



Taxavvy

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In this issue

- MIDA guidelines - Global Services Hub incentive
- MIDA guidelines - DESAC Scheme
- Global Minimum Tax
- Extensions of incentives and exemption
- Income Tax (Islamic Securities) (Exemption) Order 2024
- Tax deduction for issuance cost of SRI-linked sukuk
- Stamp duty exemption for Micro Financing Scheme
- Tax exemption on sports victory cash prize
- Mandatory use of electronic form in submitting the statement of payments to agents
- Labuan bills



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MIDA guidelines - Global Services Hub incentive

The Malaysian Investment Development Authority (MIDA) has issued the Guidelines for Global Services Hub Tax Incentive (“GS-HUB Guidelines”) to provide guidance and details on the tax incentives available for multinational corporations (MNCs) which use Malaysia as a base for regional and global operations.

The Global Services Hub tax incentive was announced under Budget 2024 as an enhancement to the expired Principal Hub scheme which ended on 31 December 2022. Application for this incentive is to be made to MIDA until 31 December 2027. The overview of the tiered, outcome-based Global Services Hub tax incentive is as follows:

	New Company ¹		Existing Company									
	Tier 1	Tier 2	Tier 1	Tier 2								
Exemption years	5 + 5		5									
Tax incentive	Tax rate of 5%	Tax rate of 10%	Tax rate of 5% on value-added income	Tax rate of 10% on value-added income								
Types of income eligible for special tax rate	i. Services income; or ii. Services and trading income.											
Qualifying activities	Applicants are to undertake the following activities: <ul style="list-style-type: none"> i. Regional P&L / Business Management Unit; ii. Strategic business planning; iii. Corporate development; and <ul style="list-style-type: none"> iv. Any two qualifying activities from the following services category: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Strategic services</th> <th style="width: 25%;">Business Services</th> <th style="width: 25%;">Business Services</th> <th style="width: 25%;">Shared Services</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • Corporate Finance Advisory Services • Brand Management* • Intellectual Property (IP) Management* • Senior-level Talent Acquisition and Management </td> <td> <ul style="list-style-type: none"> • Bid and Tender Management • Treasury and Fund Management • Research, Development & Innovation* • Project Management • Sales and Marketing • Business Development </td> <td> <ul style="list-style-type: none"> • Technical Support and Consultancy • Information Management and Processing • Economic/ Investment Research Analysis • Strategic Sourcing, Procurement and Distribution • Logistics Services </td> <td> <ul style="list-style-type: none"> • Corporate Training and Human Resource Management • Finance & Accounting (Transactions, Internal Audit) </td> </tr> </tbody> </table>				Strategic services	Business Services	Business Services	Shared Services	<ul style="list-style-type: none"> • Corporate Finance Advisory Services • Brand Management* • Intellectual Property (IP) Management* • Senior-level Talent Acquisition and Management 	<ul style="list-style-type: none"> • Bid and Tender Management • Treasury and Fund Management • Research, Development & Innovation* • Project Management • Sales and Marketing • Business Development 	<ul style="list-style-type: none"> • Technical Support and Consultancy • Information Management and Processing • Economic/ Investment Research Analysis • Strategic Sourcing, Procurement and Distribution • Logistics Services 	<ul style="list-style-type: none"> • Corporate Training and Human Resource Management • Finance & Accounting (Transactions, Internal Audit)
Strategic services	Business Services	Business Services	Shared Services									
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	* Merely services activities, exclude royalties and other income derived from Intellectual Property Rights owned by the company.											

	New Company ¹		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Minimum conditions to qualify for Tier 2 incentive	<ul style="list-style-type: none"> • Paid-up capital of at least MYR2.5 million. • Incur a minimum amount of operating expenditure as proposed for the first 5 years, with an adequate increase in the annual operating expenditure as proposed for the subsequent 5 years. • To serve at least 7 network companies, including 3 related companies. • At least 50% of high value jobs with a minimum monthly basic salary of MYR10,000.00 must be filled by Malaysians for the first 5 years, with an adequate increase in the number of such high-value jobs for the subsequent 5 years. • Additional condition for trading income only: Annual sales turnover and foreign exchange inflow into the local banking system must be maintained as proposed, with an adequate increase required for the subsequent 5 years. 			
Additional conditions to qualify for Tier 1 incentive	<p>Subject to the following outcomes (but not limited to):</p> <ul style="list-style-type: none"> • Incur a minimum annual expenditure for domestic ancillary services, with adequate increase in subsequent 5 years. • Minimum key personnel with a minimum basic monthly salary of MYR35,000, with an adequate increase in the subsequent 5 years, • Any other conditions related to sustainable economic development. • Other conditions as determined by National Committee of Investment (NCI). 			

