



# Budget 2024 – Highlights

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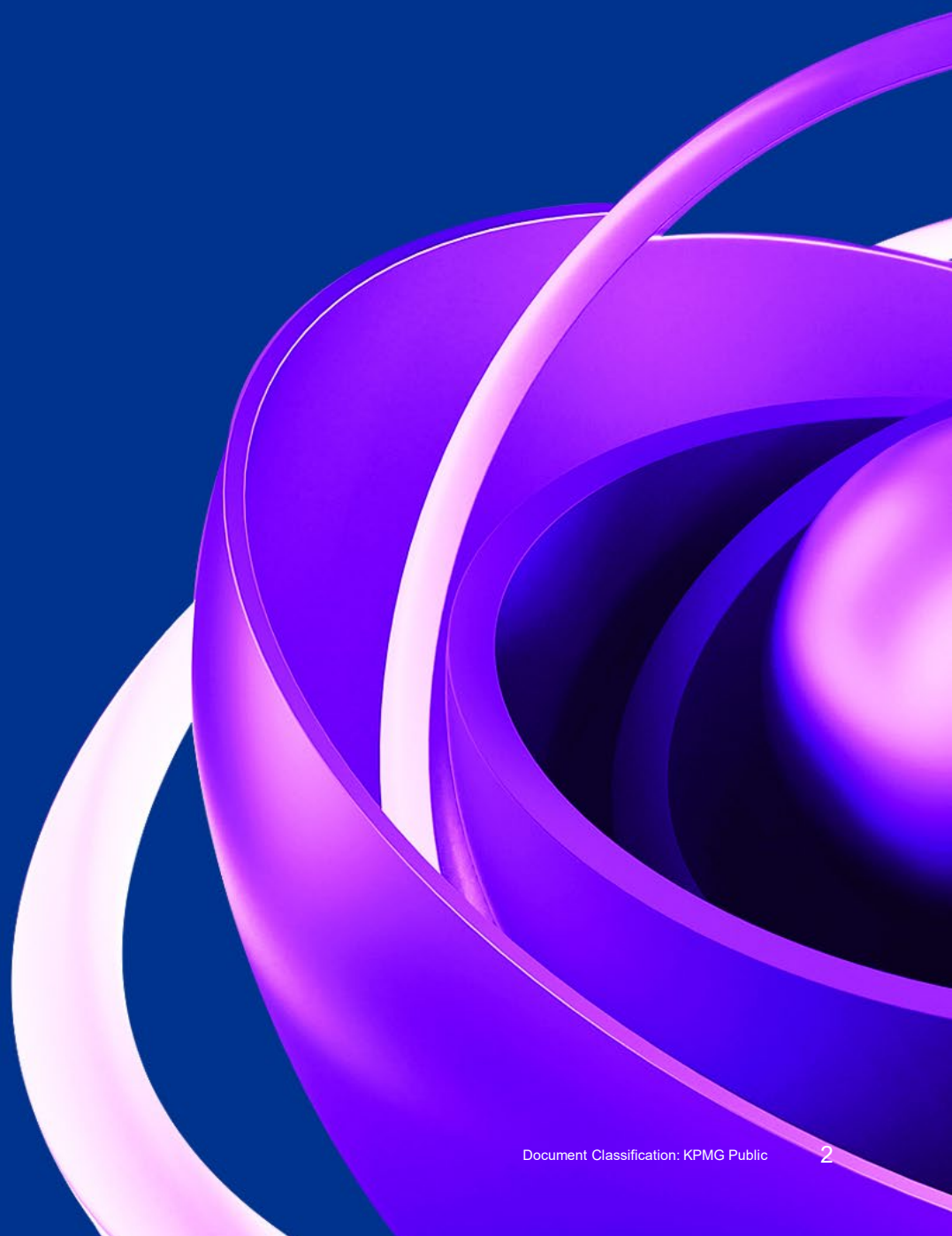
KPMG in Malaysia

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Tax Summit 2023 | 6 November 2023



