



Indirect Tax

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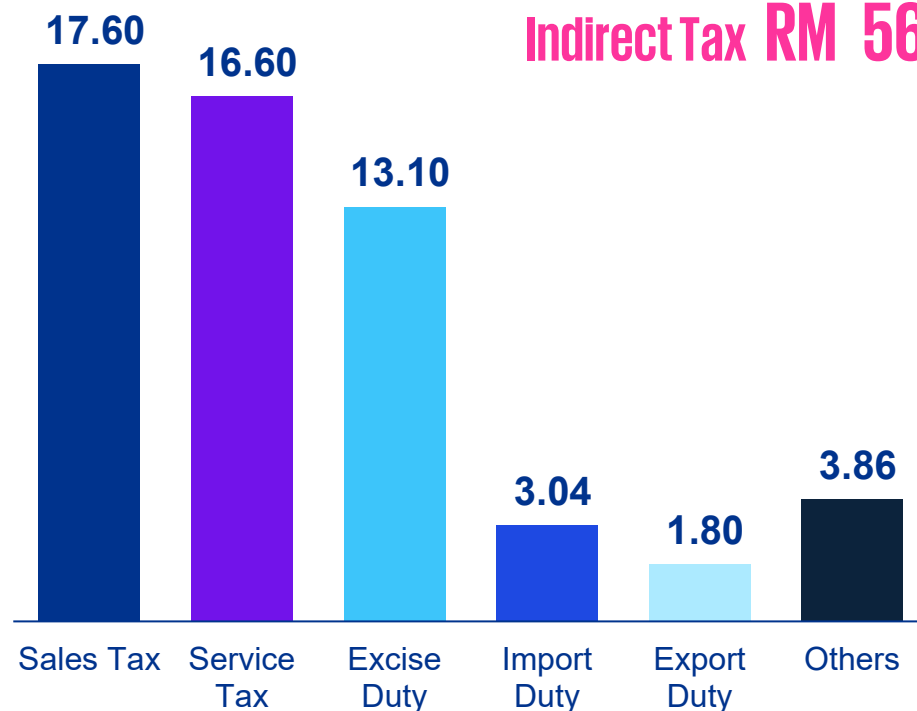
Revenue Breakdown for Indirect Tax

Year 2023 (Revised Estimate)

RM in billion

Direct Tax RM 173B

Indirect Tax RM 56B

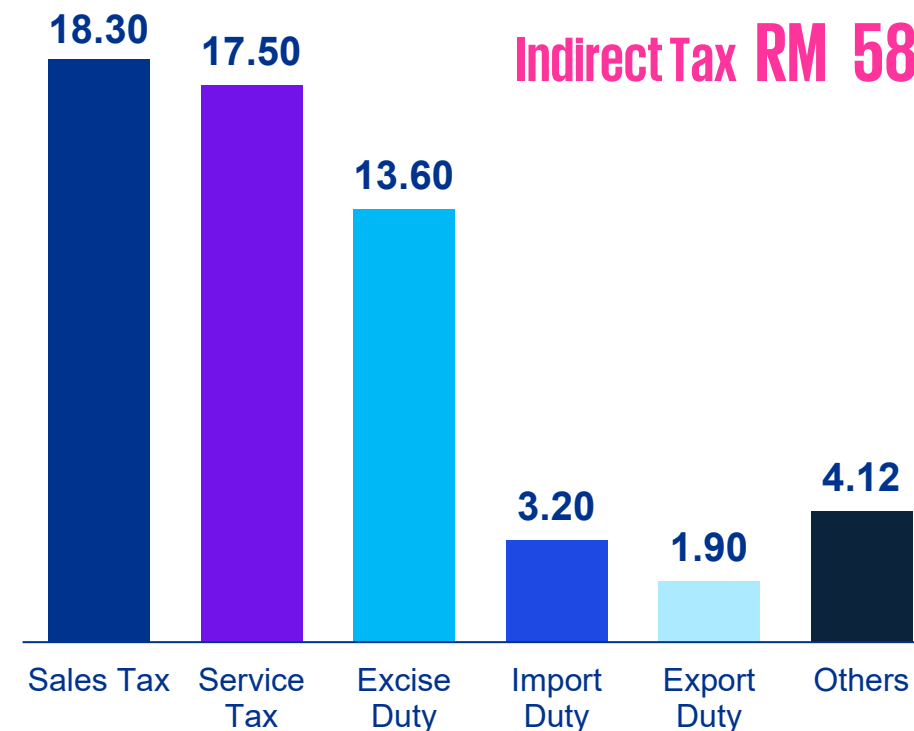


Year 2024 (Estimate)

RM in billion

Direct Tax RM 185B

Indirect Tax RM 58.6B



Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2024

Service Tax

Increase in Service Tax Rate

8%

ALL prescribed taxable services

except

6%

- Food and Beverages
- Telecommunication
- Parking
- Logistic (*New)

