

TAX ALERT ON BUDGET 2024



Introduction

Budget 2024 has been tabled by our Prime Minister and Minister of Finance, Datuk Seri Anwar Bin Ibrahim on 13 October 2023. We have summarised the key tax proposals and measures in this tax alert for your easy reference.

This publication has been prepared based on the Budget 2024 speech, appendices, relevant tax proposal and measures based on the Finance Bill 2023 issued on 7 November 2023.



Highlight

a) Measures relating to Direct Taxes:

- Tax Administration
- Individual
- Corporate
- Tax Incentives

b) Real Property Gains Tax (RPGT)

c) Stamp Duty

d) Indirect Taxes

e) Other Tax Related

f) Capital Gains Tax

g) Electronic Invoice

h) Global Minimum Tax (GMT)



ADMINISTRATION MATTERS

Notification on Cessation of Employment

An employer is not required to notify the Director General of Inland Revenue (DGIR) on the cessation of employment of his employee regardless if he is aware or not that the employee is retiring from any employment, subject to the following conditions :-

- The employer has made monthly tax deduction (MTD) from such employee's remuneration; or
- No MTD was made as the total monthly employment income of the employee is below the minimum MTD threshold.

Effective from 1 January 2024.

Mandatory Submission of Prescribed Form by Employer via Electronic Medium

All employers are required to submit the following prescribed form via electronic medium:

- E-Return (Return by Employer)
- CP21 (Notification by employer of employee's departure from Malaysia)
- CP22 (Notification by employer for new employee)
- CP22A (Notification of cessation of employment - private sector)
- CP22B (Notification of cessation of employment - public sector)

Effective from:

- a) Year ending 31 December 2023 for E-Return;
- b) 1 January 2024 for CP21, CP22, CP22A and CP22B.

Review of Condition for Company to be Considered as An MSME

An MSME qualifies for the following preferential tax treatments:

- Exemption from filing the estimate of tax payable (CP204) for a period of 2 consecutive years of assessment (YAs) from the commencement date of operation;
- Special capital allowance rate (100%) for small value assets without the maximum cap at RM20,000.

The above preferential tax treatment be reviewed to exclude a company where more than 20% of its paid-up capital in respect of its ordinary shares, at the beginning of the basis period of a year of assessment (YA), is owned directly or indirectly by one or more:

- Companies incorporated outside Malaysia; or
- Individuals who are not citizens of Malaysia.

Effective from YA2024.



ADMINISTRATION MATTERS

Mandatory Submission of Information and Documents

A person is required to provide information and furnish documents as may be determined by the DGIR for purpose of ascertaining his chargeable income electronically within 30 days after the due date for furnishing his tax return.

Failure to comply 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 both.

Effective from YA2025.

Revision of Tax Estimate

Presently, a company, LLP, trust body or co-operative is allowed to revise its tax estimate in the 6th month and/or 9th month of the basis period for a YA.

An additional revision of tax estimate be allowed in the 11th month of the basis period for a YA.

Effective from YA2024.

Power of DGIR to Issue Guidelines

A new Section 134A be introduced to empower DGIR to issue guidelines as he thinks expedient or necessary to clarify the provisions of the Income Tax Act 1967 (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.

Effective from 1 January 2024.

Appointment of Employees to Complete and Submit Prescribed Form via Electronic Medium on Behalf

A director or other individuals who are entrusted with the responsibility to do all acts and things as required to be done by or on behalf of a company or body of persons (as referred to under Section 75 (1), ITA 1967) may authorize an employee to furnish on his behalf prescribed forms via electronic medium.

Effective: Upon coming into operation Finance Act 2023.



ADMINISTRATION MATTERS

Redefinition of Foreign Tax and Foreign Income

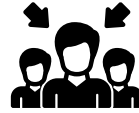
The definition of foreign income for the purpose of double taxation relief is amended where:-

- in the case of unilateral credit, foreign income constitutes income derived from outside Malaysia, charged to foreign tax;
- in the case of bilateral credit, foreign income constitutes income derived from outside Malaysia and from Malaysia, charged to foreign tax.

The definition of foreign tax is updated to mean 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.

Effective from YA2024.





INDIVIDUAL TAX

Review of Tax Relief for Medical Treatment, Special Needs and Carer Expenses for Parents

The scope of tax relief for medical treatment, special needs and carer expenses for parents be expanded to include: -

- Dental treatment certified by dental practitioner registered with Malaysian Dental Council;
- Complete medical examination limited to RM1,000.

Effective from YA2024.

Extension of Tax Relief for Up-Skilling and Self-Enhancement Courses Fees

The tax relief on fee paid (limited to RM2,000) for up-skilling or self-enhancement courses conducted by a body recognised by Director General of Skills Development under the National Skills Development Act 2006 be extended for another 3 years.

Effective from YA2024 until YA2026.

