received by the Malaysian Green Technology and Climate Change Corporation (MGTC) from 1 January 2024 until 31 December 2026.
- ▶ A tax exemption will be given on income arising from Islamic Securities Selling and Buying (ISSB) transactions, effective from YA2024. This would be aligned with the tax treatment of conventional Securities Borrowing and Lending (SBL) transactions.
- ▶ The income tax exemption for fund managers managing Sustainable and Responsible Investment (SRI) funds, as well as tax deductions on the issuance of SRI Sukuk, will be extended for another four years of assessment, from YA2024 to YA2027.
- ▶ The accelerated capital allowance of 100% on capital expenditure for automation equipment will be expanded to include the commodity sector under the Ministry of Plantation and Commodities (KPK). This applies to applications received by KPK from 14 October 2023 until 31 December 2027.
- ▶ The Green Investment Tax Allowance and Green Income Tax Exemption is extended for applications received by MIDA or MGTC from 1 January 2024 until 31 December 2026.
- ▶ The tax deduction of up to RM300,000 on Electric Vehicle (EV) rental cost will be extended for two years, up to YA2027.

## Individual tax

The following are effective from the year of assessment (YA) 2024, unless otherwise stated.

- ▶ The scope of the annual tax relief of RM10,000 for medical expenses for taxpayer, spouse and children will be expanded to include up to RM1,000 of expenses for dental examination and treatment by dental practitioners registered with the Malaysian Dental Council.
- ▶ The scope of the annual tax relief of RM8,000 for medical expenses for taxpayer's parents will be expanded to include up to RM1,000 of expenses for parents' full medical examination.
- ▶ The annual tax relief of up to RM2,000 on fees for attending upskilling or self-enhancement courses in any field recognized by the Director General under the National Skills Development Act 2006, will be extended to YA2026.

- ▶ The scope of the annual tax relief of RM2,500 for lifestyle will be expanded to include self skills enhancement courses such as language courses, photography and sewing, but excludes cost of purchasing sports equipment and subscription fees for gymnasium memberships.
- ▶ The annual tax relief for sports equipment and activities will be increased from RM500 to RM1,000, which covers the following:
  - ▶ Purchase of sports equipment
  - ▶ Rental or entrance fees to sports facilities
  - ▶ Registration fees for participating in sports competitions
  - ▶ Gymnasium membership fees
  - ▶ Sports training fees imposed by associations, sports clubs or companies registered with the Sports Commissioner or Companies Commission of Malaysia and carrying out sports activities under the Sports Development Act 1997
- ▶ Special income tax rate of 0% to 10% will be introduced for film production companies, actors or actresses and production crew conducting film shoots in Malaysia.
- ▶ The annual tax relief of up to RM2,500 for purchase, installation, rental and subscription fees for EV charging facilities, will be extended for another four years, from YA2024 until YA2027.
- ▶ The income tax exemption on employment income for women returning to work after a career break will be extended to YA2028. The application period will also be extended, to 31 December 2027.
- ▶ The income tax exemption on childcare allowance in respect of children up to the age of 12, either received by the employee or paid directly by employers to childcare centres, will be increased from RM2,400 to RM3,000 per YA.
- ▶ The application period for income tax exemption for the Returning Expert Programme will be extended to include applications from 1 January 2024 until 31 December 2027. Approved applicants will be entitled to the following incentives:
  - ▶ 15% income tax rate on employment income received for five consecutive years of assessment; and
  - ▶ Excise duty exemption of up to RM100,000 for the purchase of a Completely Knocked-Down (CKD) vehicle
- ▶ The income tax exemption for individuals investing through equity crowdfunding platforms will be extended for a period of three years. The tax exemption will now also be available for investments made through a Limited Liability Partnership nominee company. This proposal is applicable for investments made from 1 January 2024 to 31 December 2026.
- ▶ The tax incentive for angel investors will be extended for a period of three years, for investments made from 1 January 2024 until 31 December 2026.

