



TAX FLASH

OCTOBER 2024 (SPECIAL EDITION)

2025 Budget Highlights

Executive Summary

2025 Budget, the 3rd under the *MADANI* government, was unveiled by our honourable Prime Minister and Finance Minister, Dato' Seri Anwar Ibrahim on 18th October 2024. This is the largest ever budget in history at RM421 billion with the following 3 main focus areas:-

- Reinvigorating the economy;
- Driving reforms; and
- Prospering the *Rakyat*

It is carefully tailored to provide financing support through various means to a vast category of low-income or hard labour groups, including the MSMEs and those who are really in need to support the *Ekonomi MADANI* aspirations. We will also see a progressive sales and service tax regime to alleviate the burden of the public. Here are a few highlights:-

What's for Individuals? Tax reliefs for individuals, by way of increased limit, expanded scope and/or extension of period, have been proposed. These include tax reliefs for medical treatment expenses, medical and education insurance, sports activities, health and elderly care, disabled persons and net savings in *Skim Simpanan Pendidikan Nasional*. To encourage the purchase of first residential home among *Rakyat*, it has been proposed that relief be given on the interest payments for the first residential home loan for house price up to RM750,000 for 3 consecutive years of assessment.

- Moore Malaysia
- Moore Global
- Inland Revenue Board
- Budget Speech
- Appendices
- Tax Snapshot

What's for the Corporations and MSMEs? To cover a few, tax incentives have been proposed, such as claim for accelerated capital allowance on purchase of ICT equipment, computer software packages and consultation fees for e-invoicing implementation, further deduction of expenses for capacity building and software acquisition for implementation of flexible work arrangements and expansion of increased exports for service sector. MSMEs will be eligible for exemption on stamp duty on loan or financing agreements through the initial exchange offering platform.

Any new taxes? A 2% tax on dividend income exceeding RM100,000 per annum received by individual shareholders has been proposed, effective YA 2025. It was also announced that carbon tax will be introduced on the iron, steel and energy industries by year 2026 to encourage the use of low-carbon technologies.

Other key changes? Excise duty on sugar sweetened beverages will be increased in phases starting from 1st January 2025 and export duty for crude palm oil will be revised from 1st November 2024 onwards. Sales tax will not be imposed on basic food items but will be increased on non-essential imported premium goods and the scope on service tax will be expanded to include new services such as commercial service transactions between businesses ["B2B"] from 1st May 2025 onwards. It is notable that for stamp duty, self-assessment stamp duty system (or *Sistem Taksiran Sendiri Duti Setem*) will be implemented in phases based on the types of instruments or agreements starting from 1st January 2026.

The key proposals outlined in the 2025 Budget are summarised into the following broad categories:-

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

Please note that due to the unavailability of the Finance Bill 2025 at the time of publication, we will update you on any further development affecting the above categories in due course.

Legend

DGIR	=	Director General of Inland Revenue
COVID-19	=	Coronavirus Disease 2019
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
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
RA	=	Reinvestment Allowance
R&D	=	Research and Development
SA 1949	=	Stamp Act 1949
SC	=	Securities Commission
SOCSSO	=	Social Security Organisation
SME	=	Small and Medium Enterprise
Talent Corp	=	Talent Corporation Malaysia Berhad
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, non-residents and individuals holding shares through nominees) 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

- 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 shareholder level
- 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. 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

3. 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

- In order 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

4. 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 and to increase the disposable income, it is proposed that the tax relief on the interest payments for the first residential housing loan (individually or jointly owned) be given as follows:-

House Price	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 has not derived any income in respect of the residential property (i.e. rental income);
 - the sales and purchase agreement is executed from 1st January 2025 until 31st December 2027;
 - the relief is given for 3 consecutive years of assessment, commencing from the first year the housing loan interest is paid; and
 - the relief will be apportioned accordingly if 2 or more individuals are each entitled to claim the relief in respect of the same residential property
- Effective for the sales and purchase agreement executed from 1st January 2025 to 31st December 2027

5. 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

6. 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, mental health examination, COVID-19 detection test including the purchase of self-test kits (e.g. COVID-19 and influenza test kits) limited to RM1,000 be expanded to include:-
 - purchase of self-testing medical devices such as glucometer, pulse oximeter, blood pressure monitor and thermometer; and
 - fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear
 - 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
 - medical fee made under any medical and health insurance and *takaful* product with co-payment features
- Effective YA 2025

