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Malaysia Budget 2024

EY
Building a better working world

Dato' Abdul Rauf Rashid
Malaysia Managing Partner,
Ernst & Young PLT

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Budget 2024 continues to build on the *Ekonomi Madani* framework, with holistic measures that complement other recently announced policies such as the National Energy Transition Roadmap, the New Industrial Master Plan 2030 and the Mid-Term Review of the 12th Malaysia Plan. In concert, these measures lay the foundation for Malaysia to become one of Asia's most dynamic economies.

Against the backdrop of global uncertainties, we commend the Government's commitment to prudent fiscal management and rebuilding investor confidence through institutional reforms, improved public service delivery and continued focus on good governance. The proposed introduction of an outcome-based tiered incentive structure should ensure that we attract the right mix of investments, both foreign and domestic, that benefits Malaysia. The various "green" proposals in Budget 2024 are timely given the global trend towards evolving climate policies and greater regulation.

Fiscal measures in this Budget aim to increase tax revenues without unduly burdening the *Rakyat*. Such measures include the introduction of new taxes (namely capital gains tax on disposal of unlisted shares by companies and a tax on luxury goods) as well as a service tax scope expansion and an increase in the service tax rate to 8% except on certain essential services. Equally, the subsidy rationalization proposal is a necessary fiscal management measure. The move away from blanket subsidies is accompanied by the proposal to provide targeted cash aid for the middle- and lower-income groups.

We look forward to the execution of the Budget proposals and the *Ekonomi Madani* measures.

Budget 2024 perspectives

Prime Minister Dato' Seri Anwar Ibrahim's second *Madani* budget was presented as a continuation of the "*Madani* Economy: Empowering the People" initiative released in July 2023.

With the theme of "Economic Reforms, Empowering the *Rakyat*", Budget 2024 is focused on:

1) Good governance and commitment to fiscal responsibility

2) Spurring economic growth and investments in high growth and high value activities

3) Elevating the standard of living for Malaysians, particularly the underprivileged

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. Despite this increase in expenditure, the Government's fiscal consolidation path continues.

The fiscal deficit is projected to narrow to 4.3% of GDP in 2024 from an estimated 5% in 2023, on the back of higher growth and increased government revenue collections.

Government revenue is estimated to increase to RM307.6 billion in 2024 through improved economic growth, private sector profitability and productivity. Tax collections are expected to remain the largest contributor to this amount at RM243.6 billion or 79% of total revenue, with an expected increase of 6.4% over 2023 tax collections. The increased tax revenue will be driven in part by the introduction of tax on capital gains and luxury goods, an expansion in the scope of service tax as well as an increase in the rate of service tax from 6% to 8%.

In a highly anticipated move to redistribute blanket subsidies that now also benefit the wealthy, the Government has announced plans to introduce a targeted approach for electricity and diesel subsidies, and increase its allocation for the Rahmah Cash Contribution program for the B40 group from RM8 billion to RM10 billion.

Key growth measures

- The New Industrial Master Plan (NIMP) 2030 was launched with a targeted total investment of up to RM95 billion to drive industrialization and establish Malaysia as a regional economic leader. A startup fund of RM200 million will be allocated in 2024 as a catalyst to accelerate the NIMP mission.

- In NIMP 2030, Malaysia has identified five priority sectors in which to attract investments: aerospace, chemical, electrical and electronics, pharmaceutical, and medical devices. Additionally, four new growth areas – advanced materials, electric vehicles, renewable energy, and Carbon Capture, Utilisation, and Storage (CCUS) – have been identified.

- The proposed introduction of outcome-based and tiered tax incentives is commendable. By linking tax incentives to specific outcome-based conditions, the Government incentivizes businesses to focus on long-term value creation. This innovative approach not only attracts targeted investments but also ensures that economic growth is aligned with the country's broader goals of social inclusivity and environmental stewardship. An example of an outcome-based tax incentive is the proposed Global Services Hub (GSH) incentive, with such hubs qualifying for preferential tax rates of 5% or 10% for up to 10 years. The GSH incentive will help boost Malaysia's competitiveness as a leader in the global services sector.

