TAX FLASH

NOVEMBER 2024 (SPECIAL EDITION)

2025 Budget Highlights

With the release of the Finance Bill 2024 on 19th November 2024, we provide you with the updates on the additional amendments contained therein besides those key tax proposals of the Budget 2025 as announced by the honourable Prime Minister and Finance Minister Dato' Seri Anwar Ibrahim on 18th October 2024. The updated key amendments are outlined broadly into the following categories:-

A. Income Tax – Changes Affecting Individuals
B. Income Tax – Changes Affecting Companies and Unincorporated Businesses
C. Capital Gains Tax
D. Investment Incentives
E. Real Property Gains Tax
F. Stamp Duty
G. Sales and Service Tax and Indirect Taxes
H. Labuan
I. Others

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- Measures for the Collection, Administration and Enforcement of Tax Bill 2024
- Labuan Business Activity Tax (Amendment) (No. 2) Bill 2024

Legend

CGT	=	Capital Gains Tax
COVID-19	=	Coronavirus Disease 2019
DGIR	=	Director General of Inland Revenue
DGRMC	=	Director General of Royal Malaysian Customs
e-Invoice	=	Electronic Invoice
EPF	=	Employees Provident Fund
ESG	=	Environmental, Social and Governance
EV	=	Electric Vehicle
GLC	=	Government-Linked Companies
HRD Corp	=	Human Resources Development Corporation
ICT	=	Information and Communication Technology
IRB	=	Inland Revenue Board
ITA	=	Investment Tax Allowance
ITA 1967	=	Income Tax Act 1967
LBATA 1990	=	Labuan Business Activity Tax Act 1990
LLP	=	Limited Liability Partnership
MIDA	=	Malaysian Investment Development Authority
MOF	=	Ministry of Finance
MSME	=	Micro, Small and Medium Enterprise
PS	=	Pioneer Status
R&D	=	Research and Development
RA	=	Reinvestment Allowance
RPGT	=	Real Property Gains Tax
RPGT ACT 1976	=	Real Property Gains Tax Act 1976
SA 1949	=	Stamp Act 1949

SC	=	Securities Commission
SCIT	=	Special Commissioners of Income Tax
SME	=	Small and Medium Enterprise
SOCSO	=	Social Security Organisation
SSPN	=	*Skim Simpanan Pendidikan Nasional*
Talent Corp	=	Talent Corporation Malaysia Berhad
TIN	=	Tax Identification Number
YA	=	Year of Assessment

A. Income Tax – Changes Affecting Individuals

1. Imposition of Dividend Tax on Dividends Received by Individual Shareholders

- Effective YA 2008, the single-tier tax system for dividends has been established, where the tax on company profits is final and any dividends distributed are exempted from income tax at the shareholder level
- To establish a more progressive individual income tax system and broaden the tax base, it is proposed that a Dividend Tax of 2% be imposed on chargeable dividend income (derived via the formula shown below) received by individual shareholders (residents and non-residents), either through direct shareholding or a nominee in which the annual dividend income exceeds RM100,000
- The prescribed formula to determine the chargeable dividend income (in the event the individual taxpayer has dividend income and other income) is as follows:-

$$\frac{A}{B} \times C = D$$

Where

A – Statutory dividend income
B – Aggregate income
C – Chargeable income
D – Chargeable dividend income*

* after taking into account allowances and deductions

- It is further proposed that a company shall, upon paying, crediting or distributing a dividend which is deemed to be derived from Malaysia to its individual shareholders, furnish to the individual shareholders with a certificate stating the gross amount of the dividend and the amount of dividend paid or credited, or where the dividend includes property other than money, also stating the market value of that property at the time of distribution
- The Dividend Tax shall not apply to:-
  - dividend income from abroad;
  - dividend income distributed from the profits of companies that enjoyed PS and RA;
  - dividend income paid, credited or distributed from the profits of shipping companies that are exempted from tax;
  - dividend income distributed by co-operatives;
  - dividend income declared by closed-end funds;
  - dividend income received by residents from Labuan entities; and
  - any exemption given on dividend income at individual shareholder level as determined by the MOF
- Dividend Tax is not applicable to profit distributions made to contributors and depositors by EPF, Armed Forces Fund Board, *Amanah Saham Nasional Bumiputera* or any unit trusts
- Effective YA 2025

2. Approval for Provision of Services, Public Amenities and Contributions to a Charity or Community Project and Provision of Infrastructure

- Please refer to Part B2 below

3. Increase in Tax Reliefs for Disabled Self, Spouse and Child

- It is proposed that the following tax reliefs granted to disabled persons be increased:-
  - from RM6,000 to RM7,000 – for a resident taxpayer who is a disabled person;
  - from RM5,000 to RM6,000 – for a resident taxpayer with a disabled spouse; and
  - from RM6,000 to RM8,000 – for a resident taxpayer with an unmarried disabled child
- Effective YA 2025

4. Expansion of Scope of Tax Relief for Medical Treatment, Special Needs and Carer Expenses for Parents

- Currently, tax relief up to RM8,000 is given on medical expenses, special needs and parental care in respect of:-
  - a) treatment in clinics and hospitals;
  - b) treatment at nursing homes;
  - c) dental treatment;
  - d) treatment and home care nursing, day care centres and residential care centres; and
  - e) complete medical examination (limited to RM1,000)
- It is proposed that the scope for complete medical examination be expanded to include any vaccination
- It is further proposed that the scope of the tax relief as mentioned in (a) to (e) above (including the vaccination expenses) be expanded to include grandparents
- Effective YA 2025

5. Expansion of Scope of Tax Relief for Medical Expenses for Self, Spouse and Child

- Currently, tax relief of up to RM10,000 is given for medical treatment expenses incurred:-
  - for self/spouse/child on:-
    - serious disease;
    - vaccination (limited to RM1,000);
    - complete medical examination, mental health examination, COVID-19 detection test including the purchase of self-test kits (limited to RM1,000); and
    - dental examination and treatment expenses (limited to RM1,000)
  - for self/spouse on:-
    - fertility treatment
  - for child on:-
    - diagnostic and rehabilitation treatment for children with learning disabilities such as Autism, Down Syndrome and Specific Learning Disabilities (limited to RM4,000)
- It is proposed that:-
  - the scope for complete medical examination be expanded to include fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear
  - COVID-19 detection test including the purchase of self-test kits be replaced by the purchase of self-testing medical device registered under the Medical Device Act 2012 such as glucometer, pulse oximeter, blood pressure monitor and thermometer
  - relief for diagnostic and rehabilitation treatment for children with learning disabilities such as Autism, Down Syndrome and Specific Learning Disabilities be increased from RM4,000 to RM6,000
- Effective YA 2025

6. Extension of Tax Relief Period for *Skim Simpanan Pendidikan Nasional*

- It is proposed that relief of up to RM8,000 given on net savings deposited into SSPN established under the *Perbadanan Tabung Pendidikan Tinggi Nasional* Act 1997 by a resident individual for his or her child be extended for another 3 years, subject to the following additional conditions:-
  - the tax relief can only be claimed by either parent, for SSPN savings, with maximum claim limited to RM8,000, regardless of the number of children; and
  - withdrawals from the SSPN fund for the purposes of higher education expenses of the child will not be considered in the calculation of net savings for that particular year and will not affect the eligible amount for tax relief
- Effective YA 2025 to YA 2027