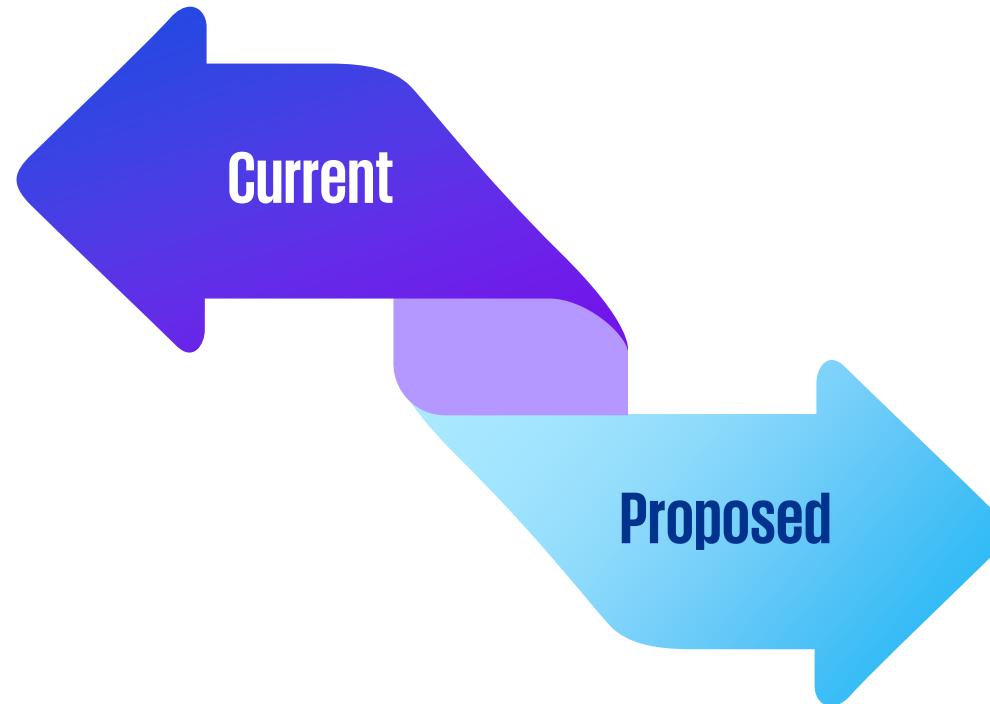
# Corporate tax



# Section 107C(7)

## Revision of estimate of tax payable (ETP)

Revision of ETP in the 6<sup>th</sup> month and 9<sup>th</sup> month of the basis period for a YA



Introduction of revision of ETP in the **11<sup>th</sup> month** of the basis period for a YA

w.e.f. YA 2024

# Malaysian Income Tax Reporting System (MITRS)

- Companies and other than companies are required to submit financial information and taxation worksheets via MITRS within **30 days** after the deadline for the submission of tax return.
- Failure to comply, on conviction (Section 120 of the Income Tax Act, 1967) –
  - ❖ Shall be liable to fine of not less than RM200 and not more than RM20,000; or
  - ❖ Imprisonment for a term not exceeding 6 months; or
  - ❖ Both.



The above is proposed to be effective YA 2025.

# Exemption from filing of ETP, preferential tax rate and special allowance for small value assets restriction for Micro, Small and Medium Enterprises (MSMEs)

Current	Conditions	Exempted from filing of ETP for the first 2 YAs [Sec 107C(4B)]	Preferential tax rate [Para 2A, Schedule 1]	Special allowance for small value assets without a restriction of RM20,000 per YA [Para 19A(4), Schedule 3]
	Resident company incorporated in Malaysia	✓	✓	✓
	Having paid-up capital in respect of ordinary shares of not more than RM2.5 million at the beginning of the basis period for a YA (subject to related parties' proviso)	✓	✓	✓
	Having gross business income of not exceeding RM50 million for a YA		✓	✓

## Proposed

- The special tax treatment **will not apply** if **more than 20%** of the **paid-up capital** in respect of the ordinary shares of the company is owned by companies incorporated **outside Malaysia** or persons who are **non-citizens** of Malaysia

w.e.f. YA 2024

# e-Invoicing implementation timeline



Note 1: The annual turnover / revenue will be based on 2022's audited financial statements or tax return, as the case may be.

Note 2: For new businesses / operations commencing from year 2023 onwards, the e-Invoice implementation dated is 1 July 2025.