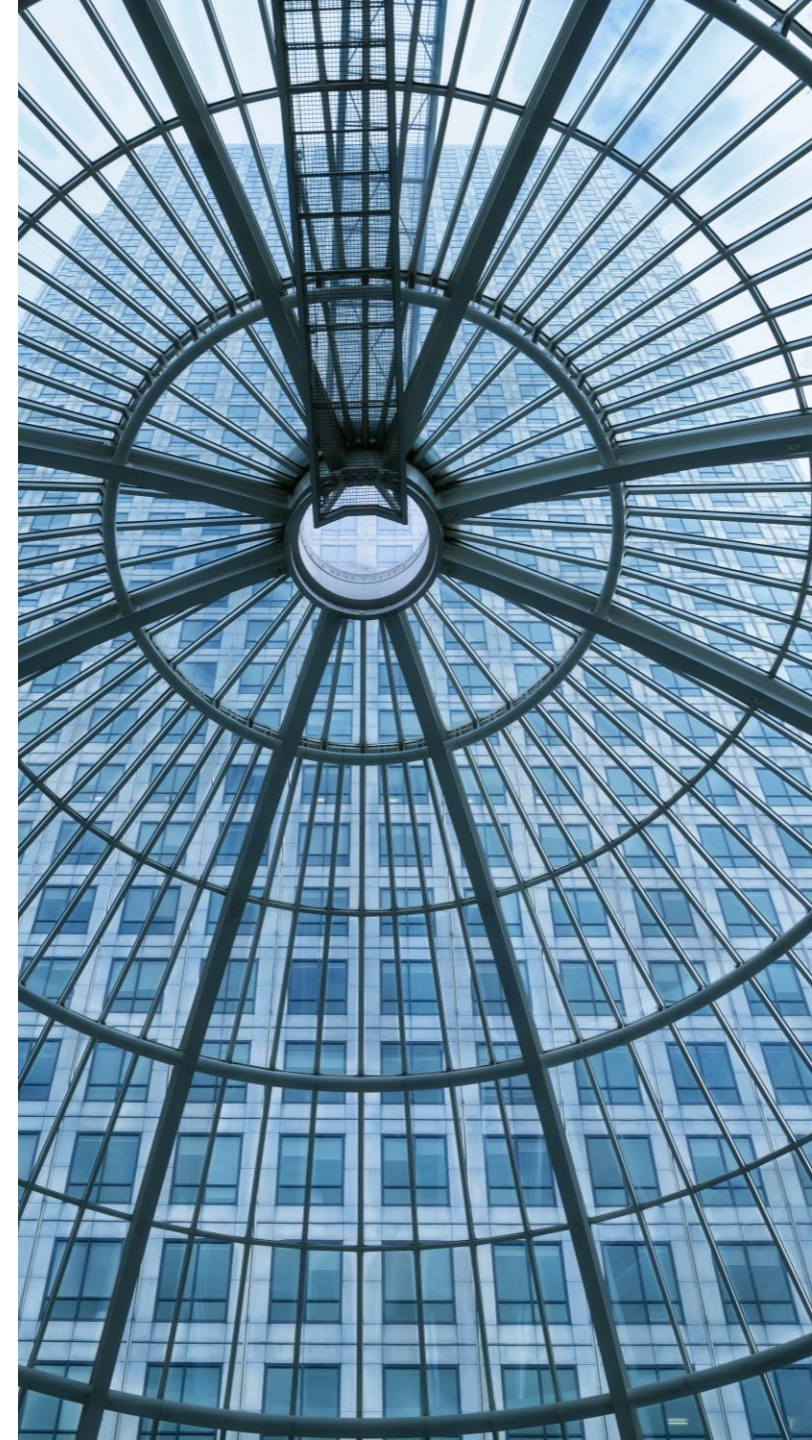
¹ Company incorporated under the Companies Act 2016, resident in Malaysia and established for carrying on qualifying activities which: (i) does not have an existing or related entity in Malaysia, or (ii) has an existing entity or related entity in Malaysia which has not carried on a qualifying activity.