7. Extension of Tax Relief Period for Fees Paid to Child Care Centres and Kindergartens

- It is proposed that relief of up to RM3,000 given to either parent of a child on fees paid to a child care centre registered with the Director General of Social Welfare under the Child Care Centre Act 1984 or a kindergarten registered under the Education Act 1996 for the child aged 6 and below be extended for another 3 years
- Effective YA 2025 to YA 2027

8. Expansion of Scope for Tax Relief for Purchase for Sports Equipment and Related Activities

- Currently, tax relief up to RM1,000 is given to a resident individual on the expenses incurred for sports equipment and related activities for self, spouse and child
- It is proposed that the scope for tax relief be expanded to include expenses incurred for purchase of sports equipment and related activities for parents who are residents in Malaysia
- Effective YA 2025

9. Expenses for the Purchase of Domestic Food Waste Composting Machine Forming Part of the Scope of Relief for EV Charging Facilities

- Currently, tax relief of up to RM2,500 is given on expenses related to installation, rental, purchase including hire-purchase equipment or subscription for EV charging facilities for the individual own vehicle for the YA 2023 to YA 2027
- In order to encourage food waste recycling activities, it is proposed that the expenses incurred on the purchase of food waste compost machine used for the household purpose of the individual be allowed tax relief once within 3 years of assessment and this new tax relief together with the tax relief for EV charging facilities shall be limited to RM2,500
- Effective YA 2025 to YA 2027

10. Relief for Housing Loan Interest Payment for First Residential Property

- Previously, tax relief of up to RM10,000 per year of assessment on the interest on housing loan was introduced in the 2009 Second Stimulus Package (effective YA 2009) with the following conditions:-
  - the individual must be a citizen and resident of Malaysia;
  - limited to one residential property (i.e. house, flats, apartments or condominiums);
  - the sales and purchase agreement executed on or after 10th March 2009 but not later than 31st December 2010; and
  - the individual has not derived any income in respect of the residential property (i.e. rental income)
- The relief given is for 3 consecutive years of assessment starting from the basis year in the year of assessment in which the interest is first expended
- In order to encourage the purchase of a first residential property (i.e. house, condominium unit, apartment or flat which is built as a dwelling house) and to increase the disposable income, it is proposed that the tax relief on the interest payments to finance the purchase of the residential property (individually or jointly owned) be given as follows:-

Price of Residential Property	Total Tax Relief per Year
Up to RM500,000	RM7,000
Exceeding RM500,000 but not more than RM750,000	RM5,000

- To be eligible to the above tax relief, the following conditions must be fulfilled:-
  - the individual must be a citizen and resident of Malaysia;
  - the residential property is the first residential property purchased by the individual to be occupied as his place of residence and limited to only one residential property;
  - the individual shall not derive any income in respect of the residential property (i.e. rental income);
  - the sales and purchase agreement is executed on or after 1st January 2025 but not later than 31st December 2027;

- the relief is given for 3 consecutive years of assessment, commencing from the first year the interest is paid; and
- the prescribed formula to determine the allowable tax relief if 2 or more individuals are each entitled to claim the relief in respect of the same residential property is as follows:-

$$A \times \frac{B}{C}$$

Where

A – Total amount of deduction allowed for that year
B – Total interest expended in the basis year by that individual
C – Total interest expended in the basis year by all such individuals

- Effective 1st January 2025

11. Increase of Tax Relief for Education and Medical Insurance

- It is proposed that the relief on education and medical insurance given to a resident individual for self, spouse and child be increased from RM3,000 to RM4,000
- Effective YA 2025

12. Extension of Tax Relief Period for Private Retirement Scheme and Deferred Annuities

- Currently, tax relief of up to RM3,000 is given on contributions made to a Private Retirement Scheme approved by the SC and deferred annuity premium and the tax relief is available up to YA 2025
- It is proposed that the tax relief be extended for another 5 years
- Effective YA 2026 to YA 2030

13. Access to Tax Identification Numbers

- Please refer to Part B3 below

14. Requirement for Furnishing Amended Return Forms via e-Filing

- It is proposed that all tax payers are obliged to furnish Amended Tax Return in an electronic medium or by way of electronic transmission
- Effective YA 2025

15. Expansion of the Scope of Income Tax Exemption for Child Care Allowance under Perquisites from Employment

- Currently, income tax exemption of up to RM3,000 per year of assessment is given on perquisites received by employees, whether in the form of child care allowance or payment of child care fee directly by employers to child care centres, in respect of children aged 12 and below
- To encourage continuous well-being, welfare and elderly care, it is proposed that the tax exemption be expanded to include the perquisites received or deemed received for elderly care (parents/grandparents)
- Effective YA 2025

16. Extension of Tax Exemption on Foreign-Sourced Income for Individuals

- Currently, all sources of income (excluding a source of income from a partnership business in Malaysia) under Section 4 of the ITA 1967 which are received in Malaysia from outside Malaysia by a qualifying individual during the period from 1st January 2022 to 31st December 2026 are exempted from the payment of income tax, provided that the individual satisfies all the conditions for exemption, for instance, the income exempted from tax has been subjected to tax of a similar character to income tax under the laws of the foreign jurisdiction where the income arises
- It is proposed that the income tax exemption be extended for another 10 years
- Effective 1st January 2027 to 31st December 2036

17. Income Tax Exemption on Prize Money Received from the Government for Sports Event

- It is proposed that tax exemption be given to special rewards for sport victories granted under Sports Victory Reward Scheme received by individual sports athletes and sports team from the Government which is channeled through The National Sports Council of Malaysia
- The details of exemption will be specified in the relevant legislations
- Effective 1st January 2024

B. Income Tax – Changes Affecting Companies and Unincorporated Business

1. Imposition of Dividend Tax on Dividends Received by Individual Shareholders

- Please refer to Part A1 above on the company's obligation to issue dividend vouchers to its individual shareholders

2. Approval for Provision of Services, Public Amenities and Contributions to a Charity or Community Project and Provision of Infrastructure

- Currently, tax deductions for the following are given:-
    - under Section 34(6)(h) of the ITA 1967 for the amount incurred on the provision of services, public amenities and contributions to a charity or community project approved by the MOF
    - under Section 34(6)(ha) of the ITA 1967 for the amount incurred on the provision of business-related infrastructure for public use, subject to prior approval of the MOF
- It is proposed that:-
    - for amount of expenditure not more than RM300,000, the amount of expenditure shall be verified and the charity or community project or the provision of infrastructure shall be approved by the relevant government authority; and
    - for amount of expenditure more than RM300,000, the amount of expenditure shall be verified by the relevant government authority and the charity or community project or the provision of infrastructure shall be approved by the MOF

3. Access to Tax Identification Number

- Currently, the DGIR is empowered to assign a TIN to registered taxpayers under Section 66A of the ITA 1967
- It is proposed that Section 66A of the ITA 1967 be amended to enable the access to TIN by parties other than the taxpayer and the DGIR shall not be liable for any loss or damage suffered by any person due to error or omission in providing access to the TIN
- Any person who has access to a TIN of another person and misuses the TIN information shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM4,000 or to imprisonment not exceeding 1 year or both
- Effective 1st January 2025

