

Centre Stage: Budget 2025 Overview



Contents



Foreword

Page 3

Budget snapshot

Page 4

Economic snapshot

Page 5

Economic outlook

Page 6

Key Budget measures

Page 8

Tax proposal highlights

Page 17



Foreword

“Budget 2025 represents the government’s day in the sun, having navigated through the economic challenges of the past few years. These measures provide a strong foundation for economic resilience, support for families and streamlined tax administration.”

Malaysia is currently buoyed by the recent strong economic growth, manageable inflation, and a robust Malaysian Ringgit against the US Dollar. Budget 2025 reflects the government’s readiness to implement sustainable strategies to further fuel the economy while addressing the cost of living for the B40 and M40 groups.

Expanding the revenue base

Budget 2025 avoids major new taxes, while introducing measures to expand Malaysia’s revenue base. The scope of the Sales and Service Tax (SST) will be broadened to include B2B commercial service transactions and non-essential food items. Additionally, a 2% tax on dividend income exceeding RM100,000 for individual shareholders will be introduced. A carbon tax targeting the steel and iron industry is proposed for 2026 to align with the European Union’s Carbon Border Adjustment Mechanism (CBAM). These measures aim to create an equitable tax system, supporting long-term economic and environmental goals.

Empowering Malaysia’s workforce

We also see positive strides being made to incentivise businesses to foster a resilient, inclusive, and supportive workforce, aligning with broader socio-economic goals. The increase in minimum wage to RM1,700 with a six-month deferred implementation for small employers acknowledges economic realities while aiming to improve living standards. Additionally, mandatory Employees Provident Fund (EPF) contributions for non-citizen workers will extend social security more inclusively.

Tax deductions of up to 50% for hiring women returning to the workforce supports the move to increase female participation in the workplace, while initiatives to implement flexible work arrangements, and grant paid caregiver leave are steps in the right direction for workplace equality.

Tax reliefs focusing on care

We see a focus on supporting families through the proposed increase in tax relief for childcare and early education fees, along with higher relief for parents caring for disabled children. Proposals also aim to address long-term healthcare, education and financial well-being, by increasing relief for education and medical insurance, expanding medical expense relief, and extending relief for Private Retirement Scheme (PRS) contributions. The extension of the National Education Savings Scheme further encourages saving for higher education, promoting financial well-being and inclusivity.

Attracting foreign direct investments

With the Global Minimum Tax being implemented in 2025, there is a pressing need to revamp Malaysia’s incentive regime to attract high-value investments. Key proposals include streamlining existing incentives, introducing non-tax incentives, and exploring a Strategic Investment Tax Credit. Overall, we observed a number of measures to strengthen local supply chains, develop economic clusters, and emphasise economic spillover effects, all of which aim to bolster confidence in Malaysia’s investment landscape.

Conclusion

Overall, Budget 2025 is forward-thinking, leveraging positive economic sentiments to emphasise progressive tax measures, the well-being of the Rakyat, and workforce diversification. Clarity on certain measures, such as the expansion of SST, will be essential for smooth implementation and we hope that businesses will be given sufficient time to prepare for these changes.

Steve Chia

Tax Leader, PwC Malaysia

Budget snapshot

Fiscal position

Budget remains expansionary



Smaller
Budget deficit
2025: -3.8% of GDP
2024: -4.3% of GDP

Revenue : RM340 bn

Expenditure : RM421 bn

Overall balance : -RM80 bn

Total expenditure is projected to be higher but development expenditure is sustained



Up 3.3%
Overall
Expenditure

2025: RM421 bn

2024: RM408 bn



Up 4.2%
Operating
Expenditure

2025: RM335 bn

2024: RM322 bn

No change
Gross Development
Expenditure

2025: RM86 bn*

2024: RM86 bn

*Besides government expenditure, public-private partnership projects worth RM9 bn ringgit were also implemented, along with domestic direct investments by GLIC companies worth RM25 bn. This brings the total public investment for development in the year 2025 to RM120 bn.

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



Up 5.5%
Revenue

2025: RM340 bn

2024: RM322 bn

Government debt remains below the statutory debt ceiling of 65%

Improved
Debt-to-GDP ratio

June 2024: 63.1% of GDP

June 2023: 64.3% of GDP

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

Progressively reducing the budget deficit and new borrowings each year will allow us to achieve the mid-term FRA targets of a 3% fiscal deficit and a debt level below 60% of GDP.



