



# TaXavvy

## Budget 2025 Edition

18 October 2024

Welcome to our **TaXavvy Budget Edition** which brings you the key tax proposals of Budget 2025 as announced by the Prime Minister and Finance Minister, YAB Dato' Seri Anwar bin Ibrahim



# Highlights

## Tax on dividends

*Dividends received by individual shareholders*

2%

Applicable to individual shareholders receiving annual dividend income exceeding RM100,000.

*Effective from YA 2025*

## Tax reliefs

*Enhanced reliefs for families and education*



Focus on supporting families through increased reliefs for education, medical insurance, child care, and care for elderly, while encouraging long-term financial planning and savings for higher education.

*Effective from YA 2025*

## Sales and Service Tax (SST)

*Expansion of scope*



Scope of SST is expanded to include business-to-business commercial service transactions such as fee-based financial services and non-essential basic necessities.

*Effective from 1 May 2025*

## Stamping of instruments

*Self-assessment*



Self-assessment stamp duty system will be implemented in three distinct phases, with commencement dates set for 1 January 2026, 1 January 2027 and 1 January 2028, depending on the types of instruments involved.

## Foreign-sourced income (FSI) exemption

*Extension of exemption period*

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The exemption for FSI received by resident individuals in Malaysia is extended for another 10 years until 31 December 2036.

## Special tax incentive

*Investments in 21 economic sectors in certain States*



Income tax incentive at a special rate will be granted for investments in 21 economic sectors in states such as Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak.

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# 1

## Personal Tax

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# Personal Tax

## Dividend Tax

To make the individual income tax structure more progressive and broaden the tax base, it is proposed a Dividend Tax be introduced as follows:

### Scope

Annual dividend income exceeding RM100,000 received by individual shareholders.

### Taxable person

#### Individual shareholders

- Resident individuals
- Non-resident individuals
- Individuals who hold shares through nominees

### Tax rate

2% is imposed on chargeable dividend income after taking into account allowances and deductions.

### Exemption from Dividend Tax

- Dividend income from abroad
- Dividend income distributed from the profits of companies that received PS and RA
- Dividend income paid, credited or distributed from the profits of shipping companies that is exempted from tax
- Dividend income distributed from co-operatives
- Dividend income declared by closed-end funds
- Dividend income received by residents from Labuan entities
- Any exemption given on dividend income at shareholder level

# Personal Tax

## Dividend Tax (cont'd)

### Non-applicability

Dividend Tax is not applicable to profit distributions made to contributors and depositors by:

- Kumpulan Wang Simpanan Pekerja
- Lembaga Tabung Angkatan Tentera
- Amanah Saham Nasional Bumiputera
- Any unit trust

### Effective date

Effective from YA 2025

### PwC Comments

- The Budget specifies that dividends distributed from profits of companies benefiting from PS and RA are exempt from the new tax. However, it remains unclear whether this exemption extends to companies enjoying income tax exemption under Section 127 or investment allowance under Schedule 7B of the ITA 1967.
- The Budget mentions Labuan entities but does not specify whether this includes Labuan entities that do not meet economic substance requirements or those that have opted to be taxed under the ITA 1967.
- There is a concern about whether Malaysian companies will remain competitive compared to foreign companies where dividend income maybe tax-exempt for individuals upon remittance.
- Exemption granted for dividend income from abroad could potentially result in restructuring of portfolios via a foreign holding company.
- It is interesting to note that this also covers non-resident individuals. It is unclear how the Government might effectively collect taxes from non-resident individuals holding shares in Malaysian companies, particularly since these individuals typically do not file tax returns unless they have other taxable income to declare.

# Personal Tax

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## Extension of exemption on FSI received by resident individuals

FSI received in Malaysia by a resident individual is exempted from tax from 1 January 2022 to 31 December 2026, subject to conditions.

It is proposed that the exemption is extended for another 10 years until 31 December 2036.

## Expansion of scope of tax exemption on employee benefits

Child care allowance received by employees or paid directly by employers to child care centers for children aged 12 years and below is exempted, capped at RM3,000 per year.

It is proposed that the exemption be expanded to include elderly care for parents and grandparents.

(Effective from YA 2025)