4. Timeframe to Issue a Substitute e-Invoice Due to Errors or Mistakes

- Currently, any person who makes an error or mistake in an e-invoice issued, may rectify it by issuing a substitute e-invoice within 3 days from the date of issuance of the defective e-invoice
- It is proposed that the timeframe for issuing a substitute e-invoice be revised to 72 hours from the time the defective e-invoice is issued
- Effective 1st January 2025

5. Opportunity to Revise the DGIR's Direction on the Estimate of Tax Payable

- The DGIR may direct any company, LLP, trust body or co-operative society to make payment by instalments based on the estimate of tax payable determined by the DGIR, notwithstanding the amount of estimate / revised estimate of tax payable submitted by the company, LLP, trust body or co-operative society for that year of assessment
- Currently, a revision of the estimated tax payable is allowed on the DGIR's direction if the direction is issued before the 9th month of the basis period for that year of assessment
- It is proposed that the opportunity to revise the estimated tax payable be extended to the situation where the DGIR's direction is issued before the 11th month of the basis period for that year of assessment
- Effective YA 2025

6. Penalty for Incorrect Returns, Information or Reports Related to the Automatic Exchange of Information and Country-by-Country Reporting

- Currently, if a person makes an incorrect return, information return or report by omitting required information, or gives any incorrect information in relation to any required information related to the arrangements for automatic exchange of information or country-by-country reporting shall, on conviction, be liable to a fine of RM20,000 to RM100,000 or to imprisonment for a term not exceeding 6 months or both unless the person can prove that the mistake was made in good faith
- It is proposed that the DGIR be empowered to compound the offence if no prosecution is instituted requiring payment of a penalty of not less than RM20,000 and not more than RM100,000
- Effective 1st January 2025

7. Aligning Penalty Collection Under Sections 113A and 113B of the ITA 1967

- Currently, any penalty imposed on a person under Sections 44A(9), 112(3) or 113(2) of the ITA 1967 shall be collected as if it were part of the tax payable by that person
- It is proposed that the list of sections under which penalties can be collected as if they were part of the tax payable by a person be expanded to include Section 113B(4) of the ITA 1967 (penalty for default where no prosecution for failure to furnish contemporaneous transfer pricing documentation) and Section 113A(2) of the ITA 1967 (the new penalty collection process for incorrect returns, information returns or reports as mentioned in item 6 above)
- Effective 1st January 2025

8. Limitation Period to Amend and Add on the Grounds of Appeal in Form Q

- Currently, taxpayer may at the hearing of an appeal rely on grounds of appeal other than those stated in a petition of appeal (i.e. Form Q) and may vary any ground of appeal in the Form Q. However, where the taxpayer does so without giving reasonable notice to the DGIR, the SCIT shall adjourn the hearing for a reasonable period if requested by the DGIR
- It is proposed that any amendment and addition to the grounds of appeal be made via a written notice to the SCIT and DGIR within 6 months from the date of the notice from the DGIR that the appeal is filed to the SCIT
- Effective 1st January 2025

9. Review of Capital Allowance on ICT Equipment, Computer Software and Related Consultation Services

- To encourage full implementation of e-Invoicing by 1st July 2025, it is proposed that capital allowance rates on qualifying expenditure incurred by a resident person on purchase of ICT equipment and computer software be revised as follows:-

Qualifying Expenditure	Existing Capital Allowance Rates	Proposed Capital Allowance Rates
Purchase of ICT equipment and computer software packages	Initial allowance: 40% *(Note 1)* Annual allowance: 20%	Initial allowance: 20% Annual allowance: 40% *(Note 2)*
Consultation, licensing and incidental fees related to the development of customised computer software		

***Notes**:-*

1. *The initial allowance rate for the qualifying expenditure has been revised from 20% to 40% following the gazettement of the relevant statutory orders issued on 30th October 2024*
2. *This applies only to taxpayers who will not be utilising the 6-month interim relaxation period for implementing e-Invoicing as per the media release published by the IRB on 26th July 2024 and only if the qualifying expenditure relates to the implementation of e-Invoicing*

- Effective YA 2024 and YA 2025

10. Expansion of the Scope of Deduction on Cost of Developing New Courses at Private Higher Education Institutions

- Currently, Private Higher Education Institutions ["PHEIs"] are eligible for tax deduction on expenses incurred for the development and compliance of new courses. A deduction of one-third of the amount incurred will be allowed in the first year of assessment and for each of the following 2 years of assessment. The expenses are deemed to be incurred in the basis period for the year of assessment in which the date of completion of the new course falls
- It is proposed that the deduction on expenses of developing new courses be fully claimed within the same year of assessment and be extended to include the development of Technical and Vocational Education and Training ["TVET"] courses by private skills training institutions
- Effective YA 2025 to YA 2030

11. Further Deduction for Hiring Women Returning to Work

- Currently, employers are eligible for tax deductions on employment expenses incurred pursuant to Section 33 of the ITA 1967
- It is proposed that a 50% further deduction be given to employers on employment expenses incurred for a period of 12 months for hiring women returning to work
- Effective for applications received by Talent Corp from 1st January 2025 to 31st December 2027

12. Further Deduction for the Costs of Implementation of Flexible Working Arrangements

- Previously, double deduction was given for the implementation of flexible work arrangements ["FWA"] and improvement to FWA
- It is proposed that a 50% further deduction be given on expenses for capacity building and software acquisition for implementing FWA and the total expenses is capped at RM500,000 subject to a one-off claim
- Effective for applications received by Talent Corp from 1st January 2025 to 31st December 2027

13. Further Deduction for Employers Providing Caregiving Leave Benefit

- Currently, tax deduction under Section 33 of the ITA 1967 is given to employers who provide paid leave benefit
- It is proposed that a 50% further deduction be given to employers for additional paid leave of up to 12 months for employees caring for children, ill or disabled family members
- Effective for applications received by Talent Corp from 1st January 2025 to 31st December 2027

14. Further Deduction for Employers Providing Elderly Care Allowance to Employees

- Currently, employers are given further tax deduction for child care allowance paid to employees
- To encourage continuous well-being and elderly care as the country approaches aging nation status, it is proposed that the existing further tax deduction for child care allowance paid by employers to employees be expanded to include elderly care (parents/grandparents) allowance
- Effective YA 2025

15. Extension of Tax Incentive for Structured Internship Programme

- Currently, double deduction is given on qualifying expenditure incurred by companies that implement Structured Internship Programme approved by Talent Corp for students pursuing Master's Degree, Bachelor's Degree, Diploma, Professional Certificate and TVET programme in all academic fields up to YA 2025
- It is proposed that the above double deduction be extended for another 5 years and expanded to include students undergoing structured training conducted by industry regulatory bodies
- Effective YA 2026 to YA 2030

16. Extension of Tax Deduction for Sponsorship of Smart Artificial Intelligence Driven Reverse Vending Machine

- Currently, the tax deduction under Section 34(6)(h) of the ITA 1967 is given on contributions for community projects, including sponsorships of Smart Artificial Intelligence Driven Reserve Vending Machine for applications received by the MOF from 1st April 2023 until 31st December 2024
- To further support the plastic waste recycling practices and to increase the collected-for-recycling rate, it is proposed that the above tax deduction be extended for another 2 years, i.e. from 1st January 2025 to 31st December 2026

17. Tax Deduction for Equipment and New Machinery Donated to Public Skills Training Institutions, Polytechnics or Vocational Colleges