In addition to corporate tax incentives, a flat personal income tax rate of 15% is available for up to three non-citizen individuals holding key / C-Suite positions with a monthly salary of at least MYR35,000. The individuals must be a tax resident for each year of assessment (YA) throughout three YAs.

As Malaysia is due to implement the Global Minimum Tax (GMT) in 2025, the GS-HUB Guidelines points out that approved Global Services Hub tax incentive holders are subject to the GMT rules. Under Budget 2025, the Government has announced plans to mitigate the impact of GMT including creation of non-tax incentives and Strategic Investment Tax Credits. Details on these plans are still pending from the authorities.

The GS-HUB Guidelines is available on MIDA's website www.mida.gov.my (Forms and Guidelines > Services Sector > Regional Operations).



MIDA guidelines - Digital Ecosystem Acceleration (DESAC) Scheme

MIDA has issued the following guidelines which outline the incentive scheme for companies undertaking digital infrastructure projects in Malaysia:

- Guidelines and Procedures for the Application of DESAC Scheme (“DESAC Guidelines”); and
- Guidelines for Sustainable Development of Data Centre (“SDDC Guidelines”).



To support the comprehensive development of national digital ecosystem, the Government has introduced the DESAC scheme under Budget 2022 providing tax incentives to qualified digital companies. The overview of the tiered, outcome-based incentives under DESAC scheme is as follows:

	New Company ¹		Existing Company ²	
	Tier 1	Tier 2	Tier 1	Tier 2
Exemption years	5 + 5		5	
Tax incentive	ITA of 100% on QCE ¹ set-off against 100% of SI or Tax rate of 10% on SI ²	ITA of 60% on QCE ¹ set-off against 100% of SI or Tax rate of 15% on SI ²	ITA of 60% on QCE ¹ set-off against 70% of SI	ITA of 30% on QCE ¹ set-off against 70% of SI
	¹ For income tax exemption equivalent to Investment Tax Allowance (ITA), the qualifying capital expenditure (QCE) excludes land. ² The statutory income (SI) excludes Intellectual Property income.			
Qualifying activities	i. Submarine cable including cable landing station; or ii. Data centre and cloud computing / Data centre and data hosting.			
Summary of minimum conditions to qualify for Tier 2 incentive	<ul style="list-style-type: none"> • Paid-up capital of at least MYR2.5 million. • Incur minimum capital expenditure as proposed (excludes land). To qualify for a second 5-year period (new company), the cumulative capital expenditure (excluding land) should be at least MYR1 billion. • At least 50% of employees are full-time Malaysians earning a minimum basic salary of MYR5,000 per month. To qualify for a second 5-year period (new company), a substantial increase in the number of such full-time Malaysian employees is required. • Undertake a minimum of 2 local vendor development program. • Adoption of Industry 4.0 elements. • Adoption of a minimum of 1 green technology such as generating energy from renewable sources. 			

	New Company ¹		Existing Company ²	
	Tier 1	Tier 2	Tier 1	Tier 2
Summary of additional conditions to qualify for Tier 1 incentive	<p>Companies are subject to the following outcomes (but not limited to):</p> <ul style="list-style-type: none"> • Incur a minimum amount of operating expenditure including domestic ancillary services. • High-value jobs with salary of over MYR10,000 per month. • Undertake a minimum of 3 local vendor development program. • Appoint at least 1 local vendor. • Collaborate with universities and technical institutions. • Any conditions related to sustainable economic development. • For existing company, projects are to be implemented in separate locations, with distinct resources, plant and machinery, staff, etc. ensuring no reduction in investments from parent or related companies. • For existing company, capital expenditure (excluding land) of at least MYR300 million for a period of 5 years. 			

