

**Malaysia Budget 2024**  
***Economic Reforms, Empowering the Rakyat***  
13 October 2023

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**Tax Highlights**

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As we present Budget 2024, we find ourselves navigating an extraordinary landscape in a post-normal era, marked by unprecedented global challenges. The urgency of these challenges, noted by the Malaysia Prime Minister and Finance Minister, YAB Dato' Seri Anwar bin Ibrahim, is both alarming and swift, impacting ecosystems and livelihoods in unison. Against this backdrop, we introduce Malaysia Budget 2024, aptly named Belanjawan MADANI Kedua.

Aligned with the Economy MADANI framework, Budget 2024 is poised to reinvigorate Malaysia's role as an economic leader in the ASEAN region. These endeavours complement the ongoing initiatives of the Unity Government, such as the National Energy Transition Roadmap, New Industrial Master Plan 2030, and the Revised 12th Malaysia Plan. The core focus of Budget 2024 revolves around three pivotal areas:

- optimizing governance for enhanced service agility;
- economic restructuring to foster growth and;
- elevating the standards of living for Malaysian citizens.

Notably, the second MADANI budget represents the largest allocation in Malaysia's history, with a total budget of RM393.8 billion, of which RM90 billion is allocated for development expenditure. Despite appearing lower than the Revised Budget 2023 in terms of development allocation, the total budget signifies an expansionary approach designed to address contemporary challenges and enhance the quality of life for Malaysians. The Unity Government emphasises the imperative of fiscal responsibility and introduces measures aimed at rationalising Malaysia's subsidy framework, which currently ranks among the world's highest.

To fortify the government's fiscal responsibilities, reduce the deficit to 4.3%, and augment revenue to RM307.6 billion, the budget incorporates significant structural changes to the tax system. Most notably, the eagerly awaited Capital Gains Tax will be implemented starting March 1, 2024.



Additionally, the Service Tax will be raised to 8% for all services except food, beverage, and telecommunication services. The High Value Goods Tax is also set to be introduced at a rate ranging from 5% to 10%. Furthermore, the government commits to launching the e-invoicing system on August 1, 2024, and embracing the Global Minimum Tax in 2025.

These structural changes within the tax system are not only an economic necessity but a crucial step toward propelling Malaysia forward. This initiative gains particular significance when considering that Malaysia collects one of the lowest percentages of taxes relative to Gross Domestic Product within the ASEAN region. With a clear commitment to fiscal responsibility and a strong focus on the welfare of our citizens, Budget 2024 stands as a responsible, timely, and daring initiative to construct a more resilient and robust economy.

We anticipate that these structural transformations will have a substantial impact on Malaysian businesses. Therefore, we encourage taxpayers to review and adapt

their business operations in response to these developments. We trust that the insights provided here will aid business and financial leaders in formulating strategies to navigate the challenges posed by these tax changes in the forthcoming year.

# Major Highlights

## E-invoicing

- Mandatory implementation of e-invoicing for taxpayers with annual turnover > RM100 million will be postponed to 1 August 2024.
- Full implementation by 1 July 2025 for all taxpayers

## Capital Gains Tax (CGT)

- Applicable to gains arising from the disposal of unlisted shares in local companies effective 1 March 2024.
- CGT rate as below:-

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

- CGT exemption is proposed for capital gains from disposal of shares related to:
  - Initial Public Offering approved by Bursa Malaysia;
  - Shares restructuring within same group; and
  - Venture capital companies

# Major Highlights (cont'd)

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## Global Minimum Tax (GMT)

- Implementation in year 2025.
- Applicable to large multinational enterprise (MNE) with global revenue of at least EUR 750 million.
- Affected MNEs are required to pay a top-up tax if they are not subject to an effective tax rate of at least 15% in each country where they operate.

## Luxury Goods Tax

- Rates ranging from 5% to 10%.
- Applicable to certain high value goods (e.g., jewelry and watches) based on certain value thresholds
- Tourist refund facility will be available subject to rules and regulations.

## Individual Tax

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## Medical Treatment Expenses For Self, Spouse & Child – up to RM10,000

- Expanded of scope to cover dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council limited to RM1,000.
  - Effective from **YA 2024**.
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## Medical Treatment, Special Needs and Carer Expenses for Parents – up to RM8,000

- Expanded of scope to cover full medical examination for parents, limited to RM1,000.
- Effective from **YA 2024**.





