Tax Summit – Kota Kinabalu

14 November 2024

Hilton Kota Kinabalu

KPMG in Malaysia

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2025 Budget Highlights & Implications

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Tax Summit − Kota Kinabalu 2024 | 14 November 2024

Individual Tax

Individual Tax

Dividend Tax

Where annual dividend income exceeding RM100,000

2% **tax on chargeable dividend income**

- Individual shareholders (resident, non-residents and individuals who hold shares through nominees)
- Formula in determining the chargeable dividend income:

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

A - Dividend statutory income

B - Aggregate income

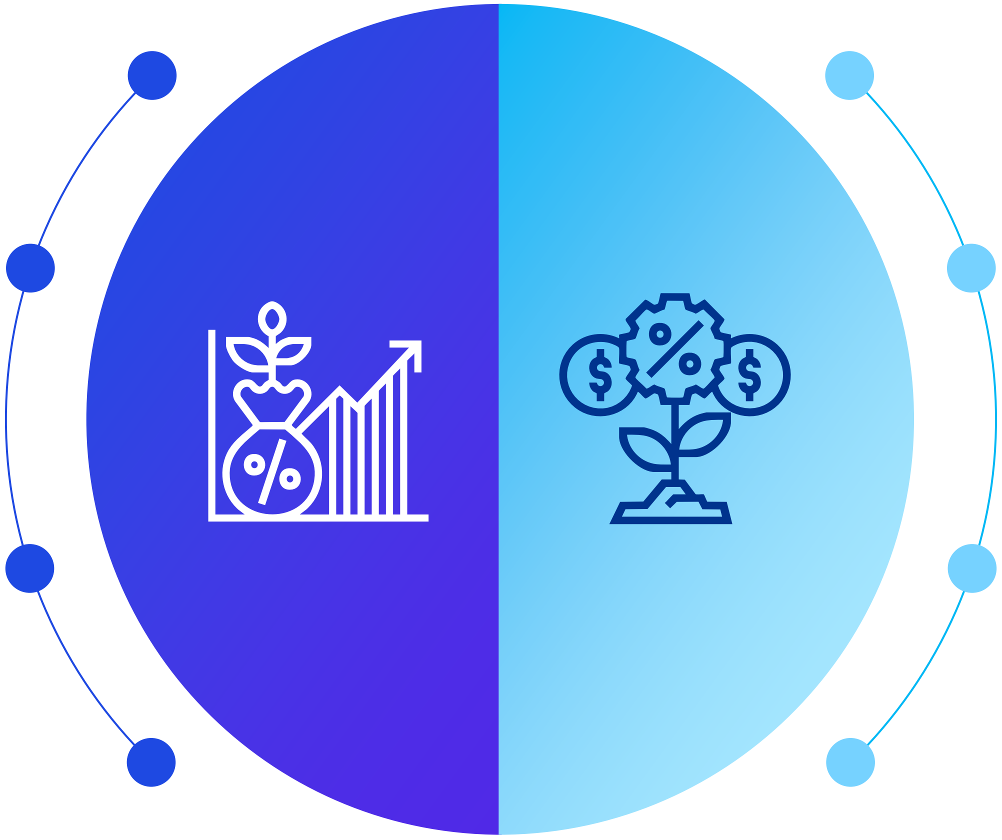
C - Chargeable income

- Effective YA 2025

Individual Tax

Dividend Tax – exemption proposed

1. Dividend income from abroad (up to 31 Dec 2036)
2. Dividend income distributed from the profits of companies that received pioneer status and reinvestment allowances
3. Dividend income paid, credited or distributed from the profits of shipping companies that is exempted from tax
4. Dividend income distributed by cooperatives
5. Dividend income declared by closed-end funds



6. Dividend income received by residents from Labuan entities
7. Any exemption given on dividend income at shareholder level
8. Profit distributions made to contributors and depositors by Kumpulan Wang Simpanan Pekerja (KWSP), Lembaga Tabung Angkatan Tentera (LTAT), Amanah Saham Nasional Bumiputera (ASNB), or any unit trust

Individual Tax

Scenario A – Mr X (Resident individual)	RM
Employment Income	80,000
Net Rental Income	10,000
Dividend Income: • Dividends from EPF for year 2024 declared and received on 10 March 2025	15,000
Investment in local companies • Dividends declared on 1 November 2024, received on 15 January 2025	60,000
• Dividends received on 30 June 2025	100,000
• Dividends declared on 30 November 2025, received on 30 January 2026	8,000

