TaXavvy:

Budget 2024 Edition

13 October 2023

Welcome to our **TaXavvy Budget Edition** which brings you the key tax proposals of Budget 2024 as announced by the Prime Minister and Finance Minister, YAB Dato' Seri Anwar bin Ibrahim

Highlights

CGT on unlisted shares

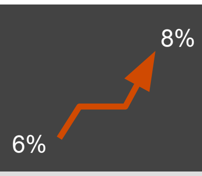
Disposal of unlisted shares for companies

Shares acquisition date	CGT rate
Before 1 March 2024	10% on net gain; **or** 2% on gross sales value
From 1 March 2024	10% on net gain

Effective from 1 March 2024

Service Tax

Increase in service tax rate from 6% to 8%



Service tax rate increased to 8% for all prescribed taxable services **except** for food & beverages and telecommunication services, which remains at 6%.

Effective date not provided

e-Invoicing

Full implementation by 1 July 2025

Implementation deferred to 1 August 2024 for taxpayers with annual turnover or revenue > RM100 million. For other taxpayers, implementation in phases with full implementation by 1 July 2025.

Effective from 1 August 2024

Pillar 2 - GMT

Implementation of GMT

15%

Government expects to implement GMT in 2025 and will continue to observe the international development of GMT.

ACA for ICT equipment and computer software

ACA claim period reduced from 4 years to 3 years

Increase of initial allowance rate from 20% to 40%.

Effective from YA 2024

Outcome-based tax incentive for companies

Tiered ITA under New Industrial Master Plan 2030

Companies that have exhausted RA eligibility period and intend to incur QCE may apply to MIDA for ITA of 100% or 60% on QCE incurred, to be set-off against up to 100% or 70% of SI.

For applications from 1 January 2024 - 31 December 2028

Inside this issue

1

Capital Gains Tax

Capital Gains Tax

Capital gains tax on unlisted shares

Following the announcement in the retabled Budget 2023 to introduce tax on capital gains from the disposal of unlisted shares, the Government has now provided further details.

Effective date

Effective from 1 March 2024. The date has been pushed from the earlier indicated date of 1 January 2024 when it was first announced under the retabled Budget 2023.

Scope

Chargeable assets
Unlisted shares in companies

Persons subject to CGT
Companies

Rate of tax

Acquisition date of shares	CGT rate	
	On net gain	On gross sales value
Before 1 March 2024	10% or	2%
From 1 March 2024	10%	Not applicable

Exemptions from CGT

CGT exemption is provided for capital gains from disposal of shares related to:

- Initial public offering (IPO) exercise approved by Bursa Malaysia
- Restructuring of shares within the same group
- Venture capital companies

Capital Gains Tax

Capital gains tax on unlisted shares

PwC Comments

Based on the information from the Budget Speech and appendix, the following are some areas which require further information:

- Whether the chargeable assets are confined to only shares in unlisted companies in Malaysia. In this respect, whether the scope will cover gains from shares in companies outside Malaysia in order to meet the EU Code of Conduct Group (Business Taxation)'s updated guidance which requires a foreign-sourced income exemption regime to include capital gains as a general class of taxable items.
- Interaction with RPGT. Details on how the taxation of CGT will interact with RPGT. Example include shares in real property company (RPC) owned by corporate shareholders which are currently subject to tax under RPGT at rates ranging from 10% to 30%, depending on period of ownership
- Whether the CGT will be imposed under a separate tax legislation
- Treatment of capital losses arising from disposal of shares
- Method of valuation of shares
- Determination of acquisition and disposal dates (event) for CGT purposes
- Administrative requirements - whether there will be a separate tax returns and including timing of filing of the returns and payment of CGT
- Conditions for exemption in relation to restructuring of shares within the same group

2

Personal Tax

Personal Tax

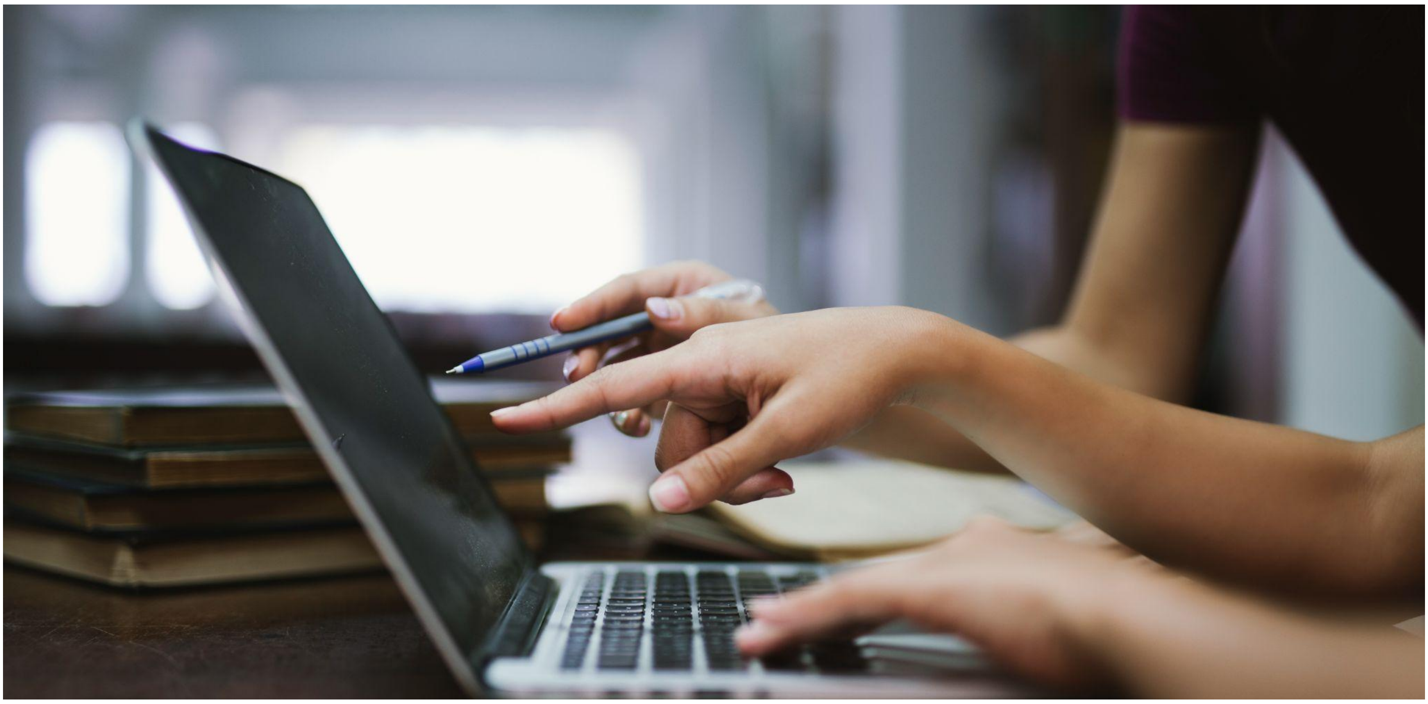
Existing	**Proposed**
Expansion of scope of tax relief for medical treatment expenses for taxpayer, spouse and child	
Tax relief for medical expenses, of up to RM10,000 for the following: ● self, spouse or child suffering from a serious disease ● expenses incurred on fertility treatment ● vaccination for taxpayer, husband / wife or child up to RM1,000 ● full medical check-up, mental health examination and COVID-19 detection test including the purchase of self-test kit for taxpayer, husband/wife or child limited to RM1,000 ● Diagnostic and rehabilitation treatment for children with learning disabilities such as Autism, Down Syndrome and Specific Learning Disabilities limited to RM4,000	The scope of the relief is to be expanded to cover dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council, limited to RM1,000. (Effective from YA 2024)
Expansion of scope of tax relief for medical treatment, special needs and carer expenses for parents	
Tax relief for expenses on medical treatment, special need and carer expenses for parents (evidenced by medical certification), of up to RM8,000.	The scope of the relief be expanded to full medical examination for parents, limited to RM1,000. (Effective from YA 2024)
Extension of tax relief on fees for course of study for upskilling or self-enhancement	
Tax relief of up to RM2,000 per YA, for YA 2022 and YA 2023, for fees expended on self for any course of study for the purpose of upskilling or self-enhancement. (The course has to be conducted by a body recognized by the DG of Skills Development under the National Skills Development Act 2006)	The tax relief is to be extended for another 3 years. (Effective from YA 2024 to YA 2026)