## Indirect tax

- ▶ Full import duty and sales tax exemption will be given to eligible manufacturers on the importation and acquisition of manufacturing aids. This will apply to specific industries and prescribed categories of goods, from 1 January 2024.
- ▶ The excise duty rate on ready-to-drink sugar sweetened beverages will be increased from RM0.40 per litre to RM0.50 per litre, from 1 January 2024.
- ▶ Excise duty will be imposed on chewable tobacco products at 5% + RM 27/kg, from 1 January 2024.
- ▶ Entertainment duty imposed in the Federal Territories of Kuala Lumpur, Labuan and Putrajaya will be reduced or exempted for applications received by the Ministry of Finance from 1 January 2024 until 31 December 2028, as follows:
  - ▶ Full entertainment duty exemption for stage performances by local artistes
  - ▶ Reduction in entertainment duty rate from 25% to 5% for theme parks, family recreation centers, indoor gaming centers and simulators
  - ▶ Reduction in entertainment duty rate from 25% to 10% for stage performances by international artistes and for other entertainment events or venues such as film screenings, sports, e-sports, gaming, zoos, aquariums, circuses and exhibitions

## Stamp duty

- ▶ Stamp duty at a flat rate of 4% (instead of *ad valorem* rates) will be imposed on instruments of transfer of real properties to foreign-owned companies or non-citizen individuals (except Malaysian permanent residents). This applies to instruments of transfer executed from 1 January 2024.
- ▶ Stamp duty of RM10 will be imposed on the transfer of property where the eligible beneficiary renounces his or her right to another eligible beneficiary, in accordance with a will or *faraid*, or the Distribution Act 1958. This applies to instruments of transfer executed from 1 January 2024.

# EY Tax Academy Flagship Series: 2024 Budget and Tax Conference

Tuesday, 24 October 2023 | 8:00 a.m. – 5:30 p.m.

## Registration:

To register your attendance,  
please access  
<https://go.ey.com/3LAaeVu>  
by 17 October 2023

## For more information, contact:

E-mail: [seminar@my.ey.com](mailto:seminar@my.ey.com)

Thamil Malar | +603 2388 7132  
Faizah Ramli | +603 7495 8352  
Maisarah Samsudin | +603 2388 7238





# EY Tax Academy (EYTA)

Accelerate your tax knowledge  
anytime, anywhere




## Tax insights and learnings at your fingertips

- Stay compliant and adapt to evolving tax regulations on-the-go
- Learn to manage tax risks to boost stakeholder confidence
- Be equipped with the right knowledge to enhance tax strategy







Embark on an extraordinary EYTA learning experience with highly curated content by tax professionals. Choose from our [EYTA subscription pricing package](#) according to your business needs today.

## EY Tax Academy

Supported by a cloud-based LXP platform as a technology enabler for a superior client experience

 <b>Remain relevant</b>	Be informed of the most recent changes in tax laws - domestically and globally	 <b>Modern learning</b>	Learn from online modules at your own pace or sign up for live events	 <b>Future-proof</b>	Accelerating future readiness for tax professionals (e.g., soft skills)
---	--	---	---	--	---

### Blended learning approach

 Bite-sized videos	 Seminars/workshops	 Webinars/webcasts	 Podcasts	 Thought leadership articles	 Tax alerts/newsletters
--	---	--	---	--	---

## How you can benefit from the EY Tax Academy

The curriculum is defined by  
**(1) Core Knowledge** - foundational tax topics  
**(2) Future-ready learning** - targeted areas on growing market demands to remain relevant

<h1>1</h1> <b>Foundational flagship modules</b>	<h1>2</h1> <b>Webinar/seminars series</b>	<h1>3</h1> <b>Future-ready learning</b>
<ol style="list-style-type: none"> <li>1. Business tax</li> <li>2. Indirect tax</li> <li>3. Cross border taxes</li> <li>4. Employer tax obligation</li> <li>5. Individual tax</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual Budget &amp; Tax Conference</li> <li>2. Annual Form E and EA workshops</li> <li>3. Hot topics: <i>e-Invoicing, Special Voluntary Disclosure Program, Tax Corporate Governance Framework, and more</i></li> </ol>	<ol style="list-style-type: none"> <li>1. Sustainability</li> <li>2. Agility</li> <li>3. Wellbeing</li> </ol>



### EYTA subscription is HRD Corp (HRDC) claimable



Scan the QR code for more information or email [eytaxacademy@my.ey.com](mailto:eytaxacademy@my.ey.com) for the EYTA subscription pricing package.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](http://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](http://ey.com).

©2023 Ernst & Young Tax Consultants Sdn. Bhd. All Rights Reserved. APAC No.: 07009954 ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com/my](http://ey.com/my)



EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

© 2023 Ernst & Young Tax Consultants Sdn. Bhd.  
All Rights Reserved.

APAC no. 07010134  
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com/en\\_my](https://ey.com/en_my)