- It is proposed that companies be given tax deductions on equipment and machinery donated to public skills training institutions, polytechnics or vocational colleges registered from YA 2025 to YA 2027

18. Tax Deduction for Scholarships to Children to Pursue Higher Education

- To encourage the corporate sector to provide more educational scholarships up to university level, especially for low and middle income groups, it is proposed that expenses related to providing scholarships be eligible for tax deduction
- The effective date of this proposal is unknown

19. Tax Deduction for Contribution to Rare Disease Fund

- The Government has established the *Tabung Penyakit Jarang Jumpa* (Rare Disease Fund) with the following measures:-
  - allocation of medical cost coverage on rare diseases to be increased to RM25 million;
  - the my*Salam* scheme is expanded to include rare disease and Rheumatoid Arthritis patients; and
  - contributions to the fund be eligible for tax deduction equivalent to the total contribution made
- The effective date of this proposal is unknown

20. Expansion of the Scope of Expenses for Charitable Organisations to Cover Aid Contributions to Affected Non-Citizens

- To support the collective responsibility of aid collection efforts, it is proposed that the scope of the expenses under Section 44(6) of the ITA 1967 be expanded to include aid contributions made by charity organisations to affected non-citizens
- The effective date of this proposal is unknown

21. Expansion of the Scope of Expenses for Charitable Organisations to Cover Salaries or Wages of the Educators

- To improve educational access for underprivileged students, it is proposed that the scope of the expenses under Section 44(6) of the ITA 1967 be expanded to include salaries or wages of educators paid by the educational institutions and organisations approved under Section 44(6) of the ITA 1967
- The effective date of this proposal is unknown

C. *Capital Gains Tax*

1. Determination of Acquisition Date and Acquisition Price of Shares in a Relevant Company

- Currently, the shares of a Relevant Company ["RC"] (which is a controlled company incorporated outside Malaysia which owns real property situated in Malaysia or shares in another controlled company or both) owned by a company, LLP, trust body or co-operative society is deemed to be acquired:-
  a) on the date the defined value of the real property or shares in another controlled company or both owned by the RC is not less than 75% of the value of its total tangible assets; or
  b) on the date of acquisition of the shares of the RC
- For (a), the acquisition price of the RC shares shall be deemed to be equal to a sum determined in accordance with the following prescribed formula:-

$$\frac{A}{B} \times C$$

Where

A – Number of shares in the RC

B – Total number of issued shares in the RC at the acquisition date of the RC

C – Defined value of the real property and shares in another controlled company owned by the RC at the acquisition date of the RC

- For (b), the acquisition price of the RC shares shall be the amount or value of the consideration for the acquisition of the RC shares
- It is proposed that:-
  - for a RC that was a real property company ["RPC"] as defined under Paragraph 34A(6) of Schedule 2 to the RPGT Act 1976 prior to the introduction of CGT effective 1st January 2024, the acquisition date and acquisition price of the RC shares for CGT purposes be deemed to be the same as the acquisition date and acquisition price of the RPC shares determined under Paragraphs 34A(2) and 34A(3) of Schedule 2 to the RPGT Act 1976
  - if at the date of acquisition of the RC shares, the defined value of the RC's real property and shares in another controlled company is less than 75% of the RC's total tangible assets and the RC subsequently acquires additional real property or shares in another controlled company resulting in the defined value of these assets to be not less than 75% of the RC's total tangible assets, the RC shares shall be deemed to be acquired on this later date ["Subsequent Acquisition Date"]
  - when the RC shares are deemed to be acquired on the Subsequent Acquisition Date, the acquisition price of the RC shares shall be deemed to be equal to a sum determined in accordance with the following prescribed formula:-

$$\frac{A}{B} \times C$$

Where

A – Number of shares in the RC disposed of

B – Total number of issued shares in the RC at the Subsequent Acquisition Date

C – Defined value of the real property and shares in another controlled company owned by the RC at the Subsequent Acquisition Date

- Effective 1st January 2025

2. Determination of the RC Status

- It is proposed that a RC will cease its RC Status from the date it disposes of real property or shares in another controlled company, if the defined value of the real property or shares in another controlled company or both held at the date of disposal and thereafter, becomes less than 75% of the value of its total tangible assets
- Effective 1st January 2025

3. New Definition of "Another Controlled Company" and Amendment to the Definition of "Value of Its Total Tangible Assets"

- New definition be introduced to define "**another controlled company**" as a controlled company which owns real property situated in Malaysia (including any right or interest thereof) or shares in another controlled company, or owns both, where the defined value of the real property or shares, or both, is not less than 75% of the value of its total tangible assets
- The following definition of "**value of its total tangible assets**" as applied to the RC shall also be applied to "another controlled company":-
    - the aggregate of the defined value of real property (including any right or interest thereof) or shares of another controlled company or both and the value of other tangible assets
- Effective 1st January 2025

D. Investment Incentives

1. Tax Incentive for Smart Logistics Complex

- To enhance supply chain efficiency through advanced technologies adaptation in logistics, it is proposed that the following tax incentive be given to the Smart Logistics Complex ["SLC"], which is a modern warehouse utilising Internet of Things ["IoT"] and Artificial Intelligence ["AI"] technologies:-
    - ITA of 60% on qualifying capital expenditure incurred for a period of 5 years to be set off against 70% of statutory income for each year of assessment
- The conditions to be fulfilled are as follows:-
    - Eligible SLC companies
        - SLC Investor and Operator that invest in the construction of smart warehouses and undertake eligible logistics services activities; or
        - SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years and undertakes eligible logistics services activities
    - Eligible logistics services
        - Regional distribution centres;
        - Integrated logistics services;
        - Storage of hazardous goods; or
        - Cold chain logistics
    - Warehouse with a minimum build-up area of 30,000 square metres;
    - Adaptation of at least 3 Fourth Industrial Revolution ["IR4.0"] elements; and
    - Other conditions as prescribed
- Effective for applications received by MIDA from 1st January 2025 to 31st December 2027

2. Expansion of Increased Export Incentive for Services Sector

- Currently, companies engaged in selected service activities with increased exports are eligible for tax exemption up to 70% of the statutory income equivalent to 50% of the value of increased exports
- It is proposed that the increased export incentive for the services sector be expanded to include Integrated Circuit Design services
- Effective YA 2025

3. Tax Incentives to Encourage ESG-Compliant Investments

- To ensure investments are ESG-compliant, ITA or income tax exemptions be provided for carbon, capture, usage and storage ["CCUS"] activities

4. Supply Chain Resilience Initiative

- To strengthen the local supply chain and the key sector of the ecosystems, the Government has introduced the Supply Chain Resilience Initiative. Under this initiative, it is proposed that:-
    - double deduction for expenditure of up to RM2 million per annum be given to multinational enterprises ["MNEs"'] for 3 consecutive years;
    - MNEs or their suppliers who have joint venture investments with other local suppliers be given a tax deduction on the investment made; and
    - local suppliers involved be given suitable tax incentive package
- The effective date of this proposal is unknown

5. Special Tax Incentive Rates for Investments in 21 Economic Sectors

- To narrow the regional economic disparity and subject to the achievement of economic spillover effects, special tax incentive rates are offered for investments in 21 economic sectors across states such as Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak
- The effective date of this proposal is unknown