Personal Tax

Existing	Proposed
Expansion of scope of lifestyle relief	
Lifestyle relief of RM2,500 is consolidated with the following: ● purchase or subscription of books, journals, magazines, newspaper and other similar publications (in the form of hardcopy or electronic) for the purpose of enhancing knowledge ● purchase of personal computer, smartphone or tablet ● purchase of sports equipment and gym memberships, and ● internet subscription Additional relief of RM500 (on top of lifestyle relief) for cost of purchasing sports equipment, entry / rental fees for sports facilities and registration fees for sports competition.	The scope of the lifestyle relief of RM2,500 is restructured as follows: ● expanded to include fees for self skills enhancement course ● purchase of sports equipment and gym memberships fees will be removed from the scope A special tax relief for “Sports Equipment and Activities”, up to RM1,000 will be introduced, covering: ● purchase of sports equipment ● rental or entry fees to sports facilities ● registration fees for participating in sports competitions ● gymnasium membership fees ● sports training fees imposed by associations/sports/clubs/companies registered with the Sports Commissioner or Companies Commission of Malaysia and carrying out sports activities as listed under the Sports Development Act 1997. (Effective from YA 2024)
Extension of tax relief on cost related to EV charging facilities	
Tax relief of up to RM2,500 per YA, for YA 2022 and YA 2023, on cost of installation, rental, purchasing, including hire-purchase of equipment, or subscription for use of EV charging facility.	The tax relief is to be extended for another 4 years. (Effective from YA 2024 to YA 2027)
Income tax exemption for child care allowance under perquisites from employment	
Tax exemption granted to an employee on child care allowance of up to RM2,400 per year.	The exemption is to be increased to RM3,000 per year. (Effective from YA 2024)

Personal Tax

Existing	Proposed
Women returning to work after career break	
The employment income for women returning to work after a career break of at least 2 years is exempted for up to a maximum of 12 consecutive months (application to Talent Corporation Malaysia Berhad by 31 December 2023) and the exemption period is until YA 2024. The eligibility criteria set are as follows: ● Women returned to work after a career break of at least 2 years before or up to 27 October 2017; and ● Employment income received in the YA 2018 to YA 2024.	The scope of the eligibility criteria is to be enhanced to: ● women returning to work after a career break at least 2 years before the date of application received by the Talent Corporation Malaysia Berhad; and ● employment income received from YA 2025 to YA 2028 (Effective for application received by Talent Corporation Malaysia Berhad from 1 January 2024 - 31 December 2027)



3

Corporate Tax

e-Invoice

Implementation of e-Invoice

The IRB had earlier announced that the e-Invoice initiative will be implemented in phases beginning from June 2024.

Implementation timeline (as currently indicated by IRB)			
1 June 2024	**1 January 2025**	**1 January 2026**	**1 January 2027**
Mandatory implementation for taxpayers with an annual turnover or revenue **in excess of RM100 million**	Mandatory implementation for taxpayers with an annual turnover or revenue **of more than RM50 million and up to RM100 million**	Mandatory implementation for taxpayers with an annual turnover or revenue of more than **RM25 million and up to RM50 million**	Mandatory for all taxpayers and certain non-business transactions
Taxpayers can opt to voluntarily participate in the implementation at an earlier date, regardless of their annual turnover or revenue			

Following that, IRB had release the e-Invoice Guideline Year 2023 Version 1.0 (“Guideline 1.0”) on 21 July 2023 and subsequently on 30 September 2023 issued the following:

- e-Invoice Guideline Version 2.0 (“Guideline 2.0”),
- e-Invoice Specific Guideline Version 1.0 (“Specific Guideline”), and
- e-Invoice Catalogue.

The Government proposed the following implementation timeline:

Implementation timeline (as proposed in Budget 2024)	
1 August 2024	**1 July 2025**
Mandatory implementation for taxpayers with an annual turnover or income **in excess of RM100 million**	For other categories of taxpayers, implementation in phases with full implementation by 1 July 2025

Global Minimum Tax (GMT)

GMT

The Government announced in Budget 2024 the expected timeline for multinational enterprises operating in Malaysia to prepare for changes in relation to the GMT.

On 12 October 2023, IRB has launched a new webpage on GMT providing general information on GMT. The IRB has stated that Malaysia intends to implement the Multinational Top-up Tax (MTT) based on Model GloBE Rules and the Qualified Domestic Top-up Tax (QDMTT) as outlined in Article 10 of the Model GloBE Rules.

Implementation

The Government expects to implement the GMT in year 2025 and will continue to observe the international development of GMT.