# Personal Tax

## Personal tax reliefs

| Existing  | Proposed   |             |                           |                 |         |                                 |         |
|---|--|-------------|---------------------------|-----------------|---------|---------------------------------|---------|
| <b>Interest paid on housing loan</b>  |  |             |                           |                 |         |                                 |         |
| <p>Tax relief on housing loan interest of up to RM10,000 per year (for three consecutive YAs), subject to the following conditions:</p> <ul style="list-style-type: none"> <li>i. the taxpayer is a Malaysian citizen and resident;</li> <li>ii. limited to one residential property including flats, apartments or condominiums; and</li> <li>iii. the sales and purchase agreement executed from 10 March 2009 until 31 December 2010.</li> </ul> | <p>Tax relief be given on interest payments for the first residential home loan (individually or jointly owned) as follows:</p> <table border="1"> <thead> <tr> <th>House price</th> <th>Total tax relief per year</th> </tr> </thead> <tbody> <tr> <td>Up to RM500,000</td> <td>RM7,000</td> </tr> <tr> <td>Above RM500,000 up to RM750,000</td> <td>RM5,000</td> </tr> </tbody> </table> <p>This is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>i. the residential home must not be used to generate any income;</li> <li>ii. the individual income tax relief on allowable interest payments applies for three consecutive YAs, starting from the first year the housing loan interest is paid; and</li> <li>iii. two or more individuals can claim tax relief on housing loan interest for the same residential home based on interest payment apportionment.</li> </ul> <p>(Effective for sales and purchase agreement executed from 1 January 2025 - 31 December 2027)</p> | House price | Total tax relief per year | Up to RM500,000 | RM7,000 | Above RM500,000 up to RM750,000 | RM5,000 |
| House price   | Total tax relief per year  |             |                           |                 |         |                                 |         |
| Up to RM500,000   | RM7,000  |             |                           |                 |         |                                 |         |
| Above RM500,000 up to RM750,000   | RM5,000  |             |                           |                 |         |                                 |         |



# Personal Tax

## Personal tax reliefs (cont'd)

| Existing   | Proposed  |
|--|---|
| <b>Deposit in Skim Simpanan Pendidikan Nasional (SSPN)</b>   |   |
| <p>Tax relief of up to RM8,000 for the net annual savings deposited into a SSPN account for his / her child up to YA 2024.</p>   | <p>The tax relief is to be extended for another three years, subject to the following additional conditions:</p> <ul style="list-style-type: none"> <li>• tax relief on SSPN savings can only be claimed by either parent, with a maximum claim of RM8,000; and</li> <li>• withdrawals from the SSPN fund intended to finance education costs for further studies will not be considered as withdrawal in the calculation of net savings for that particular year and will not affect the eligible amount for tax relief.</li> </ul> <p>(Effective from YA 2025 to YA 2027)</p> |
| <b>Premium for education and medical insurance</b>   |   |
| <p>Tax relief for premium paid for education and medical insurance for self, spouse and child, of up to RM3,000.</p>   | <p>The relief is to be increased to RM4,000.</p> <p>(Effective from YA 2025)</p>  |
| <b>Expansion of scope of tax relief for medical treatment, special needs and parental care expenses</b>  |   |
| <p>The following expenses incurred for parents is eligible for tax relief up to RM8,000:</p> <ul style="list-style-type: none"> <li>• medical treatment at clinics and hospitals;</li> <li>• treatment and homecare nursing, day care centres and nursing home;</li> <li>• dental treatment not including cosmetic dental treatment; and</li> <li>• full medical check up limited to RM1,000.</li> </ul> | <p>The scope of the relief is to be expanded to cover grandparents and the full medical check-up expenses be expanded to include vaccination.</p> <p>(Effective from YA 2025)</p>   |

# Personal Tax

## Personal tax reliefs (cont'd)

| Existing   | Proposed   |
|--|--|
| <b>Review of income tax relief on medical treatment expenses for self, spouse and child</b>  |  |
| <p>Tax relief of up to RM10,000 is given for the following categories of medical treatment expenses:</p> <ol style="list-style-type: none"><li>serious illness for self, spouse or child;</li><li>fertility treatment for self or spouse;</li><li>vaccination for self, spouse or child, limited to RM1,000;</li><li>dental examination and treatment expenses for self, spouse or child, limited to RM1,000;</li><li>full medical check up, mental health check up or consultation and COVID-19 detection test inclusive of the purchase of self-test kit for self, spouse or child limited to RM1,000; and</li><li>assessment and diagnosis, early intervention programme and rehabilitation treatment for children aged below 18 years with learning disability such as autism, attention deficit hyperactivity disorder (ADHD), global development delay (GDD), intellectual disability, down syndrome and specific learning disabilities, limited to RM4,000.</li></ol> | <p>The scope for category (v) is to be expanded to include the following:</p> <ul style="list-style-type: none"><li>purchase of influenza test kit;</li><li>purchase of self-testing medical devices such as glucometer, pulse oximeter, blood pressure monitor and thermometer; and</li><li>fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear.</li></ul> <p>The limit for category (vi) is to be increased from RM4,000 to RM6,000.</p> <p>(Effective from YA 2025)</p> |