Expansion of Taxable Services

- ✓ Karaoke
- ✓ Delivery Services (except for F&B)
- ✓ Brokerage and Underwriting Services
- ✓ Logistic

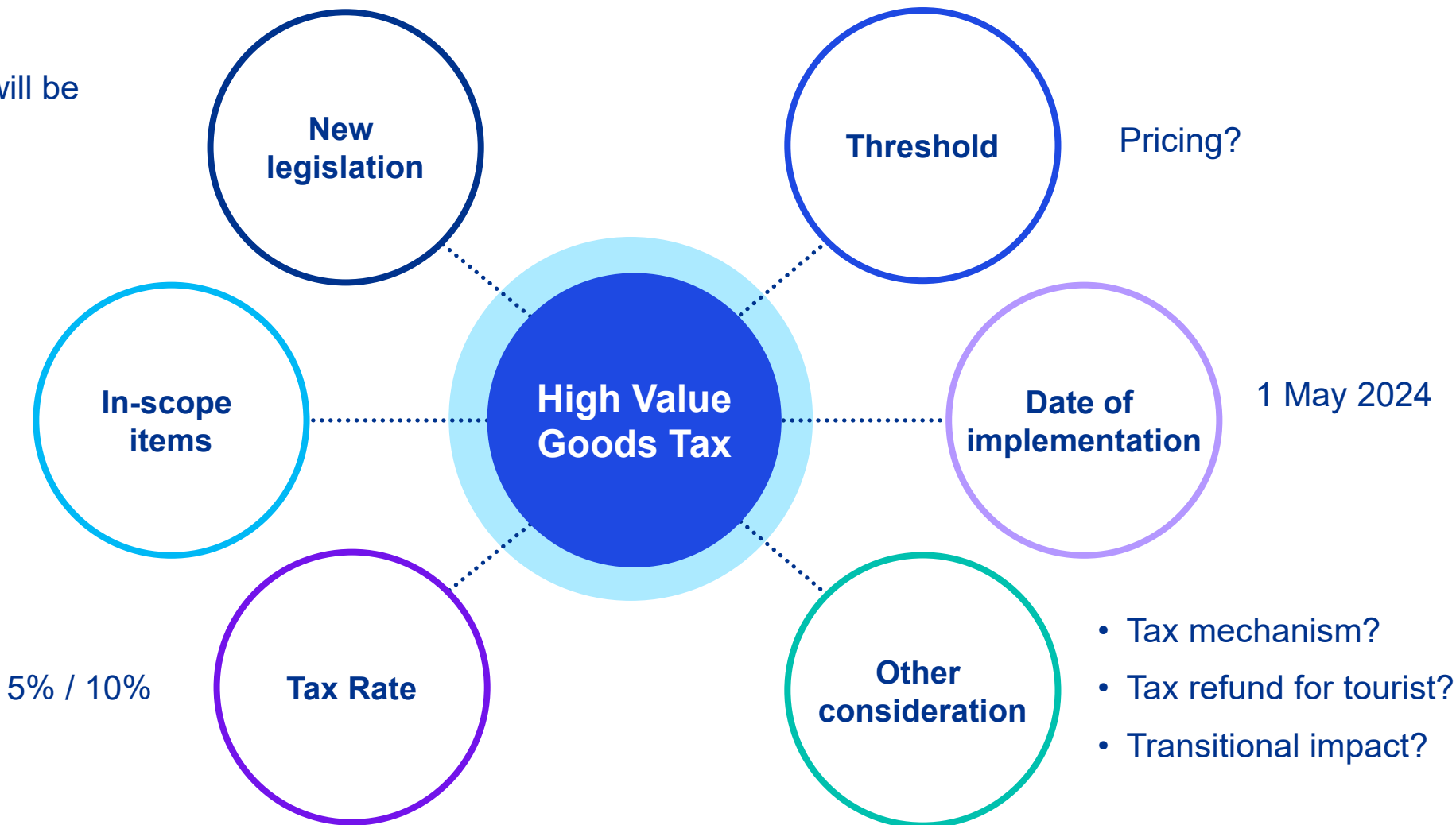
Registration threshold: RM 500,000

Proposed Effective Date : 1 March 2024

High Value Goods Tax

A new legislation will be enacted

- Jewellery and watches
- Other goods?