In-scope MNEs

The Rules apply to all Constituent Entities (CE) of qualified multinational enterprises with annual consolidated revenues of EUR 750 million or more in at least two of the four fiscal years immediately preceding the tested fiscal year.

Background

Under an OECD Inclusive Framework, more than 140 jurisdictions agreed to enact a two-pillar solution to address the challenges arising from the digitalisation of the economy. Pillar Two introduces a global minimum Effective Tax Rate (ETR) via a system where multinational groups with consolidated revenue over EUR 750 million are subject to a minimum ETR of 15% on income arising in low-tax jurisdictions. Since then, many jurisdictions, namely, the EU member states, the United Kingdom, South Korea, Switzerland, Japan and Australia, etc have been undergoing domestic legislative procedures to introduce the global minimum tax rules. Closer to Malaysia, the following jurisdictions' indicative timeline to commence implementation are:

- Singapore - 2025, for QDMTT
- Hong Kong SAR, China - 2025
- Thailand - 2025
- Vietnam - 2024
- Australia - 2024

PwC Comments

- The implementation timeline for the GMT in 2025 provides more time for impacted business to prepare for the mammoth task to comply with the complex GMT rules which encompasses efforts across people / talent, processes, data and technology.
- Importantly, it allows Malaysia time to observe, learn and prepare to deal with the implications from this unprecedented global tax and its trade off to the overall economy.

GMT (cont'd)

What are the GloBE Rules, generally

The GloBE Rules operate by including new taxing rights over undertaxed profits of any entity within a multinational group with global revenue of at least EUR 750 million per annum which are taxed below the globally agreed minimum tax rate of 15%.

The GloBE Rules, which will impose a top-up tax for the difference between the jurisdictional effective tax rate and the 15% minimum rate, consist of:

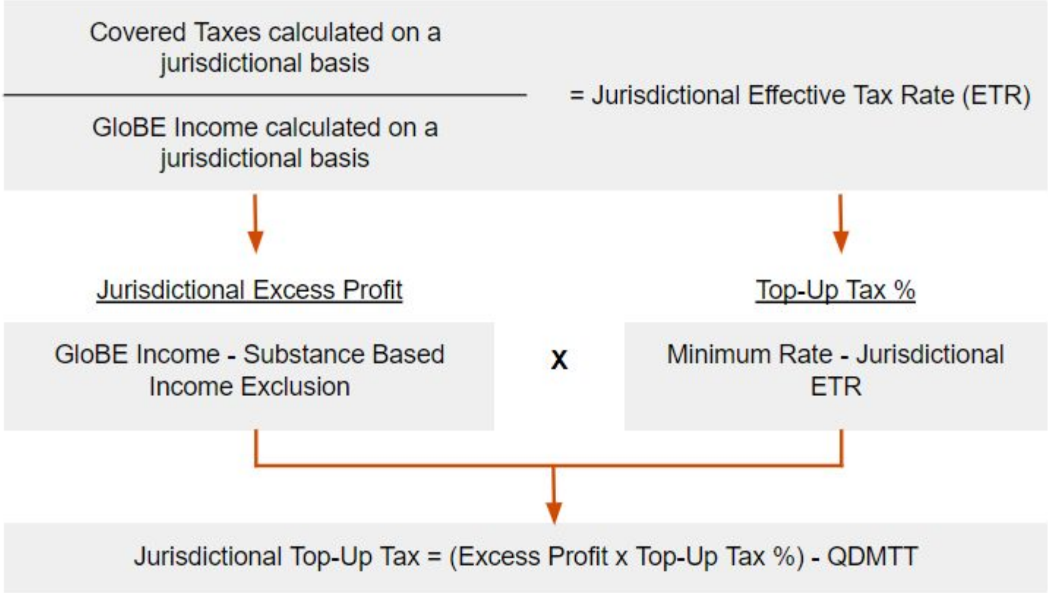
- the Income Inclusion Rule (IIR) which will provide Malaysia with the ability to collect an allocation of top-up tax where the group's ultimate parent entity (UPE) is located in Malaysia, and
- the Undertaxed Profits Rule (UTPR) which is intended to apply as a backstop if low-taxed income is not fully collected under the IIR and which can be applied in the jurisdictions of fellow group members.

What is QDMTT, generally

The OECD model rules included provision for jurisdictions to introduce a QDMTT as part of their local implementation of the Pillar Two rules. The key premise is to enable tax authorities to collect any incremental tax arising under the Pillar Two rules from domestic activities in their own jurisdiction, rather than such tax revenues being payable at the UPE's jurisdiction of residency under IIR rules.

The intention is for a domestic top-up tax to be computed on broadly the same basis as the GloBE rules, such that it is considered 'qualifying' and can operate to prevent further tax being levied (or calculations being required) under the GloBE rules. Like the GloBE rules, the effective tax rate is calculated on a jurisdictional basis and if necessary 'topped-up' to an effective tax rate of 15%.

Determination of top-up tax



Source: IRB

Revision to the Conditions for Institution, Organisation or Fund Approved under Subsection 44(6) of the ITA 1967

<table>
<tr><th>Existing</th><th>Proposed</th></tr>
<tr>
<td>Subsection 44(6) provides income tax exemption to institutions, organisations or funds that carry out charitable activities and operate not solely for profit, subject to the adherence of the approval conditions stipulated in the guidelines set by the Director General of Inland Revenue (DGIR).

Institution, organisations or funds that have been granted approval will receive benefits and income tax exemption on all income received and donors to the said institutions, organisations or funds are eligible for a tax deduction restricted to 10% of the aggregate income.

Among the conditions that must be complied by Institution, organisations or funds after obtaining approval under subsection 44(6) ITA 1967 are:

i. At least 50% income earned in previous year must be spent in the following year for activities to achieve the objectives of the institutions, organisations or funds; and

ii. Institutions, organisations or funds are allowed to participate in business with the condition that they utilise not more than 25% of the accumulated funds on the first day of a YA. All income generated must be channelled back into the fund to be used to fulfill its charitable objectives.