Individual Tax

- Dividends from EPF of RM15,000 – tax exempt

Calculation of Statutory Dividend Income for YA 2025	**RM**
Investment in local companies • Dividends declared on 1 November 2024, received on 15 January 2025	60,000
• Dividends received on 30 June 2025	100,000
Total	160,000
Amount in excess of RM100,000	**60,000**

Individual Tax

Tax Computation for YA 2025		RM
Statutory income from Employment		80,000
Statutory income from Rents		10,000
Statutory income from Dividends	(A)	60,000
Aggregate Income	(B)	150,000
Less: Self relief		(9,000)
Chargeable Income	(C)	141,000
Chargeable Dividend Income (taxed at 2%)		56,400
Chargeable Employment Income & Rents (taxed at scale rate)		84,600

Tax payable
= RM56,400 x 2%
= RM1,128

Computation of Chargeable Dividend Income [A / B * C] : RM60,000 / RM150,000 * RM141,000 = RM56,400

Individual Tax

Scenario B	RM
A retiree residing in Malaysia only earns dividend income as sole source of income • Dividends from EPF for year 2024 declared and received on 10 March 2025	15,000
Investment in local companies	
• Dividends declared on 1 November 2024, received on 15 January 2025	60,000
• Dividends received on 30 June 2025	100,000
• Dividends declared on 30 November 2025, received on 30 January 2026	8,000

Chargeable Dividend Income = RM160,000

Tax Payable on Dividend Income = [RM160,000 – RM100,000 – RM9,000 (self relief)]

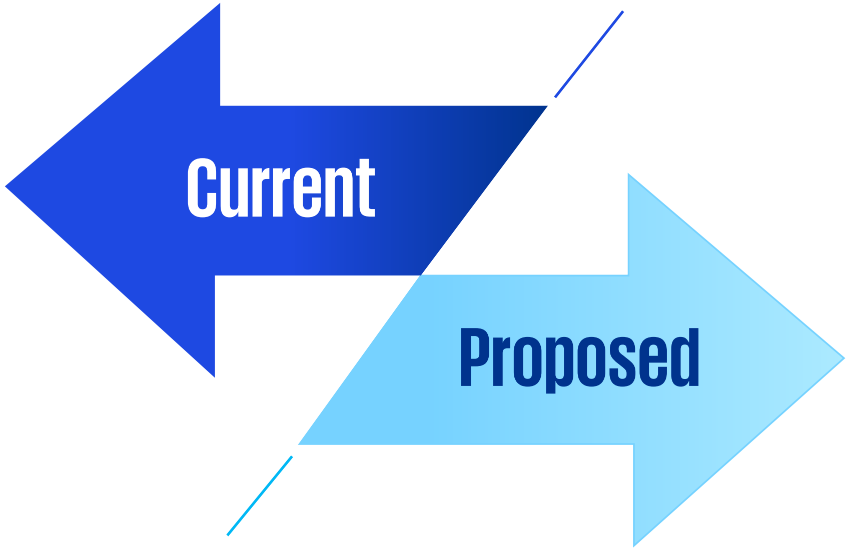
= RM51,000 x 2%

= RM1,020

Individual Tax

Income tax exemption on foreign source income (FSI) received in Malaysia by resident individuals

Exempt for FSI received in Malaysia from 1 January 2022 to 31 December 2026, subject to meeting conditions



To be extended for FSI received in Malaysia **until 31 December 2036**

Individual Tax

Reintroduction of tax relief for interest paid on housing loan for first residential home

Previously

- House, condominium unit, apartment or flat which is built as a dwelling house which not used to generate any income
- RM10,000 for 3 consecutive YAs. Joint owner's eligibility based on interest expended
- Sale and Purchase Agreement (SPA) executed from 10 March 2009 until 31 December 2010

Proposed

Property Price	Tax relief per year (capped at)
Up to RM500,000	RM7,000
Above RM500,000 to RM750,000	RM5,000

- Subject to conditions
- Residential property not used to generate any income
- For 3 consecutive YAs, commencing from the first year the housing loan interest is paid
- Joint owner's eligibility based on interest expended

For SPA executed from 1 January 2025 until 31 December 2027

Individual Tax

Tax relief / income tax exemption for elderly care

Current

RM3,000

childcare allowance

- Received by employees, or
- Paid directly by employers to childcare centres

Proposed

RM3,000

allowance

- To be expanded to elderly care for parents and grandparents

Effective YA 2025

Individual Tax

Tax relief / income tax exemption for elderly care (cont'd)

Medical treatment, special needs and parental care expenses, up to

RM8,000

covering:

- Medical treatment at clinics and hospitals
- Treatment and homecare nursing, day care centres and residential care centres
- Dental treatment not including cosmetic dental treatment
- Full medical check-up limited to RM1,000