Excise Duty

Current

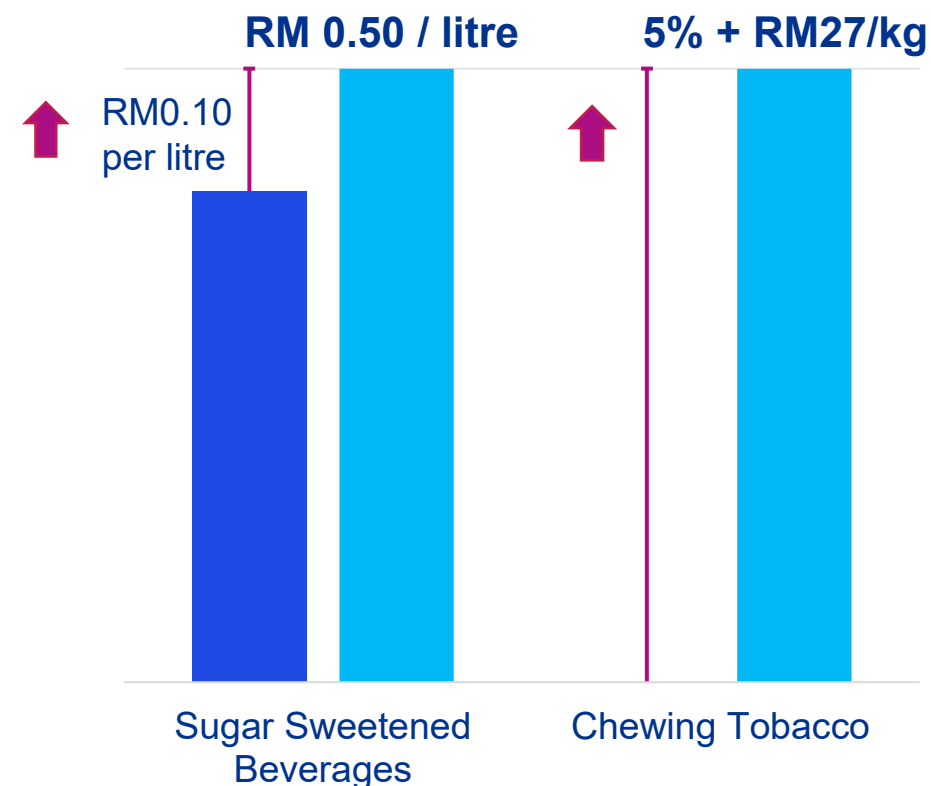
Sugar Sweetened Beverages

Tariff Code	Type of Beverages	Sugar Content Threshold	Excise Duty Rate
22.02	Beverages including carbonated drink containing added sugar or other sweetening matter or flavoured and other non-alcoholic beverages	>5g/100ml	RM0.40 per litre
	Flavoured milk-based beverages containing lactose	>7g/100ml	RM0.40 per litre
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml	RM0.40 per litre

Chewing Tobacco

Types of Duty / Tax	Chewing Tobacco	Snuff Tobacco
Import Duty	5% + RM50/kg	5% + RM40/kg
Excise Duty	Not applicable	5% + RM27/kg
Sales Tax	10%	10%

Proposed



Proposed Effective Date : 1 January 2024

Import Duty and Sales Tax Exemptions on Manufacturing Aids

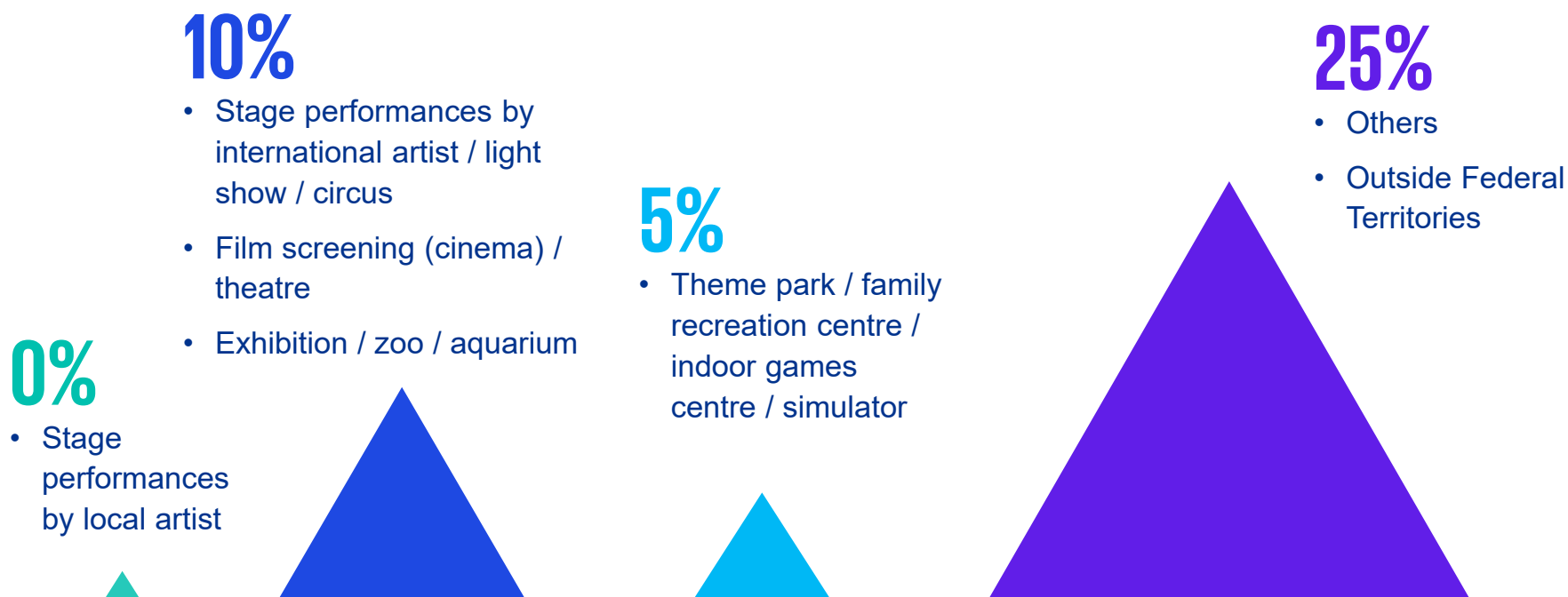
To enhance the competitiveness of the manufacturing sector, it is proposed that Import Duty and Sales Tax exemptions be given to **eligible manufacturers** on the **importation and local purchase of manufacturing aids**, depending on the types of industry and category of goods.