E. Real Property Gains Tax

1. Changes to Chargeable Gain Computation

- Currently, RPGT is imposed on the total amount of chargeable gains arising from the aggregated disposals of chargeable assets in a year of assessment
- It is proposed that chargeable gain be computed separately for each disposal of a chargeable asset as opposed to being aggregated
- Effective 1st January 2025

2. Tax Treatment on Allowable Losses

- Currently, an allowable loss from a disposal of a chargeable asset can be offset against the total chargeable gains of the aggregated disposals of other chargeable assets of a person for a particular year of assessment, including gain from an earlier disposal within the same year of assessment. Where the allowable loss cannot be fully deducted in a year of assessment due to insufficiency or absence of chargeable gain in a year of assessment, the remaining loss can be carried forward and deducted in the subsequent year of assessment until the whole amount is fully utilised
- It is proposed that an allowable loss will only be allowed to reduce the chargeable gain from subsequent disposal of chargeable asset within the same year of assessment. Any unutilised allowable loss can continue to be carried forward
- Effective 1st January 2025

3. Implementation of Self-Assessment System for RPGT

- It is proposed that the following additional changes be made consequential to the implementation of self-assessment system for RPGT proposed during 2024 Budget which takes effect from 1st January 2025:-
    - **Electronic Medium and Transmission**
        - Returns (for the disposal and acquisition of a chargeable asset), notifications (that the disposal is not subject to or exempt from RPGT), and elections (for private residence exemption) shall be furnished to the DGIR in an electronic medium or via electronic transmission
        - Certificate of non-chargeability to the disposer to be served by the DGIR in an electronic medium or via electronic transmission after the return for disposal is furnished
        - Notifications that the disposal is not subject to or exempt from RPGT filed by the disposer to the DGIR shall be deemed to have been served on the acquirer on the day it is electronically furnished to the DGIR
    - **Payment of Tax**
        - For submission of return, the tax on deemed assessment shall be due and payable within the period of 90 days instead of 60 days from the date of disposal
        - If the tax is not paid within the stipulated period, the tax shall be increased by a sum equal to 10% of the amount of such tax
- Effective 1st January 2025

4. Failure to Submit Returns, Information and Documents

- Currently, a person who without reasonable excuse fails to furnish a return under Section 13 of the RPGT Act 1976 or information and documents under Section 27 and Section 28 of the RPGT Act 1976 is guilty of an offence and shall, on conviction, be liable to a fine or to imprisonment or to both
- It is proposed that where the person has been convicted of the aforesaid offense, the court may make a further order requiring the person to submit the return, information or documents under the relevant provisions of the RPGT Act 1976 within 30 days or a period determined by the court from the date the order is made
- Effective 1st January 2025

F. Stamp Duty

1. Review of Stamp Duty on Exchange of Real Property

- Currently, the principal instrument for the exchange or partition or division of any real property concerning payment of consideration for equality is subject to *ad-valorem* stamp duty as a conveyance on sale for the consideration, while the other instruments for completing the title of either party is subject to fixed stamp duty
- It is proposed that:-
  - *ad-valorem* stamp duty be imposed on instrument for the exchange or partition or division of the real property irrespective of whether it involves a consideration, treated as a conveyance on sale
  - fixed rate of RM10 be imposed on instrument for the exchange or partition or division of the real property where no consideration is involved if:-
    - in such partition or division, both transferor and transferee are the original owners of the real property;
    - the exchange of real property is with the Ruler of a State, Government or State Government; or
    - the exchange of real property is between husband and wife, parent and child, grandparent and grandchild, or among siblings
- Effective 1st January 2025

2. New Minimum Amount of Stamp Duty

- It is proposed that the minimum amount of stamp duty of RM10 be imposed as duty for each instrument where the duty is less than RM10, except for cheque and contract note
- Effective 1st January 2025

3. Review of Penalty for Late Stamping

- Currently, an instrument which is not stamped within the specified period in or under Section 40 of the SA 1949 (Time of Stamping After Adjudication) or Section 47 of the SA 1949 (Stamping of Instrument After Execution) may be stamped on payment of the unpaid duty and a penalty under Section 47A(1) of the SA 1949 as follows:-

Period of Late Stamping	Penalty
Not exceeding 3 months	RM25 or 5% of deficient duty*
Exceeding 3 months but not exceeding 6 months	RM50 or 10% of deficient duty*
Exceeding 6 months	RM100 or 20% of deficient duty*

** whichever is greater*

- It is proposed that the penalty under Section 47A(1) of the SA 1949 be revised as follows:-

Period of Late Stamping	Penalty
Not exceeding 3 months	RM50 or 10% of deficient duty*
Exceeding 3 months	RM100 or 20% of deficient duty*

** whichever is greater*

- It is further proposed that the late stamping penalty be extended to include cheque or promissory notes drawn or made out of Malaysia which is not stamped within the specified period under Section 43 of the SA 1949 (Bills, Cheques or Notes Drawn Out of Malaysia)
- Effective 1st January 2025

4. Review of Stamp Duty on the Assignment of Life Insurance Policy and Family *Takaful* Certificate

- Currently, the deed of assignment for life insurance policy and family *takaful* certificate is subject to *ad-valorem* stamp duty rates under Item 32(a) of the First Schedule to the SA 1949 as follows:-

Ownership Transfer Value	Stamp Duty
The first RM100,000	1%
Excess of RM100,000 but not exceeding RM500,000	2%
Excess of RM500,000 but not exceeding RM1,000,000	3%
Excess of RM1,000,000	4%

- It is proposed that the deed of assignment for life insurance policy and family *takaful* certificate given by way of love and affection or through a trustee be subject to stamp duty at a fixed rate as follows:-

Ownership Transfer Value	Stamp Duty
The first RM100,000	RM10
Excess of RM100,000 but not exceeding RM500,000	RM100
Excess of RM500,000 but not exceeding RM1,000,000	RM500
Excess of RM1,000,000	RM1,000

- Effective for deed of assignment for life insurance policy and family *takaful* certificate executed from 1st January 2025

5. Review of Stamp Duty on Loan or Financing Agreements Based on *Shariah* Principles

- It is proposed that Item 22(6) of the First Schedule to the SA 1949 be amended to clarify that the instrument for securing the payment or repayment of money for the purchase of goods within the meaning given under the First Schedule to the Hire Purchase Act 1967 in accordance with any *Syariah* principles or conventional hire purchase is chargeable to fixed duty of RM10
- Effective 1st January 2025

6. Review of Stamp Duty on Instrument of Cheque

- Currently, stamp duty on instrument of cheque is subject to a fixed duty of RM0.15 under Item 29 of the First Schedule to the SA 1949
- It is proposed that the stamp duty rate on the instrument of cheque be increased from RM0.15 to RM1.00
- Effective 1st January 2025

7. Review of Stamp Duty on Power or Letter of Attorney

- Currently, all power or letter of attorney (except for the sole purpose of appointing or authorising any person to vote as proxy at a meeting of a Company or Association) is subject to a fixed duty of RM10 under Item 59 of the First Schedule to the SA 1949
- It is proposed that *ad-valorem* stamp duty be imposed on power or letter of attorney being conveyance of real property with consideration of, and creating by way of, sale or gift
- Effective 1st January 2025