Review of Tax Relief for Lifestyle

The scope and limit of tax relief for lifestyle be re-structured as follows: -

a) Lifestyle relief

- The scope of lifestyle relief (limited to RM2,500) be expanded to include fee paid for any course of study undertaken other than up-skilling or self-enhancement course conducted by a body recognised by Director General of Skills Development under the National Skills Development Act 2006 ;
- Exclude purchase of sports equipment and gymnasium membership fees.

b) Specific tax relief for Sports Equipment and Activities be introduced

A relief of up to RM1,000 be given to a taxpayer for:

- purchase of sports equipment for any sport activity as defined under the Sport Development Act 1997;
- rental or entrance fees to any sports facility;
- registration fees for participating in sports competitions where the organizer is approved and licensed by the Commissioner of Sports under the Sports Development Act 1997; and
- fees for gym membership or sport training for any sports activity as defined under the Sports Development Act 1997.

Effective from YA2024.



INDIVIDUAL TAX

Review of Tax Relief for Medical Treatment

The scope of tax relief for medical treatment of RM10,000 be expanded to include dental examination and treatment limited to RM1,000, certified by dental practitioners registered with the Malaysian Dental Council.

Effective from YA2024.

Extension of Tax Relief for Electric Vehicle (EV) Charging Facilities

Tax relief of up to RM2,500 be given to a taxpayer for expenditure related to EV charging facilities such as expenses related to installation, rental, purchase including hire purchase of equipment or subscription for EV charging facility be extended for another 4 years.

Effective from YA2024 until YA2027.

Review of Tax Incentive for Women Career Comeback Programme

Women who are in career break and return to work are eligible for tax exemption on employment income received for a maximum period of 12 consecutive months. The eligibility criteria for the Women Career Comeback Programme tax incentive be enhanced as follows: -

- Women returning to work after a career break for at least 2 years before the date of application received by Talent Corporation Malaysia Berhad; and
- Employment income received from the YA2025 until YA2028.

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

Extension of Tax Incentives for Returning Expert Programme (REP)

The application period for Returning Expert Programme (REP) be extended for another 4 years and revised as follows:

- Income tax at a fixed rate of 15% on employment income received for period of 5 consecutive YAs;
- Exemption on excise duty for purchase of a Completely Knocked-Down (CKD) vehicle of up to RM100,000.

Effective: For application received by Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027).



INDIVIDUAL TAX

Review of Income Tax Exemption for Child Care Allowance under Perquisites from Employment

Tax exemption on childcare allowances received by employees or paid directly by employer to childcare centres (perquisite from employment) be increased from RM2,400 to RM3,000 per year.

Effective from YA2024.





CORPORATE TAX

Review of Capital Allowance on Information and Communication Technology Equipment and Computer Software

The capital allowance rate for purchase of ICT equipment, computer software packages and customised software development be revised as following:-

Qualifying Expenditure	Current CA rate	Proposed CA rate
Purchase of ICT equipment, computer software packages	IA : 20% AA: 20%	IA : 40% AA : 20%
Consultation, licensing and incidental fees related to customised software development		

Effective from YA2024.

Extension of Tax Exemption on Management Fees Income for Sustainable and Responsible Investment (SRI) Funds

Income tax exemption for management fees income received from local/ foreign investors, business trusts investors, REIT investors approved by Securities Commission Malaysia (SC) be extended for another 4 years.

Effective from YA2024 until YA2027.

Income Tax Exemption for Islamic Financial Activities Under Labuan IBFC

Income tax exemption for a period of 5 years be given to Labuan entity that undertakes Islamic financial-related trading activities such as Islamic digital banking, Islamic digital bourses, ummah-related companies and Islamic digital token issuers.

Effective from YA2024 until YA2028.



CORPORATE TAX

Tax Deduction on Environmental, Social, and Governance (ESG) Related Expenditures

Special tax deduction up to RM50,000 for each YA 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 the Inland Revenue Board (IRB)	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 MSME for e-invoicing implementation
Any reporting requirement related to ESG	ESG reporting by companies to regulator approved by the MOF

Effective from YA2024 to YA2027.

Extension of Tax Deduction on Issuance Cost of SRI Linked Sukuk

Tax deduction given on issuance cost of SRI linked Sukuk approved or authorized or lodged with the SC be extended for another 4 years.

Effective from YA2024 until YA2027.



CORPORATE TAX

Expansion of Scope of Tax Exemption on SRI Sukuk Grant and Bond Grant Scheme

The existing tax exemption on the sukuk grant and bond grant scheme be expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by the SC.

Effective : For application received by the SC from 1 January 2024 to 31 December 2025.

Review of Income Tax Exemption on Shariah Compliant Fund Management Services

The existing income tax exemption for Shariah-compliant fund management services companies be extended for 4 years and the exemption rate be reduced from 100% to 60% of the statutory income.

Effective from YA2024 until YA2027.

Industrial Building Allowance for Senior Citizens Private Nursing Home

Industrial Building Allowance (IBA) be given at rate of 10% on the cost of construction or purchase of building including renovation cost incurred for buildings used as a Private Nursing Home for the elderly approved by the Ministry of Health.