- Budget 2024 seeks to make Malaysia an attractive destination for foreign direct investments (FDI) while also encouraging domestic direct investments (DDI). In line with this, the responsibilities of the Ministry of Investment, Trade and Industry (MITI) and Malaysian Investment Development Authority (MIDA) will be expanded to include providing enhanced support to foreign and local investors.

Key tax measures

- Capital gains tax (CGT) will be imposed at a rate of 10% on net gains from the disposal of unlisted shares from 1 March 2024. An option to be taxed at 2% on gross proceeds is available if the shares were acquired before 1 March 2024. The Government is also evaluating CGT exemptions for share disposals in connection with initial public offerings or internal group restructuring.
- A tax on luxury goods will be introduced at rates ranging from 5% to 10% on specific high-value goods such as jewelry and watches, based on certain thresholds. The implementation date for this tax has yet to be announced.
- The service tax rate will be increased to 8%, though the service tax rate for essential services such as food and beverage, and telecommunications, will remain at 6%. The scope of taxable services will also be expanded to include logistics and karaoke.
- 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 (GMT) project, in 2024. Other countries such as Singapore, Hong Kong and Thailand, have announced that they will implement GMT in 2025. Malaysia intends to follow suit and implement GMT in 2025.
- It was previously announced that e-invoicing would be implemented in Malaysia in stages. The mandatory e-invoicing implementation date for taxpayers with annual turnover or revenue exceeding RM100 million will be 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.

Our views

Overall, the second *Madani* Budget introduces tough and bold fiscal reform measures while enhancing Malaysia's appeal to investors.

The Budget also prioritizes the welfare of the *Rakyat*, especially lower-income groups and vulnerable segments of society, by providing necessary support to counter the escalating cost of living.

It is encouraging that sustainability continues to feature in the Government's Budget proposals. Various measures were announced to encourage Electric Vehicle (EV) and solar panel use, and incentivize carbon capture and storage (CCS) and hydrogen sulfide projects.

Recognizing the need for a highly skilled talent pool that is adaptable to industry needs, Budget 2024 proposes various measures aimed at upskilling and training. This includes an overall allocation of RM6.8 billion for technical and vocational education and training (TVET). By facilitating ongoing skills development and learning opportunities, Budget 2024 will upskill the *Rakyat* and strengthen the nation's long-term competitiveness in an evolving and increasingly digitalized global economy.

The nation remains resolute in forging its path towards fiscal consolidation, which is a sensible approach against a backdrop of moderate global economic growth. With a strategic focus on prudent financial management and structural reforms, Budget 2024 strikes a delicate balance between stimulating growth and fostering an inclusive and equitable society.

Economic overview

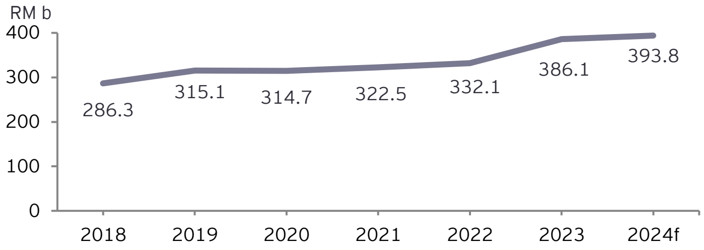
Budget 2024: Overview

Budget 2024, themed "Economic Reforms, Empowering the *Rakyat*" is guided by 12 strategic initiatives.

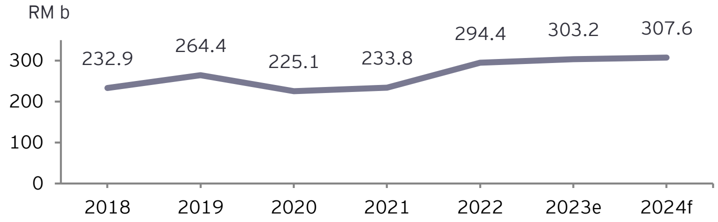
12 strategic initiatives

1. Commitment to fiscal reform
2. Institutional reform
3. Prioritizing services and projects which benefit the *Rakyat*
4. Revamping the economy
5. Empowering micro, small, medium enterprises (MSMEs)
6. Focusing on key sectors
7. Sustainability and energy transition
8. Protecting the *Rakyat's* welfare
9. Empowering targeted socio-economic groups
10. Providing excellent facilities for basic needs
11. Strengthening unity and security
12. Enhancing the welfare of civil servants