# Tax incentives



# Key Tax Incentives

## Tax incentives for Global Services Hub

- Income tax exemption on service income or service and trading income
- Based on an **outcome-based approach**

### New company



### Existing company



### Non-citizen individuals



For applications received by the Malaysian Investment Development Authority (MIDA) from 14 October 2023 to 31 December 2027



# Tax Incentives

## Incentive for Reinvestment under the New Industrial Master Plan 2030

- Eligible investment tax allowance rate will be determined based on an **outcome-based approach**
- For existing companies that have exhausted reinvestment allowance (RA) eligibility period

100%

Tier 1

Qualifying expenditure to be set off against 100% of statutory income

60%

Tier 2

Qualifying expenditure to be set off against 70% of statutory income



For applications received by MIDA from 1 January 2024 to 31 December 2028

# Tax Incentives

## Capital allowance on Information and Communication Technology (ICT) equipment and computer software

### Current

**20%** Initial allowance      **20%** Annual allowance

- Purchase of ICT equipment and computer software packages
- Consultation, licensing and incidental fees related to the development of customised computer software

### Proposed

**40%** Initial allowance      **20%** Annual allowance

w.e.f. YA 2024



# Tax Incentives

## Tax deduction on ESG related expenditure

Tax  
deduction  
of up to

**RM50,000**  
(per YA)

- Any reporting relating to compliance with ESG standards (Bursa Malaysia, Bank Negara Malaysia, approved regulators by Ministry of Finance)
- Preparation of reports relating to Tax Corporate Governance Framework (TCGF) by companies
- Preparation of transfer pricing documentation by companies
- Consultancy fees for implementation of e-invoicing incurred by MSMEs

w.e.f. YA 2024 to YA 2027



# Capital gains tax



# Capital Gains Tax

Present

- No capital gains tax for disposal of shares.
- Except for Real Property Company (**RPC**) shares, which is subject to Real Property Gains Tax (**RPGT**).

1 March 2024

## Capital Gains Tax



Shares of unlisted companies  
**incorporated in Malaysia**



Disposal of all types of capital **assets**  
**from overseas (Foreign-sourced)**

# Capital Gains Tax

Shares of unlisted companies incorporated **in Malaysia**

**1 March 2024**



## Chargeable assets:

1. Shares of unlisted companies incorporated in Malaysia
2. Shares of a controlled company incorporated outside Malaysia if meets 75% threshold condition

## Chargeable persons:

1. Company
2. LLP
3. Cooperative
4. Trust body

## Shares acquired before 1 March 2024

The taxpayers may choose: -

- i. **10%** on the **net gain** of the disposal of shares; or
- ii. **2%** on the **gross sales value**.

## Shares acquired from 1 March 2024

**10%** on the **net gain** of the disposal of shares

## Exemptions / exceptions

1. Approved IPO
2. Internal restructuring within the same group
3. Venture capital companies

# Capital Gains Tax

Shares of unlisted companies incorporated **in Malaysia**

## Formula

### Disposal consideration

Less: Expenses related to acquisition /  
disposal of capital assets

Stamp duty, legal fees, broker fees,  
commission fees

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**Net gain**

## Unabsorbed capital losses

can be carried forward for  
**10 years** against capital gains

**10  
years**

## Date of disposal / acquisition

1. Date of the written agreement
2. If no written agreement, the settlement date

## Reporting and payment

- Submission through prescribed electronic form within **60 days** from the date of disposal
- Tax payment is due within **60 days** from the date of disposal

**Transactional basis**



# Capital Gains Tax

Profits are deemed to be derived from Malaysia

1

Gains from the disposal of shares  
by a **controlled company** incorporated **outside Malaysia**

2

are deemed to be derived from Malaysia if

3

the company owns **real property in Malaysia or shares in another controlled company or both** whereby the market value of the real property or shares or both is not less than **75%** of the value of **total tangible assets**.

## Controlled company

A company having not more than 50 members and controlled, in the manner described by section 139, by not more than 5 persons

## When?

1. Upon **acquisition** of real property in Malaysia or shares or both?
2. Upon **disposal** of real property in Malaysia or shares or both?