Current

Proposed

- To be expanded to grandparents
- Full medical check-up expenses be expanded to include vaccination

Effective YA 2025

Individual Tax

Tax relief – extension of relief period

	Current	Proposed
1	RM3,000 on contributions to Private Retirement Schemes (PRS) and premiums paid for deferred annuities up to YA 2025	To be extended up to YA 2030
2	RM3,000 on fees paid to registered childcare centres or kindergartens for children aged 6 years old and below up to YA 2024	To be extended up to YA 2027
3	RM8,000 for the net annual savings deposited into Skim Simpanan Pendidikan Nasional (SSPN) account for his / her child up to YA 2024	• To be extended up to YA 2027 • Can only be claimed by either parent • Withdrawals to finance education costs for further studies will not affect the calculation of eligible net savings amount for tax relief for that particular year

Individual Tax

Tax relief – increase of limit or expansion of scope

#	Current	#	Proposed
1	RM3,000 on premium paid for education and medical insurance for self, spouse and child	1	The limit is to be increased to RM4,000
2	Disabled related further tax relief: • Disabled taxpayer – RM6,000 • Disabled spouse – RM5,000 • Disabled unmarried child – RM6,000	2	The limit is to be increased to: • Disabled taxpayer – RM7,000 • Disabled spouse – RM6,000 • Disabled unmarried child – RM8,000
3	RM1,000 on expenses for sports equipment and activities for self, spouse or child	3	To be expanded to parents
4	RM2,500 on installation, rental, purchase including hire-purchase of equipment or subscription for use of electric vehicle charging facility for YA 2024 to YA 2027	4	• To be expanded to include the purchase of food waste composting machines for domestic use • Claim once within 3 YAs • From YA 2025 to YA 2027

Effective YA 2025

Individual Tax

Tax relief – increase of limit or expansion of scope (cont'd)

Current

1 Serious illness for self, spouse or child;

2 Fertility treatment for self or spouse;

3 Vaccination for self, spouse or child, limited to RM1,000;

4 Dental examination and treatment expenses for self, spouse or child, limited to RM1,000;

5 Full medical check-up, mental health check-up or consultation and COVID-19 detection test inclusive of the purchase of self-test kit for self, spouse or child limited to RM1,000; and

6 Assessment and diagnosis, early intervention programme and rehabilitation treatment for children aged below 18 years with learning disability such as autism, attention deficit hyperactivity disorder (ADHD), global developmental delay (GDD), intellectual disability, down syndrome and specific learning disabilities, limited to RM4,000

Proposed

5 To be expanded to include:

- Purchase of influenza test kit
- Purchase of self-testing medical devices such as glucometer, pulse oximeter, blood pressure monitor and thermometer
- Fees for disease detection examination conducted at clinic or hospital, such as blood test, ultrasound, mammogram and pap smear

6 The limit is to be increased to RM6,000

Effective YA 2025

Corporate Tax

Corporate Tax

Access to Tax Identification Number (TIN)

Current

TIN access is limited to registered taxpayers

Proposed

- Enabling access to TIN by parties other than the taxpayer
- Prosecution for abuse of TIN information:
  - A fine not exceeding RM4,000; or
  - Imprisonment not exceeding 1 year, or both

With effect from 1 Jan 2025

Corporate Tax

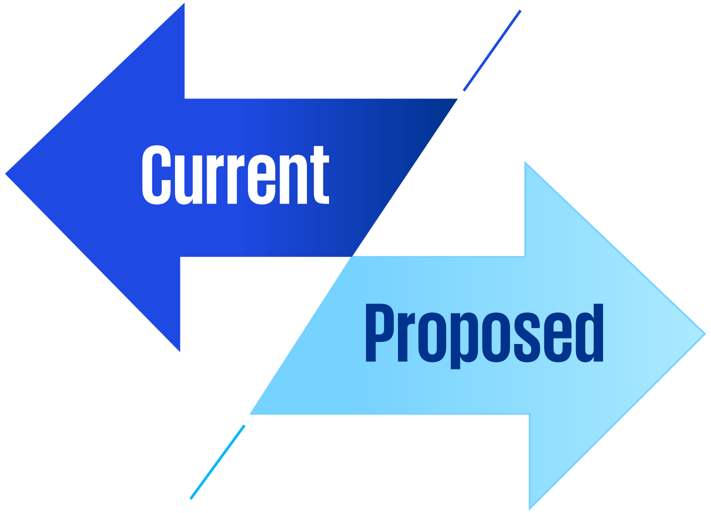
Institutions or organisations with Section 44(6) status