# Individual Tax Relief

## Restructuring of Lifestyle Relief

### Lifestyle relief – up to RM2,500

- Expanded of scope to include fees for self-skills enhancement course.
- Purchase of sports equipment and gymnasium membership fees are removed from the scope of lifestyle relief and introduced as special tax relief.
- Effective from **YA 2024**.

### Special tax relief - 'Sports Equipment and Activities' - up to RM1,000

- Expanded of scope for 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**.



## Up-Skilling and Self-Enhancement Course Fees – up to RM2,000

- Extended for a period of 3 years.
  - Effective from YA 2024 to YA 2026.
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## Expenses Related to Electric Vehicle Charging Facilities – up to RM2,500

- Extended for a period of 4 years.
- Effective from YA 2024 to YA 2027.



## Exemption on Child Care Allowance Under Perquisites From Employment

- To be increased from RM2,400 to RM3,000 per year.
  - Effective from **YA 2024**.
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## Women Career Comeback Programme

- Extension for tax exemption of employment income from **YA 2025 to YA 2028**.
- Effective for application received by the Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027.



## Returning Expert Programme

- 15% income tax fixed rate on employment income received for 5 consecutive years of assessment.
- Excise duty exemption for the purchase of Completely Knocked-Down (CKD) vehicle up to RM100,000.
- Effective for application received by the Talent Corporation Malaysia Berhad from 1 January 2024 until 31 December 2027.



## Corporate Tax

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# New Corporate Tax



## Capital allowance (CA) on Information and Communication Technology (ICT) equipment and customised computer software

- the CA rate for ICT equipment and customised computer software be revised as follows:

Qualifying Expenditure	Capital Allowance Rates	
	Current	Proposed
Purchase of ICT equipment and computer software	Initial Allowance: 20%	Initial Allowance: 40%
Consultation, licensing and incidental fees related to customised computer software development	Annual Allowance: 20%	Annual Allowance: 20%

- With the revised rate, the CA claim period will be reduced from 4 years to 3 years.
- Effective from YA 2024

# New Corporate Tax

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## Further Tax Deduction for Development of Carbon Projects

- Up to RM300,000 for costs incurred by companies for the Development and Measurement, Reporting and Verification (MRV) in relation to the development of carbon projects.
- Deductible against income generated from carbon credits traded on Bursa Carbon Exchange (BCX).
- Applications received by the Malaysia Green Technology and Climate Change Corporation (MGTC) from 1 January 2024 until 31 December 2026.

# New Corporate Tax



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

- To encourage more companies to comply with ESG standards as well as enhancing the governance in tax administration system.
- Up to RM 50,000 for each YA on the following 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	Preparation of reports related to tax corporate governance framework by companies
Transfer pricing documentation	Preparation of transfer pricing documentation by companies
E-invoicing implementation	Consultation fee for implementing e-invoicing incurred by MSME
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by the MOF

- Effective from YA 2024 to YA 2027.

# New Corporate Tax

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## Extension of Tax Incentive for Rental of Non-commercial EV

- Tax deduction up to RM 300,000 extended to YA 2027.

## Sustainable and Responsible Investment (SRI) Incentives

- Exemption on management fees income for companies providing SRI fund management services extended to YA 2027.
- Tax deduction on issuance costs of SRI sukuk approved, authorized or lodged with the Securities Commission Malaysia (SC) extended to YA 2027.
- Exemption on the SRI Sukuk Grant and Bond Grant Scheme expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by SC. Applications received by SC from 1 January 2024 to 31 December 2025.

## New Corporate Tax Incentives

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# New Corporate Tax Incentive

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## Global Services Hub tax incentive

- Reduced income tax rate of 5% or 10%;
- Based on the outcome-based approach;
- Period of 5 or 5+5 years;
- Applications received by the Malaysian Investment Development Authority (MIDA) from 14 October 2023 until 31 December 2027.

# New Corporate Tax Incentive

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## Special income tax rates for film production companies, foreign film actors and film crews

- Special income tax rate from 0% to 10% for film production companies, foreign film actors and film crew for filming in Malaysia.

# New Corporate Tax Incentive

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## ACA for automation equipment in manufacturing, services and agriculture sectors

- Scope has been expanded to include the commodity sector under the Ministry of Plantation and Commodities.
- Application to the Ministry of Plantation and Commodities from 14 October 2023 until 31 December 2027.

# New Corporate Tax Incentive

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## Tax Incentive for Pengerang Integrated Petroleum Complex (PIPC)

- Special tax rate to transform PIPC into a hub for the development of the chemical and petrochemical sectors.