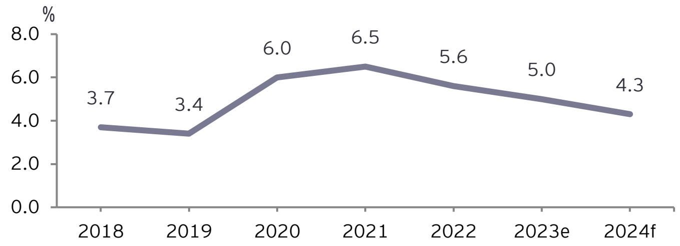
1 Budget allocation[1]



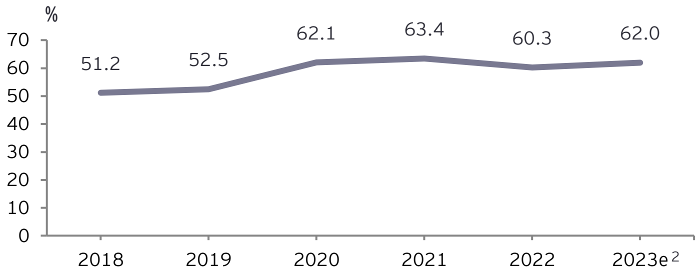
2 Government revenue



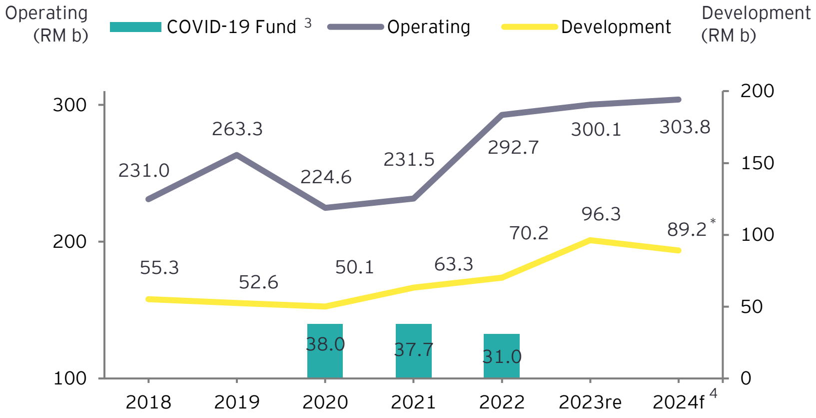
3 Budget deficit



4 Government debt/GDP ratio



5 Operating and development expenditure



Notes:

[1] The Budget allocation includes operating expenditure, development expenditure and COVID-19 fund, but excludes contingency reserves

[2] Government debt/GDP ratio for 2023e as at the end of August 2023

[3] The COVID-19 fund is a specific trust fund established under the Temporary Measures for Government Financing [Coronavirus Disease 2019 (COVID-19)] Act 2020 to finance economic stimulus packages and recovery plan

[4] Budget estimate excluding Budget 2024 measures

* The development expenditure stated in the Budget Speech is RM90b

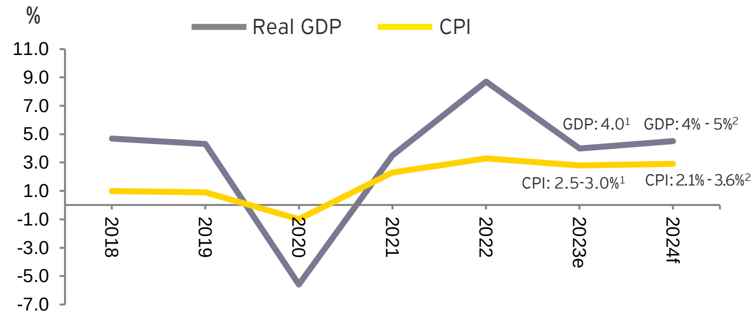
e = Estimate
f = Forecast
re = Revised estimate

Numbers may not add up due to rounding

Sources:
- Budget speeches 2016 to 2024, MOF
- MOF economic reports, 2016 to 2024

