Centre Stage:

Budget 2024 Overview

pwc

Contents

Foreword

> **Budget 2024 ticks the box in terms of being slightly expansionary, reducing the deficit and addressing many of the needs of the Rakyat whilst working within the constraints of fairly flat government revenue.**

Budget 2024 introduces key measures necessary to build a sustainable foundation to drive future growth of the country and at the same time, targets a lower budget deficit of 4.3% despite the absence of measures which will increase government revenues significantly.

Improving revenue collection

Improving revenue collection was addressed with the introduction of a Capital Gains Tax at the rate of 10% and the 5 – 10% High Value Goods Tax. Meanwhile, the Service Tax increase to 8% (excluding F&B and Telecommunications) is deemed a stopgap measure. However, expanding the Service Tax to several other services consumed by businesses will result in higher cost of doing business.

Reforming tax incentives

Budget 2024 announced a timely tiered results-based system which incentivises investors based on their contributions to the nation and aligns broadly with carve-outs permitted under Pillar 2 rules, reducing potential impact of top-up taxes on multinationals and raises Malaysia's regional competitiveness.

Budget 2024 also recognised tax incentives as one of many factors assessed by foreign investors and the eventual implementation of the Global Minimum Tax may level the playing field. Measures to enhance ease of doing business and invest into human capital development as well as industrial infrastructure are necessary to gain an advantage amidst an increasingly competitive environment.

Is e-invoicing really a go in 2024?

The answer is "yes" despite a first phase implementation deferment from 1 June 2024 to 1 August 2024. This two-month extension reaffirms the government's commitment to ensuring e-invoicing implementation next year. It is important for businesses to start evaluating their implementation strategy.

Measures supporting the ESG agenda

With the recent launch of the National Energy Transition Roadmap (NETR), the ESG agenda remains a core focus. The proposal to extend the application date for Green Technology incentives until 31 December 2026 is much welcomed, along with the scope expansion to cover emerging technology such as green hydrogen. Further, respective extensions of personal tax relief for expenses relating to electric vehicle (EV) charging facility and tax deduction for EV-rental will likely continue to boost the take-up of EV vehicles in Malaysia.

Subsidy rationalisation

Phasing out of diesel subsidies may be the start of a wider subsidy reform. A more comprehensive subsidy reform strategy is needed to reduce the burden on government finances and enable greater allocations for development expenditure and progress towards a developed nation.

What remains missing

Whilst perceived as regressive, GST being broad-based achieves many other objectives besides being revenue accretive. Implementing GST with a targeted cash transfer programme allows for specific groups to be effectively sheltered from potential increases in cost of living. Separately, consolidation of the gathering and analysis of data relating to direct taxes and indirect taxes will help identify leakages.

Conclusion

Budget 2024 delivers on a strategy working within the constraints of fairly flat government revenue. It ticks the box in terms of being slightly expansionary, reducing the deficit and addressing many of the needs of the Rakyat. However, more significant measures to increase government revenue will be required to provide the headroom for Malaysia's transformation into a high income nation.

Jagdev Singh
Tax Leader, PwC Malaysia

Budget snapshot

Fiscal position

Budget remains expansionary

Smaller
Budget deficit

2024: -4.3% of GDP

2023: -5.0% of GDP

Revenue:	RM308 bn
Expenditure:	RM394 bn
Deficit:	**-RM86 bn**

Total expenditure is expected to decline due to lower development expenditure

Down 0.8%
Overall Expenditure

2024: RM394 bn

2023: RM397 bn

Up 1.2%
Operating Expenditure

2024: RM304 bn

2023: RM300 bn

Down 7.2%
Gross Development Expenditure

2024: RM90 bn

2023: RM97 bn

Higher revenue due to the expected increase in both direct and indirect taxes

Up 1.5%
Revenue

2024: RM308 bn

2023: RM303 bn

Government debt remains below the debt ceiling of 65%

Elevated
Government debt

August 2023: 62.0% of GDP

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

> **The recently approved Public Finance and Fiscal Responsibility Act 2023 outlines plans to consolidate the fiscal deficit, while sustaining development expenditure levels, as guided by the 12th Malaysia Plan Mid-Term Review.**

Economic snapshot

Policies in tandem

July

EKONOMI **MADANI**

Focus 1

Leading Asian economy
(raising the ceiling)

- Competitive and world class investment destination
- Digital and innovation-led industry
- Global leader in Islamic Finance
- MSMEs as regional champions
- Secure and sustainable economy

Focus 2

Quality and just life for all
(raising the floor)

- Respectable jobs and decent wages
- Equality and inclusive opportunities
- Universal access to quality education and healthcare
- World class basic infrastructure
- Social protection for all

Mid-Term Targets by 2033 *(non exhaustive)*

Top 30 largest economy

Top 12 in Global Competitiveness Index

45% labour share of income

60% Female Labour Force Participation Rate

Top 25 in Human Development Index

July / August

National Energy Transition Roadmap

70% renewable energy (RE) capacity target by 2050 (vs 25% in 2022).

