



Tax developments



14 August 2024

KPMG in Malaysia

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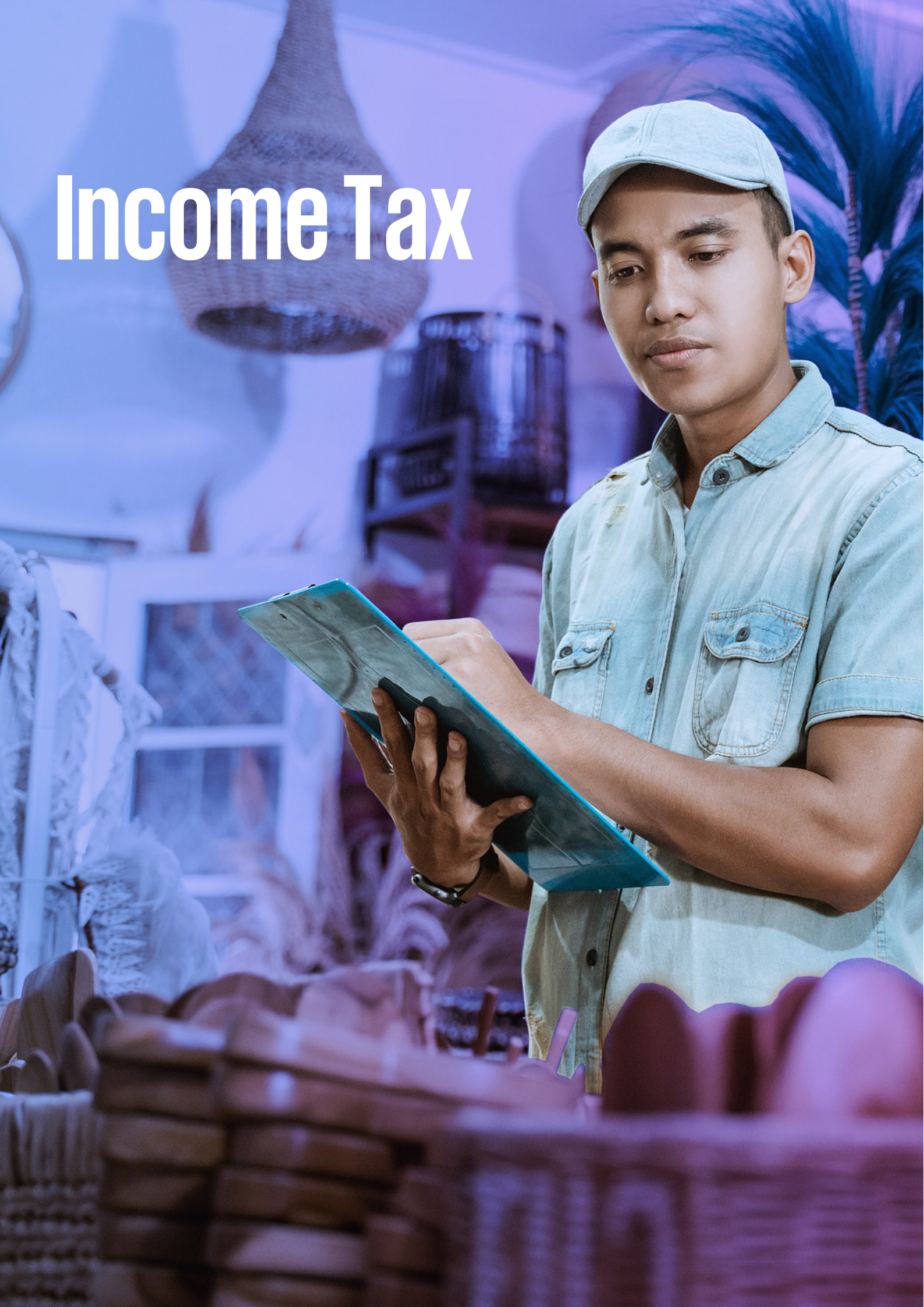
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Income Tax



Income Tax

2025 Pre-Budget statement

On 30 July 2024, the MOF released a pre-Budget statement for the 2025 Budget, which is scheduled to be tabled on 18 October 2024. The statement outlined, amongst others, the current economic and fiscal position, macroeconomic outlook for 2025 and the Government's priorities to accelerate the *Ekonomi MADANI* reforms in the 2025 Budget via three important thrusts, namely **Raise the Ceiling, Raise the Floor** and **Good Governance and Public Sector Reform**.