In the event where the institutions, organisations or funds breach any of the approval conditions stated in the guidelines or the ITA 1967, DGIR may withdraw the approval under subsection 44(6) of the ITA 1967.</td>
<td>To enhance compliance by institutions, organisations or funds on the approval, the approval conditions are proposed to be revised as follow:-

i. The accumulated funds utilisation limit of not more than 25% for participation in business activities be increased up to 35%;

ii. Institutions, organisations or funds may choose any of the following options to continue receiving the subsection 44(6) incentives benefits:

<table>
<tr><th>Option</th><th>Utilisation of Accumulated Funds</th><th>Threshold of Charitable Activity Expenditure</th></tr>
<tr><td>1</td><td>Up to 25%</td><td>At least 50%</td></tr>
<tr><td>2</td><td>Over 25% and up to 35%</td><td>At least 60%</td></tr>
</table>

iii. In the event any of the conditions in the approval letter are breached, DGIR will not withdraw the approval granted during the validity period. The approval status is upheld to ensure that donors remain eligible for tax deductions on contributions made to institutions, organisations or funds throughout the approval period; and

iv. For any breach of conditions within the approval period, the institutions, organisations or funds will not be eligible for tax exemption and DGIR will raise tax assessment on all income received in the YA the breach of conditions occurred.

(Effective from YA 2024)</td>
</tr>
</table>

4

Tax Incentives

Tax Incentives

Malaysia as the Destination for Investments

In the Government's efforts to intensify efforts to obtain more high impact investments and in developing advantages for Malaysia as the destination for foreign investments, the Government will implement several new policies and directives to facilitate businesses:

Establishment of a new High Tech Industrial Area in the Northern Region

Existing	Proposed
The establishment of industrial area in Bayan Lepas, Penang and Kulim Hi-Tech Park has brought together world's leading companies in the the electrical and electronics (E&E) sector in the Northern Region.	In building a wider ecosystem for the E&E cluster in the Northern Region,the Government is proposing to establish a high-tech industrial area in the Kerian, North Perak.

Establishment of Investment and Coordination Action Committee (JTPPP)

MITI's and MIDA's roles are no longer restricted to the approval of investment incentives but are expanded to facilitate Foreign Direct Investment (FDI) and Domestic Direct Investment (DDI) matters beginning from the application up to the realisation of the investment.

JTPPP has been established with the responsibility to report directly to Investment Council chaired by MOF.

Tax Incentives

Incentive for Global Services Hub (GSH)

The effective date of the Principal Hub's application was until 31 December 2022.

In order, to maintain Malaysia's competitiveness as a key player in the region's global services sector, it is proposed that GSH incentive 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 Incentive	Tax rate 5%	Tax rate 10%	Tax rate at 5% on value-added income	Tax rate at 10% on value-added income
Types of Income Exempted	i. Services income; or ii. Services and trading income			
Qualifying Services & Additional Services	Undertake the following activities: i. Regional P&L/Business Management Unit; ii. Strategic business planning; iii. Corporate development; AND iv. Any 2 qualifying activities under the services category as follows: a. Strategic services; b. Business services; c. Shared services; or d. Other services			
Conditions (Outcome-based)	i. Annual operating expenditure; ii. High value full-time employees; iii. C-suite with a minimum monthly salary of RM35,000; iv. Local ancillary services; v. Collaboration with higher education institution/TVET; vi. Training for Malaysian students/citizens; vii. ESG elements; or viii. Other conditions as determined by MOF			

It is also proposed that a 15% income tax rate be given for a period of 3 consecutive YAs and limited to 3 non-citizen individuals holding key/C-Suite positions with a monthly salary of at least RM35,000 appointed by a new company approved with GSH incentive.

(For applications received by MIDA from 14 October 2023 - 31 December 2027)

Tax Incentives

Incentive for Reinvestment under the New Industrial Master Plan 2030

To encourage existing companies that have exhausted their RA eligibility period and to increase capacity and investment in high-value activities under the New Industrial Master Plan 2030, it is proposed that ITA be given based on an outcome-based approach, as follows:

ITA	Tier 1	Tier 2
QCE	100%	60%
SI to be set-off	100%	70%

(For applications received by MIDA from 1 January 2024 - 31 December 2028)

PwC Comments

- Further information is required on the types of KPIs to achieve each tiers of the incentive, whether these would include increase in sales, exports, productivity, IR 4.0 adoption, etc

Incentive for Pengerang Integrated Petroleum Complex (PIPC)

To support the ecosystem of high-value activities, it is proposed that the PIPC be turned into a development hub for chemical and petrochemical sector with a tax incentive package in the form of a special tax rate or ITA.

(Effective date not provided)

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

Currently income (other than dividends, manufactured payments, lending fees and interest earned on collateral) arising from transactions under conventional Securities Borrowing and Lending Agreements (SBL) is exempt from tax.

To increase the overall volume of securities trading and the liquidity of the Shariah-compliant stock market, it is proposed that tax exemption be given to income from ISSB, aligning with the tax exemption for conventional SBL transactions.

(Effective from YA 2024)

Tax Incentives

<table>
<tr><th>Existing</th><th>Proposed</th></tr>
<tr><td colspan="2">Review of Tax Incentive for Equity Crowdfunding (ECF)</td></tr>
<tr><td>Individual investors who invest in ECF are given tax exemption on aggregate income equivalent to 50% of the amount invested. Key conditions include:

Eligible amount for tax exemption is limited to RM50,000 for each YA;
Deductible amount is restricted to 10% of aggregate income for each YA; and
The investor, investee company and amount of investment must be verified by the SC.

The above exemption is available for investments made from 1 January 2021 - 31 December 2023.</td>
<td>The tax exemption is enhanced as follows:
<ol type="i">
scope of the exemption is expanded to include investment made by individual investors through a Limited Liability Partnership nominee company; and,
the investment period is extended for 3 years.

(Effective for investments made from 1 January 2024 - 31 December 2026)</td></tr>
<tr><td colspan="2">ACA on ICT Equipment and Computer Software</td></tr>
<tr><td>ACA with initial allowance and annual allowance of 20% are given to the QCE incurred by tax resident in Malaysia as follows:
<table>
<tr><th>QCE</th><th>Effective Date</th></tr>
<tr><td>Purchase of ICT equipment and computer software packages</td><td>From YA 2017</td></tr>
<tr><td>Consultation, licensing and incidental fees related to customised computer software development</td><td>From YA 2018</td></tr>
</table></td>
<td>ACA rates be revised to initial allowance of 40% and annual allowance of 20%.