6 energy transition levers e.g. energy efficiency, RE, hydrogen, bioenergy, green mobility, and carbon capture, utilisation and storage.

September

New Industrial Master Plan 2030

Target CAGR of 6.5% in manufacturings value add, 2.3% in employment, 9.6% in median salary, and RM95 bn in total investment.

Five priority sectors:
Aerospace, Chemical, Electrical and Electronic, Pharmaceutical, and Medical Devices.

October

Budget 2024

"Economic reforms, empowering the people"

September

12th Malaysia Plan (12MP) Mid-Term Review

GDP growth
target raised to 5%-6% from 4.5%-5.5% over 2021-2025

Development expenditure
at least RM90 bn per annum in 2023 - 2025

Income per capita
target increased to RM61,000 in 2025
(vs 2020's RM47,666)

Economic outlook 2024

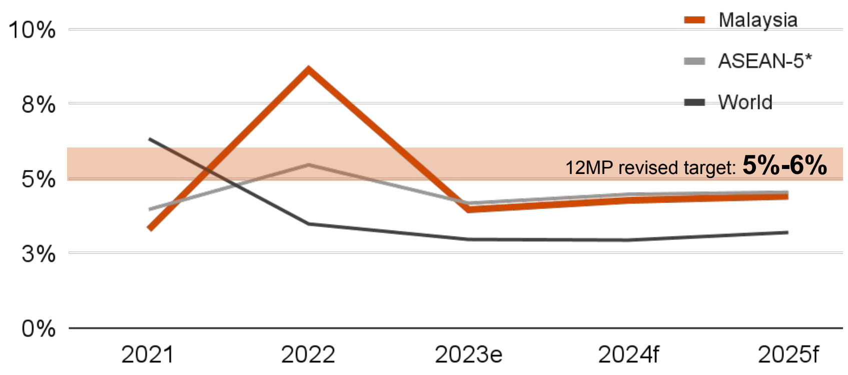
Slowing world economic growth

Growth across all regions are expected to moderate in the near-term, mainly due to tight policy stances to counter inflation, growing geoeconomic fragmentation, and the fallout from recent deterioration in financial conditions.

Nonetheless, ASEAN-5 countries are expected to outpace global growth, supported by steady domestic demand.

Malaysia's GDP growth **marginally lower than ASEAN-5 economies**

GDP growth by region (%)



*ASEAN-5: Indonesia, Malaysia, Philippines, Thailand, Vietnam

e: Estimates; f: Forecast

Source: International Monetary Fund (IMF), 12th Malaysia Plan Mid-Term Review

Continued expansion across all sectors

Growth forecasts are expected to exceed last year's rates across the board. The economy will be supported by construction and tourism-related activities. The latest New Industrial Master Plan (NIMP) 2030 should act to revitalise Malaysia's major sectors.

Malaysia's growth **by sector**

Year	Overall	Construction	Services	Manufacturing	Agriculture
2024f	**4.0 - 5.0%**	**6.8%**	**5.6%**	**4.2%**	**1.2%**
2023e	4.0%	6.3%	5.5%	1.4%	0.6%

e: Estimate f: Forecast

Source: Ministry of Finance (MOF)

Private sector continues to drive the economy

Private sector spending will be supported by the improving labour market conditions and favourable business sentiment.

Malaysia's growth **by expenditure**

		Public		Private	
Year	Overall	Consumption	Investment	Consumption	Investment
2024f	**4.0 - 5.0%**	**3.8%**	**10.5%**	**8.3%**	**7.5%**
2023e	4.0%	2.0%	10.4%	7.8%	6.3%

e: Estimate f: Forecast

Source: Ministry of Finance (MOF)

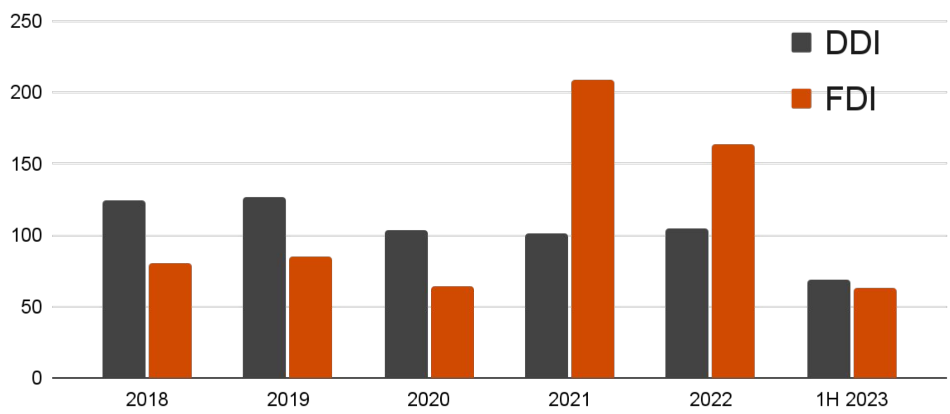
Economic outlook 2024

Balancing FDIs and DDIs

Based on 1H 2023 performance, total approved investments is expected to exceed the 2018-2020 average.