# Capital Gains Tax

Disposal of all types of capital assets from overseas (**Foreign-sourced**)

1 March 2024

## Applicable to all taxpayers

at prevailing income tax rate **when received in Malaysia?**

## Foreign-sourced capital gains

Disposal of all types of capital assets from overseas

## Exemptions

1. Employs an adequate number of employees with the necessary qualifications
2. Incurs an adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia



# Capital Gains Tax

## Regional tax regulations

Jurisdictions	Capital Gains Tax	Exemptions
<b>Singapore</b>	Taxable on a relevant entity on sale of foreign assets (w.e.f. 1 January 2024)	Financial institutions, those with tax incentive and those with sufficient economic substance in Singapore
<b>Thailand</b>	Taxable at 20% normal corporate income tax rate for Thai companies; 15% WHT on payments to non-residents	Applicable to sale of investments / shares in startups of targeted industries, VCCs and PE trusts
<b>Indonesia</b>	Taxable at 5% of gross sale proceeds, including indirect transfers	<ul style="list-style-type: none"> <li>Land and buildings at 2.5%</li> <li>Listed shares at 0.1% (additional 0.5% for founder shares)</li> </ul>
<b>Vietnam</b>	Taxable at 20% normal corporate income tax rate, including indirect transfers	<ul style="list-style-type: none"> <li>Public company shares sold by non-residents at 0.1% of proceeds</li> <li>JSCs sold by individuals at 0.1% of proceeds</li> </ul>
<b>China</b>	20% of gains including indirect transfers	<ul style="list-style-type: none"> <li>Shares listed on Chinese Stock Exchanges; complex indirect transfer rules</li> </ul>
<b>UK / Europe</b>	Capital gains generally taxed at standard rates	<ul style="list-style-type: none"> <li>Participation exemptions / substantial holding exemptions</li> </ul>



# Real Property Gains Tax

# Implementation of RPGT self-assessment system

## RPGT return

Disposer is required to calculate his own tax in the RPGT return.

RPGT  
return

## Deemed assessment

The submitted RPGT return is deemed to be a notice of assessment on the date it is furnished to the MIRB.

The submitted RPGT return is deemed to have been served on the taxpayer on the day the RPGT return is submitted.

Deemed  
assessment

## Amendment of RPGT return

An amendment can be made by submitting an amended RPGT return within 6 months from the deadline of submission of RPGT return.

Amendment  
of RPGT  
return

Document  
retention

## Document retention

Documents must be kept for a period of 7 years from the end of the year the assessment is made.

w.e.f. 1 January 2025

# Stamp Duty

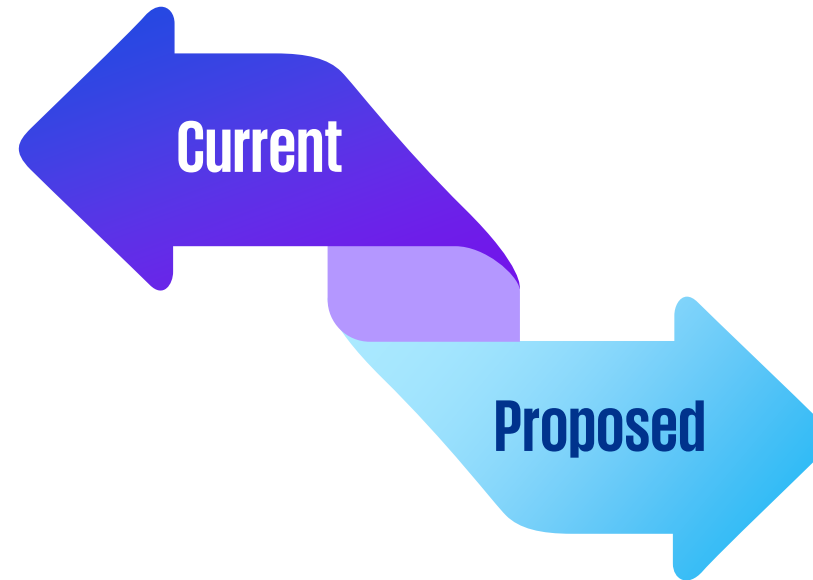


# Item 27(a)(ii), First Schedule

## Stamp duty for conventional loan agreements and Shariah-compliant financing in foreign currency

**RM5.00 for every RM1,000  
or part there of**

- (capped at RM2,000)