Economic indicators

Real GDP versus CPI

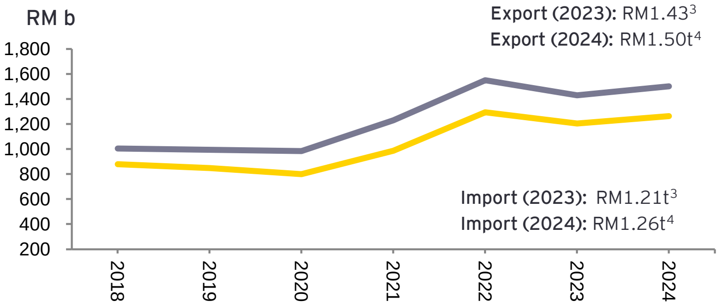


[1] Estimate for 2023
[2] Forecast for 2024

The Malaysian economy is projected to grow by 4% in 2023, compared to 8.7% in 2022, due to factors such as geopolitical uncertainties. The economy is expected to grow between 4% and 5% in 2024.

The inflation rate of 2.8% in 2023 is due to the moderating trend in global commodity prices, easing of supply-related disruptions, existing price controls and subsidies for selected items, and the lagged impact from the normalization of the overnight policy rate (OPR). The inflation rate is forecasted to be between 2.1% to 3.6% in 2024.

Trade (goods and services)

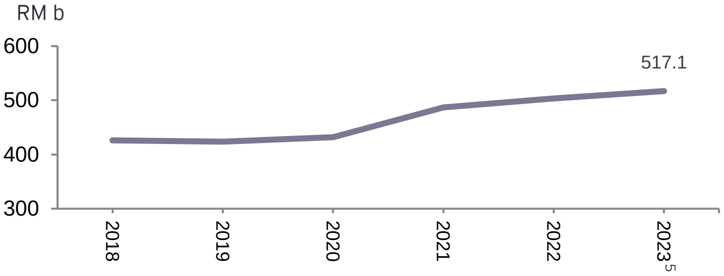


[3] Estimate for 2023
[4] Forecast for 2024

Total trade is expected to decline by 7.3% year-on-year to RM2.64t in 2023 amid sluggish external demand from major trading partners, moderating global trade and commodity prices, as well as the weakening of the Ringgit.

In 2024, total trade is forecasted to increase to RM2.76t with improving prospects in global trade and the commodities sector.

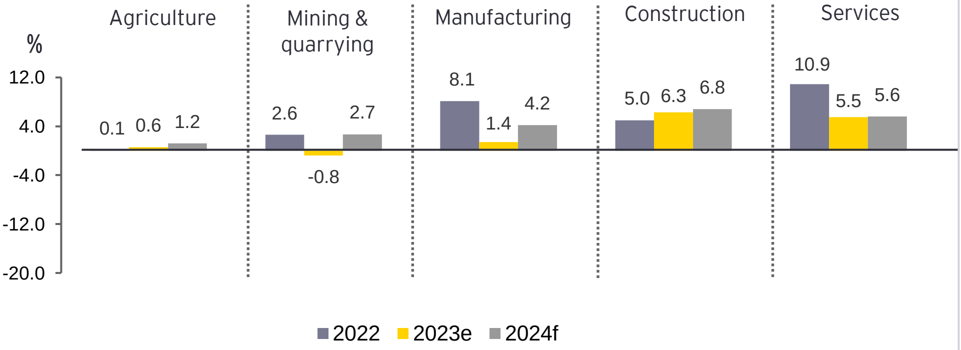
Net international reserves



[5] As at 29 September 2023

As at 29 September 2023, Malaysia's total international reserves amounted to RM517b, which is equal to the total short-term external debt and is sufficient to finance 5.1 months of imports of goods and services.

Growth by sectors



In 2023, all sectors except mining and quarrying are expected to record growth. In particular, the construction sector is expected to expand by 6.3% driven by all subsectors (civil engineering, residential and non-residential).

The services sector is estimated to grow by 5.5% amid a recovery in the tourism subsector, with most other subsectors except for finance and insurance also recording growth.

The manufacturing sector is expected to recover and expand by 4.2% in 2024.