The Government has also expressed intentions to attract other major companies to invest in the country.

Malaysia's total approved investments **declining since 2021 peak**

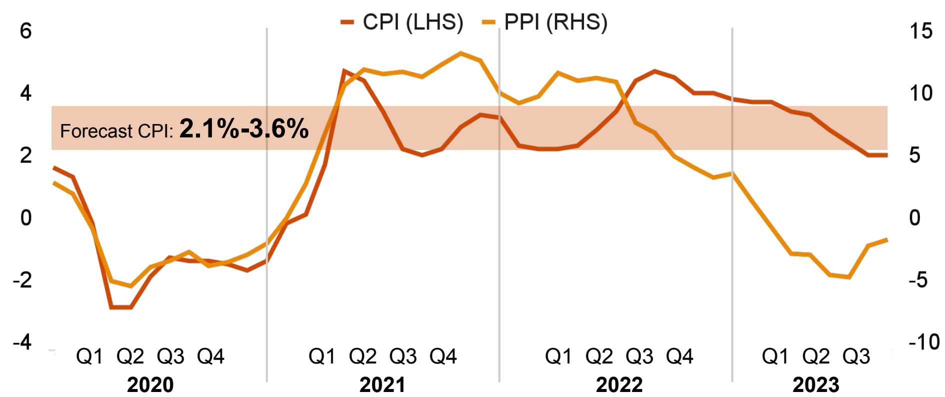


DDI: Domestic Direct Investment; FDI: Foreign Direct Investment
Source: Malaysian Investment Development Authority (MIDA)

Inflation remains under control

Both CPI and PPI moderated, in line with easing inflationary pressures.

Malaysia's consumer and producer **inflation rates (%)**



CPI: Consumer Price Index; PPI: Producer Price Index
LHS: Left-hand side; RHS: Right-hand side
Source: Ministry of Finance (MOF), OpenDOSM

Unemployment returns to pre-pandemic levels

The increase in labour force participation rate and improved youth employment situation resulted in lower unemployment rate.

Malaysia's **unemployment rate**

2024f
3.4%

2023e
3.5%

2022
3.9%

2021
4.6%

2020
4.5%

Source: Ministry of Finance (MOF), Department of Statistics Malaysia (DOSM)

Key budget measures

Budget 2024 presents a range of measures to drive sustainable growth whilst safeguarding the welfare of the rakyat. Highlighted below are the key thrusts and the measures to achieve them.

Impact of Budget 2024 economic and fiscal measures

Good governance for service agility

- Targeting of subsidies
- Managing Rakyat's difficulties
- Development of Sabah and Sarawak
- Public institutions reform
- Expanding revenue base

Restructuring of the economy to boost growth

- Revamping the economic structure
- Local talent development
- Supporting primary sectors
- Empowering MSMEs

Raising Rakyat's standard of living

- Rakyat's well-being
- Women and bumiputera agenda
- Healthcare
- Decent wages
- Education and reskilling
- Housing
- Employment and social protection
- Infrastructure

Sustainability and Energy Transition Agenda

Public Finance and Fiscal Responsibility Act

Subsidy Rationalisation

Key budget measures

Good governance for service agility

Targeting of subsidies

RM10 bn allocated for Rahmah Cash Aid scheme (from RM8 bn in 2023)
using savings from targeted subsidies which will be introduced in phases starting with:

- Chicken and eggs, with ceiling price removed
- Diesel, with exceptions e.g. freight companies

(Refer to page 17 for more details)

Public institutions reform

Restructure development financial institutions (DFIs) through merging of Bank Pembangunan Malaysia Berhad, SME Bank and EXIM Bank

Venture capital environment to be enhanced through venture capital agencies such as:

- Penjana Kapital
- Malaysia Venture Capital Management Bhd (MAVCAP) under Khazanah Nasional Bhd

Bumiputera investment institutions to be centralised under Yayasan Pelaburan Bumiputera

Expanding revenue base

Selected reform measures including:

- Services Tax
- Capital Gains Tax
- High Value Goods Tax
- Mandatory e-invoicing
- Global minimum tax

(Refer to tax proposal highlights for more details)

Development of Sabah and Sarawak

RM12.4 bn development allocation for Sabah and Sarawak,
RM5.8 bn and RM6.6 bn respectively

Subsidies to Sabah Electricity Sdn Bhd (SESB) until the implementation of the SESB Transformation Plan within a 7-year period

Supporting the implementation of **hybrid solar energy project in southern Sabah**

Managing Rakyat's difficulties

- Citizens aged 40 and below with debt no more than **RM200,000** will be included in **the Second Chance Policy** on bankruptcy
- Bank Negara Malaysia in collaboration with the financial sector is developing the **National Fraud Centre (NFC)**, to be ready by mid-2024

Key budget measures

Restructuring of the economy to boost growth

Revamping the economic structure

New Industrial Master Plan 2030 through:

- Initial fund of **RM200 mn** to implement the programmes and initiatives planned

Internationalisation of startups through:

- Up to **RM1.5 bn** allocation to encourage startups to venture into high growth high value (HGHV) fields
- **RM28 mn** for development of the MYStartup platform to enable startups to optimise RM200 mn fund

Positioning Malaysia as **leader of the global Islamic economy** through:

- **Tax exemption on income derived** from Islamic Securities Selling and Buying (ISSB)
- **Tax exemption** on Labuan entities carrying out trading activities related to Islamic finance *(Refer to tax proposal highlights for more details)*
- Shortening the halal certificate processing period **from 51 to 30 days**
- **RM500 mn** for soft loans to increase redevelopment of waqf lands

Empowering MSMEs

RM44 bn in loans and financing guarantees for MSMEs:

- Up to **RM20 bn** in guarantee fund for SMEs involved in the green economy, technology and halal fields through Syarikat Jaminan Pembiayaan Perniagaan (SJPP)
- **RM8 bn** in loans for SMEs provided by BNM inclusive of **RM900 mn** to improve on automation and digitisation
- **RM2.4 bn** small loan facilities through BNM, Bank Simpanan Nasional (BSN) and TEKUN
- **RM600 mn** Dana Impak Khazanah Nasional investment to promote economic growth

Restructuring of the economy to boost growth (cont'd)

Local talent development

RM6.8 bn allocated for TVET education inclusive of:

- **RM1.6 bn** for Human Resources Development Corporation (HRD Corp) to train 1.7 mn workers
- **RM100 mn** to provide industry-recognised certification to TVET graduates
- **Tax relief on self-improvement courses** to be expanded and extended until 2026

Supporting primary sectors

Logistics

Development of a Port in Carey Island and introduction of **Global Service Hub** tax incentive

(Refer to tax proposal highlights for more details)

Tourism and creative industry

Selected initiatives including:

- **RM350 mn** for promotion of tourism activities
- Enhancement of **Visa-On-Arrival facilities, social visit passes and Multiple Entry Visa**
- Easing existing conditions of **Malaysia My Second Home** (MM2H) application
- **RM160 mn** for local creative talent to encourage artistic works production
- **Entertainment duty rate for the Federal Territories to reduce from 25%**. New rates are as follows:
    - Local artists - full exemptions
    - Reduction to 5% of entertainment duty for theme parks, family recreation centres, indoor game centres and simulators
    - Entertainment events - 10% entertainment duty

Plantations and commodities

- **RM2.4 bn** to boost agricommodity and smallholders under FELDA, FELCRA and RISDA
- **RM100 mn** for Palm Replanting Programme
- **Automation tax incentives** to be expanded to cover the commodities sector to increase productivity

Key budget measures

Raising Rakyat's standard of living

Rakyat's well-being

RM10 bn allocation for Rahmah Cash Aid (STR) to benefit 9 million recipients
Maximum STR amount increased to RM3,700 from RM3,100

RM200 mn to continue the Payung Rahmah programme, which includes discounts at F&B outlets, supermarkets and sundry shops

RM500 mn for the expansion of the People's Income Initiative (IPR) to increase income of the hardcore poor

Decent wages

Early incentive payment to be provided while awaiting the Public Service Remuneration System (SSPA) study, including:

- **RM2,000** to all civil servants at grade 56 and below, including contractual appointments
- **RM1,000** to all government pensioners and key public sector posts

Private sector employers **encouraged to consider reviewing the adequacy** of salaries and rewards for employees

Employment and social protection

Skills improvement programme under the **MyFutureJobs platform** now accessible to all MySTEP appointments, which will offer 50,000 jobs opportunities on a contract basis in the public sector and GLCs starting January 2024

RM100 mn allocated to government contribution under the Self-Employment Social Security Scheme (SKSPS) – an increase to 90% – which will benefit gig workers

RM35 mn for training and income replacement incentive for 9,000 gig workers

EPF Flexible Account to be introduced, which can be accessed by members at any time

Monthly wage ceiling for SOCSO contribution increased to RM6,000 from RM5,000

Raising Rakyat's standard of living (cont'd)

Women and Bumiputera agenda

RM1.6 bn in loans and guarantees for Bumiputera entrepreneurs

Tax incentives for women returning to work extended to 31 December 2027

Income tax exemption limit on childcare allowances received by employees or paid directly by employers to childcare centres to be increased to RM3,000 from RM2,400

Education and reskilling

HRD Corp to use 15% of levies collected for **retraining and reskilling** of entrepreneurs, ex-convicts, the disabled, senior citizens and retirees

Establishment of **Special STEM Committee** across ministries to to increase STEM field participation

RM250 mn for replacement and extension of Wi-Fi coverage in all public universities

Infrastructure

RM15.7 bn for Sabah Pan Borneo project (Phase 1B) to be completed by November 2023

RM10 bn estimated for the Penang LRT to Seberang Perai by the State Government, through public-private partnership (PPP)