Economic snapshot

Policies in tandem

2023

EKONOMI MADANI



National Energy
Transition
Roadmap (NETR)



New Industrial
Master Plan 2030
(NIMP 2030)



12th Malaysia Plan
Mid Term Review



Public Finance
and Fiscal
Responsibility Act

Jan 2024

Apr 2024

Jun 2024

Johor-Singapore Special Economic Zone (JS-SEZ)

MoU aimed at strengthening economic connectivity signed, offering:

- One-stop investment centre
- Passport-free clearance
- Digitised cargo clearance

KL20 Action Plan

Expected to generate RM400 bn in startup valuation by 2030. Initiatives include:

- Golden Pass for VC and Unicorns
- General Processing Unit Rebate Scheme

National Semiconductor Strategy

Targets include:

- RM500 bn investments on key areas e.g., Integrated Circuit (IC) Design, Advanced Packaging
- Upskill 60,000 high-skilled engineers.
- > RM25 bn in fiscal support

Sep 2024

Aug 2024

Jun 2024

Public-Private Partnership Master Plan 2030 (PIKAS 2030)

Enhanced framework with reclassified models and more transparent bidding process aimed to boost private investment by RM78 bn and PPP contribution to GDP by RM82 bn by 2030

GEAR-uP Program

RM120 bn investment by Government-Linked Investment Companies (GLIC) in "high growth, high value" industries e.g., energy transition and advanced manufacturing

Progressive Wage Policy pilot project

Multiple wage floors above minimum wage for 1,000 companies across 5 sectors e.g., manufacturing, construction

Sep 2024

Oct 2024

Upcoming policies:

- Climate Change Act
- Government Procurement Act
- Parliamentary Services Act

National Sustainability Reporting Framework (NSRF)

Circular Economy Policy Framework

National Climate Change Policy 2.0

Budget 2025

"Revitalising the economy, generating change and prospering the Rakyat"

Economic outlook

Global growth to remain stable

Global growth is expected to remain stable in the near term as inflation moderates, while risks arising from geopolitical and trade tension remains.

Malaysia's growth is anticipated to outpace that of the ASEAN-5, driven by robust economic policies and a favourable business environment.

Year	Economic growth		
	Malaysia	ASEAN-5	Global
2025f	4.5% - 5.5%	4.5%	3.2%
2024e	4.8% - 5.3%	4.6%	3.2%

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

e: Estimates; f: Forecast

Sources: Ministry of Finance (MOF), International Monetary Fund (IMF)

Continued expansion across all sectors

Economic sectors are projected to expand.

Growth will be supported by a stronger manufacturing sector and a sustained growth in services.

Malaysia's growth by sector

Year	Overall	Services (37% of GDP)	Manufacturing (14% of GDP)	Agriculture (4% of GDP)	Construction (3% of GDP)
2025f	4.5 - 5.5%	5.5%	4.5%	1.9%	9.4%
2024e	4.8 - 5.3%	5.3%	4.1%	2.0%	14.1%

e: Estimate; f: Forecast

Source: MOF

Private sector continues to drive the economy

There will be sustained growth across both public and private sectors led by private consumption.

We continue to see sustained investment, underpinned by the realisation of private investments and continued public sector projects.

Malaysia's growth by expenditure

Year	Overall	Public		Private	
		Consumption	Investment	Consumption	Investment
2025f	4.5 - 5.5%	6.4%	7.7%	9.1%	12.1%
2024e	4.8 - 5.3%	5.0%	11.5%	7.5%	13.1%

e: Estimate; f: Forecast

Source: MOF

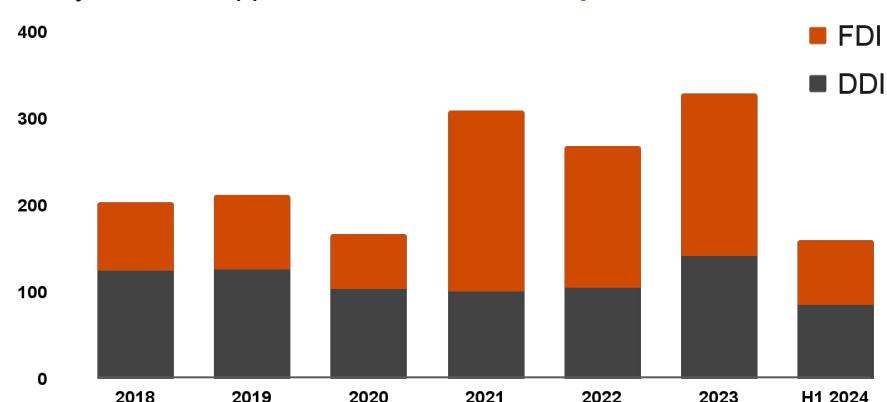
Economic outlook

Balancing FDIs and DDIs

Malaysia has recorded an 18% year-on-year increase in approved investments, reaching RM160 bn in the first half of 2024.