# Personal Tax

## Personal tax reliefs (cont'd)

| Existing   | Proposed  |
|--|---|
| <b>Expansion of scope of tax relief for sports equipment and activities</b>  |   |
| Tax relief of RM1,000 on expenses for sports equipment and activities for self, spouse or child.   | The scope of relief is to be expanded to include parents, limited to RM1,000.<br><br>(Effective from YA 2025)   |
| <b>Increase of tax relief for disabled taxpayers</b>   |   |
| Apart from the individual personal tax relief of RM9,000, a disabled taxpayer registered with the Department of Social Welfare is given a further tax relief of RM6,000.   | The further tax relief is to be increased from RM6,000 to RM7,000.<br><br>(Effective from YA 2025)  |
| <b>Increase of tax relief for taxpayers having disabled spouse and child</b>   |   |
| Individual taxpayers having disabled spouse and child are eligible to claim the following further tax reliefs: <ul style="list-style-type: none"> <li>i. RM5,000 for a disabled spouse; and</li> <li>ii. RM6,000 for an unmarried disabled child.</li> </ul> | The further tax reliefs are to be increased as follows: <ul style="list-style-type: none"> <li>i. from RM5,000 to RM6,000 for a disabled spouse; and</li> <li>ii. from RM6,000 to RM8,000 for an unmarried disabled child.</li> </ul><br>(Effective from YA 2025) |
| <b>Inclusion of purchase of domestic food waste composting machine under the tax relief for EV charging facilities</b>   |   |
| Tax relief of up to RM2,500 per YA, from YA 2024 to YA 2027, on cost of installation, rental, purchasing, including hire-purchase of equipment, or subscription for use of EV charging facility.   | The tax relief is expanded to include the purchase of food waste composting machines for household use, which can be claimed once within three YAs, with the relief limit remaining at RM2,500.<br><br>(Effective from YA 2025 to YA 2027)                        |

# Personal Tax

## Personal tax reliefs (cont'd)

The following tax reliefs are to be extended:

| Tax reliefs  | Period of extension | Effective period   |
|--|---------------------|--------------------|
| <p><b>1. Contribution to Private Retirement Scheme and deferred annuities</b></p> <p>Contribution to private retirement scheme and premiums paid for deferred annuities, capped at RM3,000.</p>                | 5 years             | YA 2026 to YA 2030 |
| <p><b>2. Child care fees</b></p> <p>Fees paid to a registered child care centre (TASKA) / kindergarten (TADIKA) for a child aged six years and below, capped at RM3,000 (can be claimed by either parent).</p> | 3 years             | YA 2025 to YA 2027 |



# 2

## Corporate Tax

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# Corporate Tax

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## Global Minimum Tax (GMT)

Malaysia has been preparing to implement the GMT as part of the Base Erosion and Profit Shifting (BEPS) 2.0 initiative, which introduces a global minimum tax rate of 15%. The Government has acknowledged that while GMT will generate additional revenue, there are still potential negative impacts to the investment climate in Malaysia.

To mitigate the impact of GMT, the government is committed to streamlining the existing incentives, creating new non-tax incentives and exploring the feasibility of Strategic Investment Tax Credits.

### PwC Comments

No specific rules or clarification on the streamlining of existing incentives, new non-tax incentives as well as Strategic Investment Tax Credits have been released. Nevertheless, preliminarily, it is expected that the Strategic Investment Tax Credit will take the form of a Qualified Refundable Tax Credit which is a permitted form of a tax credit under the GMT rules.

# Corporate Tax

## Payment of salaries and wages of teaching staff by institution or organisation approved under Section 44(6) of the ITA 1967

To improve access to education for students from underprivileged families, payment of salaries and wages to educators by institutions and organisations with approved educational objectives under Section 44(6) of the ITA 1967 be allowable as charitable expenditure.

(Effective date not provided)

### PwC Comments

Further clarification is required on the scope of “educational objectives” as well as the meaning of “educators” for the purpose of determining the eligibility of the allowable charitable expenditure.

## Expansion of qualifying activities for charitable organisations under Section 44(6) of the ITA 1967 to include contributions to impacted non-citizens

As a gesture of solidarity, Malaysia has taken the initiative to bring in more than 40 Palestinians in need of medical assistance into Malaysia. To support the collective effort of gathering aid as a shared responsibility, the Government has proposed to expand the scope of tax exemption for charitable organisations approved under Section 44(6) of the ITA 1967 to cover contributions to affected non-citizens.

(Effective date not provided)

### PwC Comments

Further clarification pertaining to this is required.

## Tax deduction for new equipment and machinery donated to *Institusi Latihan Kemahiran Awam (ILKA)*

Companies will be given a tax deduction for new equipment and machinery donated to ILKA, polytechnics or registered vocational colleges.

(Effective from YA 2025 to YA 2027)



# 3

## Tax Incentives

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# Tax Incentives

## New Investment Incentive Framework

The Government agreed to introduce a New Investment Incentive Framework focusing on high-value activities as opposed to existing “products based” approach. The proposed New Investment Incentive Framework is expected to be implemented by the third quarter of 2025.

