

Malaysia Budget 2024

13 OCT 2023

This report has been prepared in accordance with the Budget 2024 speech delivered on 13 October 2023.

TAX HIGHLIGHT



AGENDA



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BUDGET 2024 HIGHLIGHT



- **01** Total Budget : RM388.1 Billion
 - **02** Operating Expenditure : RM289.1 bbillion
 - **03** Development Expenditure : RM99 Billion
 - **04** GDP : 4% (Initial 4.5%)
 - **05** Fiscal Deficit : 5%
-
- **01** Total Budget : RM393.8 Billion
 - **02** Operating Expenditure : RM303.8 bbillion
 - **03** Development Expenditure : RM90 Billion
 - **04** GDP : 4% - 5%
 - **05** Fiscal Deficit : 4.3%

BUDGET 2024 - TAXES HIGHLIGHT



01.

CAPITAL GAINS TAX

01

CAPITAL GAINS TAX

Existing

No tax is imposed on gains from the disposal of shares except for shares in real property companies (RPC) under Para 34A of Schedule 2 to the Real Property Gains Tax (RPGT) Act 1976.

Proposed

Capital gains tax (CGT) will be imposed on companies on the disposal of unlisted shares as follows:

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

Disposal of shares related to the following activities will be exempted from CGT:

- Initial Public Offering (IPO) approved by Bursa Malaysia;
- Restructuring of shares within the same group.
- Venture capital companies
- Individuals, trusts, co-operatives owning unlisted shares are not affected.

Effective Date

1 March 2024

Comments

Some areas which require further information:

- 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.
- Details on how the taxation of CGT will interact with RPGT.

BUDGET 2024 - TAXES HIGHLIGHT



02.

CORPORATE TAX

02

CORPORATE TAX

1. Review of Conditions for Institutions / Organisations / Funds Approved under Subsection 44(6) of Income Tax Act 1967

Existing

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

- i. At least 50% of income earned in the 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.

Proposed

The approval conditions to be reviewed as follows:

- The accumulated funds utilisation limit of 25% be increased up to 35%.
- The following options are available:

Option	Utilisation of Accumulated Funds – Business Purpose	Threshold of Annual Charitable Activity Expenditure
1	Up to 25%	At least 50%
2	>25% -35%	At least 60%

For any breach of approval conditions, DGIR will not withdraw the approval under Subsection 44(6) to ensure the donors remain eligible for tax deduction on donations made.

The DGIR will raise an assessment on all income received by the approved institutions / organisations / funds for the YA in which the breach of conditions occurred.

Effective Date

1 March 2024

02

CORPORATE TAX

2. Capital allowance on Information and Communication Technology (ICT) equipment and customised computer software

Existing

Existing CA Rates:

Qualifying Expenditure	Effective Date	CA Rates
Purchase of ICT equipment and computer software packages	From the YA 2017	IA: 20% AA: 20%
Consultation, licensing and incidental fees related to customised computer software development	From the YA 2018	

Proposed

Proposed CA Rates:

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

Effective Date

Comments

Year 2024

The CA period is accelerated to 3 years from 4 years.

02

CORPORATE TAX

3. Extension of tax incentive for rental of electric vehicle (EV).

Existing

Companies that rent non-commercial EV are given tax deduction up to RM300,000 effective from YA 2023 to 2025.

Proposed

Tax deduction on EV rental cost be extended for a period of 2 years.

Effective Date

Until Year 2027

Comments

Encourage the use of low- carbon vehicles to support green mobility ecosystem in line with National Energy Transition Roadmap.

4. Implementation of Global Minimum Tax (GMT).

Proposed

The Government is expected to implement GMT in year 2025 which will only apply to companies with a global income of at least Euro 750 million.

Effective Date

Year 2025

Comments

- To be in line with international taxation standards.
- To reduce the transfer of profits to nations with low tax rates.