RM7.4 bn to implement Sarawak-Sabah Link Road project Phase 2

RM4.7 bn to resume construction of five Light Rail Transit 3 (LRT3) stations cancelled previously

RM931 mn to expand North South Highway (PLUS) from Sedenak to Simpang Renggam

Healthcare

Several development projects for health facilities, such as:

- **RM938 mn** to develop Universiti Sains Islam Malaysia (USIM) Teaching Hospital Complex Phase 1, Johor
- **RM175 mn** to develop an additional Pathology Block at Hospital Raja Perempuan Zainab II, Kelantan

RM200 mn to outsource treatment from Ministry of Health (MOH) hospitals to other hospitals

RM150 mn to maintain IT systems under MOH, including the Clinic Management System Subscription

RM130 mn for early prevention programmes such as health screenings and vaccinations

Excise duty rate for sugary drinks to be increased to 50 cents per litre from 40 cents

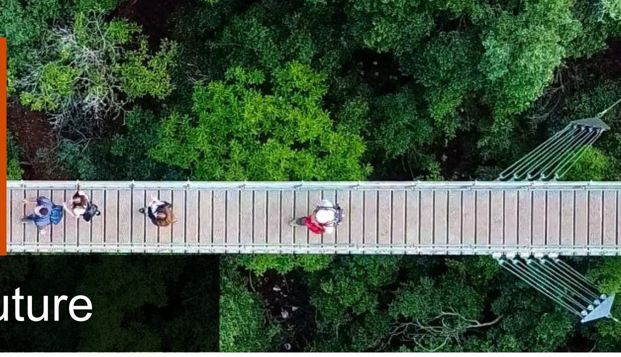
Housing

RM10 bn allocated to the Housing Credit Guarantee Scheme benefiting 40,000 borrowers

RM1 bn special guarantee fund to encourage developers to revive identified stalled projects

Approval threshold for en-bloc sales to be reduced from 100% to a level consistent with international practices for redevelopment of strata schemes

Government to take over Bandar Malaysia development to ensure strategically located lands are optimally utilised for Rakyat



Sustainability and Energy Transition Agenda

Towards just transition for a sustainable future

Energy transition

- **RM2 bn** to support the **National Energy Transition Roadmap (NETR)** - *read more here*
- Financial institutions to provide **RM200 bn financing** to encourage low-carbon economy transition
- To continue exploring a Third Party Access (TPA) model to drive investment in RE capacity
- **Solar-related initiatives**
  - **Net Energy Metering (NEM)** programme offer period extended until 31 December 2024 to encourage installation of panels in residential premises
  - Companies encouraged to offer **"Zero Capital Cost"** subscription model, to be offered by Gentari, for residential housing
  - Government buildings in Putrajaya to have solar panels installed in partnership with Tenaga Nasional Bhd (TNB) and Gentari
- **Carbon capture and storage (CCS) and hydrogen sulphide projects** – The Ministry of Finance, Inland Revenue Board (IRB) and PETRONAS to study tax incentives, to be finalised by year end

Biodiversity and nature conservation

- **Conservation** – **RM200 mn** for Ecological Fiscal Transfer for Biodiversity Conservation
- **Enforcement** – **RM60 mn** to double community rangers to 2,000 to protect permanent forest reserves against loggers and poachers
- **Reforestation** – Tax deductions for entities sponsoring tree planting activities or environmental preservation and conservation awareness projects certified by the Malaysian Forestry Research Institute (FRIM)

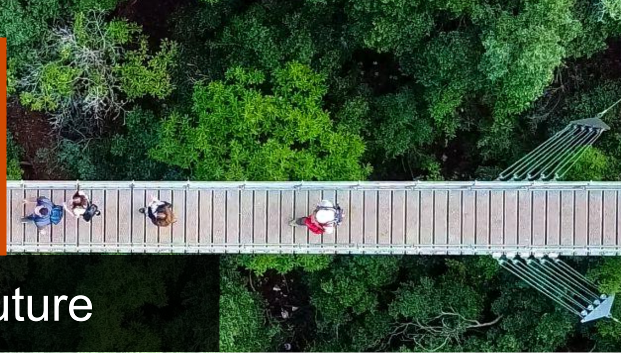
Electric vehicles (EVs) and sustainable transportation

- **EVs**
  - TNB, Gentari and Tesla Malaysia to invest more than **RM170 mn** to install 180 charging stations
  - Extension on income tax relief (up to RM2,500) for charging facility expenses for 4 years; tax deduction for EV rental cost for 2 years
  - Up to **RM2,400 rebate** for buyers of e-bikes with an annual income below RM120,000 under the Electric Motorcycle Usage Incentive Scheme
- **Public transportation**
  - **RM600 mn** to acquire 150 electric buses and build three bus depots by Prasarana
  - **RM4.7 bn** to resume proposed construction of 5 LRT3 stations previously cancelled