Initiatives like the Johor-Singapore Special Economic Zone (JS-SEZ) are poised to further enhance investment prospects.

Malaysia's total approved investments **is expected to remain sturdy**



DDI: Domestic Direct Investment; FDI: Foreign Direct Investment

Source: Malaysian Investment Development Authority (MIDA)

Improving business sentiment

FBM KLCI remains above the 1,600-point mark with year-to-date performance improving by 14.1%, signalling investor confidence.

The Industrial Production Index also indicated sustained growth, driven by higher manufacturing output.

14.1% y-t-d
FBM KLCI

18 Oct 2024 1,646
2 Jan 2024 1,443

4.1% y-o-y
Industrial Production Index

August 2024 134.5
August 2023 129.1

FBM KLCI: FTSE Bursa Malaysia KLCI; y-t-d: year-to-date; y-o-y: year-on-year
Sources: Bursa Malaysia, Department of Statistics Malaysia (DOSM)

Inflation and unemployment remains under control

Headline inflation is projected to edge higher, though remaining at moderate levels, mainly due to policy adjustments.

While the labour market is projected to remain stable, the government intends to address structural issues in the labour market, particularly in relation to wages and productivity.

Year	Headline inflation	Unemployment
2025f	2.0% – 3.5%	3.1%
2024e	1.5% - 2.5%	3.2%

e: Estimate; f: Forecast

Source: MOF

Key Budget measures

Impact of Budget 2025 economic and fiscal measures



Generating meaningful change



Balancing growth and fiscal discipline



Advancing institutional reforms



Developing key infrastructures

Revitalising the economy



Driving strategic growth



Supporting MSMEs



Spurring innovation



Strengthening key sectors



Enhancing Islamic economy



Sustainability and Energy Transition Agenda



Artificial Intelligence and Digital Transformation Agenda



Improving Rakyat's well-being



Elevating income and social safety



Boosting the healthcare system



Encouraging home ownership



Nurturing local talent through TVET



Ensuring an inclusive workforce



Advancing education and upskilling



Empowering workforce

Key Budget measures

Generating meaningful change



Balancing growth and fiscal discipline

Rationalised subsidies for:

- RON95 beginning mid-2025. Subsidies will be maintained for 85% of the population at a cost of RM12 bn
- Education and healthcare. Subsidies will be gradually reduced for the top 15% income group

New tax measures to be introduced, including:

- Expansion of Sales and Service Tax (SST)
- Introduction of Dividend Tax
- Introduction of Carbon Tax

(Refer to tax proposal highlights for more details, pg. 17)



Advancing institutional reforms

Consolidation of 8 government entities including Perbadanan Pembangunan Halal (HDC) & MATRADE; and InvestKL & MIDA

Private investment to increase by RM78bn through Pelan Induk Kerjasama Awam-Swasta (PIKAS) and to generate 900,000 new jobs through projects

3,000 outdated laws to be reviewed and updated, including commercial laws (i.e., Contract Act 1950)

A new Consumer Credit Bill will be tabled and a Consumer Credit Monitoring Board will be established to regulate non-bank credit providers and credit service providers



Developing key infrastructures

RM12.6 bn development allocation for Sabah (RM6.7 bn) and Sarawak (RM5.9 bn). Infrastructure projects in Sabah and Sarawak include:

- RM7.4 bn - Sarawak-Sabah Link Road (Phase 2)
- RM1 bn - Sarawak Cancer Centre
- RM253 mn - expansion of Tawau and Miri airports

Development expenditure to focus on projects of public interest, such as:

- Kerian Integrated Green Industrial Park (KIGIP)
- Kuala Lumpur-Singapore High Speed Rail (HSR)
- Kulim Hi-Tech Park expansion
- Pulau Pinang light rail transit (LRT)

RM1 bn for Ikhthiar Sejati Madani to stimulate the rural economy, aided by plantation groups