Utilisation of accumulated funds condition:

Option	Utilisation of accumulated funds	Threshold of charitable expenditure (% of income earned in previous year)
1	Up to 25%	50%
2	> 25% up to 35%	60%

Operating and administrative expenses requirement

- **Must be** separated from charitable expenditure
- Restricted to 20% of the current year total income
- Operating expenses such as rental, unreasonable employee remuneration, depreciation and capital expenditure cannot be considered as charitable expenditure



- Scope of tax relief

  To be expanded to include contributions to affected non-citizens

- Education related

  Payment of salaries or wages to educators be allowed as charitable expenditure

Effective date not provided

Corporate Tax

Global Minimum Tax (GMT)

To assist in mitigating the effects of GMT which comes into effect in 2025, the Government will: -

- Review existing tax incentives
- Introduce non-tax incentives
- Examine the feasibility of a Strategic Investment Tax Credit mechanism

The GMT applicable to MNE groups* that have an annual consolidated revenue of 750 million euros or more in at least two out of the four years before the tested year.

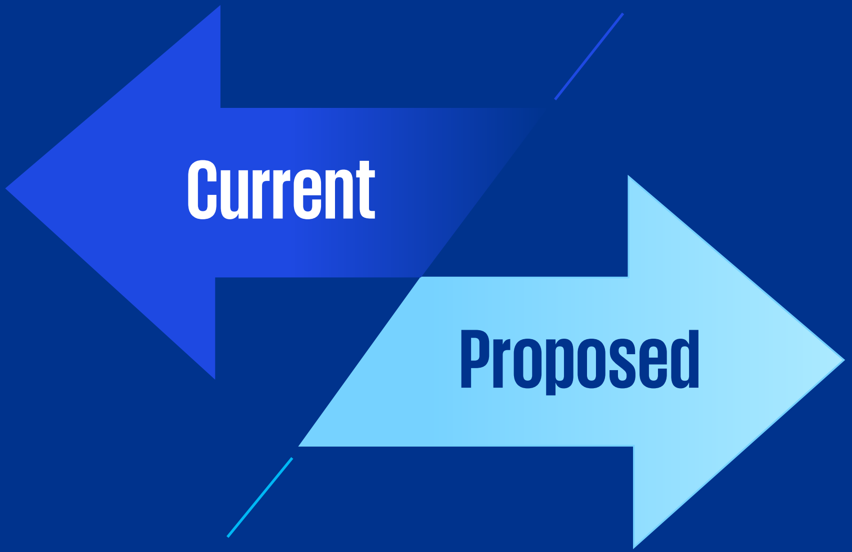
*Any group that is consolidated for financial accounting purposes and the group includes at least one entity or Permanent Establishment that is not located in the same jurisdiction of the Ultimate Parent Entity.

Tax Incentives

New Investment Incentive Framework

Designed to attract high-value activities

Product-specific incentives



Outcome-based incentives

Expected to be implemented in Q3 2025.

Key Tax Incentives

Tax incentive to strengthen local supply chain and primary sector ecosystem

01
Double deduction for a period of 3 consecutive years to multinational enterprises (MNEs) that incur expenses for supply chain resilience initiatives, up to RM2 million annually

02
Deduction on the amount invested made by MNEs or vendors to MNEs that jointly invest in other local vendors

03
Outcome-based tax incentive package be given to local vendors participating in supply chain resilience initiatives

04
Matching investment fund of RM100 million will be established through equity crowdfunding platform to finance the development of local vendors especially in electronic and electrical, specialty chemicals and medical device industries

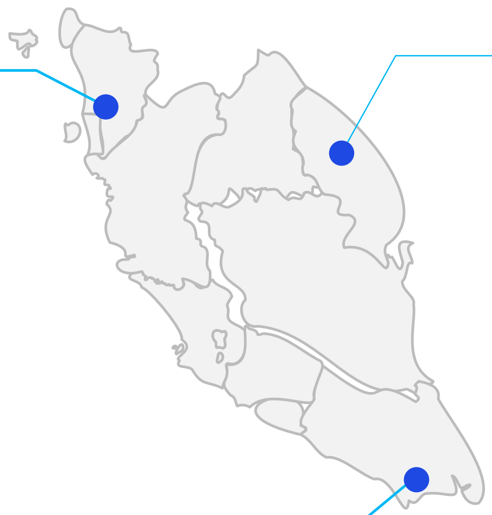
Malaysia's economic corridors

Existing Economic Corridors

Income tax incentive at a special rate will be granted for investments in 21 economic sectors

Northern Corridor Economic Region (NCER)