¹ Company incorporated under CA 2016, resident in Malaysia, established for carrying on digital infrastructure activities, without existing or related entities in Malaysia, or with related entities not engaged in qualifying activities.

² Company incorporated under CA 2016, resident in Malaysia, approved for DESAC incentives, planning expansion projects within the same tax incentive period, or having related entities with DESAC / MSC incentives.

The 3 metrics set out under the SDDC Guidelines to determine the sustainable data centre status are summarised as follows:

Power Usage Effectiveness (PUE)	<ul style="list-style-type: none"> • Organisations should adopt advanced energy efficiency technologies at both hardware and software levels. • The PUE limits are tailored to different data centre categories (refer to Appendix 1 on the next page), ensuring optimal energy efficiency specific to each type.
Carbon Usage Effectiveness (CUE)	<ul style="list-style-type: none"> • CUE is defined as the ratio of the data centre’s annual CO₂ emission and IT equipment energy demand. • In determining the carbon emission factor from grid electricity, the CO₂ factor of Malaysia’s electrical power is regional specific (refer to Appendix 2).
Water Usage Effectiveness (WUE)	<ul style="list-style-type: none"> • Data centre should be located at low water stress areas and efficient water management practices should be deployed, including the use of reclaimed water. For peninsular Malaysia, areas with water stress index of less than 0.8 should be considered. • The recommended WUE is 2.2 m³/ MWh or lower. Monitoring and disclosure of the WUE in annual sustainability report is required.

Online applications for tax incentives under the DESAC scheme can be submitted to MIDA until 31 December 2027.

The DESAC Guidelines and SDDC Guidelines are available on MIDA’s website www.mida.gov.my (Forms and Guidelines > Services Sector > Application for Digital Investment).