Key Budget measures

Revitalising the economy



Driving strategic growth

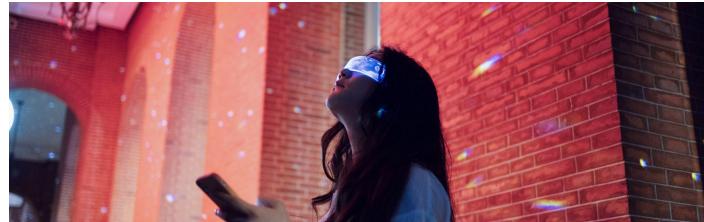
A **New Investment Incentive Framework (NIIF)** that focuses on high-value activities will be introduced

Introduction of special incentives in the **Johor-Singapore Special Economic Zone**

Bumiputera Economic Transformation Plan through:

- **RM1.3 bn** allocated for G1-G4 Bumiputera contractors to undertake small and medium projects
- **RM800 mn** in financing under MARA and Perbadanan Usahawan Nasional Bhd (PUNB) for Bumiputera entrepreneurs

(Refer to tax proposal highlights for more details, pg. 18)



Spurring innovation

Strategic investments initiatives through:

- **RM25 bn** to increase direct domestic investment under GEAR-uP through GLIC
- **RM6 bn** Dana Pemacu under KWAP to strengthen the local private market
- **RM1 bn** allocated by Khazanah to support the local semiconductor industry
- **RM200 mn** fund to encourage the innovation and growth of MSMEs and mid-tier companies

Supporting startup companies through:

- **RM300 mn** fund to support venture capital fund managers in investing in startup companies under Khazanah's National Fund-of-Funds for 2025
- **RM200 mn** allocated to support local startup activities under KWAP's Dana Perintis for 2025

Export market assistance through:

- **RM1 bn** under Khazanah's Mid-Tier Company Programme to support the capacity building of local companies
- **RM750 mn** allocated under EXIM Bank's Exporter Sustainability Incentive Scheme to support local exporters' expansion into international markets



Supporting MSMEs

RM40 bn in loans and financing guarantees, including:

- Up to **RM20 bn** in guaranteed financing through Syarikat Jaminan Pembiayaan Perniagaan (SJPP)
- **RM6.4 bn** financing fund under Bank Pembangunan and **RM3.8 bn** loan fund from BNM for digitalisation
- Up to **RM3.2 bn** in micro loan facilities through TEKUN, BSN and others
- **RM780 mn** business financing allocated to women and youth, and the Indian community
- **RM100 mn** financing fund allocated under the Malaysia Cooperative Societies Commission (MCSC)



Key Budget measures

Revitalising the economy (cont'd)



Strengthening key sectors



Agriculture

- **RM2.78 bn** allocated as assistance for rice farmers and fishermen
- **RM2.6 bn** allocated for FELDA, FELCRA and RISDA e.g., for palm oil, rubber and rice
- **RM100 mn** continued allocation for smallholders to replant palm oil, replacing unproductive old palm oil trees



Tourism

Visit Malaysia Year 2026 preparations through:

- **RM600 mn** allocated by Khazanah to restore and enhance the Sultan Abdul Samad Building and Carcosa Seri Negara
- Nearly **RM550 mn** allocated to intensify promotions and tourism activities
- **RM110 mn** to enhance tourism areas, foster eco-tourism collaborations, and support UNESCO nominations



Enhancing Islamic economy

Strengthening the halal industry through:

- Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP) to provide guarantees for up to 80% of halal SME financing, with a total guarantee value of up to **RM1 bn**
- Nearly **RM600 mn** in funding for halal SME financing by Bank Pembangunan and SME Bank

Development of waqf land through:

- Waqf MARA MADANI will continue to attract waqf contributions from the private sector to achieve a target fund of **RM1 bn**
- **RM300 mn** and **RM200 mn** by KWAP and UDA Holdings respectively, to build independent retirement homes and affordable housing on waqf land

RM100 mn in matching funds allocated to encourage innovations in Islamic finance

Key Budget measures

Prospering the Rakyat



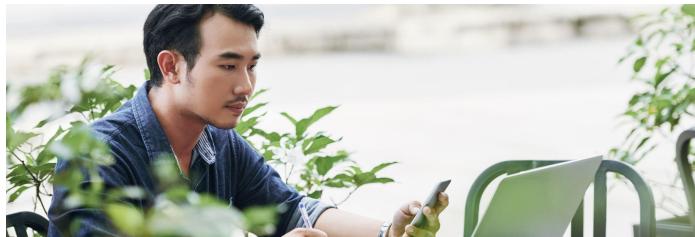
Improving the Rakyat's well-being



RM13 bn allocated for Rahmah Cash Aid scheme (STR) (from RM10 bn in 2024)