- High value manufacturing
- Modern agribusiness
- Tourism
- Logistics & connectivity
- Digital economy
- Education

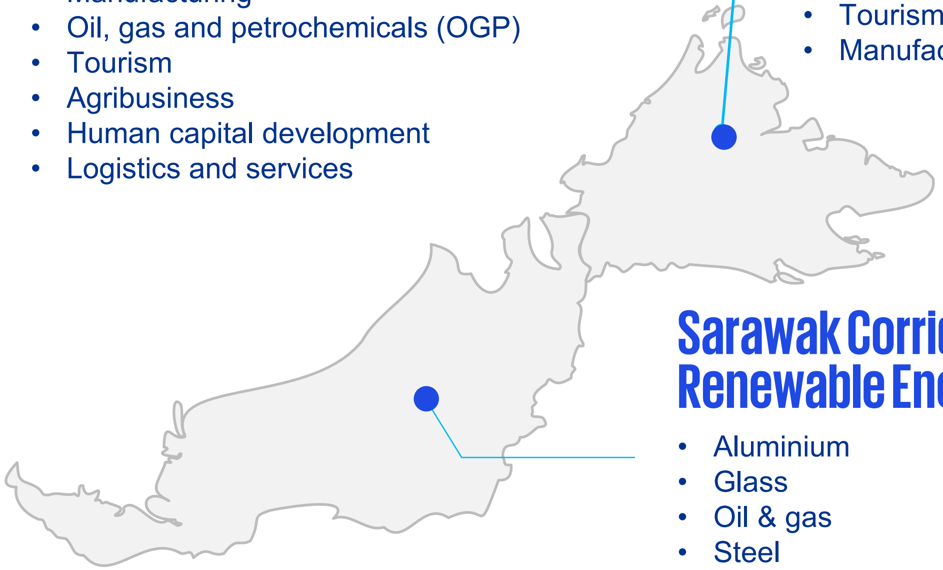


East Coast Economic Region (ECER)

- Manufacturing
- Oil, gas and petrochemicals (OGP)
- Tourism
- Agribusiness
- Human capital development
- Logistics and services

Sabah Development Corridor (SDC)

- Tourism
- Manufacturing
- Agri-processing
- Logistics



Iskandar Malaysia in Southern Johor

- Electrical and electronics (E&E)
- Petrochemical and oleochemical
- Food and agro-processing
- Logistics
- Tourism
- Creative industries
- Healthcare services
- Education services
- Financial and business services

Sarawak Corridor of Renewable Energy (SCORE)

- Aluminium
- Glass
- Oil & gas
- Steel
- Marine engineering
- Aquaculture
- Livestock
- Timber-based
- Palm oil-based
- Tourism
- Biotechnology
- Digital technology

Key Tax Incentives

ESG-related tax incentive

2023 Budget (pending gazettement)

1. Tax incentive be given to companies undertaking carbon capture and storage (CCS) in-house activity and companies undertaking CCS services
[Applications received by the Ministry of Finance from 25 February 2023 until 31 December 2027]

2. Tax deduction be given on fees incurred for the use of CCS services
[for YA 2023 to YA 2027]

2025 Budget

1. Tax incentives such as investment tax allowance or income tax exemption be given for carbon capture, utilization and storage (CCUS) activities

2. Carbon use activities are expanded as a downstream product and tax incentives will be provided based on the New Investment Incentive Framework that emphasizes economic sustainability

Effective date not provided

Key Tax Incentives

Tax incentive for Smart Logistics Complex (SLC)

60% **Investment Tax Allowance (ITA) on qualifying capital expenditure for 5 years to be set-off against 70% of statutory income**

- Eligible SLC companies: -

  i. SLC Investor and Operator that invest in the construction of smart warehouses

  ii. SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years

  and undertakes eligible logistics services activities as follows: -

  a. Regional distribution centres;

  b. Integrated logistics services;

  c. Storage of hazardous goods; or

  d. Cold chain logistics.

- Smart warehouse that incorporates at least 3 Fourth Industrial Revolution (IR4.0) elements and with a minimum build-up area of 30,000 square metres
- For applications received by Malaysian Investment Development Authority from 1 January 2025 until 31 December 2027

Key Tax Incentives

Tax incentive for increased exports

50% Value of increased exports to be set-off against 70% of statutory income

Current qualifying services:

- Legal
- Accounting
- Architecture
- Marketing
- Business consultancy
- Office services
- Construction management
- Building management
- Plantation management
- Private education
- Publishing
- Printing
- Information technology and communication
- Engineering
- Local franchise

Proposed:

- To be expanded to Integrated Circuit (IC) design services

Effective YA 2025

Corporate Tax

Other tax incentives

Accelerated capital allowance – implementation of e-invoicing

Information and communication technology (ICT) equipment and computer software

Qualifying expenditure	Capital allowance rate	
	Current	Proposed
Purchase of ICT equipment and computer software package	IA – 40% AA – 20%	IA – 20% AA – 40%
Consultation, licensing and incidental fees related to customised computer software development		

- Only for taxpayers who implemented e-Invoicing within the statutory deadline (i.e. not utilising the 6-month concessionary period)
- Effective from YA 2024 to YA 2025

Corporate Tax

Other tax incentives

Reintroduction of tax deduction

Implementing Flexible Work Arrangements

- Previously, double tax deduction was given on eligible expenses capped at RM500,000 from 1 July 2020 until 31 December 2022
- A 50% further deduction be given on expenses incurred for capacity building and software acquisition, capped at RM500,000 and subject to a one-off claim
- For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027

Corporate Tax

Other tax incentives

Tax deduction on employment expenses

Further tax deductions for childcare allowance

- To be expanded to include elderly care (parents or grandparents)
- Effective YA 2025

Caregiving leave benefit

- A 50% further deduction be given on the provision of additional paid leave of up to 12 months to employees caring for children or ill or disabled family members.
- For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027

Hiring women returning to work

- A 50% further deduction be given on employment expenses paid for a period of 12 months
- For applications received by Talent Corporation Malaysia Berhad from 1 January 2025 until 31 December 2027

Corporate Tax

Other tax incentives

New tax deduction

Donation of new equipment and machinery

- To registered Institusi Latihan Kemahiran Awam, polytechnics or vocational colleges
- For YA 2025 to YA 2027

Extension of tax deduction

Contributions or sponsorships of Smart AI Driven Reverse Vending Machines

- To be extended for 2 years
- For applications received by Ministry of Finance from 1 January 2025 until 31 December 2026

Expansion and extension of double deduction

Structured Internship Programme approved by TalentCorp

- To be expanded to include students who participate in structured training conducted by industry regulatory bodies
- To be extended for 5 years up to YA 2030

Corporate Tax

Other tax incentives

Accelerating tax deduction

Review of tax deduction on the cost of developing new courses at private higher education institutions (PHEIs)

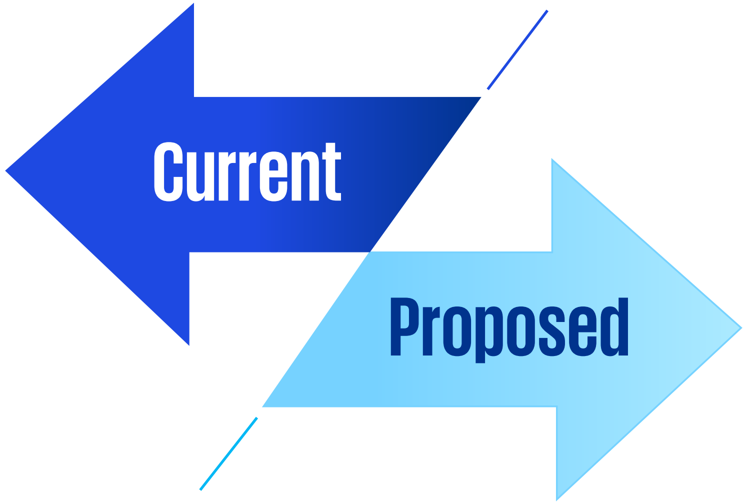
- Currently, tax deduction is allowed from the year of completion of development of new courses over a period of 3 years
- Full deduction be given in the current YA for development of certain new courses at PHEIs, such as digital technology, artificial intelligence, robotics
- To be extended to include the development of Technical and Vocational Education and Training (TVET) courses by private skills training institutions
- From YA 2025 until YA 2030

Labuan

Labuan

Income tax exemption for Islamic financial activities under Labuan International Business and Financial Centre – expansion

- Qualifying Labuan entities and qualifying activities listed in PU(A) 127/2024
- 5 years income tax exemption on qualifying activities from YA 2024 until YA 2028



To be expanded to include qualifying Labuan takaful business activities and qualifying Labuan takaful related activities as below.

No.	Labuan Trading Entity	Qualifying Activities
1.	Labuan insurer; Labuan reinsurer; Labuan takaful operator; or Labuan re-takaful operator.	Takaful and re-takaful businesses that comply with Shariah principles: i. risk management; or ii. product development.
2.	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: i. risk management; or ii. product development.
3.	Labuan underwriting manager; or Labuan underwriting takaful manager.	Provides underwriting services including administration related to Labuan takaful business.
4.	Labuan insurance manager; or Labuan takaful manager.	Provides management or administrative services related to Labuan takaful business.
5.	Labuan insurance broker; or Labuan takaful broker.	Provides services such as: i. arrange Labuan takaful and re-takaful business; or ii. financial analysis.