Proposed Effective Date : 1 January 2024



Entertainments Duty

- Currently, Entertainments Duty at the rate of 25% is imposed on admission fees to various entertainment places or events.
- It is proposed that exemption / reduction of the current Entertainments Duty rate be given to selected types of entertainments held in the Federal Territories (i.e. Kuala Lumpur, Putrajaya and Labuan).



It is proposed that the above is applicable for applications received by the Ministry of Finance from

**1 January 2024 to
31 December 2028**

Returning Expert Programme

Current

The Returning Expert Programme under the Talent Corporation Malaysia Berhad offers:

Income Tax

- Fixed rate of 15% on employment income for 5 consecutive years of assessment;

Indirect Tax

- **Import Duty** and **Excise Duty exemptions** for the purchase of a **Completely Built-Up (CBU) vehicle**; or
- **Excise Duty exemption** for the purchase of a **Completely Knocked-Down (CKD) vehicle**

subject to an exemption amount of up to **RM100,000**.

This exemption is for applications received by the Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023.

Proposed

It is proposed that:

Income Tax

- Fixed rate of 15% on employment income for 5 consecutive years of assessment;

Indirect Tax

- **Excise Duty exemption** for the purchase of a **CKD vehicle**

subject to an exemption amount of up to **RM100,000**.

This exemption would be applicable for applications received by the Talent Corporation Malaysia Berhad from:

1 January 2024 to 31 December 2027

Tightening of Smuggling Control Measures for Cigarettes and Alcoholic Beverages



Transshipment activities for alcoholic beverages will be restricted to certain ports only



The Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex (ICQS) will be used as the sole exit point for the northern region.



Importation of cigarettes for domestic market must be carried out on a full container load (FCL).

The "T" in ESG



ESG and Taxation

Tax Transparency

- Tax Corporate Governance Framework
- E-invoicing
- BEPS 2.0

Tax Incentives

- GITA
- GITE
- Tax Deductions
- Pre-packaged Tax exemptions
- Many more...

Carbon Tax

- Tax Impact
- Financial Implications
- Compliance/Reporting

Carbon Trading

- Taxability
- Deductibility

Carbon Border Adjustment Mechanism (CBAM)

Tax Transparency



Tax Incentives

Green Investment Tax Allowance ("GITA") Assets / Project

- GITA of 100% of qualifying capital expenditure ("QCE") incurred on approved green technology asset / green technology project.
- Offset against 70% of statutory income in the year of assessment. Unutilised allowances can be carried forward until they are fully absorbed.
- GITA project - 3 years from date of first QCE incurred (as verified by MGTC)
- Comply with the following criteria:-
 - a) minimise the degradation of the environment or reduce greenhouse emission;
 - b) promotes health and improvement of environment; and
 - c) conserves the use of energy, water and/or other forms of natural resources or promote the use of renewable energy or able to recycle waste material resources.
- Assets must be registered and listed under the MyHIJAU Directory.
- 2024 Budget proposed to be extended to 31 December 2026, with GITA of 100%/60% (depending on different qualifying activities under respective tiers) against 100%/70% of statutory income.
- New guidelines yet to be issued by MIDA.