Maximum STR per household increased to RM4,600 from RM3,700

RM2.9 bn in cash assistance allocations under the Social Welfare Department



Elevating income and social protection

Monthly minimum wage raised to RM1,700 from RM1,500 beginning 1 February 2025

RM200 mn allocated for the Progressive Wage Policy, benefiting 50,000 workers

(Refer to 'Empowering workforce' for more details, pg. 16)

Initiatives under EPF:

- Matching incentive for EPF's i-Saraan increased to 20%, with a maximum matching annual incentive of RM500 or RM5,000 over a lifetime to benefit informal workers and those without fixed incomes
- Mandatory contribution to EPF for all non-citizen workers to be implemented in phases



Boosting the healthcare system

Excise duty on sugary drinks to increase by 40 sen to 90 sen per litre in phases, starting from 1 January 2025

Ministry of Health to collaborate with 91 private hospitals to outsource patients for services such as cardiology, radiology and nephrology

A special offtake or procurement policy to be implemented to support production of local pharmaceutical products and critical medical devices

Individual income tax relief for sports activities, health and elderly care

(Refer to tax proposal highlights for more details, pg. 19)



Encouraging home ownership

RM10 bn allocated under the Housing Credit Guarantee Scheme (SJKP) to guarantee housing financing for the benefit of 20,000 homebuyers

RM5 bn home loan guarantee for youth to purchase their first home through the Step Up Financing Scheme

Individual tax relief of up to RM7,000 on housing loan interest payments for first-time homebuyers

(Refer to tax proposal highlights for more details, pg. 19)

Key Budget measures

Prospering the Rakyat (cont'd)



Nurturing local talent through TVET

RM7.5 bn allocated for TVET education.

Examples of TVET initiatives include:

- **RM1.2 bn** for vocational colleges and technical secondary schools to provide education to 77,000 students
- **RM3 bn** for HRDcorp to offer 3 million training opportunities. 15% of the levy collection will be allocated to fund the MADANI Training Programme for vulnerable groups
- **RM200 mn** allocated by Khazanah through the Khazanah Youth Development Programme (K-Youth) to supply 11,000 local talents to key sectors like semiconductors



Advancing education and upskilling

RM4 bn allocated to university students in the form of scholarships, loans, and education allowances

RM500 mn education financing fund provided by PTPTN, prioritising students pursuing studies in STEM fields at public universities

RM500 mn provided by the Skills Development Fund Corporation to benefit over 20,000 trainees, including RM100 mn specifically allocated for priority areas under the NIMP 2030 e.g., electric vehicles (EVs), aerospace, and AI

Individual tax relief on net savings in the National Education Savings Scheme (SSPN) will be extended for another three years

(Refer to tax proposal highlights for more details, pg. 19)

Funding for AI education initiatives

(Refer to 'Artificial Intelligence and Digital Transformation Agenda' for more details, pg. 15)



Ensuring an inclusive workforce

39 companies in the Bursa Top 100 still fall short of the 30% target for **female board participation**. The government urges compliance by 2027.

Various initiatives and tax deductions for employers to support women in workforce were proposed.

(Refer to 'Empowering workforce' for more details, pg. 16)



Sustainability and Energy Transition Agenda

Towards just transition for a sustainable future



Malaysia is advancing its sustainability and energy transition agenda with a significant increase in funding under the National Energy Transition Roadmap (NETR). The government has allocated over **RM300 mn** for key projects in collaboration with PETRONAS and TNB. These efforts highlight Malaysia's commitment to renewable energy and underscore the nation's potential to become a leader in the green energy sector.



Energy transition

- **Investment and financing**
 - **RM16 bn** investment by UEM Lestra and TNB to upgrade the grid and decarbonise industrial areas
 - **RM300 mn** allocated for the **National Energy Transition Facilitation Fund**, an increase from RM100 mn in 2024
- **Other initiatives:**
 - To boost **rooftop solar installations**, the Net Energy Metering (NEM) programme is extended until 30 June 2025. Solar panels will also be installed on walkways and parking lots in Putrajaya
 - New **skill training initiatives** on energy transition spearheaded by GLCs such as TNB



Climate mitigation

- **Carbon tax**
 - Carbon tax on iron and steel, and energy industries to be introduced by 2026; proceeds will fund green research and technology programmes
- **Green technology funding**
 - Green Technology Financing Scheme programme - will be extended to 2026 with **RM1 bn** in funding
- **Carbon Capture, Utilisation, and Storage (CCUS)**
 - Investment tax allowances or income tax exemptions for CCUS activities will be offered under the New Investment Incentive Framework (NIIF)