Key proposals are:-

### 1. Supply Chain Resilience Initiative

To strengthen the local supply chain and the ecosystem of key sectors, the following incentives are proposed:

- Double tax deduction be given to multinational enterprises on corporate expenditure up to RM2 million per year for three consecutive years.
- Tax deduction be given based on the value of investment made by the multinational enterprise or its suppliers who makes joint venture investment with other local suppliers.
- Tax incentives package based on outcome-based approach be granted to local suppliers involved in this initiative.
- Investment matching fund of more than RM100 million be provided through an equity public funding platform for the development of local suppliers in the E&E, specialised chemicals and medical devices sectors.

### 2. Key economic cluster by states

Economic cluster be created based on the state’s speciality, e.g. renewable energy in Perlis and Sabah and specialised chemical industry in Pahang and Terengganu.

### 3. Special income tax incentive for investments in 21 economic sectors

To reduce the economic disparity between regions, income tax incentive at a special rate will be granted for investments in 21 economic sectors in states such as Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak, subject to economic spillover effects.

### 4. Carbon Capture, Utilisation and Storage (CCUS)

To ensure that the investment is ESG-based, tax incentives such as ITA and income tax exemption be given for CCUS activities.

(Effective date not provided)

# Tax Incentives

## Forest City Special Financial Zone

The budget announcement on the Johor-Singapore Special Economic Zone (JSSEZ) builds upon the earlier announcement of the Forest City Special Financial Zone (SFZ) made on 20 September 2024. Here are the key impacts and enhancements:

### Duty-Free Status

The Government has approved Forest City SFZ as a Duty-Free Island to support tourism and local economic activities.

### Tax Incentives

**The tax incentives for Forest City SFZ announced previously include:**

- **Family offices** - 0% corporate tax rate for Family offices under the Single-Family Office Scheme coordinated by the Securities Commission (operational by the first quarter of 2025).
- **Financial global business services** - 5% corporate tax rate for financial global business services, financial technology (fintech), and foreign payment systems.
- **Knowledge workers** - 15% personal income tax rate for individual knowledge workers.
- **Relocation incentives, etc.** - Special tax deductions on relocation costs, enhanced industrial building allowance and withholding tax exemptions will be provided to banking, insurance, capital market intermediaries and other eligible entities in the financial sector.

Please refer to our [TaXavvy Issue 28/2024](#) for more details on the tax incentives for Forest City SFZ.

### Establishment of Invest Malaysia Facilitation Centre - Johor (IMFC-J)

- The IMFC-J is being established to facilitate investment in the JSSEZ, aimed to reduce bureaucracy and expedite approval processes.

### Future incentives

- The government plans to announce additional special incentives towards the end of the year to attract quality investments and offer high-value jobs in JSSEZ.

### PwC Comments

Overall, the budget announcement shows that JSSEZ provides a promising framework for attracting high-quality investments, especially in financial services and fintech. Over time, it should boost Johor's economy through:

- high-value job creations in global financial services;
- influx of foreign direct investment; and
- enhanced economic synergy with Singapore.

# Tax Incentives

| Existing   | Proposed  |
|--|---|
| <b>Tax incentive for Smart Logistics Complex (SLC)</b>   |   |
| <p>The SLC is a modern warehouse that uses technologies to automate various warehouse operations, reduce costs and enhance overall supply chain performance.</p> <p>Currently, there is no specific incentives for companies in Malaysia that incorporate Industry 4.0 elements in smart warehousing.</p>  | <p>To further enhance supply chain efficiency through advanced technologies adoption in logistics which includes the use of Industry 4.0 elements, ITA of 60% on QCE for a period of five years will be granted to eligible SLC that engages in the following logistics services, subject to conditions:</p> <ul style="list-style-type: none"> <li>i. Regional distribution centres;</li> <li>ii. Integrated logistics services;</li> <li>iii. Storage of hazardous goods; or</li> <li>iv. Cold chain logistics.</li> </ul> <p>The ITA can be set off against up to 70% of SI.</p> <p>(For applications received by MIDA from 1 January 2025 - 31 December 2027)</p> |
| <b>Expansion of scope for tax incentive for increased exports in services sector</b>   |   |
| <p>Companies engaged in selected services activities and successfully increase exports are eligible to claim tax exemption up to 70% of the SI equivalent to 50% of the value of increased exports. The selected services activities are as follows:</p> <ul style="list-style-type: none"> <li>i. legal;</li> <li>ii. accounting;</li> <li>iii. architecture;</li> <li>iv. marketing;</li> <li>v. business consultancy;</li> <li>vi. office services;</li> <li>vii. construction management;</li> <li>viii. building management;</li> <li>ix. plantation management;</li> <li>x. private education;</li> <li>xi. publishing;</li> <li>xii. printing;</li> <li>xiii. information technology and communication;</li> <li>xiv. engineering; and</li> <li>xv. local franchise.</li> </ul> <p>This incentive has been in effect since YA 2002.</p> | <p>In line with the mission of the New Industrial Master Plan 2030 (NIMP) to establish Malaysia as a hub for Advanced Integrated Circuit (IC) Design Technology and Solutions, the increased export incentive for the services sector be expanded to IC Design services.</p> <p>(Effective from YA 2025)</p>  |