02

CORPORATE TAX

5. Tax deduction on contributions for environmental preservation and conservation projects.

Existing

Under subsection 34(6)(h) of ITA 1967, a special deduction is granted on expenses incurred by a company for the provision of services, public amenities, charity or community projects pertaining to:

- Education
- Health
- Housing
- Enhancement of income of the poor,
- Infrastructure
- Information and communication technology
- Maintenance of heritage building including environmental preservation or conservation projects.

which have been approved by the Ministry of Finance

Proposed

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 Date

From 1 January 2024 - 31 December 2026

02

CORPORATE TAX

6. Tax deduction on environmental, social and governance (ESG) related expenditures.

Existing

N/A

Proposed

Tax deduction up to RM50,000 is given for each YA on ESG related expenditure.

ESG related expenditure	Description
Enhance Sustainability Reporting Framework	ESG reporting by companies listed on the Bursa Malaysia stock exchange
Climate Risk Management and Scenario Analysis	ESG reporting by financial institutions regulated by the Bank Negara Malaysia
Tax Corporate Governance Framework(TCGF) of Lembaga Hasil Dalam Negeri Malaysia (LHDNM)	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 (MSME)
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by the Ministry of Finance

Effective Date

Comments

Year 2024 to Year 2027

The government is subsidizing the ESG related expenditure

BUDGET 2024 - TAXES HIGHLIGHT



03.

PERSONAL TAX

03

PERSONAL TAX

1. Expansion of scope of income tax relief for medical treatment expenses for self, spouse and child.

Existing

Limited to RM10,000.

Medical Expenses for

- Self, spouse or child suffering from a serious disease.
- Expenses incurred on fertility treatment.
- Vaccination up to RM1,000.
- Diagnostic assessment of learning disability or early intervention program or rehabilitation treatment for learning disability up to RM4,000.
- Full medical check-up, mental health examination and COVID 19 detection test including purchase of self-test kit for taxpayer, spouse or child limited to RM1,000.

Proposed

Expanded to cover dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council, limited to RM1,000

Effective Date

Year 2024

03

PERSONAL TAX

2. Expansion of scope of income tax relief for medical treatment, special needs and carer expenses for parents

Existing

Limited to RM8,000.

Medical Expenses for
i. Treatment in Clinics and Hospitals
ii. Treatment at Nursing Homes
iii. Dental Treatment not including Cosmetic Dental Treatment
iv. Treatment and Home Care Nursing, Daycare Centres and Residential Care Centres

Proposed

Year 2024

Effective Date

Expanded to cover full medical examination for parents, limited to RM1,000

3. Extension of tax relief on fees for any course of study for upskilling or self-enhancement.

Existing

Limited to RM2,000

Proposed

Extend for a period of 3 years.

Effective Date

Year 2024 to Year 2026.

03

PERSONAL TAX

4. Tax relief for lifestyle.

Existing

Tax Relief of RM2,500	
1	Reading Materials
2	Personal computers, smart phone or tablets
3	Internet Subscription
4	Sports Equipment
5	Gymnasium Membership Fees
Additional Tax Relief of RM500	
1	Sports Equipments
2	Rental/Entry Fees to Sports Facilities
3	Registration Fee for Participating in Sports Competitors

Proposed

Restructure the tax relief for lifestyle.

Tax Relief of RM2,500	
1	Reading Materials
2	Personal computers, smart phone or tablets
3	Internet Subscription
4	Self Skills Enhancement Course
Specific Tax Relief of RM1,000	
1	Sport Equipment
2	Rental / Entry Fees to Sport Facilities
3	Registration Fee for Participating in Sports Competitions
4	Gymnasium Membership Fees
5	Sport Training Fees (Imposed by associations, sports clubs or companies registered with the Sports Commissioner or Companies Commission of Malaysia and carrying out sports activities under the Sports Development Act 1997)

Comments

The total annual lifestyle tax relief increased from RM3,000 to RM3,500.