Effective : For qualifying expenditure incurred from 1 January 2024 until 31 December 2026.

Tax Exemption for Income Arising from Islamic Securities Selling and Buying (ISSB)

Income tax exemption be given on income arising from ISSB.

Effective from YA2024.





TAX INCENTIVES

Tax Incentive for Reinvestment under the New Industrial Master Plan (NIMP) 2030

Companies that have exhausted their reinvestment allowance eligibility period be given tax incentive in the form of Investment Tax Allowance (ITA) as below, for undertaking projects to increase capacity and investment in high-value activities under the NIMP 2030:-

Investment Tax Allowance (ITA)	Tier 1	Tier 2
Qualifying capital expenditure	100%	60%
Statutory income to be set off	100%	70%

The eligible ITA rate will be determined based on outcome-based approach.

Effective: For applications received by MIDA from 1 January 2024 to 31 December 2028.

Tax Deduction on Contribution for Environmental Preservation and Conservation Project

Tax deduction under Section 34(6)(h), ITA 1967 be given to entities that contribute or sponsor activities related to tree planting projects or environmental preservation and conservation awareness projects verified by Forest Research Institute Malaysia (FRIM).

Effective: For application received by MOF from 1 January 2024 until 31 December 2026.

Further Tax Deduction for Voluntary Carbon Market

Further tax deduction up to RM300,000 be given to companies for costs incurred on the Development and Measurement, Reporting and Verification (MRV) related to the development of carbon projects. The further tax deduction is deductible against carbon credit income traded on Bursa Carbon Exchange (BCX).

Effective: For application received by Malaysian Green Technology and Climate Change Corporation (MGTC) from 1 January 2024 until 31 December 2026.



TAX INCENTIVES

Tax Incentive for Global Services Hub

Tax incentive for Global Services Hub based on outcome-based approach be introduced as follows: -

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Exemption Years	5 + 5		5	
Tax Rate	5%	10%	5% on value-added income	10% on value-added income
Types of Income Exempted	a) Services income; or b) Services and trading income.			
Qualifying Services and Additional Services	Undertake the following activities: - a) Regional P&L/Business Management Unit; b) Strategic business planning; c) Corporate development; and d) Any 2 qualifying activities under the services category as follows: - i) Strategic services; ii) Business services; iii) Shared services; or iv) Other services.			
Conditions (Outcome-based)	a) Annual operating expenditure; b) High value full-time employees; c) C-Suite with a minimum monthly salary of RM35,000; d) Local ancillary services; e) Collaboration with higher education institution/TVET; f) Training for Malaysian students/citizen; g) Environmental, Social and Governance (ESG) elements; or h) Other conditions as determined by the MOF.			

Non-citizen individuals who are appointed by a new company approved with Global Services Hub tax incentives (limited to 3 non-citizen individuals) be subject to a flat income tax rate of 15% for a period of 3 YAs, subject to the following conditions:-

- a) Holding key / C-suite position; and
- b) Salary at least RM35,000.

Effective: For applications received by MIDA from 14 October 2023 to 31 December 2027.



TAX INCENTIVES

Review of Green Technology Tax Incentive

Green Technology Tax Incentive be reviewed as follows:

a) GITA Project (Business Purposes)

Qualifying Activities	% GITA	% of Statutory Income ("SI") to be Set Off	Incentives Period
Tier 1 i) Green hydrogen	100%	100% or 70%	Up to 10 years (5 +5)
Tier 2 i) Integrated waste management ii) Electric vehicle charging station	100%	100%	5 years
Tier 3 i) Biomass ii) Biogas iii) Mini hydro iv) Solar v) Wind energy	100%	70%	5 years

b) GITA Assets (Own Consumption)

Qualifying Activities	% GITA	% of Statutory Income ("SI") to be Set Off	Incentives 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 to 31 December 2026
Tier 2 i) List of qualifying assets approved by Ministry of Finance ii) Battery energy storage system iii) Green building	60%	70%	



TAX INCENTIVES

Review of Green Technology Tax Incentive

c) GITE Solar Leasing

Tier	Tax Exemption on Statutory Income	Incentive Period
>3MW - <10MW	70 %	5 years
>10MW - <30MW		10 years

Effective:

GITA Project	For application received by MIDA from 1 January 2024 until 31 December 2026.
GITA Asset	Qualifying capital expenditure as verified by the MGTC for the purchase of green technology assets starting from 1 January 2024 until 31 December 2026.
GITE Solar Leasing	For application received by MIDA from 1 January 2024 until 31 December 2026.

Special Income Tax Rate for Film Production Companies, Foreign Film Actors and Film Crews

A special tax rate ranging from 0% to 10% be given to film producer companies, foreign actors and film crews for filming which are conducted in Malaysia.

Effective: For application received by PUSPAL from 1 January 2024 until 31 December 2026.