Tax Incentives

Green Investment Tax Exemption ("GITE") Services

- GITE of 70% on statutory income for qualifying green services (which includes renewable energy, energy efficiency, electric vehicle and etc)
- 3 years starting from YA of first invoice related to green technology services issued
- Date of first invoice not earlier than date of application received by MIDA
- Comply with all the following criteria:
 - a) employs at least 5 full-time employees working in Malaysia including at least 2 competent personnel in green technology;
 - b) must have a green policy related to the environmental or sustainability;
 - c) must have documented SOP to ensure quality of services;
 - d) 100% income must be derived from the respective green technology services; and
 - e) company must undertake at least 3 qualifying activities (as defined)
- Only one company in the same group is eligible for GITE-services
- 2024 Budget proposed to combine the qualifying activities to be under GITA (under respective tiers).
- New guidelines not yet issued by MIDA.



Tax Incentives

GITE Leasing

- GITE of 70% on statutory income for solar leasing activities:

Capacity (MW)	Incentive Period
>3MW- ≤10MW	5 years
>10MW- ≤30MW	10 years

- Commence from date of first invoice issued and not earlier than date of application received by MIDA
- Company that:-
 - has been verified by SEDA and listed under the RPVI Directory
 - at least 60% of the equity of the company must be held by Malaysians
 - possess a minimum installed capacity of 3MW solar PV projects aggregated under the NEM or SelCo Programme which have achieved COD
- Commence from date of first invoice issued and not earlier than date of application received by MIDA

- Company that:-
 - has been verified by SEDA and listed under the RPVI Directory
 - at least 60% of the equity of the company must be held by Malaysians
 - possess a minimum installed capacity of 3MW solar PV projects aggregated under the NEM or SelCo Programme which have achieved COD
- Comply with all the following criteria:
 - a) employs at least 5 full-time employees working in Malaysia including at least 2 competent personnel in green technology; and
 - b) derives income from sales of electricity / leasing activities. Income derived from activities other than sales of electricity / leasing activities is not eligible for income tax exemption
- Only one company in the same group is eligible for GITE-solar leasing
- 2024 Budget proposed to be extended to 31 December 2026.

Tax Incentives

Tax Deduction on ESG related expenditures

- Tax deduction up to RM50,000 per YA (YA 2024 – YA 2027)

ESG Related Expenditure

ESG reporting by companies listed on the Bursa Malaysia stock exchange

ESG reporting by financial institutions regulated by the Bank Negara Malaysia

Preparation of reports related to Tax Corporate Governance Framework by companies

Preparation of transfer pricing documentation by companies

Consultation fee for implementing e-invoicing incurred by Micro, Small and Medium Enterprises

ESG reporting by companies to approved regulator by the Ministry of Finance

Further Tax Deduction for Voluntary Carbon Market

- Currently, expenditure related to development of carbon projects incurred by carbon credit trading companies is allowed under Section 33(1).
- Further tax deduction of up to RM300,000 be given to companies for costs incurred on Development and Measurement, Reporting and Verification related to the development of carbon projects (certified by MGTC), against the carbon credits income traded on BCX.
- Effective for applications received by MGTC from 1 January 2024 to 31 December 2026.



Tax Incentives

Income Tax Exemption on management fee income from SRI fund management services

Tax Incentives for Carbon Capture and Storage

Import Duty, Excise Duty and Sales Tax exemptions on EV

Tax Deduction for Carbon Projects

Tax Deduction on the cost of issuing SRI Sukuk

Income Tax Exemption for Green SRI Sukuk Grant and Bond Grant Scheme

Tax Incentives for Company that rents non-commercial EV

Tax Deduction on EV rental cost


Tax Deduction on Contributions for Environmental Preservation and Conservation Projects

Tax Exemption on Income of Social Enterprise





Tax Incentive for Manufacturer of EV Charging Equipment

Tax Deduction for Smart AI-Driven Reverse Vending Machine

Carbon Tax – what is the Asian trajectory?

-  Levied on facilities that directly emit $\geq 25,000$ tonne carbon dioxide emission (tCO_2e) of greenhouse gas (GHG) emissions annually
- Covers six GHGs, namely carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. From 2024 onwards, to include nitrogen trifluoride emissions
- Covers 80% of total GHG emissions from about 50 facilities in the manufacturing, power, waste, and water sectors



-  JPY 289 (USD 2.04)/tCO₂e (fixed rate since 2012)
-  Postponed introduction of carbon tax indefinitely
-  Planning to introduce carbon tax on energy, transport and industrial sectors to achieve carbon neutrality by 2050 and net zero greenhouse gas emissions by 2065
-  No news on implementation date of carbon tax – possibly similar to Singapore – RM X/tCO₂e
- To achieve carbon neutrality by 2050

Carbon Exchange and Emission Trading Scheme



Bursa Carbon Exchange (BCX) – Bursa Malaysia’s voluntary carbon market exchange

What is it?