Effective Date

Year 2024.

03

PERSONAL TAX

5. Extension of tax relief for Electric Vehicle (EV) Charging facilities.

Existing

Limited to RM2,500.

For YA 2022 and YA 2023, tax relief up to RM2,500 is given on expenses related to installation, rental, purchasing including hire purchase equipment or subscription fees for EV charging facilities.

Proposed

Extend for a period of 4 years.

Effective Date

Year 2024 to Year 2027.



03

PERSONAL TAX

6. Income tax exemption for child care allowance under perquisites from employment.

Existing

RM2,400 per year.

Proposed

Exemption increase to RM3,000 per year.

Effective Date

Year 2024.



03

PERSONAL TAX

7. Review of tax incentive for women returning to work after a career break.

Existing

Income tax exemption on employment income received for a maximum of 12 consecutive months.

Eligibility Criteria

1. Women returned to work after a career back of at least 2 years. (before or up to 27 Oct 2017)
- and
2. Employment income received in the Year 2018 to Year 2024.
- *Applications received by Talent Corporation Malaysia Bhd not later than 31 Dec 2023.

Proposed

Enhanced eligibility criteria:

Eligibility Criteria

1. Women returned to work after a career back of at least 2 years. (before the date of application received by Talent Corporation Malaysia Bhd.
- and
2. Employment income received from Year 2025 until Year 2028.
- *Applications received by Talent Corporation Malaysia Bhd from 1 Jan 2024 to 31 Dec 2027.

Effective Date

Year 2024 to Year 2027

03

PERSONAL TAX

8. Tax incentives for returning expert programme.

Existing

Incentives

I) 15% income tax rate on employment income received for 5 consecutive years of assessment;

and

II) Import and excise duties exemption for the purchase of a Completely Built-Up vehicle or excise duty exemption for the purchase of a Completely Knocked-Down (CKD) vehicle, subject to an exemption amount of up to RM100,000.

Proposed

Extended the application period.

Incentives

I) 15% income tax rate on employment income received for 5 consecutive years of assessment;

and

II) Excise duty exemption of up to RM100,000 for the purchase of a Completely Knocked-Down (CKD) vehicle

Effective Date

Year 2024 to Year 2027

BUDGET 2024 - TAXES HIGHLIGHT



04.

TAX INCENTIVES

04

TAX INCENTIVES

1. Extension of tax exemption on management fees income for Sustainable and Responsible Investment (SRI) funds.

Existing

Eligible for tax exemption from Year 2018 to Year 2023.

Effective Date

Year 2024 to Year 2027
(4 Years)

Comments

Companies that provide SRI fund management services to investors, business trusts investors or Real Estate Investment Trusts (REITs) investors in Malaysia approved by the Securities Commission Malaysia are given tax exemption on the statutory income derived from the business of providing fund management services for SRI funds.

2. Issuance of SRI Sukuk

Existing

Tax deduction is given on the issuance cost of SRI sukuk approved or authorised or lodged with the Securities Commission Malaysia.

SRI sukuk is used exclusively for financing activities or transactions related to eligible SRI projects with the aim of preserving and conserving the environment, promoting sustainable development and enhancing the quality of life of the community.

The incentive is given from Year 2016 to Year 2023.

Effective Date

Year 2024 to Year 2027
(4 Years)

04

TAX INCENTIVES

3. Extension of income tax exemption for social enterprise

Existing

Tax exemptions on all income of Social Enterprise (SE) up to 3 YAs subject to the validity period of accreditation approved by the Ministry of Enterprise and Cooperative Development.

Applications received by Ministry of Finance from 1 Jan 2022 to 31 Dec 2023

Effective Date

Year 2024 to Year 2025
(2 Years)

4. Extension of period for Angel Investor

Existing

An angel investor investing in a tech start-up company in the form of ordinary shares is eligible for tax exemption equivalent to the amount of investment made in the company.