**RM5.00 for every RM1,000  
or part there of**

- Abolition of the RM2,000 restriction

**For instrument executed from 1 January 2024**

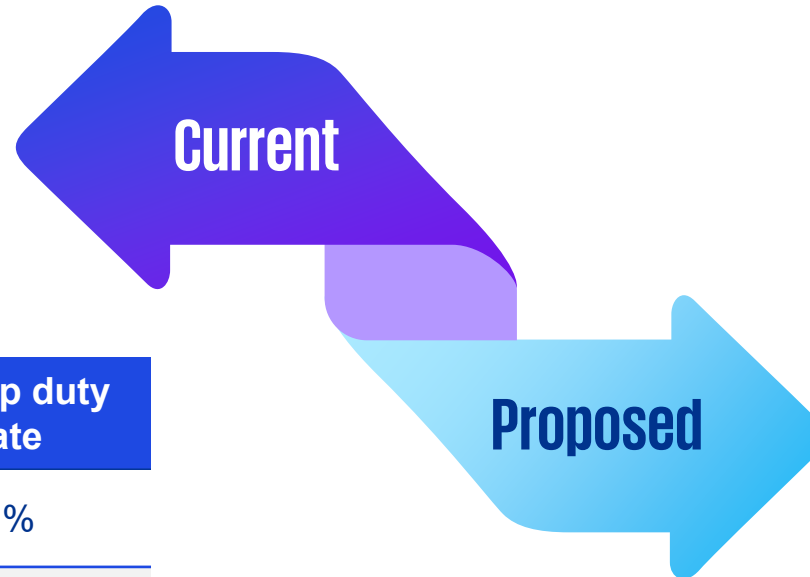
# Item 32(aa), First Schedule

## Stamp duty on instrument of property ownership

### Ad valorem duty

Same rate for both Malaysian citizens and foreign-owned companies / non-citizen individuals

Sales price/market value (whichever is higher)	Stamp duty rate
First RM100,000	1%
RM100,001 to RM500,000	2%
RM500,001 to RM1,000,000	3%
RM1,000,001 and above	4%



### Flat rate

4%

Instrument on transfer of property ownership executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents)

For instrument executed from 1 January 2024

# Personal tax

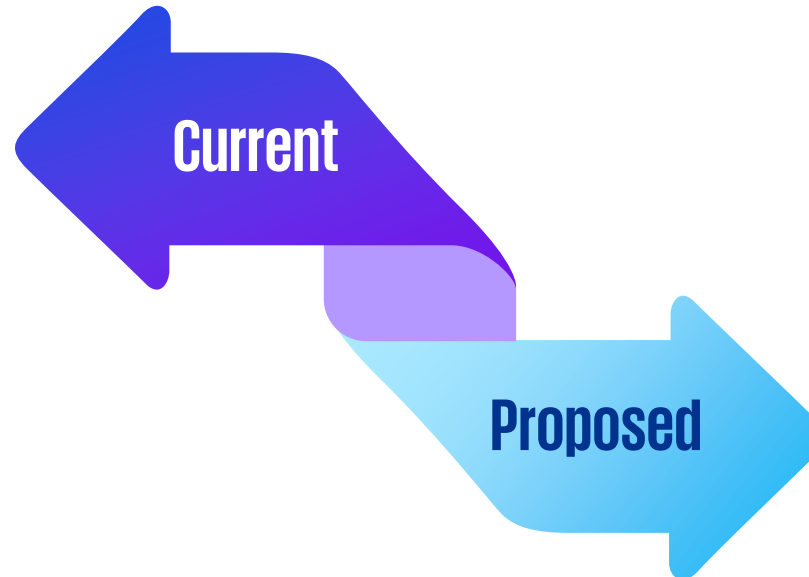




# Personal relief

## Relief on Medical Treatment and Care for Parents (capped at RM8,000)

- Treatment in clinics, hospitals, nursing home, day care centres or home care centres.
- Dental treatment but limited to tooth extraction, filling, scaling and cleaning **but excluding** cosmetic dental treatment expenses such as teeth restoration and replacement involving crowning, root canal and dentures