# Tax Incentives

| Existing   | Proposed  |                |  |              |   |              |  |
|--|---|----------------|--|--------------|---|--------------|--|
| <b>ACA on ICT equipment and computer software</b>  |   |                |  |              |   |              |  |
| <p>ACA with initial allowance and annual allowance of 20% are given to the QCE incurred by tax resident in Malaysia as follows:</p> <table border="1"> <thead> <tr> <th>QCE</th> <th>Effective Date</th> </tr> </thead> <tbody> <tr> <td>Purchase of ICT equipment and computer software packages</td> <td>From YA 2017</td> </tr> <tr> <td>Consultation, licensing and incidental fees related to customised computer software development</td> <td>From YA 2018</td> </tr> </tbody> </table> <p>It was proposed in the Budget 2024 that with effect from YA 2024, the ACA rates to be revised to initial allowance of 40% and annual allowance of 20%.</p> | QCE   | Effective Date | Purchase of ICT equipment and computer software packages | From YA 2017 | Consultation, licensing and incidental fees related to customised computer software development | From YA 2018 | <p>To encourage the implementation of e-Invoicing, ACA rates to be revised to initial allowance of 20% and annual allowance of 40%.</p> <p>(Effective from YA 2024 to YA 2025)</p> |
| QCE  | Effective Date  |                |  |              |   |              |  |
| Purchase of ICT equipment and computer software packages   | From YA 2017  |                |  |              |   |              |  |
| Consultation, licensing and incidental fees related to customised computer software development  | From YA 2018  |                |  |              |   |              |  |
| <b>Structured Internship Programme (SIP)</b>   |   |                |  |              |   |              |  |
| <p>A person who conducts a SIP approved by TalentCorp is eligible for double deduction on qualifying expenses incurred up to YA 2025, capped at RM5,000 for each YA.</p>   | <p>The scope of SIP to be expanded to include students which participate in structured training conducted by industry regulatory bodies and the incentive is to be extended for another 5 YAs.</p> <p>(Effective from YA 2026 to YA 2030)</p> |                |  |              |   |              |  |

# Tax Incentives

| Existing   | Proposed  |
|--|---|
| <b>Tax deduction on the cost of developing new courses at Private Higher Education Institutions and Private Skills Training Institutions</b>   |   |
| <p>Private Higher Education Institutions are eligible for tax deduction on expenses incurred for the developing new courses and complying with regulatory requirements for introducing new courses. The tax deduction can be claimed from the year of completion of the course development for a period of three years.</p>  | <p>Full tax deduction is allowed in the YA where the costs are incurred for:</p> <ul style="list-style-type: none"> <li>i. Private Higher Education Institutions - development of new courses with a focus on digital technology and innovation which includes digital technology and AI.</li> <li>ii. Private Skills Training Institutions - development of Technical and Vocational Education and Training courses.</li> </ul> <p>(Effective from YA 2025 to YA 2030)</p> |
| <b>Hiring women returning to work</b>  |   |
| <p>Women on a career break for at least two years and return to work are eligible for income tax exemption on remuneration received for a maximum period of 12 consecutive months.</p> <p>This incentive is provided for applications received by TalentCorp from 1 January 2018 to 31 December 2027.</p> <p>Employers are eligible for tax deductions on employee salary payments under Section 33 of the ITA 1967.</p> | <p>A 50% further deduction be given to employers on employment expenses paid for a period of 12 months for hiring women returning to work.</p> <p>(Effective for application received by TalentCorp from 1 January 2025 - 31 December 2027)</p>   |
| <b>Employers implementing Flexible Work Arrangements (FWA)</b>   |   |
| <p>Employers implementing FWA given double tax deduction on eligible expenses capped at RM500,000 from 1 July 2020 until 31 December 2022.</p>   | <p>A 50% further deduction be given to employers that incur expenses for capacity building and software acquisition to implement FWA.</p> <p>The expenses eligible for further deduction is capped at RM500,000, subject to a one-off claim and to be verified by TalentCorp.</p> <p>(Effective for application received by TalentCorp from 1 January 2025 - 31 December 2027)</p>  |

# Tax Incentives

| Existing   | Proposed   |
|--|--|
| <b>Expansion of scope of further tax deductions for provision of child care centre</b>   |  |
| <p>Employers are given further tax deductions for the following expenses:</p> <ul style="list-style-type: none"> <li>i. Provision and maintenance of child care centres; and</li> <li>ii. child care allowance paid by employers to employees</li> </ul> | <p>The scope of further tax deductions on child care allowance paid by employers to employees is to be expanded to include elderly care (parents / grandparents)</p> <p>(Effective from YA 2025)</p>   |
| <b>Caregiving leave benefit provided by employers to employees</b>   |  |
| <p>Paid leave provided by employers to employees are eligible for tax deduction under Section 33 of the ITA 1967.</p>  | <p>A 50% further deduction be given on additional paid leave of up to 12 months provided to employees caring for children or ill or disabled family members.</p> <p>(Effective for applications received by TalentCorp from 1 January 2025 - 31 December 2027)</p> |