For applications received by the MoF from 1 January 2021 to 31 December 2023.

Effective Date

From 1 January 2024 to 31 December 2026
(3 Years)

04

TAX INCENTIVES

5. Review of tax incentive for equity crowdfunding (ECF)

Existing

Individual investors who invest in ECF are eligible for tax exemption on aggregate income (AI) = 50% of investment made in ECF subject to:

- The eligible amount for tax exemption is limited to RM50,000 for each YA;
- The deductible amount is limited to 10% of the AI for that YA. The excess amount which is not deductible will be disregarded;
- The investor, investee company and amount of investment must be verified by the Securities Commission Malaysia;
- The investor must not have any family relationship with the investee company;
- Investment must be made through ECF platform approved by the Securities Commission Malaysia; and
- The investment is not allowed to be wholly or partly disposed within 2 years from the date of investment.

Tax incentive is for investment made from 1 Jan 2021 until 31 Dec 2023.

Proposed

- Incentive expanded to investment made by individual investor through Limited Liability Partnership nominee company
- Be extended for a period of 3 years: Investment made from 1 Jan 2024 - 31 Dec 2026.

04

TAX INCENTIVES

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

Existing

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.

Proposed

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.

Effective Date

From 1 Jan 2024 to 31 Dec 2025

7. Review of Income Tax Exemption on Shariah-Compliant Fund Management Services

Existing

Shariah-compliant fund management services companies approved by the Securities Commission are given 100% tax exemption on their statutory income from fund management services as follows:

Investor Categories	Year
Foreign Investors in Malaysia	2007 to 2023
Local Investors	2008 to 2023
Business Trust Investors or Real Estate Investment Trusts (REITs) investors in Malaysia	2014 to 2023

Proposed

Tax exemption period to be extended for 4 years, but tax exemption rate is reduced to 60%

Effective Date

From Year 2024 to Year 2027

04

TAX INCENTIVES

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

Existing

Labuan entities undertaking Labuan trading activities and meet the substance requirements are subject to tax at 3% on audited net profits.

Proposed

Labuan entities undertaking Islamic financial related trading activities such as Islamic digital banking, Islamic digital bourses, ummah-related companies and Islamic digital token issuers will be granted full income tax exemption for 5 years.

Effective Date

From Year 2024 to Year 2028

9. Review of Tax Incentive for Automation in Manufacturing, Services and Agriculture Sectors

Existing

Manufacturing, services and agricultural companies incurring capital expenditure for automation equipment (including adaptation of Industry 4.0 elements) are given 100% Accelerated Capital Allowance (ACA) on the first RM10 million of the qualifying capital expenditure which can be claimed against 100% of the statutory income.

The application to the relevant authorities should be made from 1 January 2023 to 31 December 2027.

Proposed

Expansion of scope of this incentive to include the commodity sector under the Ministry of Plantation and Commodities (cover industries such as palm oil, rubber, timber, cocoa, pepper, kenaf and tobacco)

Effective Date

From 14 Oct 2023 until 31 Dec 2027

04

**TAX
INCENTIVES**

10. New incentive hub for chemical and petrochemical sector

Existing

N/A

Proposed

It is proposed that the Pengerang Integrated Petroleum Complex (PIPC) will become a development hub for the chemical and petrochemical sector. Tax incentive packages in the form of special tax rates or investment tax allowances will be given for such companies in the hub.

Effective Date

Not Provided

11. Tax exemption for Islamic Securities Buying and Selling (ISSB) activities

Existing

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.

Proposed

Tax exemption to be given on the income from Islamic Securities Buying and Selling (ISSB) Activities, aligning with the tax exemption for conventional SBL transactions.

Effective Date

From Year 2024

04

TAX INCENTIVES

12. Special tax rate for film production companies, foreign actors and film crews filming in Malaysia

Existing

N/A

Proposed

A special income tax rate between 0% to 10% for film production companies, foreign film actors and film crews who carry out filming in Malaysia.