w.e.f. 1 January 2024

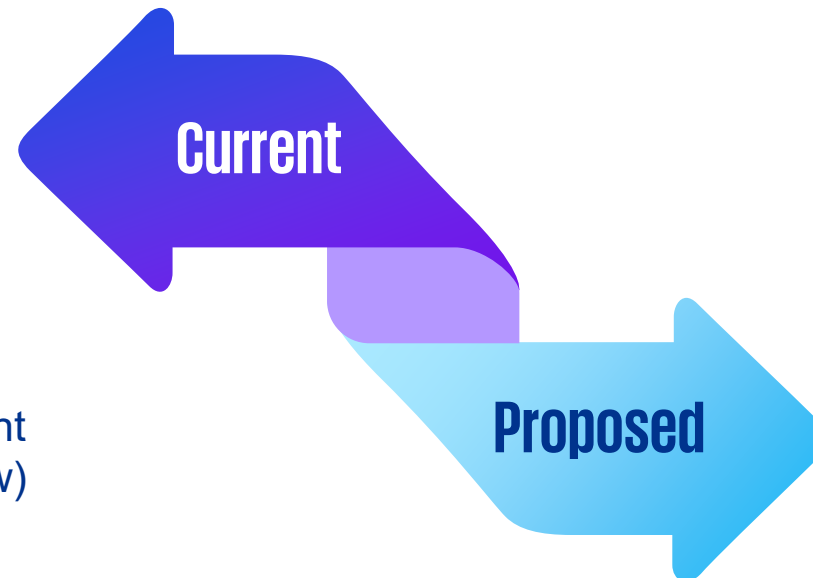
### Expansion of scope to include:-

- Full medical examination for parents (limited to RM1,000)
- Dental examination and treatment **to include** treatment for restoration and replacement such as dentures, root canal and crowning

# Personal relief

## Relief for Medical Treatment Expenses for self, spouse or child (capped at RM10,000)

- Serious illness for self, spouse or child
- Fertility treatment self or spouse
- Vaccination for self, spouse or child (limited to RM1,000)
- Full medical examination, mental health examination and Covid-19 detection test, including purchase of self-test kit (limited to RM1,000)
- Diagnostic and rehabilitation treatment for children (aged 18 years and below) with learning disabilities (limited to RM4,000)



w.e.f. 1 January 2024

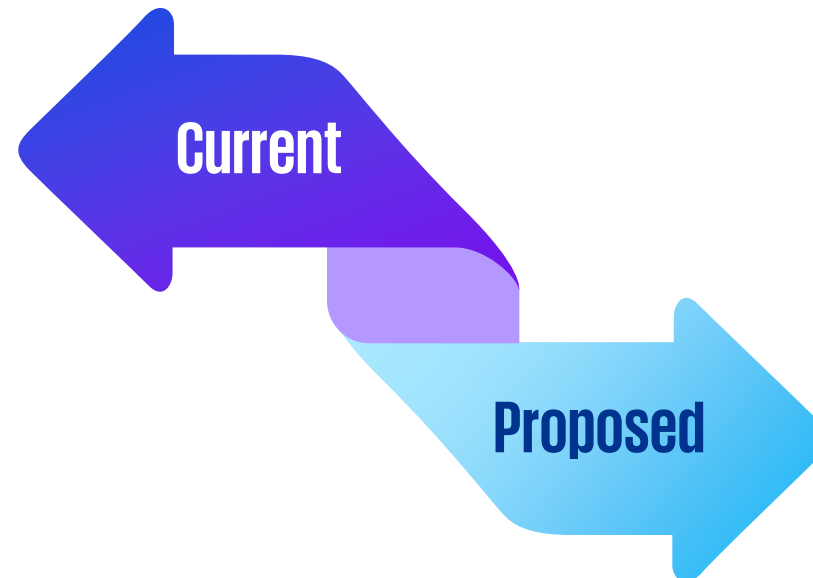
### **Expansion** of scope to include:-

- Dental examination and treatment expenses from dental practitioners registered with the Malaysian Dental Council (limited to RM1,000)