(Effective from YA 2024)</td></tr>
</table>

Existing | **Proposed**

Review of Green Technology Tax Incentives

Existing

	Incentive	Period
GITA	GITA of 100% on the QCE for qualifying green activities (to be set-off against up to 70% of SI)	3 years
GITE	Income tax exemption of 70% of SI for qualifying green services activities	3 YAs
	Income tax exemption of 70% of SI on solar leasing activities	Up to 10 YAs

(For applications received by MIDA until 31 December 2023)

Proposed

In line with Malaysia's aspiration to be an inclusive, sustainable and carbon neutral nation by 2050, it is proposed that the green technology tax incentives be reviewed as follows:

GITA Project (Business Purposes)

Qualifying Activities	Incentive	Period
Tier 1 Green hydrogen	GITA of 100% on the QCE (to be set-off against up to 70% **or** 100% of SI)	Up to 10 years (5 + 5)
Tier 2 i. Integrated waste management ii. EV charging station	GITA of 100% on the QCE (to be set-off against up to 100% of SI)	5 years
Tier 3 i. Biomass ii. Biogas iii. Mini hydro iv. Geo thermal v. Solar vi. Wind energy	GITA of 100% on the QCE (to be set-off against up to 70% of SI)	5 years

(For applications received by MIDA from 1 January 2024 - 31 December 2026)

Tax Incentives

Existing	Proposed
Review of Green Technology Tax Incentive (cont'd)	

GITA Asset (Own Consumption)

Qualifying Activities	Incentive	Period
Tier 1 i. List of qualifying assets approved by MOF ii. Battery Energy Storage System iii. Green Building	GITA of 100% on the QCE (to be set-off against up to 70% of SI)	QCE incurred from 1 January 2024 - 31 December 2026
Tier 2 i. List of qualifying assets approved by MOF ii. Renewable Energy System iii. Energy Efficiency	GITA of 60% on the QCE (to be set-off against up to 70% of SI)	

(For QCE verified by the Malaysian Green Technology and Climate Change Corporation for the purchase of green technology assets starting from 1 January 2024 - 31 December 2026)

GITE Solar Leasing

Tier (Capacity)	Incentive	Period
>3MW - ≤10MV	Tax exemption of 70% of SI	5 years
>10MW - ≤30MW		10 years

(For applications received by MIDA from 1 January 2024 - 31 December 2026)

Tax Incentives

Tax deduction on ESG related expenditures

To encourage participation in compliance with ESG standards and governance in tax administration system, it is proposed that a 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 Bank Negara Malaysia
Tax Corporate Governance Framework (TCGF) of IRB	Preparation of reports related to TCGF by companies
Transfer pricing documentation	Preparation of transfer pricing documentation by companies
E-invoicing implementation	Consultation fee for implementing e-invoicing incurred by Micro, Small and Medium Enterprises
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by MOF

(Effective from YA 2024 to YA 2027)

Tax Incentives

Existing	Proposed
Further Tax Deduction for Voluntary Carbon Market	
In 2022, Bursa Malaysia launched a voluntary carbon market (VCM) initiative known as the Bursa Carbon Exchange (BCX). This initiative acts as a voluntary platform for carbon credit trading between carbon development project owners with any entity that aims to shift to low carbon practices. Expenditure related to development of carbon projects incurred by carbon credit trading companies is allowed for tax deduction under Section 33(1) ITA 1967.	A 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 and is deductible from the carbon credit income traded on BCX, subject to the following conditions: i. development of carbon projects must be registered with an international standards body recognised by Bursa Malaysia; and ii. expenditure on development of carbon projects must be certified by the Malaysia Green Technology and Climate Change Corporation (MGTC). (Effective for applications received by MGTC from 1 January 2024 - 31 December 2026)
Expansion of Tax Incentive for Automation in Commodity Sector	
Manufacturing, services and agricultural companies are eligible for ACA on purchase of automation equipment (including the adaptation of Industry 4.0 elements) - ● ACA of 100% on the first RM10 million of QCE incurred ● Income tax exemption equivalent to 100% on the QCE incurred (For applications received by MIDA and Ministry of Agriculture and Food Security from 1 January 2023 - 31 December 2027)	To increase agricultural productivity and minimise dependency on foreign labour, it is proposed the scope of ACA be expanded to include the commodity sector under the Ministry of Plantation and Commodities. (For application received by the Ministry of Plantation and Commodities from 14 October 2023 - 31 December 2027)

Tax Incentives

Study on Tax Incentive for Carbon Capture Utilisation and Storage (CCUS) and Hydrogen Sulphide Projects

To remain relevant with the current upstream oil and gas industry needs, the PITA 1967 Review Committee comprising MOF, IRB and PETRONAS is reviewing and drafting tax incentives for CCUS and Hydrogen Sulphide projects. This study is targeted to be finalised by end of 2023.

PwC Comments

- Further clarity pertaining to the proposed incentive is required

Tax deduction on contributions for environmental preservation and conservation projects

To encourage the participation of the private sector to contribute in charity or community projects and to support the corporate social responsibility programmes implemented by Forest Research Institute Malaysia (FRIM), it is proposed that tax deduction under Section 34(6)(h) of the ITA 1967 be given to entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects verified by FRIM.

(Effective for applications received by MOF from 1 January 2024 - 31 December 2026)

Tax Incentives

<table>
<tr><th>Existing</th><th>Proposed</th></tr>
<tr><td colspan="2">Industrial Building Allowance (IBA) for Private Nursing Home for Senior Citizens</td></tr>
<tr><td>The QCE (i.e. construction cost, cost to purchase the building, the capital expenditure incurred on the alteration or renovation of rented premises) incurred in relation to the licensed private hospital, maternity home and nursing home is eligible for IBA at the following rate:
<table>
<tr><td>Initial Allowance</td><td>10%</td></tr>
<tr><td>Annual Allowance</td><td>3%</td></tr>
</table>
</td><td>IBA be given to private nursing homes for senior citizens at a rate of 10% of the cost of the building constructed or purchased, including renovation costs for each YA, subject to the following conditions:
i. Private nursing homes approved by the Ministry of Health Malaysia; and
ii. QCE incurred from 1 January 2024 - 31 December 2026.</td></tr>
<tr><td colspan="2">Review of Income Tax Exemptions on Shariah-Compliant Fund Management Services</td></tr>
<tr><td>Shariah-compliant fund management services companies approved by SC Malaysia are given 100% income tax exemption on SI from fund management services as follows:
<table>
<tr><th>Investor Categories</th><th>YA</th></tr>
<tr><td>Foreign investors in Malaysia</td><td>YA 2007 to YA 2023</td></tr>
<tr><td>Local investors</td><td>YA 2008 to YA 2023</td></tr>
<tr><td>Business Trust investors or Real Estate Investment Trusts (REITs) investors in Malaysia</td><td>YA 2014 to YA 2023</td></tr>
</table>
</td><td>Income tax exemption period for Shariah-compliant fund management services companies be extended for 4 years with 60% tax exemption.
(Effective from YA 2024 to YA 2027)</td></tr>
</table>

