



Deep dive into Budget 2025

(Part 1)

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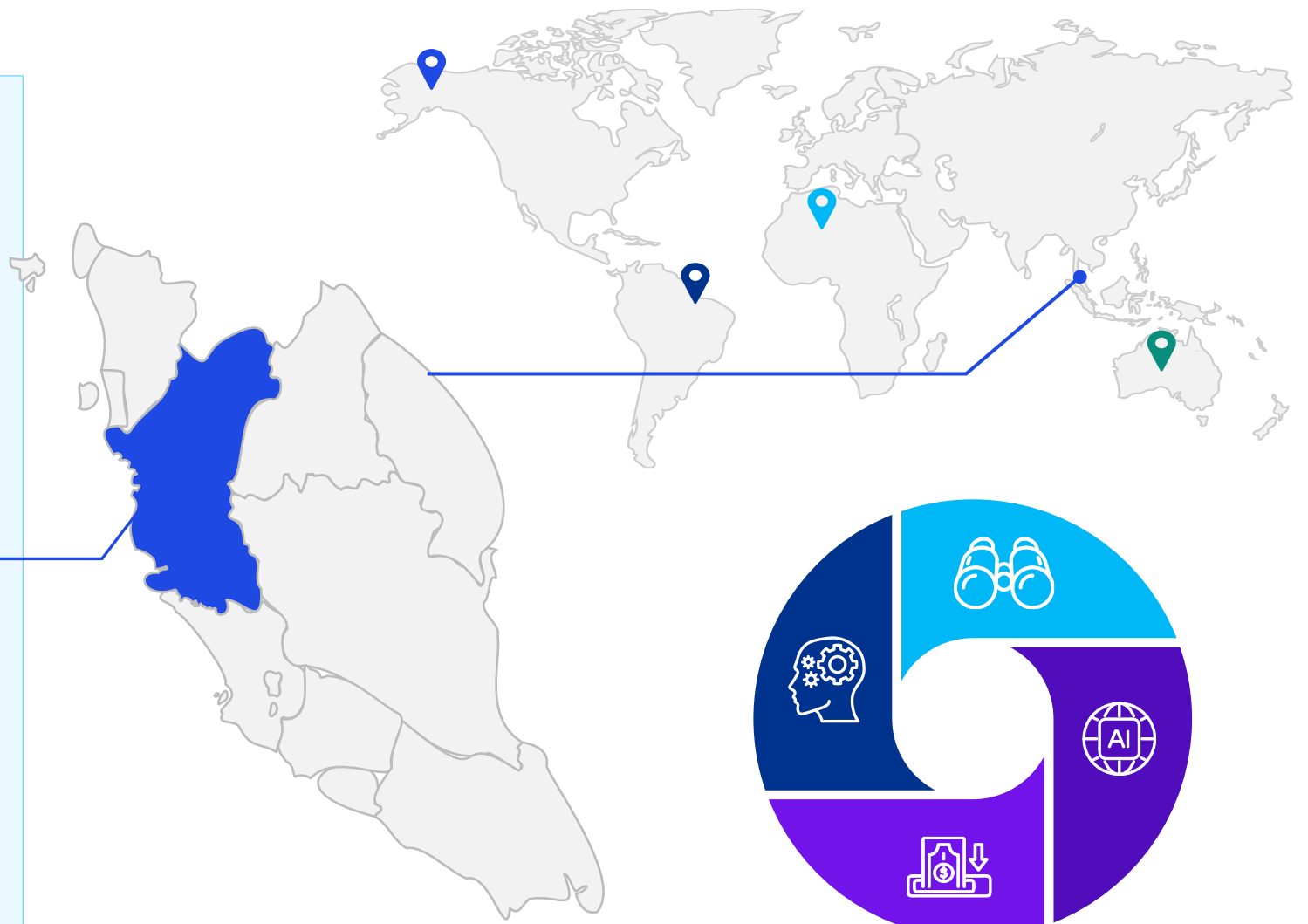
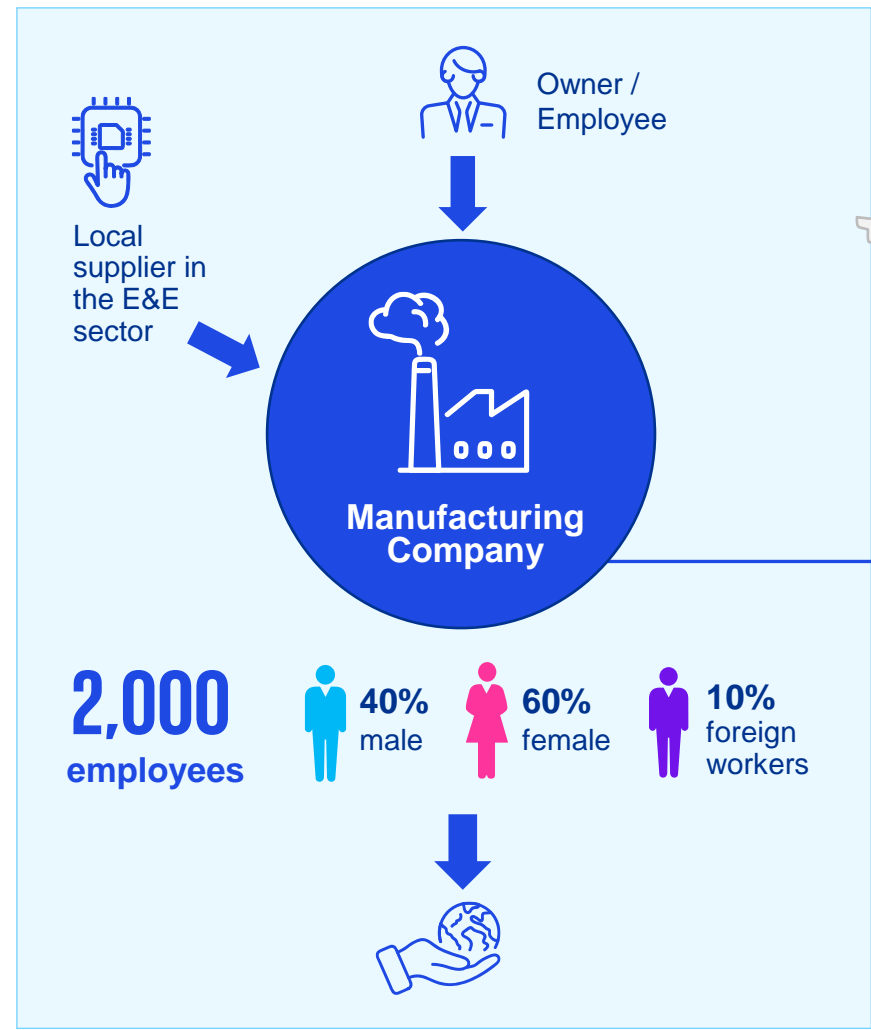
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Case study