Further, the following tax incentive is to be extended:

| Tax incentive   | Period of extension | Effective period  |
|---|---------------------|---|
| <p><b>Smart AI Driven Reverse Vending Machines</b></p> <p>To promote plastic waste recycling and reduce plastic waste, tax deduction under Section 34(6)(h) of the ITA 1967 is given to contributions or sponsorships of Smart AI Driven Reverse Vending Machines for applications received by MOF from 1 April 2023 to 31 December 2024.</p> | 2 years             | For applications received by MOF from 1 January 2025 - 31 December 2026 |



# 4

## Indirect Tax

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# Indirect Tax

## Imposition of sales tax on non-essential goods

### Existing

Sales tax is imposed on taxable goods manufactured in Malaysia or imported into Malaysia, generally at 10%. Sales tax rate of certain taxable goods are 5% or specific.

- Goods taxed at specific rates are typically petroleum, alcoholic and tobacco products.
- Goods taxed at 5% are typically processed food products, homeware, tyres and semi processed products used in the manufacture of other products.
- Goods that are prescribed as exempt comprises livestock, agricultural produce, basic food items consumed by the Rakyat, goods in its raw or original form (unprocessed).

### Proposed

The rate of sales tax will be increased for non-essential basic necessities such as imported premium goods (e.g. salmon and avocado).

- Sales tax exemption will be maintained on basic food items consumed by the Rakyat.
- Sales tax to be increased on non-essential items such as imported premium goods.

(Effective from 1 May 2025)

### PwC Comments

The taxable base will be widened with the move to impose sales tax on products currently prescribed as exempt. As more goods move into the “taxable” category, more local manufacturers will have a liability to register for sales tax.



# Indirect Tax

## Expansion of service tax scope

### Existing

Service tax is imposed on:

- any taxable service provided by a registered person in carrying on his business;
- any imported taxable service (with effect from 1 January 2019); or
- any digital services provided by foreign service providers (with effect from 1 January 2020).

The service tax rate is currently prescribed at 8%, except for food and beverages, parking, logistics, and telecommunications services, which are taxed at 6%. Additionally, credit card and charge card services are taxed at a rate of RM25 annually.

### Proposed

The scope of service tax to be expanded to include new taxable services such as commercial service transactions between businesses (B2B). Fee-based financial services is given as an example.

The government will undertake industry consultations to provide balance measures before finalising the scope and the rates.

(Effective from 1 May 2025)

### PwC Comments

- There will be potential increase in the cost of doing business in Malaysia and such cost would eventually be passed on along the supply chain (i.e. to the final consumer).
- As more services are to be taxable, more taxable service providers will have a liability to register for Service Tax.

# Indirect Tax

| Existing  | Proposed   |
|---|--|
| <b>Review of excise duty rate on sugar beverages</b>  |  |
| Excise duty is levied on sugar sweetened beverages at the rate of RM0.50 per litre based on the sugar content.  | The excise duty be increased to RM0.90 per litre in phases (increase of RM0.40).<br><br>(Effective from 1 January 2025)  |
| <b>Increase of export duty rates based on the CPO market price per metric ton</b>   |  |
| Currently, CPO market prices per metric ton above RM3,450 are capped at a flat rate of 8% export duty.  | The export duty rates are increased where the CPO market price per metric ton is RM3,601 or more. New price bands are proposed with a 0.5% increment in rates, capped at 10%, for market price per metric ton of RM4,051 and higher.<br><br>(Effective from 1 November 2024) |
| <b>Increase of CPO threshold value for windfall levy</b>  |  |
| Windfall Profit Levy is imposed on the CPO threshold value of RM3,000 per metric ton for Peninsular Malaysia and RM3,500 per metric ton for Sabah and Sarawak. The levy rate is 3%. | The CPO threshold value be increased from RM3,000 to RM3,150 per metric ton for Peninsular Malaysia and RM3,500 to RM3,650 per metric ton for Sabah and Sarawak. The levy rate remains at 3%.<br><br>(Effective from 1 January 2025)   |
| <b>Sales tax exemption on mastectomy bra for breast cancer patients</b>   |  |
| Currently, mastectomy bras for breast cancer patients are subject to sales tax of 10%   | Mastectomy bra under the tariff code 6212.10.1100 and 6212.10.9100 will be exempted by way of application to the MOF submitted from 1 November 2024 to 31 December 2027.<br><br>(Effective from 1 November 2024 - 31 December 2027)  |



# 5

## Carbon Tax

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# Carbon Tax

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## Carbon Tax

The Government plans to introduce Carbon Tax for the iron and steel, and energy industries in Malaysia by the year 2026. This is aimed at encouraging the adoption of low-carbon technology. The revenue collected will be used to fund research and green technology programs.