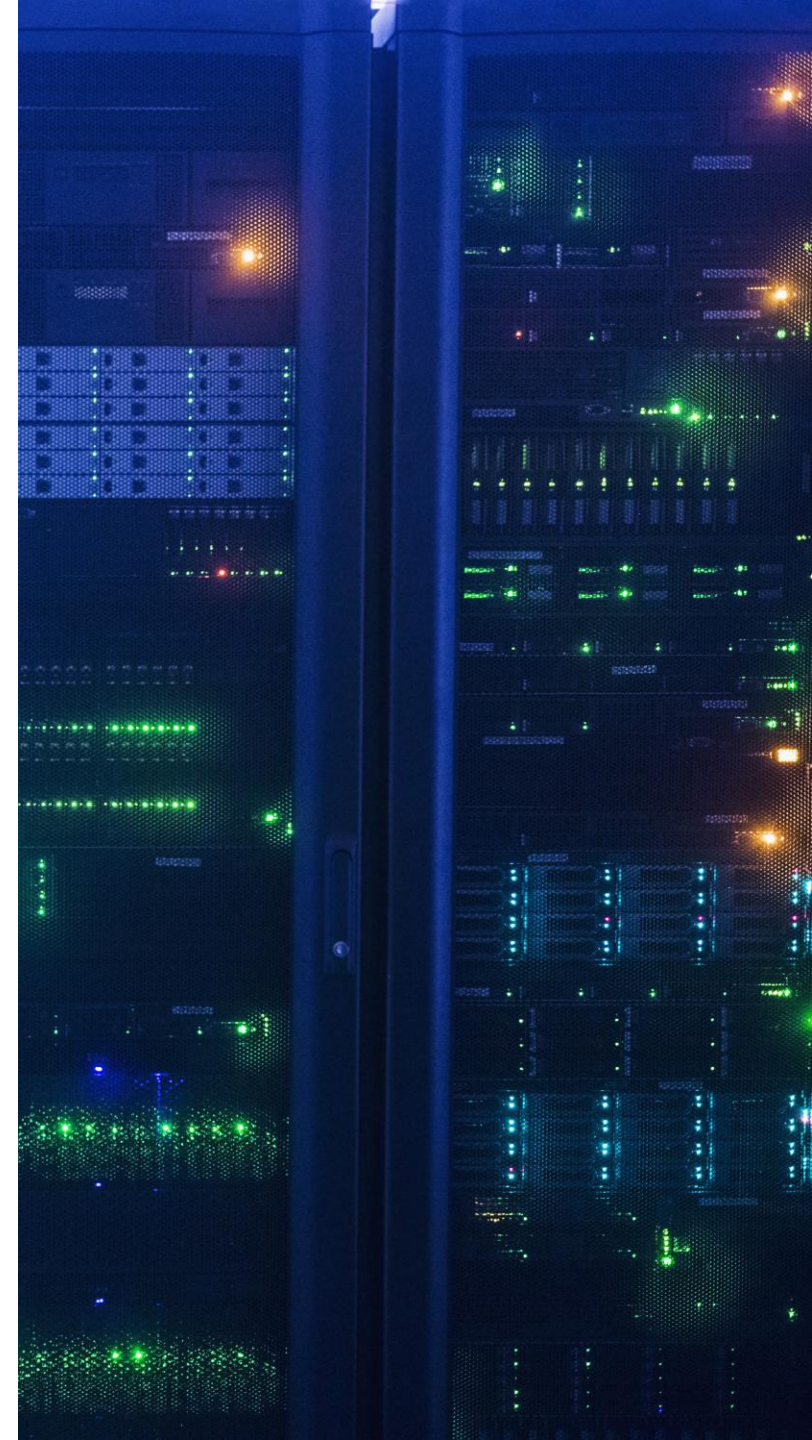
Appendix 1

Category of DC	Power Supply	Power Capacity	Baseline PUE at Current IT Load	Proposed DESIGN PUE Target for High EE	Measurement Methodology for PUE	Proposed DESIGN WUE	Measurement Methodology For WUE	Measurement Frequency
Hyperscale (commercial single tenant & Service Provider Private)	High Voltage (132KV and above)	Above 21.25 MW	Baseline needs to be established	1.4 and below (to be validated once baseline is established)	The proposed PUE measurement will be based on ISO/IEC 30134-2:2016/Amd.1 :2018	2.2 m ³ /MWh or lower	The proposed WUE measurement will be based on calculated WUE value according to international standard ISO/IEC 30134-9: 2022.	Annualized average
Colocation (multi-tenant) Purpose Built (post 2020 build)	High Voltage (132KV and above)	Above 21.25 MW	Baseline needs to be established	1.6 and below (to be validated once baseline is established)		2.2 m ³ /MWh or lower		Annualized average
Colocation (multi-tenant) Purpose Built (pre 2020 build)	Medium Voltage (33KV)	4.25 to <21.25 MW	Baseline needs to be established	1.7 and below (to be validated once baseline is established)		2.2 m ³ /MWh or lower		Annualized average
Colocation (multi-tenant) Purpose Built (pre 2020 build)	Low Voltage (11KV)	0.85 MW - < 4.25 MW	Baseline needs to be established	1.7 and below (to be validated once baseline is established)		2.2 m ³ /MWh or lower		Annualized average
Colocation (multi-tenant) Converted Building	Low Voltage (11KV)	0.85 MW - < 4.25 MW	Baseline needs to be established	1.7 and below (to be validated once baseline is established)		2.2 m ³ /MWh or lower		Annualized average
Enterprise Private (Captive) Purpose Built & Converted Building	Low Voltage (11KV)	0.85 MW - < 4.25 MW	Baseline needs to be established	1.7 and below (to be validated once baseline is established)		2.2 m ³ /MWh or lower		Annualized average

Appendix 2

The electricity emission factor obtained from 2021 Grid Emission Factor in Malaysia, prepared by Energy Commission. The emission factors are expressed in Gigagram carbon dioxide per gigawatt hour (GgCO₂/GWh).

Region	Grid emission factor (in GgCO ₂ / GWh)
Peninsular Malaysia	0.758
Sabah	0.425
Sarawak	0.198



Global Minimum Tax

The implementation of Global Minimum Tax (GMT) in year 2025 was announced in Budget 2024 with the legislative provisions incorporated into Part XI of the Income Tax Act 1967 (ITA 1967) via the Finance (No.2) Act 2023.

The Inland Revenue Board (IRB) has now issued the *Guidelines: The Implementation of Global Minimum Tax in Malaysia* (“the Guidelines”). In addition, the FAQ on implementation of the GMT in Malaysia (“the FAQ”) has also been updated as at 6 December 2024.