TAX INCENTIVES

Other Incentives

Tax incentives	Existing / Expansion of Scope	Extension of Time / Periods
Extension of Income Tax Exemption for Social Enterprise	Tax exemption given on all income of social enterprise subject to validity period of accreditation by the Ministry of Entrepreneur Development and Cooperatives be extended for 2 years.	Applications received by the MOF from 1 January 2024 until 31 December 2025.
Review of Automation in Manufacturing, Services and Agriculture Sectors	The 100% accelerated capital allowance (ACA) for automation equipment incurred by companies in manufacturing, services and agriculture sector be expanded to include the commodity sector under the Ministry of Plantation and Commodities.	Application received by the Ministry of Plantation and Commodities from 14 October 2023 until 31 December 2027.
Review of tax incentives for equity crowdfunding (ECF)	Individual investors are given tax exemption on their aggregate income equivalent to 50% of amount invested in ECF, subject to the following conditions: - • For each YA, tax exemption amount is limited to RM50,000; • For each YA, deductible amount is limited to 10% of aggregate income; • The investor, investee company and investment amount must be verified by the SC; • The investor must not have any family relationship with the investee company; • Investment must be made through ECF platform approved by the SC; • The investment is prohibited to be wholly or partly disposed within 2 years from date of investment. The tax incentive be expanded to include investment made by individual investor through LLP nominee company.	The tax incentive be extended for another 3 years. (For investment made from 1 January 2024 until 31 December 2026)





TAX INCENTIVES

Other Incentives

Tax incentives	Existing / Expansion of Scope	Extension of Time / Periods
Extension of Tax Incentive for Angel Investor	An angel investor is exempted from income tax at the aggregate income level for an amount equivalent the value of his investments in a tech start – up company.	The tax incentive be extended for another 3 years. (For investment made from 1 January 2024 until 31 December 2026)
Extension of Tax Incentive for Rental of Electric Vehicles	A tax deduction on the rental payment up to RM300,000 be given to companies that rent non-commercial electric vehicle (EV).	The tax incentive be extended for another 3 years (until YA2027)





REAL PROPERTY GAINS TAX (RPGT)

Implementation of Self-Assessment System

Self-assessment system be implemented for RPGT with introduction of the following key features:-

- The disposer is required to calculate the RPGT payable in the RPGT return;
- The RPGT return furnished by the disposer is deemed to be a notice of assessment made by the DGIR;
- The deemed assessment can be amended by submitting an amended RPGT return within 6 months from the due date for submission of the RPGT return. The amendment can only be made once;
- The amended RPGT return is deemed to be an additional assessment made by the DGIR;
- The additional RPGT payable under amended RPGT return is subject to an increase of tax equal to 10% of the additional RPGT payable;
- The tax and additional tax payable under the deemed assessment shall be due and payable within 60 days from the date of disposal;
- The tax and additional tax payable on the amended return shall be due and payable on the day the amended return is submitted;
- The taxpayer may apply for relief on an assessment within 5 years after the end of the YA which the assessment was made;
- The DGIR may by notice in writing request the taxpayers to complete/deliver any return specified in the notice, provide all books, accounts, returns and other documents deemed necessary for audit purposes (to be completed and delivered to the DGIR within a time frame i.e., not less than 30 days from the date of service of the notice);
- Documents must be kept for a period of 7 years from the end of the YA of the deemed assessment.

Effective from 1 January 2025.

Disposal of share in RPC

Gain from disposal of shares in RPC by the following entities no longer be subject to RPGT, in line with the introduction of Capital Gains Tax (CGT) on gains from the disposal of unlisted shares:-

- A company;
- LLP;
- Trust body; or
- Co-operative.

Effective from 1 January 2024.



STAMP DUTY

Definition of Writing or Written to include Electronic Instrument

Definition of "Writing or Written" includes any handwriting, typewriting, printing, electronic record or transmission which is in electronically readable form.

Effective from 1 January 2024.

Receipt of Instrument Executed Outside Malaysia

Instrument executed outside Malaysia received by way of electronic transmission be deemed received in Malaysia where the date of receipt thereof shall be verified by the production of a copy or print out of the electronic transmission.

Effective from 1 January 2024.

Stamp Duty for Conventional Loan Agreement and Shariah-Compliance Financing in Foreign Currency

Currently, the conventional loan agreement and shariah-compliance financing in foreign currency is subject to ad valorem stamp duty rate of RM5 for every RM1,000, or part thereof of the loan amount. The total stamp duty payable is capped at maximum of RM2,000.

The current capped at maximum of RM2,000 be removed.

Effective from 1 January 2024.

Review of Stamp Duty for Property Ownership by Non-Citizen

A flat stamp duty rate of 4% be imposed on the amount of the money value of the consideration or the market value whichever is the greater from the sale of property (except stock, shares, marketable securities or book debts) to a foreign company or a person who is not a citizen and not a permanent resident.

Effective: Instrument of transfer of property executed from 1 January 2024.



STAMP DUTY

Stamp Duty for Transfer of Property Ownership by Renunciation of Rights

A nominal fixed duty of RM10 be imposed on the transfer of property ownership in which the beneficiary renounces his/her right to another beneficiary in accordance with a will / faraid or the Distribution Act 1958.