Electric vehicles (EVs)

- Perodua to produce **locally assembled EVs** under RM100,000, in line with restructured tax incentives for local EV production
- Electric Motorcycle Use Promotion Scheme - RM10 mn allocated for rebates up to **RM2,400** on purchases of locally assembled electric motorcycles for those earning < RM120,000 annually
- EV among the priority areas for the Skills Development Fund Corporation, which has been allocated **RM100 mn**



Biodiversity and nature

- The Ecological Fiscal Transfer (EFT) fund is set to increase to **RM250 mn** from RM200 mn to support state efforts in protecting forests and wildlife



Climate adaptation

- **RM3 bn** allocated for 12 flood mitigation projects
- **RM600 mn** allocated to National Disaster Management Agency (NADMA) to enhance preparations for flood disasters
- **> RM250 mn** allocated to repair dangerous slopes across the country

Artificial Intelligence and Digital Transformation Agenda

Seizing opportunities to benefit all

Malaysia has seen great success securing investments totaling **USD16.9 bn** from global technology giants such as AWS, Microsoft, Google and Oracle, underscoring its potential as a regional cloud infrastructure hub. Businesses should seize these opportunities, and the Rakyat will benefit through job creation, talent development and community empowerment.



Incentives

- **RM1 bn** is allocated under the **New Investment Incentive Framework (NIIF)** to promote high-value activities e.g., integrated circuit (IC) design services
- GLICs to invest **RM500 mn** in key sectors e.g., data centres and advanced manufacturing; **Khazanah** to provide **RM1 bn** to support the semiconductor industry
- A **RM170 mn Malaysia Science Endowment (MSE) Trust Fund** to provide matching grants to drive R&D
- Special tax deductions for **private higher education institutions (IPTS)** that develop courses on:

Digital technology

AI and Robotics

The Internet of Things (IoT)

Data science and FinTech

Sustainable technology



AI

- AI education will be expanded to all research universities with an allocation of **RM50 mn**
- National Artificial Intelligence Office (NAIO) allocated **RM10 mn** to enhance AI adoption
- Malaysia to establish the **ASEAN AI Safety Network (ASEAN AI Safe)** to pool expertise and AI safety in the region



Cybersecurity and online safety

- An **Online Safety Bill** will be drafted to address growing cyberbullying concerns
- **RM20 mn** is allocated to strengthen the role of the **National Scam Resource Centre**



Digital funding

- **RM6.4 bn** allocated by **Bank Pembangunan Malaysia Berhad** to support the financing of infrastructure, digitalisation, renewable energy etc.
- A loan fund of **RM3.8 bn** provided by BNM to support entrepreneurs transitioning towards digitalisation and automation



Digital entrepreneurship

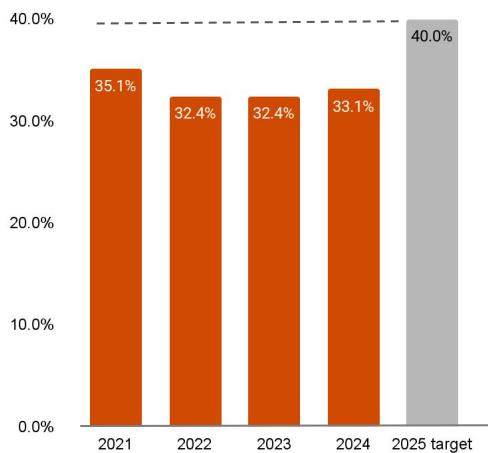
- **RM50 mn** of digital matching grants for MSMEs and digital grants for hawkers to help local entrepreneurs remain competitive in the market
- **RM100 mn** allocated by the **Malaysian Communications and Multimedia Commission (MCMC)** over five years to empower **National Information Dissemination Centres (NADI)** to increase income through online entrepreneurship activities