Sources:
- MoF economic reports
- Press release by Bank Negara Malaysia (BNM), 29 September 2023

Tax measures

- Individuals
- Businesses
- Indirect tax

Exemptions, deductions and reliefs

- The scope of 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
- 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 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 centers, will be increased from RM2,400 to RM3,000 per YA.
- 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 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. Applications for the exemption must be received by Talent Corporation Malaysia Berhad (TalentCorp) from 1 January 2024 until 31 December 2027 and the career break must have been for at least two years on the date the application is received by TalentCorp.
- The application period for income tax exemption for the Returning Expert Programme will be extended to include applications received by TalentCorp 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 tax deduction on donations of up to 10% of aggregate income will be expanded to include donations made to institutions, organizations or funds approved under section 44(6) of Income Tax Act 1967 for implementing education programs including sports education.

Tax measures: Individuals

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 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 real properties 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.
Angel investors	► Tax incentive for angel investors who invest in an investee company in the form of ordinary shares will be extended for a period of three years, for investments made from 1 January 2024 until 31 December 2026.
Equity crowdfunding	► 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.
Special tax rate for foreign film actors and film crew	► 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.
Special tax rate for non-citizen individuals holding key or C-suite positions in Global Services Hubs	► Special income tax rate of 15% for three consecutive YAs will be granted to a maximum of three non-citizen individuals holding key or C-suite positions with a monthly salary of at least RM35,000, appointed by a new company approved with Global Services Hub tax incentive. ► This applies to applications received by MIDA from 14 October 2023 until 31 December 2027.
Employees Provident Fund (EPF) and Social Security Organisation (SOCSO)	► Matching contribution to *i-Saraan* program under EPF to be increased to RM500 per year, up to a lifetime maximum of RM5,000. ► Matching contribution to *i-Suri* program under EPF to be increased to RM300 per year, up to a lifetime maximum of RM3,000. ► Expansion of *i-Sayang* program under EPF to allow a working wife to transfer 2% of her EPF contribution to her husband. ► Increase in the monthly wage ceiling for SOCSO contributions from RM5,000 to RM6,000. ► Monthly incentive of up to RM1,500, for up to six months, will be given by SOCSO to employers who hire individuals from vulnerable groups, such as people who are less-abled, ex-convicts and senior citizens.

Tax measures: Businesses

E-invoicing

- It was previously announced that e-invoicing will be introduced in Malaysia in stages. The mandatory e-invoicing implementation date for taxpayers with annual turnover or revenue exceeding RM100 million will be 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.

Capital gains tax (CGT)

- From 1 March 2024, CGT will apply on disposals of unlisted shares by companies, at the following rates:

Share acquisition date	CGT rate
Before 1 March 2024	Taxpayer can elect to pay CGT at: i. 10% on net gains; or ii. 2% of gross sales value
From 1 March 2024	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 exercise, subject to conditions.
- There is no guidance at this stage on how CGT will operate alongside the real property gains tax (RPGT) regime. Currently, RPGT would apply on the disposal of shares in a real property company.

Pillar Two of the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) 2.0 project

- The Ministry of Finance's "Mid-year 2023 Budget Performance Report" dated 27 September 2023 indicated that Malaysia expects to implement Pillar Two of the OECD's BEPS 2.0 project 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.

Deductions

- Deduction of up to RM50,000 per YA on the following expenditure:

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 Bank Negara Malaysia
Tax Corporate Governance Framework (TCGF) of Inland Revenue Board of Malaysia (HASiL)	Preparation of reports related to TCGF by companies
Transfer pricing documentation	Preparation of transfer pricing documentation by companies
E-invoicing implementation	Consultation fee incurred by MSMEs for implementing e-invoicing
Any reporting requirement related to ESG	ESG reporting by companies to a regulator approved by the Ministry of Finance

This is effective from YA2024 until YA2027.

- A further tax deduction of up to RM300,000 will be given to companies that incur Development and Measurement, Reporting and Verification (MRV) 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.

- Deduction of up to RM300,000 on EV rental cost will be extended for two years, up to YA2027.