(To be introduced by 2026)

### PwC Comments

The introduction of Carbon Tax marks a significant step towards encouraging industries to adopt low-carbon technologies. This initiative aligns with Malaysia's broader objective of achieving net zero greenhouse gas (GHG) emissions by 2050, demonstrating a commitment towards environmental sustainability.

While this policy is welcomed, its success will depend on careful planning and support for industries transitioning to low-carbon technologies. The details will be much awaited and it is hoped that the Government will give sufficient time for the impacted sectors to prepare.



# 6

## Stamp Duty

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# Stamp Duty



## Self-assessment for stamp duty

Currently, instruments or agreements are submitted through the Stamp Assessment and Payment System (STAMPS) for the Collector's assessment with payment of stamp duty made upon receiving an assessment notice.

To enhance the efficiency of the stamp duty assessment process, it is proposed that self-assessment stamp duty system (STSDS) be implemented in phases as follows:

| Phase   | Effective date      | Types of instruments  |
|---------|---------------------|---|
| Phase 1 | From 1 January 2026 | Instruments or agreements related to rental or lease, general stamping and securities |
| Phase 2 | From 1 January 2027 | Instruments of transfer of property ownership   |
| Phase 3 | From 1 January 2028 | Instruments or agreements other than stated in Phase 1 and Phase 2                    |

The STSDS requires duty payers or appointed agents to upload information in the STAMPS, self-assess the stamp duty value and make payments within the specified timeframe.

### PwC Comments

The shift to self-assessment for stamping could have significant implications particularly on the procedures and responsibilities for taxpayers. Clarity and guidance on the self assessment requirements are required.



# Stamp Duty

| Existing   | Proposed   |            |  |      |  |      |  |
|--|--|------------|--|------|--|------|--|
| <b>Loan or financing agreements in relation to a Micro Financing Scheme</b>  |  |            |  |      |  |      |  |
| <p>Loan or financing agreements under the Micro Financing Scheme approved by the National Small and Medium Enterprise Development Council, for amounts not exceeding RM50,000 between MSMEs and participating banks or financial institutions are exempted from stamp duty.</p>  | <p>The stamp duty exemption shall be given for loan or financing agreements under the Micro Financing Scheme with amounts of up to RM100,000.</p> <p>(Effective for loan or financing agreements under the Micro Financing Scheme executed from 1 January 2025)</p>                          |            |  |      |  |      |  |
| <b>Loan or financing agreements executed through the Initial Exchange Offering (IEO) platforms</b>   |  |            |  |      |  |      |  |
| <p>Loan or financing agreements executed by MSMEs and investors through the IEO platforms for purpose of raising business capital are subject to ad valorem stamp duty rates between 0.05% and 0.5%.</p>   | <p>Stamp duty exemption for loan or financing agreements executed by MSMEs and investors through the IEO platforms registered with the Securities Commission Malaysia for two years.</p> <p>(Effective for loan or financing agreements executed from 1 January 2025 - 31 December 2026)</p> |            |  |      |  |      |  |
| <b>Shariah principles based loan or financing agreement</b>  |  |            |  |      |  |      |  |
| <table border="1"> <thead> <tr> <th>Instrument</th> <th>Stamp Duty</th> </tr> </thead> <tbody> <tr> <td>Loan or financing agreements for the purchase of goods other than hire purchase based on Shariah principles such as <i>Murabahah</i> and <i>Tawarruq</i></td> <td>0.5%</td> </tr> <tr> <td>Loan or financing agreements for the purchase of goods through hire purchase based on conventional methods or Shariah principles such as <i>Al Ijarah Thumma Al Bait</i></td> <td>RM10</td> </tr> </tbody> </table> | Instrument   | Stamp Duty | Loan or financing agreements for the purchase of goods other than hire purchase based on Shariah principles such as <i>Murabahah</i> and <i>Tawarruq</i> | 0.5% | Loan or financing agreements for the purchase of goods through hire purchase based on conventional methods or Shariah principles such as <i>Al Ijarah Thumma Al Bait</i> | RM10 | <p>A fixed stamp duty of RM10 be imposed on loan or financing agreements for the purchase of goods other than hire purchase based on Shariah principles.</p> <p>(Effective for loan or financing agreements under Shariah principles executed from 1 January 2025)</p> |
| Instrument   | Stamp Duty   |            |  |      |  |      |  |
| Loan or financing agreements for the purchase of goods other than hire purchase based on Shariah principles such as <i>Murabahah</i> and <i>Tawarruq</i>   | 0.5%   |            |  |      |  |      |  |
| Loan or financing agreements for the purchase of goods through hire purchase based on conventional methods or Shariah principles such as <i>Al Ijarah Thumma Al Bait</i>   | RM10   |            |  |      |  |      |  |