Tax Incentives

Existing	Proposed
Income tax exemption on Green Sustainable and Responsible Investments (Green SRI) Sukuk grant	
The SC provides the Green SRI Sukuk grant to Green SRI Sukuk issuers to finance the external review expenditure up to RM 300,000. Green SRI Sukuk issuers are given tax exemption on the receipt of such Green SRI Sukuk grant from 1 January 2018 to 31 December 2025.	Existing income tax exemption be expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by SC. (For applications received by SC from 1 January 2024 - 31 December 2025)

Tax Incentives

The following tax incentives are to be extended:

	Tax incentive	Period of extension	Effective period
1.	**Income from fund management services for Sustainable and Responsible Investments (SRI) funds** Income from managing SRI funds to local investors, foreign investors, business trust investors or REITs, approved by SC is eligible for tax exemption from YA 2018 to YA 2023.	4 years	YA 2024 to YA 2027
2.	**Issuance of SRI Sukuk** Issuance cost of SRI sukuk either approved by, authorised by or lodged with SC is eligible for tax deduction from YA 2016 to YA 2023.	4 years	YA 2024 to YA 2027
3.	**Extension of period for Angel Investor** An angel investor who invests in a tech start-up company in the form of ordinary shares qualifies for tax exemption at the aggregate income level equivalent to the amount of investment made in a tech start-up company. Application is to be made to MOF from 1 January 2021 - 31 December 2023.	3 years	Investment made from 1 January 2024 - 31 December 2026.
4.	**Tax Exemption for Social Enterprises** All income of an accredited Social Enterprises are eligible for income tax exemption.	2 years	For applications received by MOF from 1 January 2024 - 31 December 2025
5.	**Tax deduction for rental of EV** Companies that rent non-commercial EVs are given tax deduction on rental amount up to RM300,000 from YA 2023 to YA 2025. (Proposed in 2023 Budget)	2 years	Until YA 2027

Special tax rate for promoting production of foreign film in Malaysia

The Government has proposed for a special income tax rate between 0% to 10% for film production companies, foreign film actors and crew who carry out filming in Malaysia.

(Effective date not provided)

5

Indirect Tax

Indirect Tax

Increase in service tax rate from 6% to 8%

Current

The current service tax rate has been prescribed to be 6% on all taxable services and RM25 p.a. on credit card and charge card.

Proposed

Increase in service tax rate from 6% to 8% for all prescribed taxable services except for food and beverages services and telecommunication services, which remains at 6%. No change to the fixed rate of RM25 for credit card and charge card.

(Effective date not provided)

PwC Comments

Businesses will need to:

- determine the impact of the rate increase on business costs and take this into account for any budgeting.
- consider transitional issues and impacts relating to system, documentation, invoice, payment and services rendered before and / straddling the effective date of change.

Expansion to the scope of prescribed taxable services for Service Tax

Current

- Currently, logistic services and karaoke are not subject to service tax.
- Brokerage services relating to financial services are subject to service tax except if it is in relation to stock trading which is exempted.
- Underwriting services relating to financial services are subject to service tax.

Proposed

The scope of prescribed taxable services will be expanded to include logistics services, brokerage services, underwriting services and karaoke.

(Effective date not provided)

Indirect Tax

High Value Goods Tax

Current

Currently, there is no specific tax on high value goods / luxury goods. Luxury Goods Tax was proposed in Budget 2023 (Retabled) starting from year 2023 but it has not been implemented.

Proposed

A new legislation to tax High Value Goods is to be introduced at the rate of 5% to 10% on certain high value items such as jewellery and watches based on the threshold of price.

(Effective date not provided)

PwC Comments

It remains to be seen what goods will be taxed and the threshold of value to be applied.

To promote the tourism industry, the Finance Minister mentioned in the Budget Announcement that there will be a facility to refund any high value goods tax paid by tourists leaving the country, subject to rules and regulations.

Stricter measures to control the movement of critical goods to reduce smuggling activities

Current

Currently, the government only limits the transshipment of cigarettes from dedicated ports in Malaysia.

In addition, the transshipment of cigarettes and re-export of cigarettes, tobacco products, electronic and non-electronic cigarette devices by small boats are also not allowed.

The transshipment activities of cigarettes must be in Full Container Load (FCL) shipment in accordance with the International Organization for Standardization.

Proposed

It is proposed that the Malaysian government will impose stricter measures to control the movement of critical goods and also expand the control measures to intoxicating liquor, in addition to cigarettes and tobacco products.

The proposed measures are:
- limiting transshipment activities for intoxicating liquor to be carried out in certain ports only;
- using Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex as the single point-of-exit for the Northern Region; and
- imported cigarettes for the domestic market must be carried out in FCL.

(Effective from 1 January 2024)

PwC Comments

- This proposal is aimed to address smuggling activities by imposing stricter controls on the movement of critical goods. It is expected that the single point-of-exit using Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex will reduce smuggling activities and enable better control as well as monitoring.
- However, it is envisaged that cigarette importers will need to incur additional costs to import cigarettes in a FCL.

Import Duty and Sales Tax Exemption on manufacturing aids

Current

Currently, no import duty and sales tax exemption is given to manufacturers on the importation and local purchase of manufacturing aids under the Customs Act 1967 and the Sales Tax Act 2018.

Manufacturing aids refer to goods used in the manufacturing process to speed up, improve, complement and complete the production process of finished goods, but they do not become part of the finished goods.

Proposed

The Government proposed to provide import duty and sales tax exemptions to qualified manufacturers on the importation and local purchase of manufacturing aids. This is subject to the type of industry and the specified category of goods.

(Effective from 1 January 2024)

Imposition of Excise Duty on chewing tobacco

Current

Smokeless tobacco products such as chewing tobacco and snuff tobacco are subject to import duty, excise duty and sales tax as follows:

Types of Duty/Tax	Chewing tobacco	Snuff tobacco
Import duty	5% + RM50/kg	5% + RM40/kg
Excise duty	Nil	5% + RM27/kg
Sales tax	Nil	10%

Proposed

It is proposed that chewing tobacco under HS 2403.99.50 00 will be subject to excise duty rates of 5% and RM27 per kilogram.