Empowering workforce

Enhancing labour conditions and supporting workforce diversity

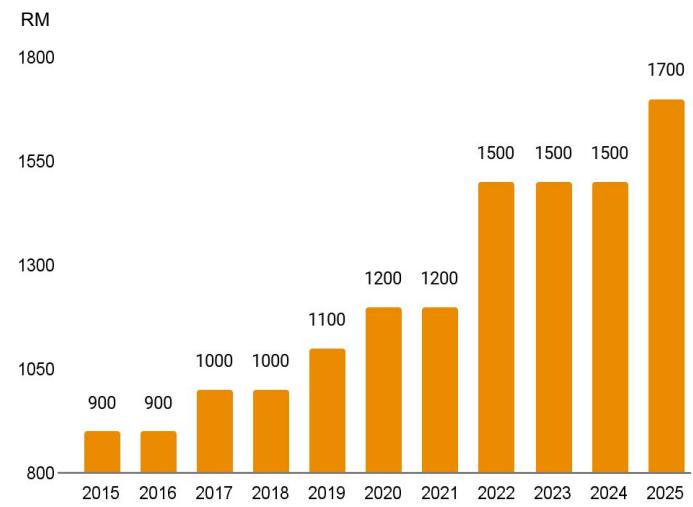
Malaysia has achieved upper-middle income status as a result of significant economic growth. However, this growth has yet to be translated into equitable income distribution. Compensation of employees (CE) has remained low, reflecting a persistent structure of a low-wage labour market. Budget 2025 introduces several measures to support a strong and inclusive workforce.

Compensation of Employees (% share of GDP)



Sources: DOSM, MOF, 12th Malaysia Plan Mid Term Review

Minimum wage in Malaysia (2015-2024)



Source: Federal Gazette - Minimum Wages Order, MOF

Minimum wage to increase

As part of Ekonomi MADANI's aspiration to 'raise the floor', the government is committed to **increase the minimum wage from RM1,500 to RM1,700** starting from 1 February 2025, with 6 months deferred implementation for employers with fewer than five employees.

The Ministry of Human Resources will also issue guidelines on starting salaries for various job sectors as a reference for employees.

Examples of starting salaries, as highlighted in Budget 2025

Industrial and Production Technician	Mechanical Engineer	Professional Creative Content Designer
RM2,290	RM3,380	RM2,985

Source: MOF

Progressive Wage Policy (PWP)

Following the pilot programme in June 2024, RM200 mn will be allocated to fully implement the PWP next year in order to boost wage growth, foster talent development and enhance productivity.

Supporting a diverse and inclusive workforce

While the 30% target for female board participation has been met overall in Bursa Top 100, 39 companies still fall short and are urged to comply by 2027.

To boost women's economic participation, additional tax deductions up to 50% will be provided for:

- Wages paid over a period of 12 months for hiring women returning to work
- Up to 12 months of paid caregiver leave
- Expenses incurred for capacity development and software acquisition in implementing flexible work arrangements



Tax proposal highlights



Dividend tax on individual shareholders

- A new **2% tax** to be imposed on **chargeable dividend income** where the annual dividends received by an individual shareholder from Malaysian companies exceeds RM100,000 effective year of assessment (YA) 2025
- Dividends from government saving schemes such as Employees Provident Fund (EPF), Amanah Saham Nasional Bumiputera (ASNB), unit trust and foreign dividend income will not be subject to this tax

This tax aims to make the individual income tax structure more progressive and broaden the tax base.



Review of sales tax rates and expansion of service tax scope

- Sales tax to be imposed on **non-essential items** such as imported premium goods
- Service tax scope to be expanded to certain commercial services such as fee-based financial services
- The sales tax and service tax proposal will be implemented effective 1 May 2025 after industry consultation as well as finalising the scope and applicable tax rates

The review of sales tax rates and expansion of service tax scope seek to increase the country's revenue and will not burden the public at large.



Introduction of Carbon Tax

- Carbon tax to be introduced on **iron and steel, and energy industries** by 2026

This tax seeks to encourage the adoption of low-carbon technologies. The proceeds from this tax will be used to fund green research and technology programmes.

Tax proposal highlights



New Johor-Singapore Special Economic Zone (JS-SEZ)

- Special incentives will be available to attract quality investments and offer high value employment opportunities, to be announced at the end of 2024
- **Invest Malaysia Facilitation Centre-Johor** has been established to facilitate the JS-SEZ initiative and to expedite the application process



Introduction of New Investment Incentive Framework (NIIF)

NIIF shifts the emphasis of incentives to activities creating greater economic multipliers

This is to be implemented in Q3 of 2025 with focus on the following:

- increase coordination in the E&E economy, tax incentives for increase of exports to cover integrated circuit design activities
- provide high income jobs in the field of AI and developing courses for new technologies
- encourage multinational enterprises (MNE) or their local suppliers to strengthen the supply chain
- establish economic clusters based on sectors/locations
- reduce the economic gap between regions
- encourage ESG-based investments



Tax incentive for Smart Logistics Complex (SLC)

- Income tax exemption equivalent to an **Investment Tax Allowance of 60% on qualifying capital expenditure** incurred for a period of 5 years to be provided by eligible SLC companies. This allowance can be set-off against up to 70% of statutory income for each YA, subject to conditions

This incentive seeks to further enhance **supply chain efficiency** through advanced technologies adaptation in logistics, including the use of Fourth Industrial Revolution (IR4.0) elements such as AI, IoT and blockchain.