Effective: Instrument of transfer of property executed from 1 January 2024.

Termination of Use of Digital Franking Machine, Postal Franking Machine and Adhesive Stamps

The usage of digital franking machine, postal franking machine and adhesive stamps be discontinued effective from 1 January 2024.





INDIRECT TAX

Sales Tax - Definition of "seller"

Seller be redefined as a person, whether in or outside Malaysia, who sells low value goods on an **online platform** or operates an online marketplace for the sales and purchase of low value goods.

Effective: Upon coming into operation Finance Act 2023.

Sales tax on importation is not applicable on low value goods (LVG)

A new Section 11E, Sales Tax Act 2018 be introduced to indicate that no sales tax shall be levied on importation of LVG if it is proven that sales tax has been charged and paid by the registered seller.

Effective: Upon coming into operation Finance Act 2023.

Sales Tax - Credit notes or debit notes

The Director General of Royal Malaysian Customs Department (DG of RMCD) be empowered, upon request in writing by the registered manufacturer, to approve any one or more of the prescribed particulars not to be contained on a credit note or debit note.

Effective: Upon coming into operation Finance Act 2023.

Sales Tax - Power of DG of RMCD

The DG of RMCD be empowered to determine in the form and manner regarding the following matters for sales tax, amongst others:

- application for registration;
- application for voluntary registration;
- furnishing of returns and payment of sales tax due and payable;
- refund of sales tax, etc., overpaid or erroneously paid;
- application for customs ruling;
- information to a Session Court Judge in relation to the seizure of goods;
- refund, remission, exemption or any other matters as may be approved by the DG of RMCD on behalf of taxable person; and
- application for review.

Effective from 1 January 2024.



INDIRECT TAX

Sales Tax - Taxable period

The first taxable period of every taxable person for LVG purpose be amended to begin from the date he should have been registered and end on the last day of the following 2 months.

Effective: Upon coming into operation Finance Act 2023.

Deduction of Refunded Service Tax in Service Tax Return

Presently, any registered person may apply to the DG of RMCD to deduct in the service tax return, the service tax paid but subsequently refunded to his customer by reason of:

- cancellation of taxable service;
- termination of taxable service; or
- such other reasons as may be approved by the DG of RMCD.

The above application be restricted to only allow for service tax refunded to customer who is not doing business.

Effective from 1 January 2024.

Power of DG of the RMCD to Determine Taxable Periods for Foreign Registered Persons

The DG of RMCD be empowered to re-determine the taxable periods of a foreign registered person other than the period that has been assigned.

Effective from 1 January 2024.

Review of Service Tax Rate

Service tax rate be increased from 6% to 8% for taxable services under Service Tax Act 2018 except for taxable services in relation to food and beverages (F&B), telecommunication services, vehicles parking services and logistics services.

Effective from 1 March 2024.



INDIRECT TAX

Service Tax - Power of DG of RMCD

The DG of RMCD be given powers to determine in the form and manner regarding the following matters for service tax, amongst others:

- application for registration;
- application for voluntary registration;
- application for registration of branch or division;
- furnishing of returns and payment of service tax;
- furnishing of declaration of foreign service provider;
- refund of service tax, etc., overpaid or erroneously paid;
- application for customs ruling;
- application for registration of foreign service provider;
- furnishing of return by foreign registered person;
- refund, remission, exemption or any other matters as may be approved by the DG of RMCD on behalf of taxable person; and
- application for review.

Effective from 1 January 2024.

Service Tax - Expansion in the Scope of Taxable Services

The scope of taxable service be expanded to include karaoke center services, delivery services (except delivery of F&B), brokerage and underwriting services for non-financial services and logistic services.

Effective from 1 March 2024.

Import Duty and Sales Tax Exemption on Manufacturing Aids

Import duty and sales tax exemption be given to eligible manufacturers on the importation and locally purchased of manufacturing aids. This will apply to specific industry and prescribed categories of goods.

Effective from 1 January 2024.

Excise Duty on Chewing Tobacco

Excise duty at rate of 5% + RM27/kg be imposed on chewing tobacco (tariff code 2403.99.5000).

Effective from 1 January 2024.



INDIRECT TAX

Review of Excise Duty Rate on Sugar Sweetened Beverages

Excise duty rate on sugar sweetened beverages be increased from RM0.40 to RM0.50 per liter.

Effective from 1 January 2024.

Review of Entertainment Duty Rate in Federal Territories

The current entertainment duty rate for selected type of entertainment held in Federal Territories be revised as follows:

Type of Entertainments	Entertainment Duty Rate	
	Current	Proposed
Stage performance by international artist / light show / circus	25%	10%
Film screening (cinema) / theatre		
Exhibition / zoo / aquarium		
Sport event / e-sport / bowling / snooker / pool / billiard / karaoke		
Theme Park / family recreation center / indoor games center / simulator		5%
Stage performance by local artist		0%

Effective: For application received by MOF from 1 January 2024 until 31 December 2028.