13. Industrial Building Allowance (IBA) for Private Nursing Home for Senior Citizens

Existing

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:

Initial Allowance	10%
Annual Allowance	3%

Proposed

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:

- Private nursing homes approved by the Ministry of Health Malaysia; and
- QCE incurred from 1 January 2024 - 31 December 2026.

04

TAX INCENTIVES

14. Incentive for reinvestment under the new Industrial Master Plan 2023

Proposed

To encourage existing companies that have exhausted their Reinvestment Allowance (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:

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

Comments

- The eligible ITA rate will be determined by outcome-based approach.
- For applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2024 to 31 December 2028.
- New requirement: Application has to go through MIDA.

04

TAX INCENTIVES

15. Further tax deduction for voluntary carbon market

Existing

Bursa Malaysia introduced the Bursa Carbon Exchange (BCX) in 2022, a voluntary platform for carbon credit trading.

Expenditure related to carbon project development incurred by companies engaged in carbon credit trading are tax-deductible under subsection 33(1) of the Income Tax Act 1967.

Proposed

Further tax deduction up to RM300,000 for companies for costs related to Development and Measurement, Reporting and Verification (MRV) related to the development of carbon projects.

This is deductible from carbon credit income traded on BCX.

Conditions:

- Development of carbon projects must be registered with an international standards body recognised by Bursa Malaysia.
- Expenditures on carbon projects must be certified by the Malaysia Green Technology and Climate Change Corporation (MGTC).

Applications received by MGTC from 1 Jan 2024 until 31 Dec 2026.

04

TAX INCENTIVES

16. Incentive for Global Services Hub (GSH)

Tax Incentive

To maintain Malaysia’s competitiveness as a key player in the region’s global services sector, a proposed GSH incentive based on outcome-based approach to 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	Services income; or Services and trading income			
Qualifying Services & Additional Services	Undertake the following activities: 1.Regional P&L/Business Management Unit; 2.Strategic business planning; 3.Corporate development; AND 4.Any 2 qualifying activities under the services category as follows: <ul style="list-style-type: none"> • Strategic services; • Business services; • Shared services; or • Other services 			
Conditions (Outcome-based)	<ul style="list-style-type: none"> • Annual operating expenditure; • High value full-time employees; • C-suite with a minimum monthly salary of RM35,000; • Local ancillary services; • Collaboration with higher education institution/TVET; • Training for Malaysian students/citizens; • ESG elements; or • 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)

04

TAX INCENTIVES

17. 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 years
	Income tax exemption of 70% of SI on solar leasing activities	up to 10 years

(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 Solar Energy, Wind Energy, Hydropower, Geothermal Energy and Biomass.	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)

04

TAX INCENTIVES

17. Review of Green Technology Tax Incentives

Proposed (Cont')

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 Jan 2024 to 31 Dec 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 - ≤10MW	Tax exemption of 70% of SI	5 Years
>10MW - ≤30MW		10 years

(For applications received by MIDA from 1 Jan 2024 to 31 Dec 2026)

BUDGET 2024 - TAXES HIGHLIGHT



05.

**STAMP
DUTY**

05

STAMP DUTY

1. Stamp duty for transfer of property ownership by renunciation of rights.

Existing

Transfer of property ownership involving inheritance property is subject to a fixed duty of RM10 under Item 32(i) of the First Schedule, Stamp Act 1949 if the ownership is transferred from the administrator to an eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958.

If the eligible beneficiary renounces its rights to another eligible beneficiary or non-beneficiary, the instrument which releases or renounces the property by way of gift is subject to ad valorem duty of 1% to 4%.

Proposed

A fixed stamp duty of RM10 for transfer of property ownership in which the eligible beneficiary renounces its rights to another eligible beneficiary in accordance with a will/faraid or the Distribution Act 1958.