Effective date: Applications received by MIDA from 1 January 2025 to 31 December 2027

Tax proposal highlights



Individual income tax relief on net savings in National Education Savings Scheme

- Extension of individual income tax relief of up to RM8,000 on net annual savings in National Education Savings Scheme for 3 years (i.e., YA 2025 to YA 2027)



Individual income tax relief for sports activities, health and elderly care

- Expansion of individual income tax relief for sports equipment and activities, health and medical care
- Income tax exemption of RM3,000 per year given on child care allowance expanded to include elderly care (parents/grandparents)
- Further tax deduction on child care allowance paid by employers to employees; expanded to include elderly care (parents/grandparents)



Individual income tax relief on interest payments for first residential home loan

- Individual income tax relief to be given on interest payments for the first residential home loan (individually or jointly-owned) for sales and purchase agreement executed from 1 January 2025 until 31 December 2027 and subject to meeting conditions
- Total tax relief per year are as follows:
 - RM7,000 tax relief per year for house priced below RM500,000
 - RM5,000 tax relief per year for house priced between RM500,001 to RM750,000



Implementation of self-assessment stamp duty system (SASDS)

- SASDS to be implemented in 3 phases starting from 1 January 2026 based on types of instruments/agreements
- Duty payers or appointed agents are required to undertake self-assessment of the value of stamp duties for instruments or agreements and make payments within the specified timeframe

The introduction of SASDS seeks to increase efficiency on stamping and self-payment and further increase in compliance.



Let's talk



Soo Hoo Khoon Yean
Managing Partner
khoon.yean.soo.hoo@pwc.com



Nurul A'in Abdul Latif
Executive Chair
nurul.ain.abdul.latif@pwc.com



Steve Chia
Tax Leader
steve.chia.siang.hai@pwc.com



Elaine Ng
Markets Leader
yee.ling.ng@pwc.com



Taariq Murad
Tax Partner
taariq.murad@pwc.com



Patrick Tay
**Deals Partner,
Economics and Policy**
patrick.se.tay@pwc.com



Sundara Raj
Chief Digital Officer
sundara.raj@pwc.com



Andrew Chan
**Sustainability and
Climate Change Leader**
andrew.wk.chan@pwc.com



Register for our Budget 2025 Seminar



PwC Malaysia's Budget 2025 Seminar

**Fostering a resilient economy
through inclusive growth**

A seminar by PwC's Academy

Scan to register



Tuesday, 5 November 2024
8:00am - 5:00pm
Renaissance Kuala Lumpur Hotel & Convention Centre

For more information, contact
Fazlina Jaafar or Puteri Nur 'Alia Megat Azman
Tel: +603-2173 3830 / 1188
Email: my_events@pwc.com

[**Register on our webpage**](#)

A seminar by PwC's Academy

5 November 2024 | 8:00am - 5:00pm

**Renaissance Kuala Lumpur
Hotel & Convention Centre**

Registration fee:

SEMINAR ONLY PASS

RM1,100

BUNDLE PASS

Seminar pass + 12-month subscription to
PwC's Online Academy (worth RM2,800)

RM2,400 ~~RRP: RM3,900~~

Kindly register by

Tuesday, 29 October 2024

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:

Fazlina Jaafar or Puteri Nur 'Alia

Tel: +603-2173 0267 / 3830

Email: my_events@pwc.com

The information contained in this document is of a general nature only. It is not meant to be comprehensive and does not constitute financial, legal, tax or other professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. Whilst every care has been taken in preparing this document, PwC makes no guarantee, representation or warranty (expressed or implied) as to its accuracy or completeness, and under no circumstances will PwC be liable for any loss caused by reliance on any opinion or statement made in this document. Except as specifically indicated, the expressions or opinion are those of PwC only and are subject to change without notice. This document shall not be copied, reproduced, transmitted or further distributed by any recipient. The materials contained in this document were based on information available at the time of publication.

© 2024 PricewaterhouseCoopers. All rights reserved. "PricewaterhouseCoopers" and/or "PwC" refers to the Malaysia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.