High Value Goods Tax / Luxury Goods Tax

A new tax mechanism be introduced to impose tax on high value goods / luxury goods such as luxury watches, jewelry and fashion items at the rate of 5% to 10%.





Review of Conditions for Institutions / Organisations / Funds Approved Under Subsection 44(6) ITA 1967

The conditions for approved institutions, organisations and funds under Section 44(6) ITA 1967 be reviewed as follows: -

- The limit on the utilisation of accumulated funds for participation in business activities be increased from 25% to 35%.
- The institutions/ organisations / funds may choose any of the options below with regards to the limit on the utilisation of accumulated funds for business activities and the spending requirement for charitable activities: -

Option	Utilisation of accumulated funds for business activities	Threshold of charitable activity expenditure
1	Up to 25%	At least 50% of income earned in previous year
2	More than 25% and up to 35%	At least 60% of income earned in previous year

- Any breach of the approval conditions as stated in the approval letters and the guidelines issued by the IRB will not result in the withdrawal of the approval status under Section 44(6) ITA 1967. The approval status is maintained to ensure that donors remain eligible for tax deduction on contributions made to the approved institutions/ organisations / funds throughout the approval period; and
- The institutions/ organisations / funds shall not be eligible for tax exemption for the YA in which the approval conditions have been breached.

Effective from YA2024.





CAPITAL GAINS TAX (CGT)

Introduction of Capital Gains Tax

Capital assets means movable or immovable property including any rights or interests thereof.

Gains or profits from the disposal of capital assets be included as a class of income and chargeable to tax under Section 4 (aa), ITA 1967 and distinct from the business income taxable under Section 4 (a), ITA 1967.

Income tax exemption be granted for gains or profits from the disposal of capital assets situated in Malaysia except for:

- disposal of shares of a company incorporated in Malaysia not listed on the stock exchange; and
- disposal of shares in a controlled company incorporated outside Malaysia deriving value from real property in Malaysia.

Taxable Capital Assets

a) Capital assets situated in Malaysia:

- shares of a company incorporated in Malaysia not listed on the stock exchange;
- Share in a controlled company incorporated outside Malaysia deriving value from real property in Malaysia.

b) All type of capital assets situated outside Malaysia and received in Malaysia (by all taxpayers).

Taxable Person

The category of person subject to CGT under Chapter 9, ITA 1967:

- A company;
- LLP;
- Trust body; or
- Co-operative society.

Gains or Profits from Disposal of Capital Assets Deemed Derived from Malaysia

Gains or profits from disposal of capital assets which is a share in a controlled company incorporated outside Malaysia shall be deemed to be derived from Malaysia where such company owns:

- real property situated in Malaysia; or
- shares of another controlled company; or both.

The above shall apply where at the date of acquisition of the shares of the controlled company;

1. The defined value of the real property situated in Malaysia including rights and interest owned by the controlled company is not less than 75% of the value of its total tangible assets;
2. The defined value of shares of another controlled company owned by the controlled company is not less than 75% of the value of its total tangible assets. Provided that the defined value of real property situated in Malaysia including rights or interest owned by another controlled company is not less than 75% of the value of its total tangible assets;

OR

- The defined value of real property situated in Malaysia and shares of another controlled company as mentioned in items (1) and (2) above owned by the controlled company is not less than 75% of the value of its total tangible assets.



CAPITAL GAINS TAX (CGT)

Definition of Disposal

Disposal means to sell, convey, transfer, assign, settle or alienate whether by agreement or by force of law and includes a reduction of share capital and purchase by a company of its own shares.

Definition of Shares

Shares means all or any of the following:

- stock and shares in a company;
- loan stock and debentures issued by a company or any other corporate body incorporated in Malaysia;
- a member's interest in a company not limited by shares whether or not it has a share capital;
- any option or right relating to shares as defined above.

Tax Rate

Tax rate applicable on the gains or profits arising from disposal of:

(a) Capital assets situated in Malaysia

Acquisition Date of Capital Asset	Tax Rate
Before 1 January 2024	The taxpayer may choose: • 10% of the chargeable income from the disposal of capital asset; or • 2% of the gross disposal price of the capital asset.
From 1 January 2024	10% of chargeable income from disposal of capital asset.

(b) Capital assets other than those situated in Malaysia and received in Malaysia

Based on applicable tax rate to the taxpayers.

Separate Source

The gains or profits from the disposal of each capital asset shall be:

- Ascertained by reference to each disposal separately; and
- Treated as a separate source of gains or profits, from the disposal of capital asset for that YA.

Exemption

Exemption be given on gains from disposal of shares related to:

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

The above exemption was announced in Budget 2024 but not mentioned in the Finance Bill.



CAPITAL GAINS TAX (CGT)

Adjusted Income

Amount or value of consideration on the disposal of the capital asset.

Less :

Allowable expenses on disposal of capital asset (see note below).

Less :

Amount or value of consideration on the acquisition of the capital asset (including incidental costs on the acquisition of capital asset).