- Deduction will be available for contributions to or sponsorship of activities related to tree-planting projects or environmental preservation and conservation awareness projects verified by the Forest Research Institute Malaysia (FRIM). This is applicable for applications received by the Ministry of Finance from 1 January 2024 until 31 December 2026.

- Deduction on donations of up to 10% of aggregate income will be expanded to include donations made to institutions, organizations or funds approved under section 44(6) of the Income Tax Act 1967 for implementing education programs including sports education.

Tax measures: Businesses

<table>
<tr><td>Capital allowances and industrial building allowances</td><td>

The initial allowance for information and communications technology equipment and customized computer software development will be increased from 20% to 40%, from YA2024.
Industrial building allowance of 10% will be given on the purchase, construction or renovation of Private Nursing Homes for the Elderly approved by the Ministry of Health. This is applicable for expenditure incurred from 1 January 2024 until 31 December 2026.
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 is applicable for applications received by KPK from 14 October 2023 until 31 December 2027.

</td></tr>
<tr><td>Tiered tax incentive system</td><td>

A tiered incentive system will be adopted, whereby investors will enjoy incentives which commensurate with their commitments to Malaysia.

</td></tr>
<tr><td>Manufacturing and agriculture</td><td>

For existing companies where the initial reinvestment allowance and special reinvestment allowance periods have expired, an investment tax allowance may be available as follows:

<table>
<tr><th>Investment tax allowance (determined by outcome-based approach)</th><th>Tier 1</th><th>Tier 2</th></tr>
<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>
</table>

This is applicable for applications received by MIDA from 1 January 2024 until 31 December 2028.

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<tr><td>Carbon, capture and storage (CCS)</td><td>

The study and drafting of tax incentives for CCS and hydrogen sulfide projects by the Petroleum (Income Tax) Act 1967 Revision Committee, comprising the Ministry of Finance, HASiL and PETRONAS, is expected to be finalized by end of 2023.

</td></tr>
<tr><td>Pengerang Integrated Petroleum Complex (PIPC)</td><td>

PIPC will be used as a hub for the development of the chemical and petrochemical sector. Concessionary tax rates or investment tax allowances will be offered to qualifying taxpayers.

</td></tr>
<tr><td>Social enterprises</td><td>

The income tax exemption on all income of an accredited social enterprise will be extended for two years. This applies to applications received by the Ministry of Finance from 1 January 2024 until 31 December 2025.

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</table>

Global Services Hub

- A Global Services Hub tax incentive centered on the outcome-based approach will be introduced as follows:

	New companies		Existing companies	
	Tier 1	Tier 2	Tier 1	Tier 2
Exemption years	5+5 years		5 years	
Tax rate	5%	10%	5% on value-added income	10% on value-added income
Type of income exempted	i. Services income; or ii. Services and trading income			
Qualifying services and additional services	i. Regional P&L/Business Management Unit ii. Strategic business planning iii. Corporate development and iv. Any two qualifying activities under the services category as follows: a. Strategic services b. Business services c. Shared services d. Other services			
Conditions (outcome-based)	i. Annual operating expenditure; ii. High value full-time employees; iii. C-suite employees with a minimum monthly salary of RM35,000; iv. Local ancillary services; v. Collaboration with higher education institutions or TVET; vi. Training of Malaysian students or citizens; vii. ESG elements; or viii. Other conditions as determined by the Ministry of Finance.			

- This applies to applications received by MIDA from 14 October 2023 until 31 December 2027.

Green economy

- Green Investment Tax Allowance (GITA) projects (business purpose):

Qualifying activities	% of GITA	Set-off against % of statutory income	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. Geothermal v. Solar vi. Wind energy	100%	70%	5 years

This applies to applications received by MIDA from 1 January 2024 until 31 December 2026.

- GITA assets (own consumption):

Qualifying assets	% of GITA	Set-off against % of statutory income	Incentive period
Tier 1: i. List of qualifying assets approved by Ministry of Finance ii. Battery energy storage system iii. Green building	100%	70%	Qualifying capital expenditure incurred from 1 January 2024 until 31 December 2026
Tier 2: i. List of qualifying assets approved by Ministry of Finance ii. Renewable Energy System iii. Energy efficiency	60%	70%	

This applies to qualifying capital expenditure approved by MGTC for the purchase of green technology assets from 1 January 2024 until 31 December 2026.