Case study



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

- From YA 2025



Individual Tax

Scenario A	RM
Employment Income	80,000
Net Rental Income	10,000
Dividend Income: <ul style="list-style-type: none"> Dividends from EPF for year 2024 declared and received on 10 March 2025 	15,000
Investment in local companies <ul style="list-style-type: none"> Dividends declared on 1 November 2024, received on 15 January 2025 	60,000
<ul style="list-style-type: none"> Dividends received on 30 June 2025 	100,000
<ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> • Dividends declared on 1 November 2024, received on 15 January 2025 	60,000
<ul style="list-style-type: none"> • Dividends received on 30 June 2025 	100,000
Total	160,000
Amount in excess of RM100,000	60,000



Individual Tax

Tax Computation		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
<p>A retiree residing in Malaysia only earns dividend income as sole source of income</p> <ul style="list-style-type: none"> Dividends from EPF for year 2024 declared and received on 10 March 2025 	15,000
Investment in local companies	
<ul style="list-style-type: none"> Dividends declared on 1 November 2024, received on 15 January 2025 	60,000
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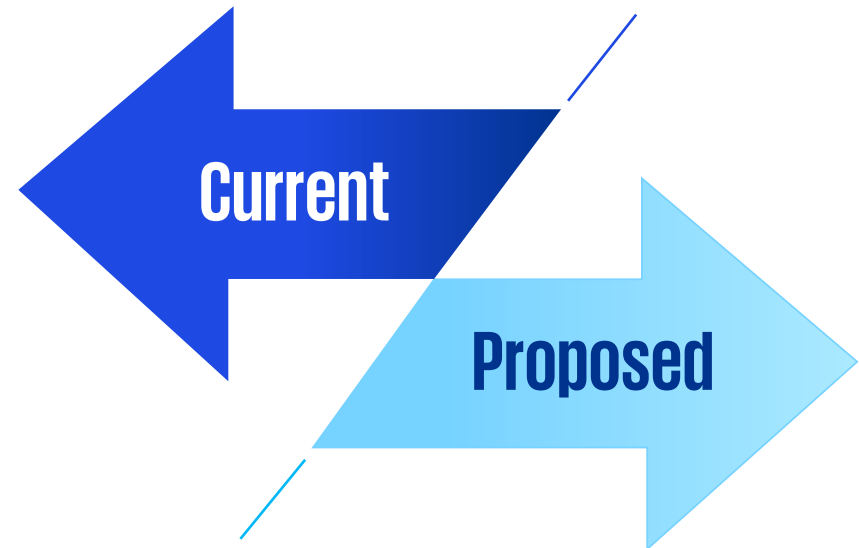
Chargeable Dividend Income = RM160,000