- Spots exchange that facilitates the trading of high-quality carbon credits at transparent prices via standardized carbon contracts
- Adopt Verified Carbon Standard (Verra)

Tax Considerations

- Is the income subject to tax?
- Is the purchase of carbon credits tax deductible?
- Are there any indirect tax implications?

Benefits:

- Purchase the credits to offset their carbon footprint
- Sell carbon credits to help finance and drive development of domestic GHG emission reduction
- Being seen as more “green” provided purchases are used strategically – to avoid “greenwashing”



Singapore

- Climate Impact X (CIX)



Japan

- Tokyo Emissions Trading Scheme
- Saitama Prefecture Emissions Trading Scheme

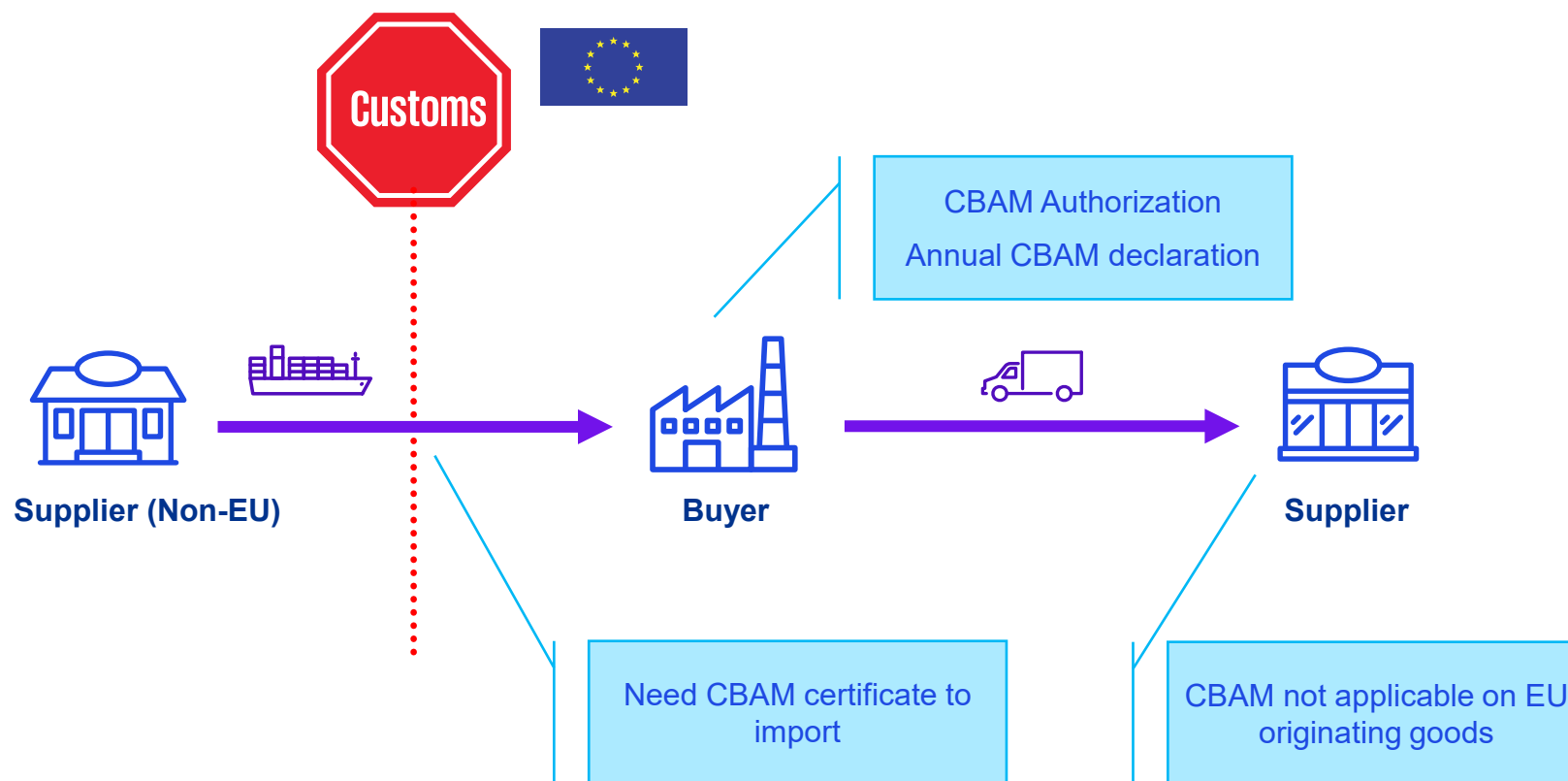


Korea

- Emissions Trading Scheme
- Socially responsible investment bodies

Carbon Border Adjustment Mechanism (CBAM)

CBAM is a policy tool that imposes a carbon tariff or price on carbon-intensive products imported into the EU



Goods impacted:

- Cement
- Iron and steel
- Aluminum
- Fertilizers
- Electricity
- Hydrogen

Considerations

- How to calculate the embodied carbon?
- What is the additional carbon tariff or price?
- Reporting/ compliance obligations?