Guidelines: The Implementation of Global Minimum Tax in Malaysia

The contents of the Guidelines outlines the implementation of the GMT and are based on the OECD GloBE Rules and the provisions of Part XI of the ITA 1967. Key points to note from the Guidelines are:

- The GloBE Rules will apply to Constituent Entities of an MNE Group with a consolidated revenue of at least EUR 750m in at least 2 of the 4 previous financial years (FY). Where the presentation currency is not in Euro, it is to be translated based on the average exchange rate quoted by the European Central Bank for the month of December prior to the commencement of the relevant FY.
- The Ultimate Parent Entity (UPE) of Malaysian MNE Groups in Malaysia are required to file the GloBE Information Return (GIR) to the IRB within 15 months (18 months during the transitional period) from the last day of the reporting FY. In the case of a Constituent Entity (CE) of a foreign MNE Group which UPE or Designated Filing Entity is in a jurisdiction that does not have a Qualifying Competent Authority Agreement with Malaysia, the CE has to file the GIR to IRB within the same timeframe.
- A top-up tax return also needs to be submitted by every Constituent Entity (CE) of an MNE Group, similarly within the same timeframe as above.
- Tax payable is due on the last day of the 18th month after the end of the filing transition year for the first year.
- There is a QDMTT Safe Harbour which operates by setting the top-up tax to zero for a jurisdiction when an MNE Group qualifies for the safe harbour in that jurisdiction. The safe harbour, when applicable, eliminates the need for an MNE Group to undertake a second calculation under the GloBE Rules after completing the QDMTT calculation.
- A Transitional CbCR* Safe Harbour is also available which is temporary in nature and effectively excludes from the scope of GloBE an MNE’s operations in lower-risk jurisdictions in the initial years, thereby providing relief to MNEs in respect of their GloBE compliance obligations as they implement the rules. It operates through the use of simplified jurisdictional revenue and income information contained in an MNE’s Qualified CbCR. To qualify, one of the following tests is to be satisfied: de minimis test (the jurisdiction has

CbCR revenue of less than EUR10m), effective tax rate test (the Simplified ETR for a jurisdiction is at least 15% for earliest years (16% for FYs beginning 2025, 17% for FYs beginning 2026), and routine profits test (PBT from the CbCR is smaller or equal to the Substance Based Income Exclusion calculated according to the model rules. This test will also be met for a jurisdiction where it has a loss per the CbCR.

- Penalties will not be imposed during the Transitional Period if the CE has taken “reasonable measures” to comply with the GMT legislation. The IRB will assess if “reasonable measures” have been taken by the taxpayer based on the facts and circumstances of each case. In Malaysia, the Transitional Period is FY beginning on or after 1 January 2025 but not later than 31 December 2026 and the FY must not end after 30 June 2028.
- If an audit reveals that the taxpayer incorrectly applied the Transitional CbCR Safe Harbour and a jurisdiction should not have benefited from it for a particular FY, the GloBE Rules will fully apply for that year and any subsequent FYs.
- The Guidelines also specify that in the event of any inconsistencies with the GloBE Rules (i.e. GloBE Model Rules, Commentary to the GloBE Model Rules, the Agreed Administrative Guidance, and any other guidance published by the OECD), the GloBE Rules will take precedence.

**CbCR – Country-by-Country Reporting*

FAQ on implementation of the GMT in Malaysia

The key updates to the FAQ include the following:

- Scope – In a tested year, the tested Group must be an MNE but need not necessarily be an MNE for 2 out of the 4 preceding FYs. However, for purposes of testing the revenue thresholds for 2 out of the 4 preceding FYs, the Group may be a purely domestic group.
- Transitional relief – The Malaysian entity of an MNE group is still eligible for the transitional relief for filing obligation in FY 2025 even if the MNE group’s first in-scope year is FY 2024 in another jurisdiction which implemented GMT earlier.