From YA 2025 until YA 2028

Stamp Duty

Stamp Duty

Implementation of Stamp Duty self-assessment system

Duty payers or appointed agents to undertake self-assessment of the value of stamp duties for the instruments or agreements, and subsequently make payments within the specified timeframe.

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

Stamp Duty

Implementation of Stamp Duty Self-Assessment System

Deemed Assessment

Current

Instrument submitted to Collector must be assessed to determine amount of duty payable

Proposed

- Return and instrument submitted electronically deemed to be assessment by Collector
- Duty on instrument must be paid on date of deemed assessment

From 1 January 2026

Stamp Duty

Implementation of Stamp Duty Self-Assessment System

Relief for errors or mistakes

- Duty payer may claim any excess duty paid due to an error or mistake after return submitted
- Relief application must be made within 24 months after submission of return and duty paid

New assessment or additional assessment

Collector may raise an assessment or additional assessment on underpaid / insufficient duty within 5 years, except in cases of any form of fraud, willful default or negligence related to duty on instruments

Record keeping

7 years

From 1 January 2026

Stamp Duty

Penalty for late stamping

Current

Period of late stamping		
Not exceeding 3 months	**Exceeding 3 months but not exceeding 6 months**	**Exceeding 6 months**
RM25 / 5% insufficient duty*	RM50 / 10% insufficient duty*	RM100 / 20% insufficient duty*

* whichever is greater

Proposed

Period of late stamping	
Not exceeding 3 months	**Exceeding 3 months**
RM50 / 10% insufficient duty*	RM100 / 20% insufficient duty*

* whichever is greater

From 1 January 2025

Stamp Duty

Fraud

Current

Fine of RM5,000 for fraudulent actions intended to deceive Government in relation to any duty obligations

Proposed

Fine of not less than RM1,000 and not more than RM20,000

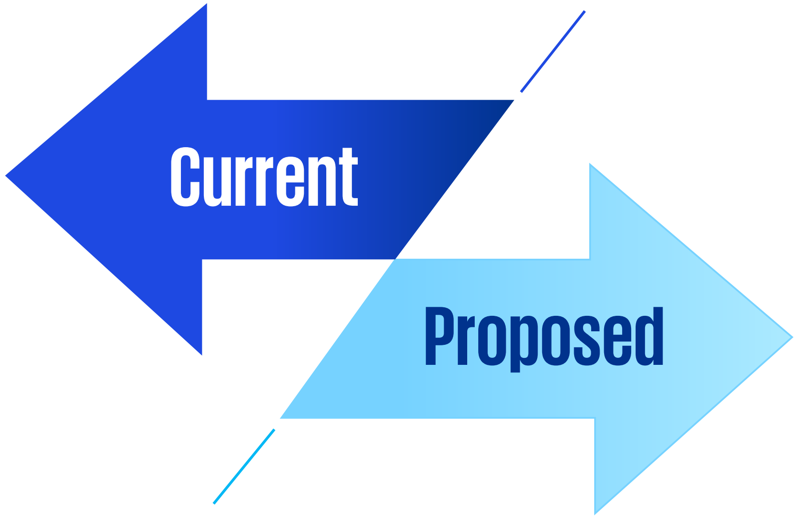
From 1 January 2025

Stamp Duty

Stamp duty on the deed of assignment for life insurance policy and family takaful certificate ("DOA")

Ad valorem duty

Ownership transfer value	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%



Fixed duty

For DOAs given by way of love and affection or through a trustee:

Ownership transfer value	Stamp duty rate
First RM100,000	RM10
RM100,001 to RM500,000	RM100
RM500,001 to RM1,000,000	RM500
RM1,000,001 and above	RM1,000

For DOAs executed from 1 January 2025

Stamp Duty

Stamp duty on loan or financing agreements for the purchase of goods other than hire purchase based on Shariah principles

Current

Ad valorem duty

0.5%

Proposed

Fixed duty

RM10

For instruments executed from 1 January 2025

Stamp Duty

Stamp duty exemption on loan or financing agreements for *Skim Pembiayaan Mikro* (microfinancing scheme)