Source for the Statement: Official Portal of [MOF](#)

Extension of BioNexus tax incentives

A BioNexus status company undertaking qualifying activities relating to agricultural biotechnology, industrial biotechnology and healthcare biotechnology may enjoy various tax incentives.

To legislate the 2023 Budget proposal, the application window to the Malaysian Bioeconomy Development Corporation Sdn Bhd for the following tax incentives is further extended to 31 December 2024 through the Amendment Orders:

Tax incentive	Principal Order	Amendment Order
<p>Income tax exemption of 70%** of statutory income derived from the qualifying activity (excluding IP income) for 10 YAs for new business / 5 YAs for expansion project</p> <p>** The exemption level is increased to 100% of statutory income under the Amendment Order.</p>	Income Tax (Exemption) (No. 4) Order 2023	Income Tax (Exemption) (No. 4) Order 2023 (Amendment) Order 2024
Income tax exemption of up to 70% of statutory income computed at 100% of qualifying capital expenditure incurred within a period of 5 years for qualifying projects	Income Tax (Exemption) (No. 5) Order 2023	Income Tax (Exemption) (No. 5) Order 2023 (Amendment) Order 2024

The above Amendment Orders are deemed to have come into operation on 1 January 2023.

You may refer to KPMG's Tax Developments update dated 12 January 2024 (access from [here](#)) for further details on the BioNexus tax incentives.

Source for the Orders: [Federal Legislation Portal of Malaysia](#)

MIDA's guideline and procedures for incentive for reinvestment under the NIMP 2030

To encourage existing companies that have exhausted their RA eligibility period to continue increasing their capacity and investment in Malaysia, the incentive for reinvestment under the NIMP 2030 was introduced in the 2024 Budget.

MIDA has released the guideline to explain the eligibility criteria and application procedures for the tiered and outcome-based approach tax incentive, for which the subsidiary legislation is pending gazettment:

Tier 1	Investment tax allowance of 100% on the qualifying capital expenditure (excluding land cost) incurred for a period of 5 years against 100% of statutory income for each YA until fully utilized.
Or	
Tier 2	Investment tax allowance of 60% on the qualifying capital expenditure (excluding land cost) incurred for a period of 5 years against 70% of statutory income for each YA until fully utilized.

A company currently claiming RA under Schedule 7A of the MITA may opt to claim this mutually exclusive incentive. The 15-year RA eligibility period will continue even though the company has elected to switch to the above incentive. However, it is noted that companies which have yet to commence their RA claims under Schedule 7A are not eligible for this incentive.

Applications shall be made to MIDA from 1 January 2024 to 31 December 2028.

Source for the Guideline: Official Portal of [MIDA](#)

MIDA's guidelines and procedures for PIPC special incentive package

The PIPC is a downstream oil and gas hub accommodating oil refineries, petrochemical processing plants, oil storage facilities and petrochemical product manufacturing plants. It was proposed in the 2024 Budget to introduce tax incentive packages to stimulate the transformation of the PIPC into a development hub for the chemical and petrochemical sector.

MIDA has issued guidelines to explain the eligibility criteria and application procedures for the following tax incentive packages, where the relevant statutory orders are pending gazettment:

Person	Tax incentive package
Manufacturing sector	1. Special tax rate of 5% or 10% for up to 10 years, or income tax exemption equivalent to investment tax allowance of 60% or 100% on the qualifying capital investment (excluding land) capped at RM500 million for up to 10 years.

2. Stamp duty exemption on instrument for transfer of land/building or rental agreement of land/building for qualifying project/activity.
3. Import duty exemption for raw material, machinery, components, spare parts, and consumables that are used directly for qualifying project/activity.