Extensions of incentives and exemption

The extensions for the following have been gazetted:

- Foreign-sourced income exemption
- Tax deduction for contributions for Smart AI-Driven Reverse Vending Machines
- Tax exemption for solar leasing



Foreign-sourced income exemption

Following the announcement to extend the exemption period in Budget 2025, the Income Tax (Exemption) (No. 5) Order 2022 (Amendment) Order 2024 (“Amendment Order”) was gazetted on 24 December 2024.

Subject to conditions, foreign-sourced income received by resident individuals in Malaysia from 1 January 2022 to 31 December 2026 qualifies for tax exemption. The Amendment Order has been issued to extend the exemption for ten more years, until 31 December 2036.

Tax deduction for contributions for Smart AI-Driven Reverse Vending Machines

The Ministry of Finance (MOF) has updated the Guideline on Tax Deduction under Section 34(6)(h) of the ITA 1967 for Contributions for Smart AI-Driven Reverse Vending Machines. The key update is the extension of the period for applications received by MOF to 31 December 2026 (previously, until 31 December 2024). This follows the announced extension of the incentive under Budget 2025.

The guideline is available on MOF’s website www.mof.gov.my (Ministry of Finance > Tax > Exemption Guidelines).

Tax exemption for solar leasing

The Income Tax (Green Technology Incentive) (Solar Photovoltaic System Leasing) (Exemption) (Amendment) Order 2024 has been issued.

This follows the Budget 2024 announcement to extend the eligibility period for income tax exemption on solar leasing activities for another three years to 31 December 2026 (previously 31 December 2023). Refer to [TaXavvy 30/2024](#) for further details of the incentive.

Income Tax (Islamic Securities) (Exemption) Order 2024

Following the Budget 2024 proposal to provide tax exemption on income from Islamic securities selling and buying, the Income Tax (Islamic Securities) (Exemption) Order 2024 (“the Order”) has been gazetted and is effective from YA 2024.



The following are the salient points to note:

Tax exemption

Income tax exemption on statutory income derived from an Islamic securities selling and buying negotiated transaction (“the negotiated transaction”) as specified in the rules of an approved clearing house under the Capital Markets and Services Act 2007 (CMSA 2007)

Exclusions from exemption

Income from structured payments, monthly instalment and profit earned on collateral and rebate arising from -

- a) the selling and buying of Islamic securities listed on Bursa Malaysia Securities Berhad,
- b) the return of the same or equivalent Islamic securities,
- c) the corresponding exchange of collateral, and
- d) the exercise of any remedial option due to reclassification of the status of the Islamic securities to Shariah non-compliant securities,

in respect of a negotiated transaction under an Islamic securities selling and buying negotiated transaction agreement.

Qualifying taxpayer

A person approved by an approved clearing house under the CMSA 2007 to be a *supplier* or a *user* in a negotiated transaction under an Islamic securities selling and buying negotiated transaction agreement.

Tax deduction for issuance cost of SRI-linked sukuk

Following the announcement in Budget 2023, the Income Tax (Sustainable and Responsible Investment Linked Sukuk) Rules 2024 has been gazetted.

The gazette order is effective for YA 2023 to YA 2027. The following are the salient points:

- It provides a tax deduction on expenditure incurred by a company on the issuance or offering of Sustainable and Responsible Investment Linked Sukuk (“SRI-linked Sukuk”) –
 - approved or authorized by, or lodged with, the Securities Commission (SC) under the CMSA 2007, and
 - issued or offered to an investor in compliance with the guidelines relating to sukuk issued by the SC.
- The amount deductible is to be reduced by any amount which tax has been exempted under section 172(3A) of the ITA 1967 in respect of a grant to finance an external review expenditure (i.e., expenditure incurred to appoint an external reviewer in relation to assessment of the company’s compliance with SC’s requirement before the issuance or offering of the SRI-linked Sukuk, and expenditure incurred to appoint an independent verifier in relation to monitoring performance levels of the company in respect of sustainability performance targets).



Stamp duty exemption for Micro Financing Scheme

Further to the Budget 2025 announcement, the Stamp Duty (Exemption) (No. 9) Order 2024 (“2024 Order”) has been gazetted.

It provides stamp duty exemption on the instrument of loan or financing agreement under the Bank Negara Malaysia approved Micro Financing Scheme for an amount not more than MYR100,000, which is executed on or after 1 January 2025.