7. 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 from YA 2026 to YA 2030

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

- Relief of up to RM8,000 given on net savings deposited into *Skim Simpanan Pendidikan Nasional* ["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; and
 - withdrawals from the SSPN fund intended to finance education costs for further studies 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

9. 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 not including cosmetic 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 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

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

- 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

11. 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
- Effective YA 2025

12. 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

13. 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, purchasing including hire-purchase equipment or subscription fees for EV charging facilities for the YA 2024 to YA 2027
- In order to encourage food waste recycling activities, it is proposed that the expenses incurred on the purchase of food waste composting machines for household use 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

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

- It is proposed that tax exemption be given to prize money received by individual sports athletes and sports team from the Government which is channelled through The National Sports Council of Malaysia

B. Income Tax – Changes Affecting Companies and Unincorporated Business

1. 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: 20% Annual allowance: 20%	Initial allowance: 20% Annual allowance: 40%
Consultation, licensing and incidental fees related to the development of customised computer software		

- Effective YA 2024 and YA 2025

2. 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

3. 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

4. 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

5. 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

6. 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

7. 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

8. 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

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

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

10. 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

11. 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

12. 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

13. 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 *mySalam* 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

14. 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

15. 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. 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 three (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

D. Stamp Duty

1. 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

2. 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

3. 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

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

- Currently, stamp duty on loan or financing agreements for the purchase of goods:-
 - through hire purchase in accordance with the conventional methods or *Shariah* principles such as *Al Ijarah Thumma Al Bait* are subject to a fixed rate of RM10 under Item 22(6) of the First Schedule to the SA 1949
 - other than hire purchase in accordance with *Shariah* principles such as *Murabahah* and *Tawarruq* are subject to *ad-valorem* duty rate of 0.5%

- It is proposed that the stamp duty on loan or financing agreements for the purchase of goods in accordance with the *Shariah* principles (other than hire purchase) be subjected to the fixed rate of RM10
- Effective for loan or financing agreements executed from 1st January 2025

5. 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 DGIR. Payers will make stamp duty payments based on the notice of assessment issued by the DGIR 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
- Effective dates are as follows:-

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

E. Sales and Service Tax and Indirect Taxes

1. 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

2. 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

3. 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

4. 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

5. 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

F. Labuan

1. 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 <i>takaful</i> operator or Labuan re- <i>takaful</i> operator	<i>Takaful</i> and re- <i>takaful</i> business that comply with <i>Shariah</i> principles:- (i) risk management; or (ii) product development
Labuan captive insurer or Labuan captive <i>takaful</i>	<i>Takaful</i> and re- <i>takaful</i> businesses that comply with <i>Shariah</i> principles where <i>takaful</i> participants are related companies or associated companies or as approved by the Labuan Financial Services Authority:- (i) risk management; or (ii) product development
Labuan underwriting manager or Labuan underwriting <i>takaful</i> manager	Provides underwriting services including administration related to Labuan <i>takaful</i> business
Labuan insurance manager or Labuan <i>takaful</i> manager	Provides management or administrative services related to Labuan <i>takaful</i> business
Labuan insurance broker or Labuan <i>takaful</i> broker	Provides services such as:- (i) arrange Labuan <i>takaful</i> and re- <i>takaful</i> business; or (ii) financial analysis

- Effective YA 2025 to YA 2028

G. 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 Human Resources Development Corporation Fund

- 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 Human Resource Development Fund

- 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 <i>Yayasan</i> 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 <i>Shariah</i> -compliant products	Matching fund
viii.	i-TEKAD Programme	RM20 million with RM5 million dedicated amount for insurance/ <i>takaful</i> 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 <i>Shariah</i> -compliant peer-to-peer financing and equity crowdfunding under the Malaysia Co-investment Fund Programme	Matching grant
x.	<i>Ikhtiar Geran Padanan Ihsan</i> ["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 of 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.	<i>Anak Angkat ILKA</i> Programme	RM50 million	To encourage more industries to participate in the <i>Anak Angkat ILKA</i> 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

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