8. Review of Stamp Duty on Lease or Rental of Immovable Property

- Currently, stamp duty on instrument for lease or rental of any immovable property without fine or premium under Item 49 of the First Schedule to the SA 1949 is as follows:-

Average Rent and Other Considerations Calculated for a Whole Year	Up to 1 Year	> 1 Year to 3 Years	> 3 Years
Not exceeding RM2,400	Nil	Nil	Nil
For every RM250 or part thereof in excess of RM2,400	RM1	RM2	RM4

- It is proposed that the stamp duty on instrument for lease or rental of any immovable property without fine or premium be revised as follows:-

Average Rent and Other Considerations Calculated for a Whole Year	Up to 1 Year	> 1 Year to 3 Years	> 3 Years to 5 Years	> 5 Years
For every RM250 or part thereof	RM1	RM3	RM5	RM7

- Effective 1st January 2025

9. Fraud in Relation to Duty

- Currently, the penalty for the offense involving any fraudulent act, contrivance or device not specially provided for by law, with intent to defraud the Government of any duty is a fine of RM5,000
- It is proposed that the fine be revised to between RM1,000 and RM20,000
- Effective 1st January 2025

10. Implementation of Self-Assessment System for Stamp Duty

- Currently, stamp duty assessments are made via Stamp Assessment and Payment System ["STAMPS"] and assessed by the Collector. Payers will make stamp duty payments based on the notice of assessment issued by the Collector through STAMPS
- It is proposed that the self-assessment stamp duty system (or *Sistem Taksiran Sendiri Duti Setem* ["STSDS"]) be implemented in phases based on the types of instruments or agreements. STSDS requires duty payers or appointed agents to upload information in STAMPS and undertake self-assessment of the value of stamp duty for the instruments or agreements and make payments via STAMPS
- It is proposed that the following salient changes be made and introduced to the SA 1949 effective 1st January 2026 consequential to the implementation of STSDS:-

    - **Submission of Returns Electronically and Record-Keeping Duty**
        - A new Section 35A of the SA 1949 be introduced which requires every person, other than authorised person under Section 9 of the SA 1949 to furnish to the Collector, a return in the prescribed form together with the executed instruments subject to stamp duty by way of electronic medium in accordance with Section 77A of the SA 1949
        - The return shall specify the description of the instrument, the amount of stamp duty and other information as required by the Collector
        - A new Section 35B of the SA 1949 be introduced which requires a person who is liable to pay stamp duty on an instrument to keep and retain the instrument executed and its relevant documents for a period of 7 years from the date of the payment of the stamp duty

- **Deemed Assessment on the Return Submitted**
  - An assessment of duty on the instrument based on the return submitted under Section 35A of the SA 1949 shall be deemed to have been made by the Collector on the day the return is furnished and the duty on the instrument shall be due and payable on that day
  - The Collector may assess the duty on the instrument based on the return submitted under Section 35A of the SA 1949 according to his judgment and has power in determining the instrument in any manner as he thinks fit

- **Relief Application in Respect of Error or Mistake**
  - A new Section 50B of the SA 1949 be introduced to allow a person to make an application in writing to the Collector for relief on error or mistake made in a return within 24 months after the return is submitted under Section 35A of the SA 1949

- **Powers of the Collector to Inspect and Audit**
  - The Collector may require any person to deliver to the Collector or attend personally before the Collector to produce for examination any instrument, book, account, record or other document
  - The Collector may search and inspect any instrument, book, account, record, document, object, article, material or thing when entering any land, building and place and may make extracts or copies thereof without a fee or reward
  - The owners and occupiers of lands, buildings and places shall provide the Collector with reasonable facilities and assistance for the performance of duties by the Collector

- **New Penalties for Defaults**
  - The new penalties for defaults are:-

<table>
<tr><th>Offences</th><th>Penalties</th></tr>
<tr><td>Failure to keep and retain the records under Section 9(7) of the SA 1949</td><td rowspan="3">▪ Fine of up to RM10,000 on conviction</td></tr>
<tr><td>Failure to notify the Collector under Sections 15(6A) and 15A(6) of the SA 1949</td></tr>
<tr><td>Failure to retain the instruments and all relevant documents under Section 35B of the SA 1949</td></tr>
<tr><td>Default in furnishing a return for instrument subject to stamp duty</td><td>▪ Fine of up to RM10,000 on conviction
▪ RM200 to RM2,000 if no prosecution</td></tr>
<tr><td>Incorrect return</td><td>▪ Fine of RM1,000 to RM10,000 and a special penalty equal to the amount of duty undercharged on conviction
▪ A penalty equal to the amount of duty undercharged if no prosecution</td></tr>
<tr><td>Obstruction of the Collector</td><td>▪ Fine of up to RM10,000 on conviction</td></tr>
</table>

- **Power for Collector to Raise Assessment and Additional Assessment**
  - A new Section 36CA of the SA 1949 be introduced to empower the Collector to raise an assessment or additional assessment (according to his best judgment) in that year or within 5 years after the date the duty is paid or would have been paid if it appears to him that no or no sufficient assessment has been made on an instrument chargeable to duty
  - In cases of fraud or wilful default or negligence, the Collector may at any time make assessment in respect of that instrument

- **Effective Dates of Self-Assessment System**

Phase	Effective Date	Types of Instruments
Phase 1	1st January 2026	Instruments or agreements related to rental or lease, general stamping and securities
Phase 2	1st January 2027	Instruments of transfer of property ownership
Phase 3	1st January 2028	Instruments or agreements other than those stated under Phase 1 and Phase 2

11. Revision of Stamp Duty Exemption on Loan or Financing Agreements for *Skim Pembiayaan Mikro*

- Currently, stamp duty exemption is given to loan or financing agreements for an amount not exceeding RM50,000 executed on or after 1st January 2012 under the *Skim Pembiayaan Mikro* approved by the National Small and Medium Enterprises Development Council between MSME and financial institutions
- It is proposed that the stamp duty exemption given on loan or financing agreements be increased from an amount not exceeding RM50,000 to not exceeding RM100,000
- Effective for instruments executed from 1st January 2025

12. Stamp Duty Exemption on Loan or Financing Agreements Through the Initial Exchange Offering Platform for MSME

- Currently, stamp duty at a rate between 0.05% and 0.5% under Item 27 of the First Schedule to the SA 1949 is charged on loan or financing agreements executed by MSME and investors through the Initial Exchange Offering ["IEO"] platforms
- It is proposed that stamp duty exemption of 100% be given on loan or financing agreements executed by MSME and investors through the IEO platforms registered with the SC for 2 years
- Effective for loan or financing agreements executed from 1st January 2025 to 31st December 2026

G. *Sales and Service Tax and Indirect Taxes*

1. Introduction of Electronic Service for Windfall Profit Levy Purposes

- It is proposed that the DGRMC may provide an electronic service to any registered user for submitting any application, return, declaration or any other document as well as for issuing any notice, direction, order, permit, receipt or any other document related to windfall profit levy purposes
- The DGRMC shall not be liable for any loss or damage suffered by the registered user due to any error or omission of any nature, or arising from any cause, if such error or omission occurs or arises as a result of any defect or breakdown in the electronic service or in the equipment used to provide the service or without the knowledge of the DGRMC
- Any application, return, declaration or any other document submitted and transmitted by the registered user shall be deemed filed or furnished at the time it is received by the DGRMC
- A "**registered user**" means any person who is authorised in writing by the DGRMC to access and use the electronic service
- Effective upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Bill 2024