Effective Date

Comments

1 January 2024

This can help lighten the burden of the beneficiary from having to pay ad valorem stamp duty on the inherited property

05

STAMP DUTY

2. Stamp duty for property ownership by non-citizen individuals & foreign-owned companies.

Existing

For transfer of properties (immovable properties) in Malaysia, the instrument of transfer is subject to ad valorem rate as follows:

Sales Price/Market Value of Property (whichever is higher)	Stamp Duty Rate
First RM100,000	1%
RM100,000 to RM 500,000	2%
RM 500,001 to RM 1,000,000	3%
RM 1,000,001 and above	4%

Proposed

A flat rate of stamp duty of 4% will be imposed on the instrument of transfer executed by foreign-owned companies and non-citizen individuals (except Malaysian Permanent Residents)

Effective Date

1 January 2024

BUDGET 2024 - TAXES HIGHLIGHT



06.

INDIRECT
TAX

06

INDIRECT TAX

1. Increased service tax rate for services.

Existing

Service tax is charged at a standard rate of 6% for all prescribed taxable services listed under the First Schedule of the Service Tax Regulations 2018 and RM25 p.a. on credit card and charge card.

Proposed

Service tax rate to be increased to 8% for all taxable services excluding food and beverages and telecommunication services.

Effective Date

Not provided

Comments

Businesses need to determine the impact of the rate increase on business costs and factor it for any budgeting.

2. Expansion of service tax scope.

Existing

Brokerage and underwriting services related to trading of listed stocks are specifically exempted effective 1 January 2022. Currently, logistic services and karaoke are not subject to service tax.

Proposed

The service tax will be expanded to include brokerage and underwriting; logistic services; and karaoke services.

Effective Date

Not provided

06

INDIRECT TAX

3. Import duty and sales tax exemption on manufacturing aids.

Existing

Manufacturing aids are goods used in the manufacturing process to accelerate, improve, complement and complete the manufacturing process of the finished goods, but it is not part of the finished goods.

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.

Proposed

Import duty and sales tax exemption be given to eligible manufacturers on the importation and local purchase of manufacturing aids subject to types of industry and category of goods determined.

Effective Date

1 January 2024

Comments

Some examples of manufacturing aid may include lubricants, jigs, mould, mounting materials, chemical cleaners and sandpaper.

06

INDIRECT TAX

4. Review of excise duty rate on sugar sweetened beverages.

Existing

Excise duty is imposed on sugar sweetened beverages at the rate of RM0.40 per litre based on sugar content threshold on the following beverages:

Tarif Code	Types of Beverages	Sugar Content Threshold
22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non- alcoholic beverages	>5g/100ml
	Flavoured milk-based beverages containing lactose	>7g/100ml
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml

Proposed

Excise duty rate for sugar sweetened beverages to be increased from RM0.40 per litre to RM0.50 per litre.

Effective Date

1 January 2024

06

INDIRECT TAX

5. Imposition of excise duty on chewing tobacco.

Existing

Smokeless tobacco products, such as chewing tobacco and snuff tobacco are subjected to import duties, excise duties 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

Excise duty is imposed on products falling under the tariff code 2403.99.5000, such as chewing tobacco at the rate of 5% + RM27/kg

Effective Date

1 January 2024

BUDGET 2024 - TAXES HIGHLIGHT



07.

FINANCING PACKAGE

07

FINANCING PACKAGE

1. Funding for High-growth, High Value (HGHV) Sector

Proposed

GLCs & GLICs to provide funds up to RM1.5 billion to encourage startups including SME and Bumiputera to venture into HGHV fields such as digital economy, aerospace technology and electronics and electrical (E&E).

2. BSN Micro Loan for Micro Enterprises

Proposed

BSN will prepare RM1.4 billion in micro financing loan facilities for hawkers and small traders to use as their business capital.