The 2024 Order revokes the Stamp Duty (Exemption) (No. 4) Order 2011.



Tax exemption on sports victory cash prize

The Income Tax (Sports Victory Prize Scheme) (Exemption) Order 2024 has been gazetted to provide income tax exemption on the prize money received by athletes and is effective from YA 2024.

To foster the development of national sports, the Government has announced in Budget 2025 that sports victory cash prize rewards received by individual athletes and teams through the Skim Hadiah Kemenangan Sukan (SHAKAM) given by the Federal Government through National Sports Council of Malaysia (MSN) will be exempted from income tax. Following this, the gazette order has been issued to legislate the budget proposal.

This exemption applies to athletes who are under the patronage of the National Sports Council of Malaysia and compete individually or in teams in the sports under the Sports Development Act 1997, which are:

Aikido	Netball	Golf	Tower running	Polo	Fishing sports
Aquatics	Basketball	Wrestling	Fencing	Rugby	Dancesport
American Football	Football	Arm wrestling	Jump rope	Recreational	Traditional games
Weightlifting	Volleyball	Hapkido	Surf	Roundnet	Air sports
Badminton	Bowling	Hockey	Skating	Sambo	Yoga sports
Dart	Lawn bowls	Ice stock sport	Archery	Sepak takraw	Taekwondo
Basque pelota	Boules	Judo	Climbing	Silambam	Dragon and lion dance
Sailing	Flying disc	Jujitsu	Rowing	Silat olahraga	Tug of war
Cycling	Capoeira	Kabaddi	Shooting	Squash	Tchoukball
Canoeing	Chess	Karate	Athletics	Softball	Tennis
Skiing	Draughts	Fitness	Orienteering	Stacking sports	Teqball
Baseball	Bridge	Kempo	Paintball	Automobile sports	Throwball
Biathlon	Dodgeball	Kendo	Cheerleading	Powerboating sports	Boxing
Billiard	Fistball	Korfball	Modern pentathlon	Underwater sports	Torbball
Bodybuilding	Spinning top	Cricket	Dragon boat	Equestrian sports	Triathlon
Boccia	Gymnastic	Curling	Pickleball	Electronic sports	Vovinam
Handball	Goalball	Lacrosse	Table tennis	Sliding sports	Woodball
					Wushu



Mandatory use of electronic form in submitting the statement of payment to agents

The IRB has issued a media release on 31 December 2024 on the mandatory use of electronic form in submitting the statement of payment (e-107D) under section 107D of the ITA1967 (withholding tax for payments to agents, dealers or distributors).

The media release also informs of the termination of manual payments for the following from 1 January 2025 at Pusat Pengurusan Terimaan HASiL Kuala Lumpur (PPTHKL):

- Withholding of 3% tax for real property gains tax purposes
- Withholding taxes
- Entertainers' income tax
- Section 107D withholding tax for agents, dealers and distributors

The media release is available on IRB's website www.hasil.gov.my (Homepage > Media Release).



Labuan bills

The following bills have been passed at Dewan Negara:

- Labuan Companies (Amendment) Bill 2024
- Labuan Trusts (Amendment) Bill 2024
- Labuan Foundations (Amendment) Bill 2024
- Labuan Limited Partnerships and Liability Partnerships (Amendment) Bill 2024

The main purpose of the amendment is to introduce new provisions relating to the reporting framework and disclosure of beneficial ownership information.

The bills will become law upon completion of the legislative process.

The main purpose of the amendment is to introduce new provisions relating to the reporting framework and disclosure of beneficial ownership information. These includes:

- Laying down the basic criteria for identifying a beneficial owner.
- The requirement for a register of beneficial owners to be kept and lodged.
- Duty of the beneficial owners to notify when they become a beneficial owner and if there are any changes in their ownership information.

In addition, the following amendments have been made to be in line with the requirement of the OECD Forum on Harmful Tax Practices:

- In respect of Labuan trust, the provisions in relation to Malaysian property and income derived thereof which qualifies for tax rate provided under the Labuan Business Activity Tax Act 1990 is to be deleted.
- In respect of Labuan companies, amendments have been incorporated to allow a Labuan company to carry on business in any currency.



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