# Personal relief

## Lifestyle relief for self, spouse or child (capped at RM2,500)

- Book, journals, magazines and other similar publications
- Printed / electronic daily newspaper
- Personal computer, smartphone or tablet
- Internet subscription
- Sports equipment
- Gymnasium membership fee



w.e.f. 1 January 2024

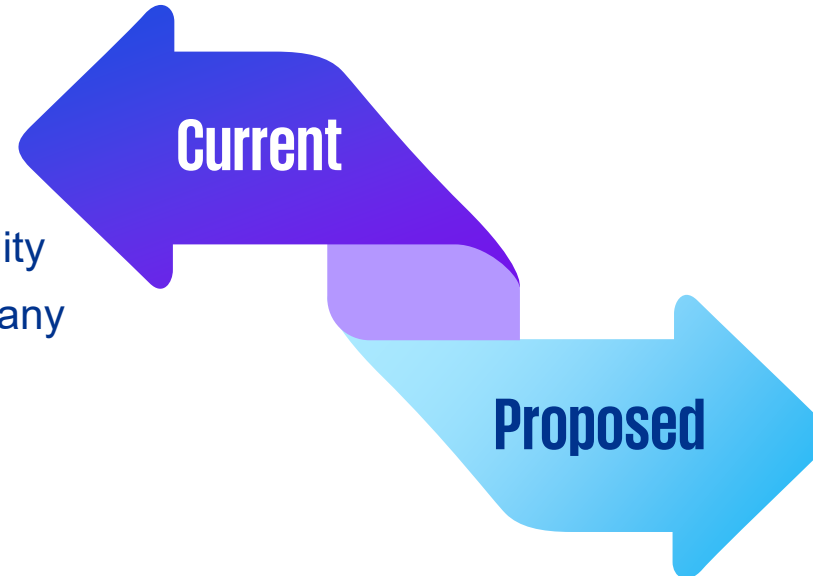
- **Removal** of sports equipment and gymnasium membership fee
- **Expansion** to include fee for self-skills enhancement courses (i.e. language course, photography, tailoring classes and etc)

# Personal relief

## Sports Equipment and Activities for self, spouse or child

### Annual limit: RM500

- Sports equipment
- Rental / Entrance fee to sports facility
- Registration fee for participating in any sports competition



w.e.f. 1 January 2024

Annual limit: **Increase** to RM1,000

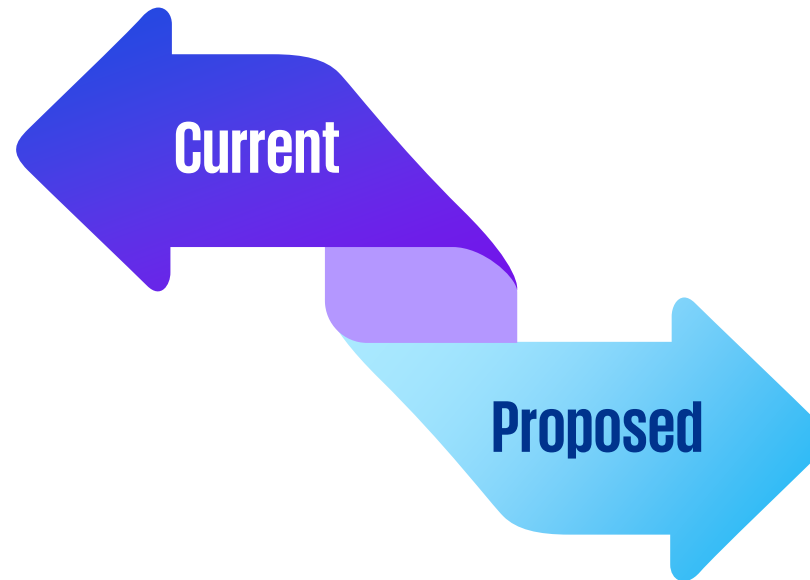
**Expansion** of scope to include:-

- Gymnasium membership
- Sports training fees imposed by associations / sports clubs / companies registered with Sports Commissioner or Companies Commission of Malaysia and carrying out sports activities as listed under the Sports Development Act 1997