- Green Income Tax Exemption (GITE) for Solar Leasing:

Tier	Tax exemption on statutory income	Incentive period
>3MW - ≤10MW	70%	5 years
>10MW - ≤30MW		10 years

This applies to applications received by MIDA from 1 January 2024 until 31 December 2026.

Tax measures: Businesses

Financial services	▸ 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 *Shariah*-compliant fund management services approved by SC will be extended for another four years of assessment, from YA2024 to YA2027. However, the tax exemption on statutory income derived from the fund management services will be reduced from 100% to 60%. ▸ A full income tax exemption will be granted to Labuan entities engaged in trading activities related to Islamic finance, such as Islamic digital banking, Islamic digital stock exchanges, *ummah*-related companies, and Islamic digital token issuers, for a period of five years from YA2024 until YA2028. ▸ The income tax exemption for fund managers managing Sustainability and Responsible Investment (SRI) Funds, as well as the tax deduction given on the issuance cost of SRI Sukuk, will be extended for another four years of assessment, from YA2024 to YA2027. ▸ The income tax exemption provided to recipients of the Green SRI Sukuk Grant will now be expanded to include recipients of SRI-Linked Sukuk Grants and bonds approved by the Securities Commission of Malaysia (SC). This applies to applications received from 1 January 2024 until 31 December 2025.
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. This applies to instruments of transfer executed from 1 January 2024.
Tax administration	▸ The imposition of stamp duty and administration of tax incentives will be improved to reduce revenue leakages. ▸ Strengthening tax administration including simplifying tax refunds and centralizing tax collection efforts.

Institutions, organizations or funds approved under section 44(6) of the Income Tax Act 1967

- The limit of accumulated funds which can be used for business activities will be increased. Institutions, organizations or funds may choose either of the following options to continue enjoying section 44(6) benefits:

Option	Utilization of accumulated funds for business	Threshold of charitable activity expenditure
1	Up to 25%	At least 50%
2	Over 25% and up to 35%	At least 60%

- Where any conditions are breached within the approval period:
  - The institutions, organizations or funds will not be eligible for tax exemption in the YA the breach of conditions occurred.
  - Donors will remain eligible for tax deductions on the contributions made.

- This is effective from YA2024.

Tax measures: Indirect Tax

Service tax rate

- 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.

Addition of new services and expansion of scope

- Addition of logistics and karaoke services.
- Expansion of the scope of brokerage and underwriting services. Currently, such services are generally only subject to service tax in the context of financial services.

Tax on luxury goods

- The tax on luxury goods will apply at a rate of 5% to 10% on certain high-value goods, such as jewelry and watches, based on prescribed thresholds.

Excise duty for sugar sweetened beverages (SSBs)

- The excise duty rate on ready-to-drink SSBs under tariff headers 22.02 and 20.09 will be increased from RM0.40 per liter to RM0.50 per liter, from 1 January 2024.

Excise duty on chewable tobacco products

- Excise duty will be imposed on chewable tobacco products covered under tariff code 2403.99.5000 at 5% + RM27/kg, from 1 January 2024.

Import duty and sales tax exemption for manufacturing aids

- 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.

Entertainment duty

- 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:

Type of entertainment	Entertainment duty rates	
	Current	Proposed
Stage performances by international artistes/light show/circus	25%	10%
Movie screening (cinema)/theater		
Exhibition/zoo/aquarium		
Sports events/e-sports/bowling/snooker/pool/billiards/karaoke		
Theme park/family recreation center/indoor game center/simulator		5%
Stage performances by local artistes		0%

Tighter controls on smuggling activities

The Government will further tighten controls on smuggling of liquor products and cigarettes. Such measures include:

- Restricting transshipment of liquor products to specific ports of entry
- Making the Immigration, Customs, Quarantine and Security Complex at Bukit Kayu Hitam the only single exit route for the northern region
- Importation of cigarettes for the domestic market done by full container load

Note: The above are effective from 1 January 2024.