Less :

- Compensation for any kind of damage or injury to the asset or for the destruction or dissipation of the asset or for any depreciation or risk of depreciation of the asset;
- Sum received under a policy of insurance for any kind of damage or injury to or the loss, destruction or depreciation of the asset; and
- Any sum forfeited as a deposit made in connection with an intended transfer of the capital asset.

Note:-

Chargeable Income

The adjusted income shall be treated as the chargeable income of the disposer from the source of gains or profits from the disposal of capital asset for a YA.

Allowable Expenses on Disposal of Capital Assets

- Expenditure wholly and exclusively incurred on the capital asset for the purpose of enhancing or preserving the value of the capital asset, being expenditure reflected in the state or nature of the capital asset at the time of disposal;
- Expenditure wholly and exclusively incurred at any time after the acquisition of the capital asset in establishing, preserving or defending the disposer's title to, or to a right over the capital asset; and
- Incidental costs on the disposal of capital asset, i.e., professional fees, stamp duty, legal fees, advertising cost, broker fees, commission fees, etc.

Adjusted Capital Losses

- Capital losses shall be allowed for deductions against adjusted income of the subsequent disposal of capital asset in the basis period for a YA on which the disposal was made;
- Unabsorbed capital losses shall be allowed to be carried forward for a maximum of 10 consecutive YAs. Any unabsorbed capital losses not utilised after 10 consecutive YAs will be disregarded.

Non-Application of Section 33 and 34, ITA 1967

Sections 33 and 34, ITA 1967 shall not apply to gains or profits from disposal of capital asset.



CAPITAL GAINS TAX (CGT)

Market Value

The consideration for the acquisition or disposal of a capital asset shall be deemed to be equal to the market value of the capital asset at the time of disposal where:

- the transactions are entered not at arm's length;
- the transactions are entered by way of gift;
- the transactions are transacted wholly or partly for a consideration that cannot be valued;
- the disposer acquires or transfer a capital asset as trustee for the creditors of any person to the creditors in full or part satisfaction of any debt due to the creditors;
- it is a transfer of business for a lump sum consideration; or
- the transactions are entered between connected persons.

The DGIR shall determine the market value in the following circumstances where:

- the parties to the disposal of capital asset are unable to agree on its market value;
- there is only one party to the disposal of a capital asset; or
- the DGIR is of the opinion that the market value of a capital asset as agreed on by the parties is incorrect.

Where capital asset is disposed of by being exchanged for another asset (whether chargeable or not) the market value of the asset received by the disposer shall be taken as the consideration for the disposal.

Provided that if the asset received by the disposer has no market value, the DGIR may take the market value of the asset disposed of as the consideration for the disposal.

Date of Disposal and Acquisition of Capital Asset

- a) The date of disposal and acquisition of capital asset is determined as follows: -
- On the date of written agreement if there is a written agreement for the disposal of the capital asset; or
 - On the date of the completion of the disposal/acquisition of the capital asset if there is no written agreement.
- b) Date of disposal for capital assets taken into the trading stock is determined on the date that capital asset is taken into the trading stock.

Reporting Due Date

A return in the prescribed form shall be submitted via an electronic medium or by way of electronic transmission within 60 days from the date of disposal of the capital asset.

Payment Due Date

The due date for payment is within 60 days from disposal of the capital asset.

Non-applicable of Section 107C, ITA 1967

The gains or profits from the disposal of capital asset will not be subject to the rule on estimate of tax payable.

Impact of Disposal of Capital Asset to Trust Body

Gains from realisation of investment by a unit trust (except for investment related to real property as defined in the RPGT Act 1967) is subject to CGT under the ITA 1967.



CAPITAL GAINS TAX (CGT)

Offences and Penalties for Non-Compliance

Section	Offence and Penalty
103, ITA 1967	Failure to settle the tax payable within the stipulated due date be subjected to 10% penalty of the outstanding amount of tax payable.
112(3), ITA 1967	Failure to furnish a return or give notice of chargeability within the due date be subjected to penalty equal to treble the amount of the tax payable.
113(2), ITA 1967	Makes an incorrect return by omitting or understating any income of which he is required under ITA 1967, or gives any incorrect information in relation to any matter affecting his own chargeability to tax, be subjected to penalty equal to the amount of tax which has been undercharged.
120(1)(d), ITA 1967	Failure to submit the prescribed form within the due date be subjected to a fine not less than RM200 and not more RM20,000 or imprisonment for a term not exceeding six months or to both.





ELECTRONIC INVOICE

The timeline for implementation of electronic invoice be revised as follows: -

Category of Taxpayers	Date of Implementation
Taxpayers with an annual turnover or revenue more than RM100 million	1 August 2024
Taxpayers with an annual turnover or revenue between RM25 million to RM100 million	1 January 2025
All other taxpayers	1 July 2025

The relevant provisions regulating the electronic invoice be proposed under the following tax legislations to facilitate the implementation of electronic invoice:

- ITA 1967
- PITA 1967
- LBATA 1990

Definition of Electronic Invoice

Electronic invoice means an invoice or any document approved by the DG, issued by a person in respect of goods sold or services performed as provided under the relevant legislations.