2. Due Date for Furnishing Returns for Specific Taxable Periods by Registered Manufacturers or Registered Persons

- Currently, any registered manufacturer (for sales tax) or registered person (for service tax) with a specific taxable period, as varied by the DGRMC, shall furnish a return within 30 days from the end of that specific taxable period
- It is proposed that the registered manufacturer or registered person to furnish a return not later than the last day of the month following the end of the specific taxable period
- Effective upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Bill 2024

3. Power to Assess

- Currently, the DGRMC is empowered to make an assessment against any taxable person who controls or imports any taxable goods. Where the taxable person fails to account for the taxable goods due to the following reasons:-
  - the taxable goods have been sold by him;
  - the taxable goods have been exported or removed by way of sale; or
  - the taxable goods have been lost or destroyed,

  the DGRMC may, to the best of his judgement, assess the amount of sales tax chargeable on any taxable goods if the goods had been sold by him and shall forthwith notify the taxable person of the assessment in writing
- It is proposed that these power to assess be extended to include persons other than taxable person who control or import any taxable goods
- Effective upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Bill 2024

4. Subsequent Taxable Period in Respect of a Registered Seller of Low Value Goods

- It is proposed that the subsequent taxable period for a registered seller of low value goods be extended from 2 months to 3 months
- Effective upon coming into operation of the Measures for the Collection, Administration and Enforcement of Tax Bill 2024

5. Review of Excise Duty Rate on Sugar Sweetened Beverages

- To bolster the health and well-being of the *Rakyat* particularly targeting the prevention of diabetes and obesity, it is proposed that the excise duty on sugar sweetened beverages be increased in phases by RM0.40 per litre
- Effective 1st January 2025

6. Review of Export Duty Exemption on Crude Palm Oil

- To ensure a steady supply of crude palm oil ["CPO"] in the domestic market and to encourage midstream and downstream processing activities for value-added products such as biodiesel and oleochemicals, it is proposed that the export duty for CPO, after taking into account the partial exemption, be revised as follows:-

CPO Market Price (RM/metric tonne)	Export Duty Rate
<2,250	NIL
2,250 – 2,400	3.0%
2,401 – 2,550	4.5%
2,551 – 2,700	5.0%
2,701 – 2,850	5.5%
2,851 – 3,000	6.0%
3,001 – 3,150	6.5%
3,151 – 3,300	7.0%
3,301 – 3,450	7.5%
3,451 – 3,600	8.0%
3,601 – 3,750	8.5%
3,751 – 3,900	9.0%
3,901 – 4,050	9.5%
>4,050	10%

- Effective 1st November 2024

7. Review of Threshold Value for Windfall Profit Levy

- To continue supporting the sustainability of the palm oil industry, it is proposed that the threshold for the windfall profit levy be revised as follows:-

Location	Threshold of CPO Prices (RM/metric tonne)	Rates of Levy
Peninsular Malaysia	3,150	3%
Sabah and Sarawak	3,650	3%

- Effective 1st January 2025

8. Sales Tax Exemption on Mastectomy Bra for Breast Cancer Patients

- In line with the value of compassion and to alleviate the burden of breast cancer patients, it is proposed that sales tax exemption be given for mastectomy bras with tariff codes 6212.10.1100 and 6212.10.9100. Prior to the exemption, the mastectomy bras are subject to 10% sales tax
- Effective for applications received by the MOF from 1st November 2024 to 31st December 2027

9. Review of the Rates of Sales Tax and the Expansion of Service Tax Scope

- To strengthen the fiscal position, sales tax and service tax will be reviewed as follows:-
  - sales tax exemption will be maintained for basic food items consumed by the *Rakyat*;
  - sales tax will be imposed on non-essential items such as imported premium goods, for instance salmon and avocados; and
  - the scope of the service tax will be expanded to include new services such as commercial service transactions between businesses
- Effective 1st May 2025

H. Labuan

1. Transition from Preceding Year Basis to Current Year Basis

- Currently, Labuan entity is taxed on a preceding year basis, where the filing of statutory declaration and a return of profits is within 3 months (or any extended period as may be allowed by the DGIR) from the commencement of a year of assessment
- It is proposed that the assessment of tax be amended from a preceding year basis to a current year basis effective YA 2025 in respect of the basis period ending in the year 2025, where the filing of a return of profits is within 7 months from the financial year end of the Labuan entity
- Accordingly, the year 2025 shall have 2 years of assessment as follows:-
  - basis period ending in the year 2024 – YA 2025 (preceding year basis ["PYB"])
  - basis period ending in the year 2025 – YA 2025 (current year basis ["CYB"])

2. Implementation of Self-Assessment System

- Currently, a return of profits for a Labuan entity carrying on a Labuan business activity is assessed by the DGIR under the Official Assessment System
- It is proposed that the return of profits be self-assessed by the taxpayer
- Please refer to the pertinent points on the changes as follows:-

Before Amendment	After Amendment
Official Assessment System (i) Manual submission of statutory declaration and return of profits (ii) Issuance of notice of assessment by the DGIR (iii) Payment of tax to be made on the date the return of profits and statutory declaration are furnished (iv) Failure to remit tax payable within the stipulated deadline as (iii) above will result in an issuance of notice of demand by the DGIR with an increase in tax of 10% on the balance of tax payable	Self-Assessment System (i) Submission via e-filing system of return of profits (ii) Return filed via e-filing system shall be deemed notice of assessment (iii) Payment of tax to be made on the date the return of profits is furnished (iv) Failure to remit tax payable within the stipulated due date as (iii) above will result in an increase in tax of 10% on the balance of tax payable without any further notice being served

- Penalties be revised and introduced consequentially to the implementation of Self-Assessment System. The key offences and penalties for non-compliance are:-

Offences	Penalties
Failure to furnish correct particulars in return of profits	○ Fine of RM20,000 to RM1,000,000, or imprisonment for a term not exceeding 2 years, or both
Failure to furnish books, accounts, returns, bank statements and other related documents	
Failure to provide information and furnish documents on an electronic medium	
Failure to furnish return of profits	○ Fine of RM20,000 to RM1,000,000, or imprisonment for a term not exceeding 3 years, or both ○ A penalty equal to treble of the amount of tax payable, if no prosecution

Offences	Penalties
Incorrect return of profits and information affecting the chargeability to tax	○ Fine of RM20,000 to RM1,000,000, or imprisonment for a term not exceeding 3 years, or both ○ A penalty equal to the amount of tax undercharged or would have been undercharged, if no prosecution

- Effective YA 2025 (CYB)

3. Removal of "Shipping Operations" from Labuan Trading Activity Definition

- Currently, the definition of Labuan Trading Activity in the LBATA 1990 includes banking, insurance, trading, management, licensing, shipping operations or any other activity which is not a Labuan non-trading activity
- It is proposed that the definition of Labuan trading activity be amended by removing "shipping operations"
- Effective 1st January 2025