3. TEKUN Financing

Proposed

RM300 million in micro financing facilities for small-scale entrepreneurs such as batik and handicraft operators including those from the Orang Asli community as well as Bumiputera in Sabah and Sarawak. RM30 million of the fund is provided specifically to finance businesses run by the Indian community.

4. MyCIF Initiative

Proposed

The allocation of RM100 million to the Malaysia Co-Investment Fund's (MyCIF) initiatives over the next three years and tax incentives for the equity crowdfunding (ECF) market will stimulate investment into promising startups and small businesses.

07

FINANCING PACKAGE

5. Women and Youth

Proposed

A total of RM720mil (out of RM2.4bil meant for micro entrepreneurs and smallholders) has been allocated under BNM or BSN to women and youth to encourage them to go into business.

6. Loan Guarantee for Green-Tech and Halal Entrepreneurs - 80%

Proposed

Loan guarantees of up to 80% for SMEs in green economy, tech and halal sectors via Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP).

7. BNM's Financing

Proposed

A total of RM8 billion in loan funds are provided to support SME companies under BNM. From this amount, RM600 million is dedicated to help microenterprises, low-income entrepreneurs, small contractors, sustainability practices, and the food security sector.

8. Dana Impak Khazanah Nasional

Proposed

RM600 million to spur economic growth and create opportunities for rural, suburban, and underserved communities, in line with the Government's vision of more balanced regional development, thereby raising both the Floor and Ceiling for Malaysians nationwide.

9. Tabung Modal Pusingan for Koperasi

Proposed

RM 100 million in financing will be extended via the Tabung Modal Pusingan (TMP) aimed at aiding a greater number of cooperatives.

07

FINANCING PACKAGE

10. Automation and Digitalization Fund

Proposed

BNM provides RM900 million funds in loans for SMEs to increase business productivity through automation and digitalisation.

11. Insentif Program Tanam Semula Sawit

Proposed

RM 100 million as an incentive program to replant mature oil palms which have low yield production - offered as grant and loan.

12. Financing for Bumiputera SMEs

Proposed

Funds & guarantees of up to RM1.6 billion to Bumiputera SMEs & startup companies to increase their capacity & competitiveness.

13. Skim Takaful Tanaman Padi

Proposed

RM50 million initial capital for paddy farmers under Skim Takaful Tanaman Padi.

14. Financing for Agricultural Activities

Proposed

Agrobank provides loan facilities to agri-food entrepreneurs of up to RM430 million.

BUDGET 2024 - TAXES HIGHLIGHT



08.

GRANT

08

GRANT

1. SME Digitization Grant

Proposed

The government will allocate a total of RM100 million to provide digitalisation grants of up to RM5,000 each that will benefit more than 20,000 Small and Medium Enterprises (SMEs) and micro-entrepreneurs.

2. Shop Malaysia Online Program

Proposed

RM40 million to implement the Shop Malaysia Online Programme to encourage small traders, especially in the food sector, to do business from home.

3. Sports Program Matching Grant Fund

Proposed

RM 50 million has been allocated as matching grant for the hosting of high-performance sports events in the country.

4. Enhanced Franchise Development Program (EFDP)

Proposed

RM10 million to support franchises with export markets.

5. Upskill Future Talents Incentive

Proposed

RM30 million in incentives for companies to train locals, specifically in high growth sectors such as aerospace, medical devices and digital.

08

GRANT

6. i-TEKAD Matching Grant Fund

Proposed

RM25 million in matching grant to produce more entrepreneurs under the i-TEKAD initiative.

7. Tourism & Arts

Proposed

RM350 million to support efforts to promote Malaysia as a top tourism destination. This includes the Visit Malaysia 2026 campaign, aid for cultural performances, matching grants for charter flights and to support Islamic tourism. RM20 million to upgrade and maintain selected tourism sports including those in Perlis, Pahang and Negeri Sembilan.