Advancing the social agenda

- Tax exemption application period on all social enterprises extended until 2025
- Tax incentive for women who return to work extended until **31 December 2027**
- Tax exemption limit on childcare allowances **increased from RM2,400 to RM3,000**

Sustainability and Energy Transition Agenda (cont'd)



Towards just transition for a sustainable future

Sustainability financing

- Tax exemptions and deductions for **Sustainable Responsible Investment (SRI)** funds extended until YA 2027
- Issuance of biodiversity sukuk up to **RM1 bn** for reforestation to generate carbon credits

Carbon market

- Up to **RM300,000** additional tax deduction for companies spending on measurement reporting and verification (MRV) related to carbon project development

Climate adaptation

- **RM11.8 bn** for 33 flood mitigation projects
- **RM563 mn** to rehabilitate over 2,000 high-risk slopes
- **RM300 mn** for flood preparation by National Disaster Management Agency (NADMA)

Food security

- **RM3 bn** for paddy cultivation pilot effort
- **RM600 mn** increase in subsidies and incentives to farmers and fishermen
- **RM400 mn** to reduce dependencies on food imports through Food Security Strengthening Programme

Public Finance and Fiscal Responsibility Act

Responsible fiscal consolidation for future growth

The government has introduced a series of initiatives aimed at bolstering fiscal administration, such as the **Public Finance and Fiscal Responsibility Act** (PFFR Act).

The PFFR Act is set to enhance the legal framework governing public finance, complementing the existing Financial Procedure Act 1957.

PFFR Act four annual targets vs 2023-2024 estimates

Fiscal objectives	PFFR	2024*	2023*
Gross development expenditure to GDP (%)	≥ 3	4.5	5.2
Fiscal deficit to GDP (%)	≤ 3	4.3	5.0
Debt-to-GDP (%)	≤ 60	-	62.0
Financial guarantee to GDP (%)	≤ 25	-	17.8

Source: PFFR Act 2023 and Ministry of Finance
*Estimates

Out of the four targets, **fiscal deficit needs particular attention**, which has a knock-on effect on debt-to-GDP. Looking at the steps taken in this budget, the Government is looking to address this by expanding revenue base through tax reforms. On the expenditure side, we see the start of a wider subsidy reform agenda.

PFFR Act elements and expectations

Elements

Budget process
- Pre-budget statement
- Public consultation papers
- Federal revenue estimate
- Federal expenditure estimate

Fiscal policy
- Revenue
- Expenditure
- Debt
- Fiscal risk

Reporting
- Economic outlook
- Fiscal outlook
- Fiscal updates
- Annual financial statement
- Financial risk statement
- Mid-year budget performance
- Tax expenditure statement

Fiscal Policy Committee

Expectation

- Better fiscal outcome
- Enhance governance & transparency
- Improve accountability & responsibility
- Ensure fiscal sustainability & macroeconomic stability

Source: PFFR Act 2023 and MOF

Achieving the PFFR Act expectations means any significant initiatives pertaining to taxation and expenditures must take into account their socio-economic and environmental implications.

Going forward, there will also be increased transparency and scrutiny when handling procurement, development projects, and public-private partnerships.

The Act would accentuate the accountability of the Minister of Finance to the Parliament, similar to many other countries which have similar laws. This approach prioritises fiscal processes and commitment to fiscal reforms.

Elements of fiscal responsibility legislation in various countries

Malaysia
(Public Finance and Fiscal Responsibility Act 2023)
- Fiscal rule: budget balance and debt
- Targeted development expenditure
- Medium Term Fiscal Framework
- Fiscal Policy Committee
- Disclosure and management of fiscal risk

Thailand
(Fiscal Responsibility Act 2018)
- Fiscal rule: Expenditure and debt
- Targeted public investment
- Set numerical limit on contingency fund and debt repayment
- Require a medium-term fiscal framework
- Set up the National Fiscal Policy Board

Chile
(Financial Responsibility Law, 2006)
- Fiscal rule: Structural balance
- Established independent committee and fiscal council
- Established pension fund and economic and social stabilisation fund
- Fiscal reporting of fiscal risk and contingent liabilities

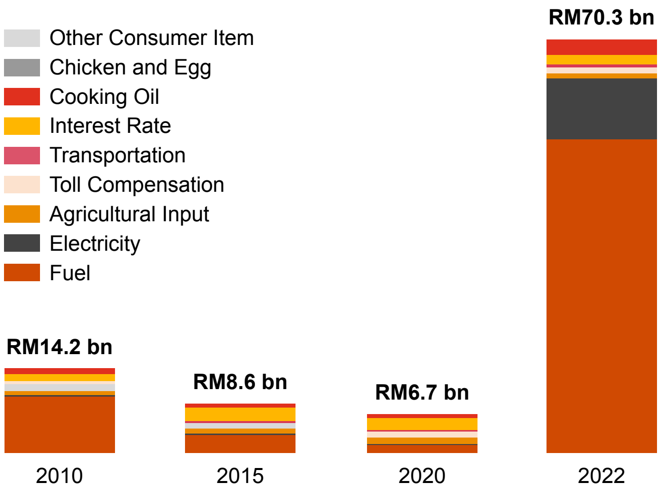
Source: Public Finance and Fiscal Responsibility Act 2023 and MOF

Subsidy Rationalisation

Optimising subsidy initiatives

In the context of Malaysia and many other emerging economies, subsidies have played a pivotal role in policy strategies. These subsidies reached RM70.3 bn in 2022, primarily employed to mitigate the effects of escalating inflation and the COVID-19 pandemic.