EY Tax contacts

Principal Tax

Yeo Eng Ping
EY Asia-Pacific Tax Leader
eng-ping.yeo@my.ey.com

Amarjeet Singh
EY Asean Tax Leader
amarjeet.singh@my.ey.com

Farah Rosley
Malaysia Tax Leader and
Malaysia Global Compliance and Reporting Leader
farah.rosley@my.ey.com

People Advisory Services

Tan Lay Keng
EY Asia-Pacific People Advisory Services Leader
lay-keng.tan@my.ey.com

Christopher Lim
EY Asean Immigration Leader and
Malaysia People Advisory Services Leader
christopher.lim@my.ey.com

Irene Ang
irene.ang@my.ey.com

Cynthia Wong
cynthia.wong@my.ey.com

Business Tax Services

Robert Yoon
EY Asia-Pacific Fixed Assets Services Leader and
Asean Quantitative Services Leader
(based in Johor)
robert.yoon@my.ey.com

Bernard Yap
bernard.yap@my.ey.com

Wong Chow Yang
chow-yang.wong@my.ey.com

Chan Vai Fong
vai-fong.chan@my.ey.com

Chua Siong Chee
siong-chee.chua@my.ey.com

Global Compliance and Reporting

Farah Rosley
farah.rosley@my.ey.com

Julian Wong
EY Asean Global Compliance and Reporting Leader and EY Asean Managed Services Leader
julian.wong@my.ey.com

Asaithamby Perumal
asaithamby.perumal@my.ey.com

Julie Thong
julie.thong@my.ey.com

Liew Ai Leng
ai-leng.liew@my.ey.com

Elias Mohammad
elias.mohammad@my.ey.com

Linda Kuang
(based in Kuching)
linda.kuang@my.ey.com

Mark Liow
(based in Penang)
mark.liow@my.ey.com

Jaclyn Tan
(Payroll Operate Services)
jaclyn.tan@my.ey.com

Financial Services

Koh Leh Kien
leh-kien.koh@my.ey.com

Bernard Yap
bernard.yap@my.ey.com

Gary Ling
(Transfer Pricing)
gary.ling@my.ey.com

International Tax and Transaction Services

Yeo Eng Ping
eng-ping.yeo@my.ey.com

Amarjeet Singh
amarjeet.singh@my.ey.com

Sockalingam Murugesan
EY Asean Transfer Pricing Leader and Malaysia Transfer Pricing Leader
sockalingam.murugesan@my.ey.com

Anil Kumar Puri
anil-kumar.puri@my.ey.com

Andrew Loh
andrew.loh@my.ey.com

Chua Meng Hui
meng-hui.chua@my.ey.com

Sharon Yong
sharon.yong@my.ey.com

Florence Tan
florence.tan@my.ey.com

Derek Chan
derek.chan@my.ey.com

Shalini R Chandrarajah
shalini.chandrarajah@my.ey.com

Gary Ling
(Transfer Pricing)
gary.ling@my.ey.com

Hisham Halim
(Transfer Pricing)
hisham.halim@my.ey.com

Vinay Nichani
(Transfer Pricing)
vinay.nichani@my.ey.com

Indirect Tax

Yeoh Cheng Guan
cheng-guan.yeoh@my.ey.com

Jalbir Singh Riar
jalbir.singh-riar@my.ey.com

Aaron Bromley
aaron.bromley@my.ey.com

EY contacts

Dato' Abdul Rauf Rashid
Malaysia Managing Partner,
Ernst & Young PLT

abdul-rauf.rashid@my.ey.com

Yeo Eng Ping
EY Asia-Pacific Tax Leader
Ernst & Young Tax Consultants Sdn Bhd

eng-ping.yeo@my.ey.com

Amarjeet Singh
EY Asean Tax Leader
Ernst & Young Tax Consultants Sdn Bhd

amarjeet.singh@my.ey.com

Farah Rosley
Malaysia Tax Leader
Ernst & Young Tax Consultants Sdn Bhd

farah.rosley@my.ey.com

Anil Kumar Puri
Malaysia International Corporate Tax Advisory Leader
Ernst & Young Tax Consultants Sdn Bhd

anil-kumar.puri@my.ey.com

Ismed Darwis
EY Malaysia Markets Leader
Ernst & Young PLT

ismed.darwis@my.ey.com

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