8. Digital Content Grant (DCG)

Proposed

RM 60 million has been allocated to support local creative content companies in developing, producing, and marketing digital content in animation, digital games, digital comic and creative technology content.

9. Film in Malaysia Incentive (FIMI)

Proposed

RM90 million under the Film in Malaysia Incentive (FIMI) initiative to further encourage international film production

10. Research and Development (R&D) Grant

Proposed

- RM50 million grant for public universities to collaborate with the private sector to enhance research and innovation efforts with a focus on commercialization.
- RM76 million grant to bolster the research and development (R&D) and commercialization ecosystem by providing support funds for product commercialization.
- RM10 million grant to boost innovation among industry players in the field of E&E technology under MIMOS, the aerospace sector under MYSA and drone tech and robotics technology under MRANTI.

BUDGET 2024 - TAXES HIGHLIGHT



09.

OTHERS

09

OTHERS

1. Government's efforts in curbing smuggling.

Proposed

The proposed measures may be introduced to curb the smuggling of liquors and cigarettes are:

- Restricting transshipment activities to selected ports for liquor products;
- The sole exit point from Malaysia for the northern region may be limited to the Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex; and
- Importing of cigarettes for domestic market will only be allowed in full container load.

Effective Date

1 January 2024.

2. High Value Goods Tax (Luxury Tax)

Proposed

A new legislation will be enacted to implement High Value Goods Tax at a rate of 5% to 10% on certain high value items, such as jewelries and watches based on the threshold value of the items.

Comments

Effective date not provided.

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OTHERS

3. Implementation of e-Invoice

Proposed

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

Comments

MSMEs are given tax deduction up to RM50,000 per YA on the consultation fee for implementing e-invoice effective from YA 2024 to YA 2027.

E-Invoicing

Num.	Qty	Units	Article Nr.	Goods, Service	Unit Price	Price
1	1	pcs		Food photography for summer menu. Menu design and printing on glossy cardboard DIN A5 double sided 50 pieces	273,11 €	273,11 €
1	33	pcs.		Single product photo on white background	2,52 €	83,16 €
1	1	pcs.		Photo Licenses for Certificates	16,80 €	20,00 €
Total						
VAT 19%						
Total Amount Payable						

09

OTHERS

4. Exemption of Entertainment Duty in Federal Territories.

Existing

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.

Proposed

Type of Entertainments	Proposed Rates
Stage Performances by International Artists / Light Show / Circus	10%
Film Screening (Cinema) /Theatre	
Exhibition/Zoo/Aquarium	
Sports Events / E-Sports / Bowling / Snooker / Pool/Biliard / Karaoke	
Theme Park / Family Recreation Centre / Indoor Games Centre / Simulator	5%
Stage Performances by Local Artist	0%

Comments

1 January 2024 to 31 December 2028

09

OTHERS

5. EPF Programme.

Proposed

- i-Saraan scheme for self-employed workers will be limited to RM500 per year and limited to RM5,000 for lifetime.
- i-Suri for housewives will be increased to RM300 per annum and limited to RM3,000 for lifetime.
- i-Sayang programme has expanded and allow wives to transfer 2% of employee EPF's contribution to husband.
- EPF Flexible Account to be introduced, which can be accessed by members at any time.

6. SOCSO Contributions

Proposed

- Monthly salary ceiling for SOCSO contribution will be increased from RM5,000 to RM6,000.
- Salary ceiling for SOCSO contribution of Civil servants is increased from RM4,000 to RM6,000.

7. OKU Trainee Who Participated in The Community Rehabilitation Program.

Proposed

- Monthly allowance increase from RM150 to RM300

09

OTHERS

8. PTPTN Discounts

Proposed

Full settlement of the loan	10% discount
50% payment of the remaining debt in single payment	10% discount
Salary deduction/direct debit	20% discount

Effective Date

14 October 2023 until 31 March 2024



BUDGET 2024 - TAXES HIGHLIGHT



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