E-invoicing – Where are we now?

e-Invoicing implementation timeline



Note : The annual turnover / revenue will be based on FY2022 audited financial statements or YA 2022 tax return, as the case may be.

e-Invoice Guideline

- ❑ *e- Invoice Guideline (Version 1.0) - Issued by the IRBM on 21 July 2023*
- ❑ *e- Invoice Guideline (Version 2.0) - Issued by the IRBM on 29 September 2023*
- ❑ *e- Invoice Specific Guideline (Version 1.0) - Issued by the IRBM on 29 September 2023*
- ❑ *e- Invoice Guideline (Version 2.1) - Issued by the IRBM on 28 October 2023*
- ❑ *e- Invoice Specific Guideline (Version 1.1) - Issued by the IRBM on 28 October 2023*



Digital representation of a transaction between a supplier and a buyer

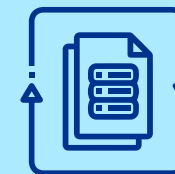


Replaces paper or electronic documents for invoices, credit notes, debit notes and refunds



Formats specified by IRBM that can be automatically processed by relevant systems

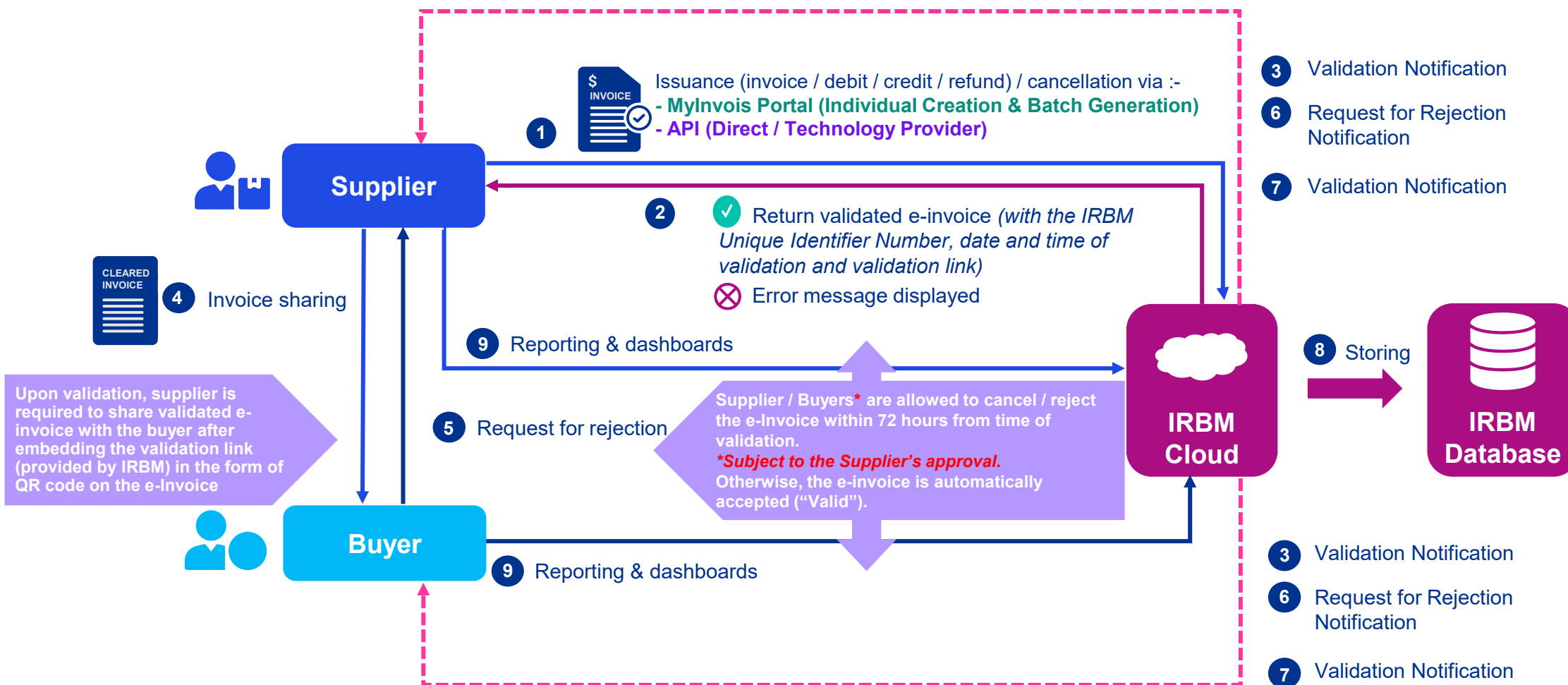
- ✓ XML (“Extensive Markup Language”)
- ✓ JSON (“JavaScript Object Notation”)