## Extension of Tax Incentives

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# Extension of Tax Incentives

## Tax Incentive for Equity Crowdfunding

Existing	Proposed
Investment made from 1 January 2021 until 31 December 2023.	<ul style="list-style-type: none"><li>• Extended 3 years to investment made until 31 December 2026.</li><li>• Expanded to investment made by individual investor through Limited Liability Partnership nominee company.</li></ul>

# Extension of Tax Incentives

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## Tax Incentive for Angel Investor

Existing	Proposed
Investment made from 1 January 2021 until 31 December 2023.	Extended 3 years to investment made until 31 December 2026.

# Extension of Tax Incentives

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## Tax Incentive for Social Enterprise

### Existing

Applications received by the Ministry of Finance (MOF) from 1 January 2022 until 31 December 2023.

### Proposed

Extended to 3 years for applications received by MOF from 1 January 2024 until 31 December 2025.

# Extension of Tax Incentives

Tax Incentive for Shariah-compliant fund management services	
Existing	Proposed
100% income tax exemption for Shariah-compliant fund management services companies approved by the Securities Commission Malaysia	<ul style="list-style-type: none"><li>• Extended to YA 2027.</li><li>• Income tax exemption reduced from 100% to 60%.</li></ul>

# Extension of Tax Incentives

## Income Tax Exemption for Islamic Financial Activities under Labuan IBFC

Existing	Proposed
<ul style="list-style-type: none"><li>Trading activities such as banking, insurance and trust companies are taxed at a fixed rate of 3% on audited net profits.</li><li>Non-trading activities such as equity holding are taxed at a fixed rate of 0% on audited net profits.</li><li>Substantive requirements which are full-time employees and annual operating expenses in Labuan.</li></ul>	<ul style="list-style-type: none"><li>100% income tax exemption of 5 years for 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.</li><li>From year of assessment 2024 until 2028.</li></ul>



# Extension of Tax Incentives

## Tax Incentive for Green Technology

### Existing

#### Green Investment Tax Allowance (GITA)

Investment Tax Allowance (against 70% of statutory income) on capital expenditure for qualifying green activities for a period of 3 years.

#### Green Income Tax Exemption (GITE)

70% of statutory income on qualifying green services activities (3 years) and solar leasing activity (10 years).

Applications received by the Malaysian Investment Development Authority (MIDA) until 31 December 2023.

### Proposed

- Extended to 3 years for applications received by MIDA from 1 January 2024 until 31 December 2026.
- New incentive structure proposed.

## Indirect Tax

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## Service tax rate

- Rate of service tax to be increased from 6% to 8%.
- Not applicable to services such as food & beverages and telecommunications.



## Expansion on prescribed taxable services for Service tax

- Expanded to include logistics services, brokerage services, underwriting services and karaoke services.
- To note that logistics and karaoke services were not subjected to Service tax previously.



## Sugar sweetened beverages

- Excise duty increased from RM0.40 per litre to RM0.50 per litre.
- Effective from 1 January 2024.



## Chewing tobacco (HS 2403.99.5000)

- Imposition of excise duty at the rate of 5% + RM27/kg.
- Effective from 1 January 2024.

- Import duty and sales tax exemption for eligible / qualified manufacturers on the importation and local purchase of manufacturing aids.
- Manufacturing aids refers to goods / items used to speed up, improve, complement and complete the production process of the finished goods (not part of the finished goods).
- Subject to specified type of industry and the category of goods.
- Effective from 1 January 2024.



# Entertainment duty (in Federal Territories)

- Entertainment duty as below:-

Types	Current rate	Proposed new rates
Stage performances by local artist	25%	0%
Theme parks / Family recreation centre / Indoor game centre / Simulator		5%
Sports event / E-Sport / Bowling / Snooker / Pool / Billiard / Karaoke		10%
Film screening (Cinema) / Theatre		
Stage performance by international artist / Light shows / Circus		

- For applications received by the MOF from 1 January 2024 to 31 December 2028.





## Stamp Duty

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# Review of Stamp Duty

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## Property ownership by non-citizens and foreign-owned companies

- Flat rate stamp duty of 4% for on the instrument of transfer of property.
- Applicable on execution of instrument by non-citizen individuals and foreign-owned companies (excludes Malaysian permanent residents) from 1 January 2024.

## Transfer of property ownership by renunciation of rights

- Subject to a nominal stamp duty of RM10.
- Applicable for transfer of property where the renunciation of rights between eligible beneficiaries is in accordance with a will / Faraid or the Distribution Act 1958.
- Effective for instrument executed from 1 January 2024.



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## How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above updates to your business.

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