Applications shall be made to MIDA from 14 October 2023 to 31 December 2028.

Industrial Park Developer

1. Special tax rate of 10% for a company on the disposal or rental/lease of land or buildings for qualifying projects for a period of 10 years.
2. Stamp duty exemption on the instrument executed for transfer of land or building, or rental/lease of land or buildings, in relation to the development of qualifying project/activity.

Applications shall be made to MOF from 14 October 2023 to 31 December 2028.

Source for the Guidelines: Official Portal of [MIDA](#)



Indirect Tax

Indirect Tax

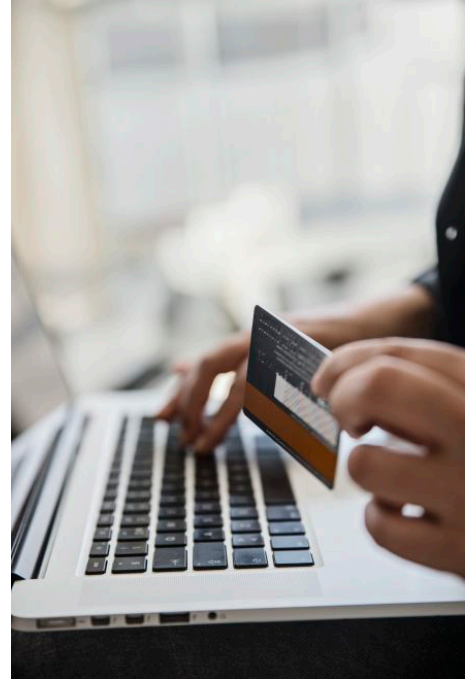
Service Tax Policy 7/2024 – Service Tax treatment on issuance of virtual credit card

The RMCD has issued STP 7/2024 dated 26 July 2024 in which the MOF has set that virtual credit cards issued as a product enhancement to existing physical credit cards will not be subject to Service Tax should the following conditions be fulfilled:

- a) The activation/ renewal date, expiry date and card verification value (CVV) of the virtual credit card are the same as the existing physical credit card;
- b) Only one statement or credit card bill is issued to the customer based on the existing physical credit card's number; and
- c) Service Tax has been charged on the issuance and renewal of the existing physical credit card.

On the other hand, Service Tax should be charged on the issuance of virtual credit cards if:

- a) The virtual credit card is issued without a physical credit card; or
- b) The virtual credit card issued fully replaces the functions of a physical credit card.



Source for the Service Tax Policy: [RMCD – MySST \(Service Tax Policy\)](#) – available in Malay language only

Indirect Tax (Amendment) Bills 2024

The following Indirect Tax (Amendment) Bills have been passed in parliament on 17 July 2024 and are currently pending gazettment of the respective Amendment Acts:

- Customs (Amendment) Bill 2024
- Excise (Amendment) Bill 2024
- Free Zones (Amendment) Bill 2024
- Sales Tax (Amendment) Bill 2024
- Service Tax (Amendment) Bill 2024

These Amendments mainly relate to the new definition of “Pulau 1” (Forest City in Johore), exclusion of Pulau 1 from the definition of “Principal Customs Area” and reclassifying as a Designated Area for Sales Tax and Service Tax purposes as well as special provisions relating to Pulau 1.

Source for the Amendment Bills: [The Official Portal of Parliament of Malaysia](#)

Insights on Earlier Tax Whiz

Please refer below to our earlier Tax Whiz for more information.

No.	Subject	Date of issue
1	e-Invoicing	29 and 31 July 2024

The table below sets out the various abbreviations and references used in this publication.

	Reference
MIDA	Malaysian Investment Development Authority
MITA	Malaysian Income Tax Act 1967
MIRB	Malaysian Inland Revenue Board
MOF	Ministry of Finance
NIMP	New Industrial Master Plan
PIPC	Pengerang Integrated Petroleum Complex
RA	Reinvestment Allowance
RMCD	Royal Malaysian Customs Department
STP	Service Tax Policy
YA	Year of Assessment

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