Subsidies and social assistance allocation (2010-2022)



Source: MOF

As the economy matures, the fiscal burden of maintaining these measures increasingly outweigh the benefits.

The phased reduction of diesel subsidies (except for selected groups such as freight companies) may signal the start of broader subsidy reform.

Given Malaysia's limited fiscal space, subsidy rationalisation can free up resources to fund a greater level of development expenditure to help build world-class infrastructure and progress towards a developed nation.

Leveraging the upcoming Central Database Hub (Pengkalan Data Utama or PADU), analysts estimate Malaysia could see savings of around RM20 bn to RM25 bn from subsidy retargeting on electricity and diesel alone. As of September 2023, PADU is reported to be 60% complete, with a trial run scheduled for November 2023.

RM52.8 bn allocated for subsidy and social assistance in 2024 (RM64.2 bn in 2023)

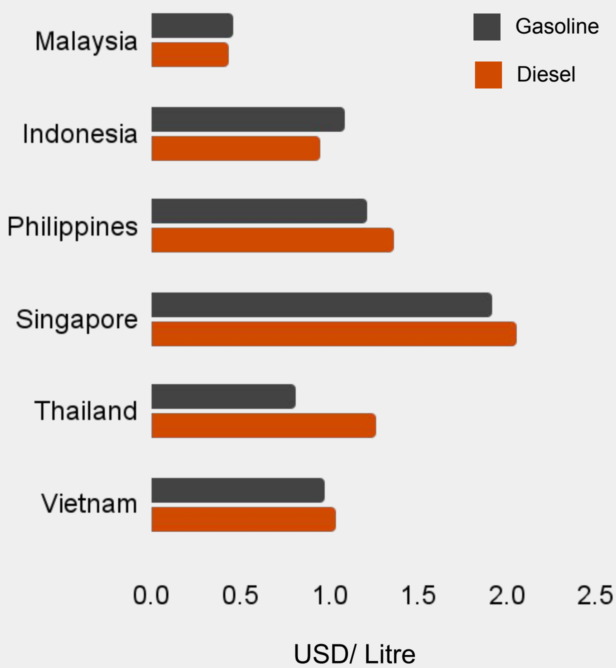
Subsidies rationalisation plan

Items highlighted in Budget 2024

- Chicken and eggs
- Electricity
- Diesel

RM10 bn allocated in 2024 for Rahmah Cash Aid using savings from subsidies targeting

When compared to ASEAN-6 neighbours, Malaysia has the lowest fuel price



Source: GlobalPetrolPrices, Brunei Shell Marketing

Tax proposal highlights

Key proposed highlights	
Increase of Service Tax rate and expansion of coverage	• Service tax rate to be increased from 6% to 8% for all prescribed taxable services except for food and beverages services and telecommunication services • Coverage of prescribed taxable services expanded to include logistic, brokerage, underwriting and karaoke services
Enforcement of Capital Gains Tax (CGT) on disposal of unlisted shares by companies, first announced in Budget 2023 (Retabled) effective 1 March 2024	• Before 1 March 2024: 10% on net gain of the shares disposed; OR 2% on the gross sales value • From 1 March 2024: 10% on net gain of the shares disposed CGT exemption proposed for Initial Public Offering (IPO) approved by Bursa Malaysia and restructuring of shares within the same group
Legislating High Value Goods Tax (HVGT) first announced in Budget 2023 (Retabled)	• New legislation will be enacted to implement HVGT at a rate of 5% to 10% on certain high value goods based on price thresholds
E-invoicing to be comprehensively implemented by 1 July 2025	• Annual turnover of revenue in excess of RM100 mn: 1 August 2024 • Annual turnover of revenue less than RM100 mn: Implemented in phases
Investment Tax Allowance (ITA) for Reinvestment under New Industrial Master Plan 2030	• Companies that have exhausted their Reinvestment Allowance eligibility period can enjoy ITA incentive at a tiered rate of either 100% or 60% determined by an outcome-based approach Effective date: Applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2024 until 31 December 2028

Tax proposal highlights

New Incentives	

Global Services Hub Tax Incentive based on outcome-based approach	• New Company
	  ○ Reduced corporate income tax rate of 5%/10% for 10 years
	  ○ Reduced personal income tax rate of 15% for a period of 3 consecutive YAs, limited to 3 non-citizen individuals holding key/C-Suite positions with a monthly salary of at least RM35k
	
	• Existing Company
	  ○ Reduced corporate income tax rate of 5%/10% only on value-added income for 5 years
	