4. Labuan Entity – Substantive Conditions

- Currently, Labuan entity carrying on Labuan trading activity is required to have an adequate number of full-time employees and annual operating expenditure as prescribed by the MOF. Whereas Labuan entity carrying on non-trading activity is required to have an adequate number of full-time employees, annual operating expenditure and comply with conditions in relation to control and management in Labuan as prescribed by the MOF
- It is proposed that the substantive conditions for both Labuan trading activity and non-Labuan trading activity be tightened to include condition in relation to "full time employees" which consist of "a fit and proper person" in carrying on a Labuan business activity
- Effective 1st January 2025

5. Obligation to Provide Information and Furnish Documents on an Electronic Medium

- A new Section 22EB of the LBATA 1990 be introduced to require a Labuan entity carrying on a Labuan business activity (Labuan trading activity and Labuan non-trading activity) to provide information and furnish documents on electronic medium or via electronic transmission for the purpose of ascertaining the chargeable profit and tax payable or net profit, as the case may be, within 30 days after the due date of the filing of the return of profits
- Effective YA 2025 (CYB)

6. Extending the Power of the DGIR to Compound Offences

- The power of the DGIR to compound offences under Section 24(1) of the LBATA 1990 be extended to include offences in regard to failure to issue electronic invoices and failure to furnish return of profits
- Effective 1st January 2025

7. Timeframe to Issue a Substitute e-Invoice Due to Errors or Mistakes

- Currently, any person who makes an error or mistake in an e-invoice issued, may rectify it by issuing a substitute e-invoice within 3 days from the date of issuance of the defective e-invoice
- It is proposed that the timeframe for issuing a substitute e-invoice be revised to 72 hours from the time the defective e-invoice is issued
- Effective 1st January 2025

8. Extension of Income Tax Exemption for Islamic Financial Activities under Labuan International Business and Financial Centre

- Currently, Labuan trading entities that undertake Islamic finance activities such as Islamic digital banking, Islamic digital bourses, *ummah*-related companies and Islamic digital token issuers are given tax exemption from the YA 2024 to YA 2028
- 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 scope of Labuan trading entities undertaking Islamic finance activities eligible for the tax exemption be expanded to include qualifying Labuan *takaful* business activities and Labuan *takaful* related activities as follows:-

Labuan Trading Entity	Qualifying Activities
Labuan insurer, Labuan reinsurer, Labuan *takaful* operator or Labuan re-*takaful* operator	*Takaful* and re-*takaful* business that comply with *Shariah* principles:- o risk management; or o product development
Labuan captive insurer or Labuan captive *takaful*	*Takaful* and re-*takaful* businesses that comply with *Shariah* principles where *takaful* participants are related companies or associated companies or as approved by the Labuan Financial Services Authority:- o risk management; or o product development
Labuan underwriting manager or Labuan underwriting *takaful* manager	Provides underwriting services including administration related to Labuan *takaful* business
Labuan insurance manager or Labuan *takaful* manager	Provides management or administrative services related to Labuan *takaful* business.
Labuan insurance broker or Labuan *takaful* broker	Provides services such as:- o arrange Labuan *takaful* and re-*takaful* business; or o financial analysis

- Effective YA 2025 to YA 2028

I. Others

1. Carbon Tax on Iron, Steel and Energy Industries

- It was announced in 2025 Budget that Carbon Tax will be introduced on the iron, steel and energy industries by year 2026
- The introduction of Carbon Tax aims to encourage the use of low-carbon technologies
- The tax revenue generated from Carbon Tax will be used to fund green research and technology initiatives

2. Increase in Minimum Wages

- The Government proposes to increase the minimum monthly wage from the current RM1,500 per month as stated in the Minimum Wages Order 2022 to RM1,700 per month
- Effective date:-
  - 1st February 2025; or
  - 1st August 2025 (for employers with less than 5 employees)

3. Financial Assistance for Training Facilities & Renovation Scheme from HRD Corp

- Currently, employers are allowed to claim up to 30% of their HRD Corp funds for their purchase of training equipment, renovation and enhancement of training rooms
- It is proposed that the employers can now claim up to a maximum of 50% of their HRD Corp funds

4. Utilisation of Levy Contributed to HRD Corp

- It is proposed that employer can use the levy contributed to the HRD Corp of up to RM1,000 per year to fund the allowances paid to graduate, including for the purpose of conducting skills training programme

5. Hiring Incentives for Employers under SOCSO

- Hiring incentives of RM600 per month for a period of 3 months will be given by SOCSO to employers who hire the vulnerable groups, such as persons with disabilities and ex-convicts

6. Grants

- The Government has allocated funds for the following grants:-

No.	Type of Grants	Allocation	Targeted Beneficiary and Purposes	Eligible Amount
i.	Calamities and Disaster Grant	RM20 million	Immediate provision to *Yayasan* Government-Linked Investment Companies and GLC to intensify the response and distribution of aids to victims in affected flood areas	Matching grant
ii.	Equity Crowd Funding Platform	RM100 million	For the development of local suppliers in the electrical and electronic, specialty chemicals and medical devices sectors	Matching fund
iii.	Cradle Fund	RM15 million	As an incentive for GLC to work with start-up companies through corporate venture capital programmes	Matching grant

No.	Type of Grants	Allocation	Targeted Beneficiary and Purposes	Eligible Amount
iv.	MSME Digital Grant and Digital Street Vendor Grant	RM50 million	For local entrepreneurs to remain competitive in the market	Matching grant
v.	Market Development Grant ["MDG"] - Malaysia External Trade Development Corporation ["MATRADE"]	RM40 million	To assist Malaysian exporters to promote locally made products and services to international market and to explore new markets in Africa, Latin America and the Middle East	Reimbursable grant
vi.	Grant to promote latex production by rubber industry smallholders under Rubber Industry Smallholders Development Authority ["RISDA"]	RM60 million	To encourage rubber industry smallholders to produce rubber latex to meet the needs of the industry	Matching grant
vii.	Islamic Finance Sector	RM100 million	To encourage new innovations relating to Islamic financing and to reduce reliance on conventional *Shariah*-compliant products	Matching fund
viii.	i-*TEKAD* Programme	RM20 million with RM5 million dedicated amount for insurance/ *takaful* payments by micro entrepreneurs	Financial aids to help low-income micro entrepreneurs to generate higher and sustainable income	Matching grant

No.	Type of Grants	Allocation	Targeted Beneficiary and Purposes	Eligible Amount
ix.	Malaysia Co-investment Fund Programme	RM40 million	To support other social impact investments including *Shariah*-compliant peer-to-peer financing and equity crowdfunding under the Malaysia Co-investment Fund Programme	Matching grant
x.	*Ikhtiar Geran Padanan Ihsan* ["Gapai"]	-	For students who pursue their studies at the higher learning institutions, financial aids for a period of 2 years are given to family with the household earnings up to RM6,000	Matching grant up to RM5,000 for deposits into SSPN
xi.	Malaysia Science Endowment Trust Fund	RM170 million	For private sector and industry that undertake the R&D programme	Matching grant
xii.	*Anak Angkat ILKA* Programme	RM50 million	To encourage more industries to participate in the *Anak Angkat ILKA* programme, contributing towards curriculum development, teaching assistance and training needs	Matching grant
xiii.	LiKES Industrial Training Grant	RM10 million	To encourage SMEs to conduct industrial training in the field of Science, Technology, Engineering and Mathematics ["STEM"]	Matching grant
xiv.	Sports Development Grant	Part of allocation of RM230 million for sports development	To encourage associations and Non-Governmental Organisations for organising sports events and competitions	Matching grant