(Effective from 1 January 2024)

Indirect Tax

Current	**Proposed**
Exemption of Entertainment Duty in Federal Territories	
Entertainment duty is currently levied at 25% on the admission fees to entertainment venues or events such as theme parks, stage performances, sport & competition events and movie screening in movie theaters.	The entertainment duty to be reduced to 0% - 10% for selected type of entertainments held in the Federal Territories by way of exemption. (For applications received by MOF from 1 January 2024 - 31 December 2028)
Review of Excise Duty Rate on Sugar Beverages	
Excise duty is levied on sugar sweetened beverages at the rate of RM0.40 per litre based on the sugar content.	The excise duty be increased to RM0.50 per litre (increase of RM0.10). (Effective from 1 January 2024)

6

Stamp Duty

Stamp Duty

<table>
<tr><th>Existing</th><th>Proposed</th></tr>
<tr><td colspan="2">Stamp duty for transfer of property ownership by renunciation of rights</td></tr>
<tr><td>Transfer of properties involving inheritance, is subject to a fixed stamp duty of RM10 if the ownership is transferred from administrator to an eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958.

If the eligible beneficiary renunciates its right to another eligible beneficiary or non-beneficiary, the instrument which releases or renunciates the property by way of gift is subject to ad valorem duty of 1% to 4%.</td><td>A fixed stamp duty of RM10 for transfer of property ownership in which the eligible beneficiary renunciates its right to another eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958.

(Effective for instrument of transfer of property executed from 1 January 2024)</td></tr>
<tr><td colspan="2">Stamp duty for property ownership by non-citizen individuals & foreign-owned companies</td></tr>
<tr><td>For transfer of properties (immovable properties) in Malaysia, the instrument of transfer is subject to ad valorem rate as follows:
<table>
<tr><th>Consideration / Market value (whichever is greater)</th><th>Stamp Duty Rate</th></tr>
<tr><td>First RM100,000</td><td>1%</td></tr>
<tr><td>RM100,001 to RM500,000</td><td>2%</td></tr>
<tr><td>RM500,001 to RM1,000,000</td><td>3%</td></tr>
<tr><td>RM1,000,001 and above</td><td>4%</td></tr>
</table>
</td><td>A flat stamp duty rate of 4% be imposed on the instrument of transfer executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents).

(Effective for instrument of transfer of property executed from 1 January 2024)</td></tr>
</table>

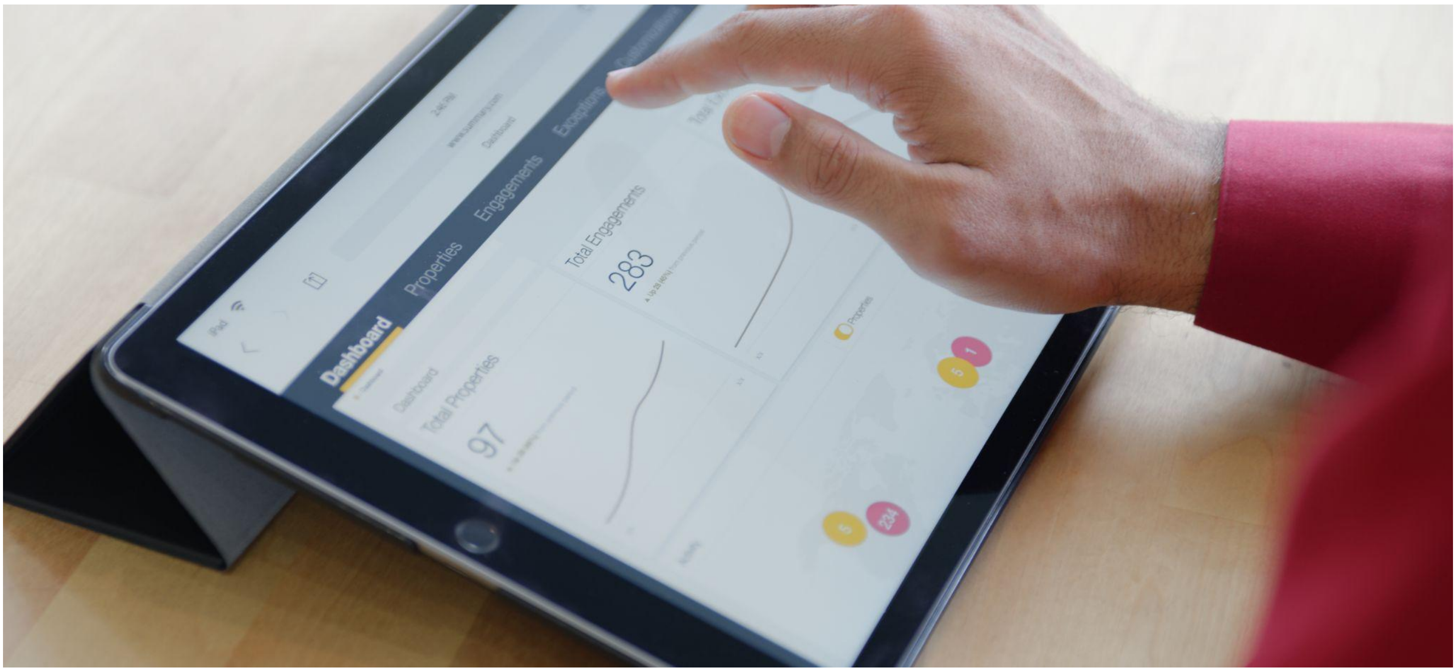
7

Labuan

Income tax exemption for Islamic Financial Activities under Labuan International Business and Financial Centre (IBFC)

As an initiative to develop the Labuan IBFC as an Islamic and Shariah-compliant financial centre, it is proposed that 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 be given full income tax exemption for 5 years.

(Effective from YA 2024 to YA 2028)



Glossary

Abbreviation / acronym	Description
ACA	Accelerated capital allowance
CA	Capital allowance
CGT	Capital Gains Tax
ESG	Environmental, social and governance
EV	Electric vehicle
GITA	Green Investment Tax Allowance
GITE	Green Income Tax Exemption
GMT	Global minimum tax
ICT	Information and communication technology
IRB	Inland Revenue Board
ITA	Investment Tax Allowance
ITA 1967	Income Tax Act 1967
MIDA	Malaysian Investment Development Authority
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
PITA 1967	Petroleum (Income Tax) Act 1967
QCE	Qualifying capital expenditure
RA	Reinvestment Allowance
RPGT	Real Property Gains Tax
SC	Securities Commission
SI	Statutory income
YA	Year of assessment