	Effective date: Applications received by MIDA from 14 October 2023 until 31 December 2027

Income tax exemption for Islamic finance undertaken in Labuan International Business and Financial Centre (Labuan IBFC)	• To develop Labuan IBFC into a Shariah-compliant financial hub, 5 years income tax exemption for Labuan entities undertaking Islamic finance trading activities
Pengerang Integrated Petroleum Complex (PIPC) as a chemical and petrochemical hub	• Tax incentive package in the form of special tax rates or investment tax allowance to be provided to support PIPC as a chemical and petrochemical hub

Tax proposal highlights

Environmental, social and governance (ESG)	
Environment: Review of green technology tax incentive	**Green Investment Tax Allowance (GITA)** ● **Project (Business Purpose)** ○ Increase in (a) tenure from 3 years to 5/10 years and (b) percentage of statutory income to be set-off from 70 to 70/100 based on tiered qualifying activities ○ Extension of incentive period for applications received by MIDA from 1 January 2024 until 31 December 2026 ● **Asset (Own Consumption)** ○ Extension of qualifying capital expenditure period to 31 December 2026 as verified by the Malaysian Green Technology and Climate Change Corporation **Green Income Tax Exemption (GITE)** ● Extension of incentive period for applications received by MIDA from 1 January 2024 to 31 December 2026
Social: Review of conditions for institutions/organisations/ funds approved under Section 44(6) of the Income Tax Act 1967	To ensure alignment of Government and Non Governmental Organisation (NGO) welfare initiatives: ● the accumulated funds utilisation limit of not more than 25% for participation in business activities be increased up to 35%; ● flexibility to choose either utilising (a) accumulated funds up to 25% with at least 50% threshold of charitable activity expenditure or (b) accumulated funds over 25% and up to 35% with at least 60% threshold of charitable activity expenditure; and ● in the event any of the conditions are breached, no withdrawal of approval but the institutions/organisations/funds will not be eligible for tax exemption and the tax authorities will impose additional taxes
Government: Implementation of Global Minimum Tax is expected to be deferred to 2025, first announced in Budget 2023 (Retabled)	Applies only to companies with global income of at least EUR750 mn in line with international tax standards

Let's talk

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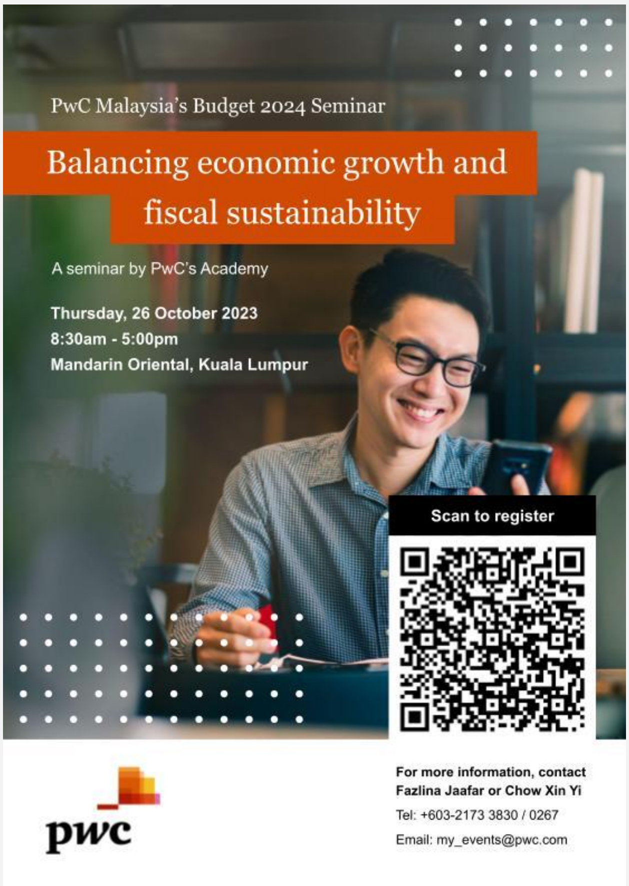
Register for our Budget 2024 Seminar



Register on our webpage

A seminar by PwC's Academy

26 October 2023 | 8:30am - 5:00pm
Mandarin Oriental, Kuala Lumpur

Registration fee:

- **RM1,100 per participant** (inclusive of service tax).
- 10% off registration fee for early bird registrations before **Monday, 16 October 2023**.
- 10% off registration fee for groups of 3 or more participants registering under the same company or group of companies. If registering as a group, kindly email the list of names to my_events@pwc.com.
- Purchased seats are non-refundable, but a replacement participant may be sent.

Kindly register by Monday, 23 October 2023.

HRDF claimable
Companies that contribute to the Human Resources Development Fund are eligible for HRD Corp Claimable Courses (HCC) training grants.

CPE hours/CPD points
Participants will be presented with a Certificate of Attendance at the end of the seminar which can be used to register CPE hours/CPD points.

For more information, contact:

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