Duty to issue electronic invoice

An electronic invoice shall be issued for each transaction in respect of any goods sold or services performed by a person for a year of assessment. The electronic invoice issued shall be transmitted electronically and validated by the DGIR.

Notwithstanding the above, the DGIR may determine that a person to consolidate the number of transactions in respect of goods sold or services performed in that YA into a consolidated transaction invoice, and that person shall transmit the consolidated transaction invoice to the DGIR within a specified time and in accordance with the conditions as determined by the DGIR. The said consolidated transaction invoice shall be treated as an electronic invoice.

Subject to the conditions as may be determined by the DGIR, a person may be required to issue a self-billed invoice in accordance with the conditions as may be imposed by the DGIR, on any goods acquired or services enjoyed and the invoice shall be treated as an electronic invoice.

The Minister shall prescribe the persons who shall issue the electronic invoice and the particulars to be included in the electronic invoice. The provisions of the Personal Data Protection Act 2010 shall not apply to any personal data processed for electronic invoice issued or transmitted to the DGIR under the relevant legislations.



ELECTRONIC INVOICE

The conditions and specifications under which an electronic invoice is to be issued shall be as determined by the DGIR under the guidelines issued in accordance with Section 134A. For more information, please refer to the **guidelines** issued by the IRBM.

Duty to issue receipts

The issuance of printed receipts may not be required if an electronic invoice in respect of goods sold or services performed as provided under Section 82C has been issued.

Nevertheless, where a person is required to submit to the DGIR a consolidated transaction invoice, a printed receipt for every sum received in that YA in respect of goods sold or services performed shall be issued.

Failure to issue electronic invoice

A fine of not less than RM200 and not more than RM20,000, or imprisonment not exceeding six months, or both, may be imposed on a person for the following offences:-

- Failure to issue electronic invoice;
- Failure to issue self-billed invoice;
- Failure to transmit a consolidated transaction invoice.

Disclosure to the Director General of Customs and Excise

Director General of Customs and Excise (or to the public officers under his discretion and control) be given the power to access to the classified material in relation to electronic invoice, to the extent as is necessary or expedient for the exercise of his functions.

Classified material means any return or other document made for the purposes of the relevant legislations and relating to the income of any person or partnership.

Effective from 1 January 2024.





GLOBAL MINIMUM TAX (GMT)

Introduction of GMT

In October 2021, 136 members of the OECD/G20 Inclusive Framework on BEPS have developed Two-Pillar Solution to address the tax challenges arising from the digitalisation and globalisation of the economy.

Being one of the Two-Pillar Solution, the Pillar Two rules, also known as the Global Anti Base Erosion Rules (GloBE Rules), are designed to work together with those of other jurisdictions to create a coordinated and comprehensive system of minimum taxation that ensure large multinational enterprise groups (MNE Groups) pay a minimum level of tax on their income in respect of the jurisdiction where they operate.

These rules require in-scope Groups to calculate their income, and the taxes on that income, on a jurisdictional basis. Where this calculation results in an effective tax rate (ETR) that is below 15%, the rules require the MNE Group to pay a top-up tax that will bring the total amount of tax on the MNE Group's excess profits in that low-tax jurisdiction up to the 15% rate.

In-scope multinational enterprise groups are MNE Groups with annual global turnover of EUR750 Million or more in at least 2 out of 4 immediate preceding fiscal years.

Global Minimum Tax (GMT) and Domestic Top-Up Tax (DTT) based on the GloBE Rules be implemented in Malaysia starting from 1 January 2025.

To facilitate the implementation of GMT, the following provisions regulating the GMT be proposed in the ITA 1967, PITA 1967 and LBATA 1990:

- Interpretation
- Scope
- Imposition and General Characteristics of the Tax
- Income Inclusion Rule
- Computation of GloBE Income or Loss
- Computation of Adjusted Covered Taxes
- Computations of Effective Tax Rate and Top-up Tax
- Filing of GloBE Information Returns (GIR)

Filing of Return

Every Constituent Entity of the MNE group is required to furnish a Top-Up Tax return in the prescribed form for each Reporting Financial Year not later than 15 months from the last day of Reporting Financial Year via electronic transmission.

Constituent Entity means:

- Any entity that is included in a Group; or
- Any permanent establishment (PE) of a main entity that is within any entity that is included in a Group and which is treated as separate from the main entity and any other PE of that main entity.



GLOBAL MINIMUM TAX (GMT)

Multinational Enterprise Group means any Group that includes at least one constituent entity or PE that is not located in jurisdiction of the Ultimate Parent Entity.

Reporting Financial Year means the Financial Year that is the subject of the information return or Top-Up Tax return.

Duty to Keep Records

The Constituent Entity shall keep and retain in safe custody sufficient documents for a period of 7 years from the end of that Reporting Financial Year.

For more information on implementation of GMT, please refer to the IRB website.



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