PwC Budget 2024 Seminar

	Kuala Lumpur	Johor	Penang
Date:	Thursday, 26 October 2023	Monday, 30 October 2023	Thursday, 9 November 2023
Time:	8:30am to 5:00pm	8:30am to 5:00pm	8:30am to 5:00pm
Venue:	Mandarin Oriental, Kuala Lumpur	DoubleTree by Hilton, Johor Bahru	Eastern & Oriental Hotel, Penang
Contact:	Fazlina Jaafar / Chow Xin Yi (03) 2173 3830 / 0267	Izyan Diyana / Hanisah Azman (07) 218 6058 / 6000	Ann Yew / Ong Bee Ling (04) 238 9291 / 9170
Email:	my_events@pwc.com	izyan.diyana@pwc.com / hanisah.azman@pwc.com	siew.lay.yew@pwc.com / bee.ling.ong@pwc.com
Online registration:			

Contacts

Kuala Lumpur
Jagdev Singh
jagdev.singh@pwc.com
+60(3) 2173 1469

Labuan
Jennifer Chang
jennifer.chang@pwc.com
+60(3) 2173 1828

Penang & Ipoh
Kang Gaik Hong
gaik.hong.kang@pwc.com
+60(4) 238 9225

Melaka & Johor Bahru
Benedict Francis
benedict.francis@pwc.com
+60(7) 218 6000

Kuching
Lee Yuien Siang
yuien.siang.lee@pwc.com
+60(8) 252 7202

Cynthia Ng
cynthia.hh.ng@pwc.com
+60(3) 2173 1438

Corporate Tax Compliance & Advisory

Consumer & Industrial Product Services
Margaret Lee
margaret.lee.seet.cheng@pwc.com
+60(3) 2173 1501

Steve Chia
steve.chia.siang.hai@pwc.com
+60(3) 2173 1572

Clifford Yap
clifford.eng.hong.yap@pwc.com
+60(3) 2173 1446

Taariq Murad
taariq.murad@pwc.com
+60(3) 2173 1580

Hee Sien Yian
sien.yian.hee@pwc.com
+60(3) 2173 0222

Cynthia Ng
cynthia.hh.ng@pwc.com
+60(3) 2173 1438

Alvin Woo
alvin.jm.woo@pwc.com
+60(3) 2173 1820

Emerging Markets
Fung Mei Lin
mei.lin.fung@pwc.com
+60(3) 2173 1505

Michelle Chuo
michelle.sy.chuo@pwc.com
+60(3) 2173 1289

Financial Services
Jennifer Chang
jennifer.chang@pwc.com
+60(3) 2173 1828

Lim Phaik Hoon
phaik.hoon.lim@pwc.com
+60(3) 2173 1535

Lorraine Yeoh
lorraine.yeoh@pwc.com
+60(3) 2173 1499

Tan Tien Yee
tien.yee.tan@pwc.com
+60(3) 2173 1584

Energy, Utilities & Mining
Technology, Media & Telecommunications
Heather Khoo
heather.khoo@pwc.com
+60(3) 2173 1636

Lavindran Sandragasu
lavindran.sandragasu@pwc.com
+60(3) 2173 1494

Keegan Ong
keegan.sk.ong@pwc.com
+60(3) 2173 1684

Aurobindo Ponniah
aurobindo.ponniah@pwc.com
+60(3) 2173 3771

Ang Wei Liang
wei.liang.ang@pwc.com
+60(3) 2173 1597

Zarina Othman
zarina.sheikh.othman@pwc.com
+60(3) 2173 1615

Services & Infrastructure
Lim Phaik Hoon
phaik.hoon.lim@pwc.com
+60(3) 2173 1535

Specialist services

Capital Allowance
Richard Baker
richard.baker@pwc.com
+60(3) 2173 0644

China Desk
Lorraine Yeoh
lorraine.yeoh@pwc.com
+60(3) 2173 1499

Corporate Services
Lee Shuk Yee
shuk.yee.x.lee@pwc.com
+60(3) 2173 1626

Dispute Resolution
Tai Weng Hoe
weng.hoe.tai@pwc.com
+60(3) 2173 1600

Chris Tay
christopher.h.tay@pwc.com
+60(3) 2173 1143

Individual Tax
Michelle Chuo
michelle.sy.chuo@pwc.com
+60(3) 2173 1289

Indirect Tax
Raja Kumaran
raja.kumaran@pwc.com
+60(3) 2173 1701

Abd Gani Othman
abdgani.othman@pwc.com
+60(3) 2173 1648

Geeta Balakrishnan
geeta.b.balakrishnan@pwc.com
+60(3) 2173 1652

Annie Thomas
annie.thomas@pwc.com
+60(3) 2173 3539

International Tax Services / Mergers and Acquisition
Gan Pei Tze
pei.tze.gan@pwc.com
+60(3) 2173 3297

Lim Chee Keong
chee.keong.lim@pwc.com
+60(3) 2173 0639

Lee Boon Siew
boon.l.lee@pwc.com
+60(3) 2173 0932

Contacts (cont'd)

Specialist Services

Japanese Business Consulting

Yuichi Sugiyama
yuichi.sugiyama@pwc.com
+60(3) 2173 1191

Clifford Yap
clifford.eng.hong.yap@pwc.com
+60(3) 2173 1446

Korea Desk

Keegan Ong
keegan.sk.ong@pwc.com
+60(3) 2173 1684

Tax Reporting & Strategy

Lavindran Sandragasu
lavindran.sandragasu@pwc.com
+60(3) 2173 1494

Pauline Lum
pauline.ml.lum@pwc.com
+60(3) 2173 1059

Mohd Haizam Abdul Aziz
mohd.haizam.abdul.aziz@pwc.com
+60(3) 2173 5355

Tax Technology

Yap Sau Shiung
sau.shiung.yap@pwc.com
+60(3) 2173 1555

Joey Chong
joey.chong@pwc.com
+60(3) 2173 0092

Workforce Tax

Kartina Abdul Latif
kartina.a.latif@pwc.com
+60(3) 2173 0153

Mohammad Iesa Morshidi
iesa.morshidi@pwc.com
+60(3) 2173 3136

Worldtrade Management Services

Chandrasegaran Perumal
chandrasegaran.perumal@pwc.com
+60(3) 2173 3724

Transfer Pricing

Anushia Soosaipillai
anushia.joan.soosaipillai@pwc.com
+60(3) 2173 1419

Jagdev Singh
jagdev.singh@pwc.com
+60(3) 2173 1469

Desmond Goh
desmond.goh.keng.hong@pwc.com
+60(3) 2173 1439

Lim Ying Tian
ying.tian.lim@pwc.com
+60(3) 2173 0291

Ong Ai Ling
ai.ling.ong@pwc.com
+60 (3) 2173 0711

Lilia Edlina Azmi
lilia.edlina.azmi@pwc.com
+60(3) 2173 1498