Current

Stamp duty exemption for loan amount up to

RM50,000

Proposed

Stamp duty exemption for loan amount up to

RM100,000

For instruments executed from 1 January 2025

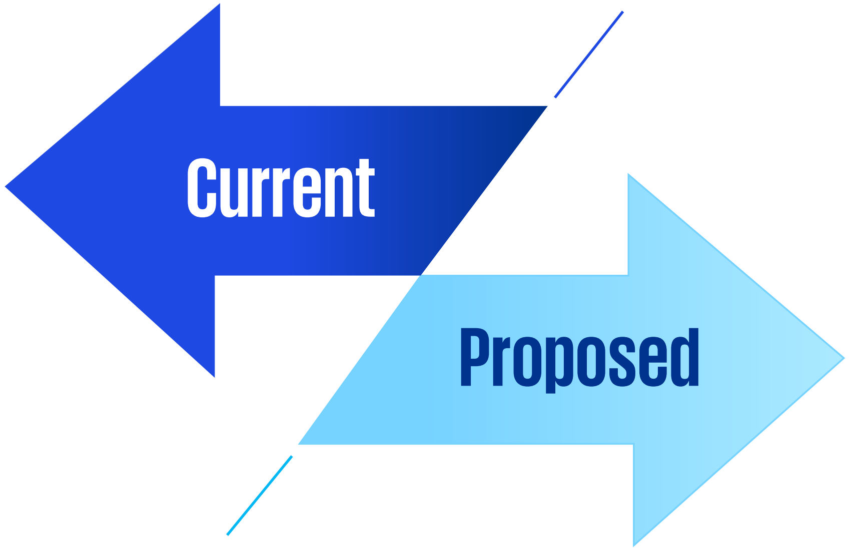
Stamp Duty

Stamp duty exemption on loan or financing agreements executed by micro, small and medium enterprises (MSMEs) through the initial exchange offering (IEO) platform

Ad valorem duty

Between

0.05% and 0.5%



100%

stamp duty exemption for 2 years

For instruments executed from 1 January 2025 until 31 December 2026

Stamp Duty

Lease / agreement for lease

Current

Average rent and other annual consideration	Period		
	≤ 1 year	> 1 year but ≤ 3 years	> 3 years
RM2,400 and below	Nil		
For every RM250 or part thereof exceeding RM2,400	RM1	RM2	RM4

Proposed

Average rent and other annual consideration	Period			
	≤ 1 year	> 1 year but ≤ 3 years	> 3 years but ≤ 5 years	> 5 years
For every RM250 or part thereof	RM1	RM3	RM5	RM7

From 1 January 2025

Real Property Gains Tax

Real Property Gains Tax

Section 21(1A): Payment of the tax

Current

Tax to be paid within 60 days of disposal

Proposed

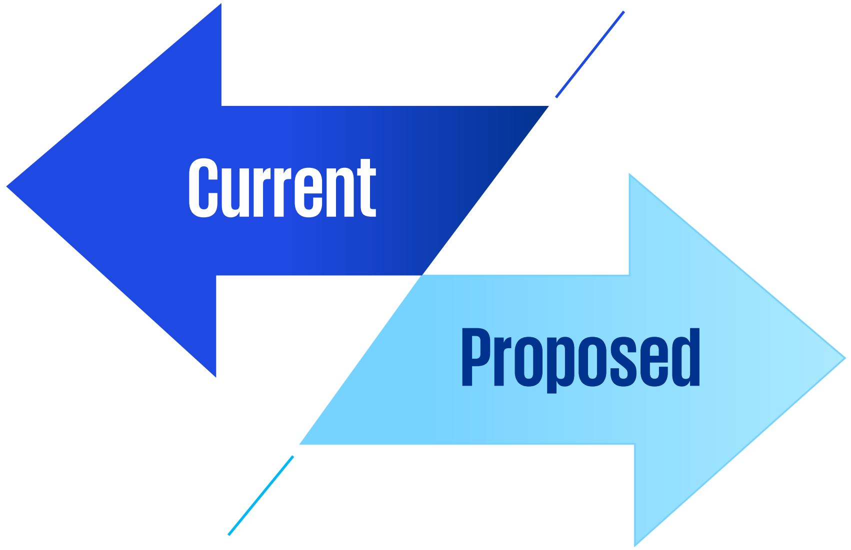
Tax to be paid within 90 days of disposal under the self assessment system

From 1 January 2025

Real Property Gains Tax

Section 7(4): Deduction of allowable loss

- Tax is determined based on the total gains from all disposals
- Current losses are allowed as a deduction against the total gains, including gains from **previous** disposals within the **same year of assessment**



- Each disposal shall be treated and taxed separately
- Losses from disposals can only be claimed against **subsequent** disposals within the **same year of assessment**
- Unabsorbed losses can be carried forward to be utilized on a sequential basis

From 1 January 2025

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