# Stamp Duty



## Assignment of life insurance policy and family takaful certificate

To help reduce deed of assignment costs and promote insurance and takaful protection for family members, it is proposed that a fixed stamp duty rate for deed of assignment for life insurance policy and family takaful certificate given by way of love and affection or through a trustee, as follows:

| Ownership transfer value                             | Existing        | Proposed        |
|--|-----------------|-----------------|
|  | Stamp Duty Rate | Stamp Duty Rate |
| On the first RM100,000                               | 1%              | RM10            |
| In excess of RM100,000 but not exceeding RM500,000   | 2%              | RM100           |
| In excess of RM500,000 but not exceeding RM1 million | 3%              | RM500           |
| In excess of RM1 million                             | 4%              | RM1,000         |

(Effective for deed of assignments executed from 1 January 2025)





7

Labuan

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# Labuan

| Existing  | Proposed   |
|---|--|
| <b>Expansion of income tax exemption for Islamic financial activities under Labuan International Business and Financial Centre</b>  |  |
| Full income tax exemption is provided for five years from YA 2024 until YA 2028 to Labuan trading entities that undertake Islamic finance activities such as Islamic digital banking, Islamic digital bourses, <i>ummah</i> -related companies and Islamic digital token issuers. | To further attract investment in the Islamic finance sector driven by digital technology at the Labuan International Business and Financial Centre, it is proposed that the income tax exemption be expanded to include qualifying Labuan takaful business activities and qualifying Labuan takaful related activities.<br><br>(Effective from YA 2025 to YA 2028) |

## PwC Comments

It is noted that the objective is to further attract investment in the Islamic finance sector driven by digital technology. Previously, the exemption order required leveraging or utilising digital solutions for an activity to be considered as a qualifying activity. Further clarity is needed on whether the same requirements will apply to the Labuan takaful business activities and Labuan takaful-related activities for them to qualify for the exemption.

# Glossary

| Abbreviation / acronym | Description                                |
|------------------------|--|
| ACA                    | Accelerated capital allowance              |
| AI                     | Artificial intelligence                    |
| CPO                    | Crude palm oil                             |
| ESG                    | Environmental, social and governance       |
| EV                     | Electric vehicle                           |
| E&E                    | Electrical and electronics                 |
| FSI                    | Foreign-sourced income                     |
| ICT                    | Information and communication technology   |
| ITA                    | Investment Tax Allowance                   |
| ITA 1967               | Income Tax Act 1967                        |
| MIDA                   | Malaysian Investment Development Authority |
| MOF                    | Ministry of Finance                        |
| MSME                   | Micro, small and medium enterprise         |
| PS                     | Pioneer Status                             |
| QCE                    | Qualifying capital expenditure             |
| RA                     | Reinvestment Allowance                     |
| SI                     | Statutory income                           |
| SA 1949                | Stamp Act 1949                             |
| TalentCorp             | Talent Corporation Malaysia Berhad         |
| YA                     | Year of Assessment                         |


# Budget 2025 Seminar

## Kuala Lumpur



Fostering a resilient economy through inclusive growth

### Event details

|                             |   |
|-----------------------------|---|
| <b>Date:</b>                | Tuesday, 5 November 2024  |
| <b>Time:</b>                | 8:00am - 5:00pm   |
| <b>Venue:</b>               | Renaissance Kuala Lumpur Hotel & Convention Centre                                  |
| <b>Contact:</b>             | Fazlina Jaafar / Puteri Nur 'Alia Megat Azman<br>(03) 2173 3830 / 1188              |
| <b>Email:</b>               | <a href="mailto:my_events@pwc.com">my_events@pwc.com</a>                            |
| <b>Online registration:</b> |  |

# Budget 2025 Seminar

## Regional

|                 | Penang  | Johor Bahru   | Kuching   |
|-----------------|---|---|---|
| <b>Date:</b>    | Tuesday,<br>12 November 2024                          | Wednesday,<br>13 November 2024                                    | Wednesday,<br>13 November 2024                              |
| <b>Time:</b>    | 8:30am to 5:00pm                                      | 8:00am to 5:00pm  | 8:00am to 5:00pm  |
| <b>Venue:</b>   | E&O Hotel, Penang                                     | DoubleTree by Hilton,<br>Johor Bahru                              | Auditorium, Borneo<br>Cultures Museum                       |
| <b>Contact:</b> | Ong Bee Ling /<br>Ann Yew<br><br>(04) 238 9170 / 9291 | Hanisah Azman / Jananee<br>Ravinthara<br><br>(07) 218 6000 / 6012 | Geraldine Tan /<br>Chan Su Feng<br><br>(082) 527 226 / 216  |
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