Formats that are not e-Invoice

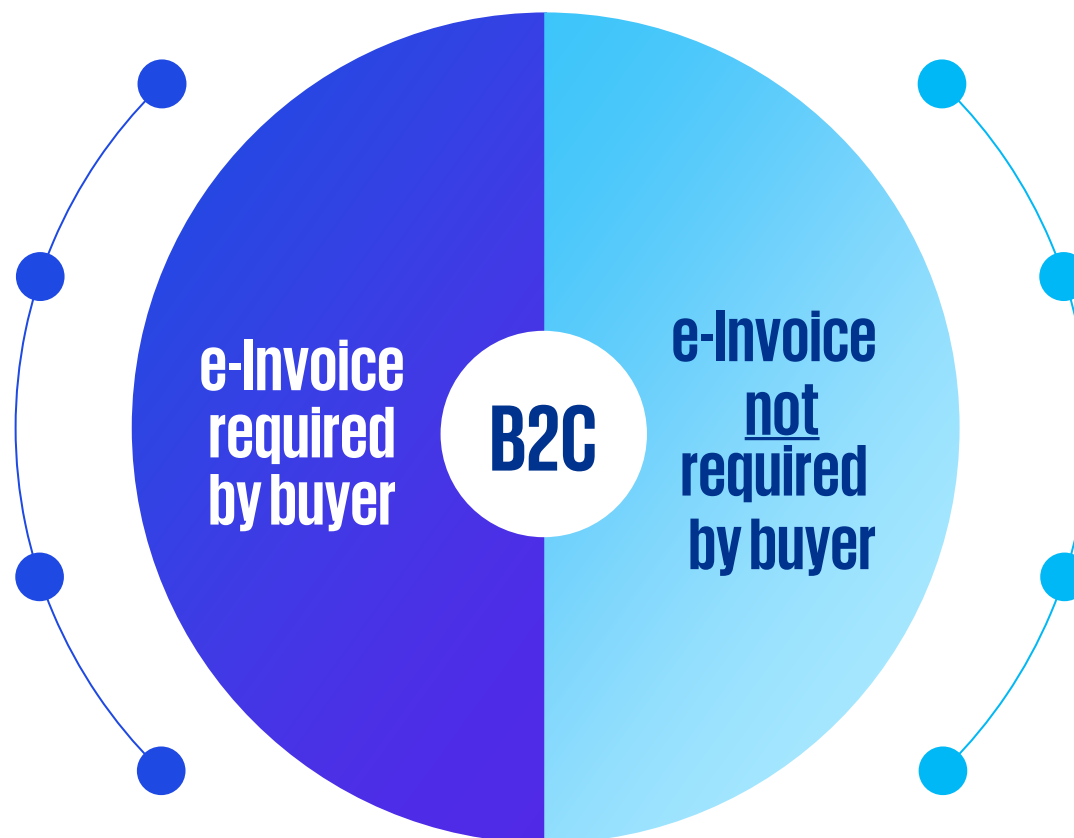
- ✗ PDF
- ✗ DOC
- ✗ Hardcopy invoice
- ✗ JPG
- ✗ HTML on a webpage / email

How does Malaysia's e-Invoicing work ?



Transactions with Buyers

Supplier to share validated e-Invoice with the buyer



Consolidate e-Invoice

- Supplier consolidates all normal receipts/invoices into a consolidated e-Invoice on a monthly basis
- Submit to the IRBM within 7 calendar days after the month end

Self-billed e-Invoices

Under self-billed e-Invoice, Buyer will assume the role of the Supplier to be issuer of e-Invoice

01

Goods sold or services rendered by foreign suppliers



02

Payment to agents, dealers, distributors, etc.



03

Profit distribution



04

e-Commerce transactions

Details will be released in due course



05

Pay-out to all betting and gaming winners *



06

Acquisition of goods or services from individual taxpayers (who are not conducting a business)



Note * : Pay-outs to winners in relation to betting and gaming (i) in casino and (ii) from gaming machines are exempted from self-billed e-Invoice until further notice.

General Tax Identification Number (“TIN”)

Suppliers are allowed to input General TIN under specific circumstances

General Public’s TIN
EI00000000010

- Buyer’s TIN in the e-Invoice for Malaysian individual where the Individual buyer only provides MyKad identification number
- Buyer’s TIN in the Consolidated e-Invoice

Foreign Buyer’s TIN
EI00000000020

Foreign Supplier’s TIN
EI00000000030



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