# Personal relief

## Relief for Expenses on Study Fees (Education fees) (capped at RM7,000)

- Individual taxpayer pursues any course of study in selected fields of study, Master or Doctorate offered by institutions or professional bodies in Malaysia recognised by the Government or Minister of Finance



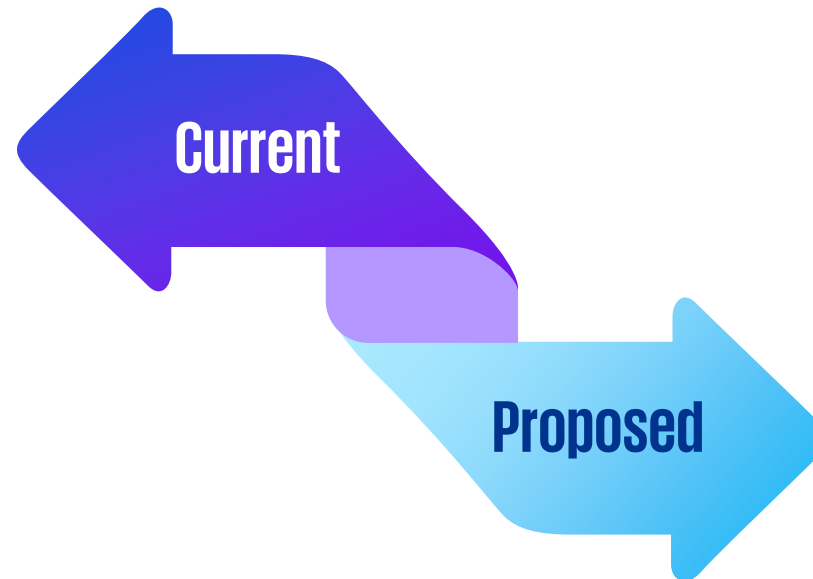
- The **scope** has been **extended** to cover fee paid for up-skilling or self enhancement courses recognised by the Department of Skills Development, Ministry of Human Resources.
- The relief is limited to RM2,000 and **extended to YA2026**.

# Personal relief

## Relief for Expenses Relating to Electric Vehicle (EV) Charging Facilities (capped at RM2,500)

Relief period: YA2022 and YA2023

- For installation, rental, purchase (including hire-purchase) or subscriptions fee for EV charging facility or equipment



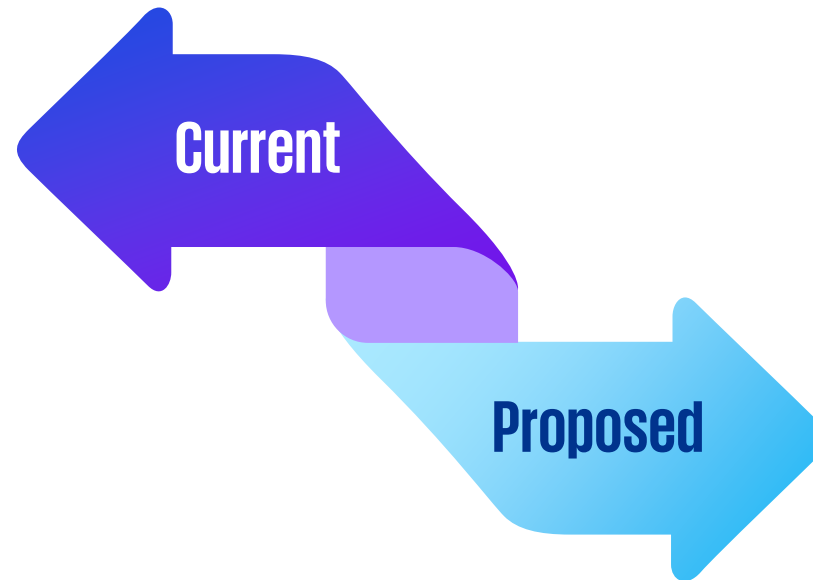
Relief period: **Extended** to YA2027

# Personal tax

## Exemption for Childcare Allowance

Annual limit: RM2,400

- Income tax exemption for childcare allowance received by employee or paid directly by employer to a childcare centre



w.e.f. 1 January 2024

Annual limit: **increased** to RM3,000



# KPMG