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 from 1 January 2022 to 31 December 2026, subject to meeting conditions

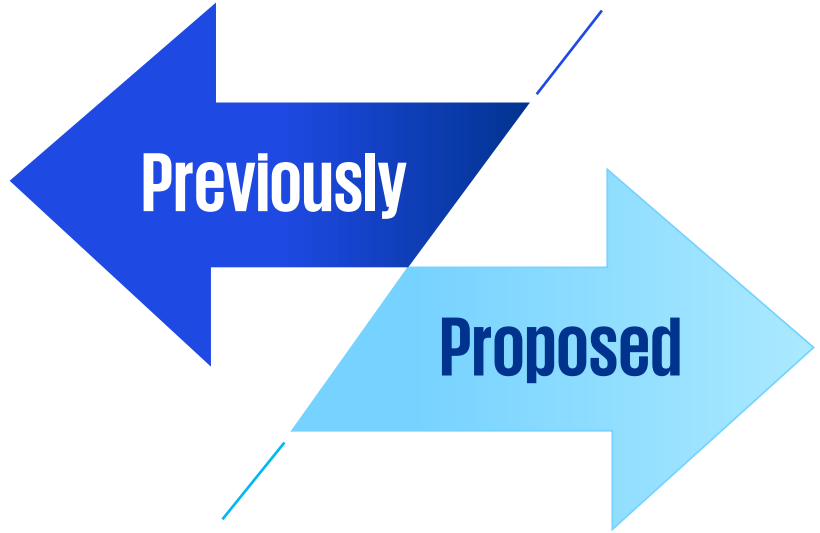


To be extended **until 31 December 2036**, subject to meeting existing conditions

Individual Tax

Reintroduction of tax relief for housing loan interest payment for first residential home

- 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



Property Price	Total tax relief per year
Up to RM500,000	RM7,000
Above RM500,000 to RM750,000	RM5,000

- Subject to conditions
- Up to 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

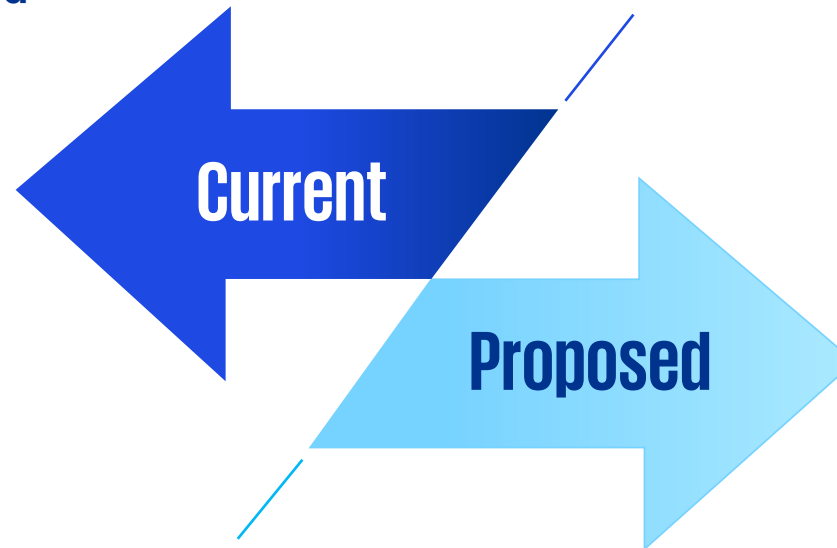


Individual Tax

Tax relief for elderly care

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



- To be expanded to **grandparents**
- Full medical check-up expenses be expanded to include **vaccination** (limited to RM1,000)

From YA 2025



Individual Tax

Tax relief – extension of relief period

Current

- 1 RM3,000 on fees paid to registered childcare centres or kindergartens for children aged 6 years old and below up to YA 2024
- 2 RM8,000 for net annual savings deposited into Skim Simpanan Pendidikan Nasional (SSPN) up to YA 2024

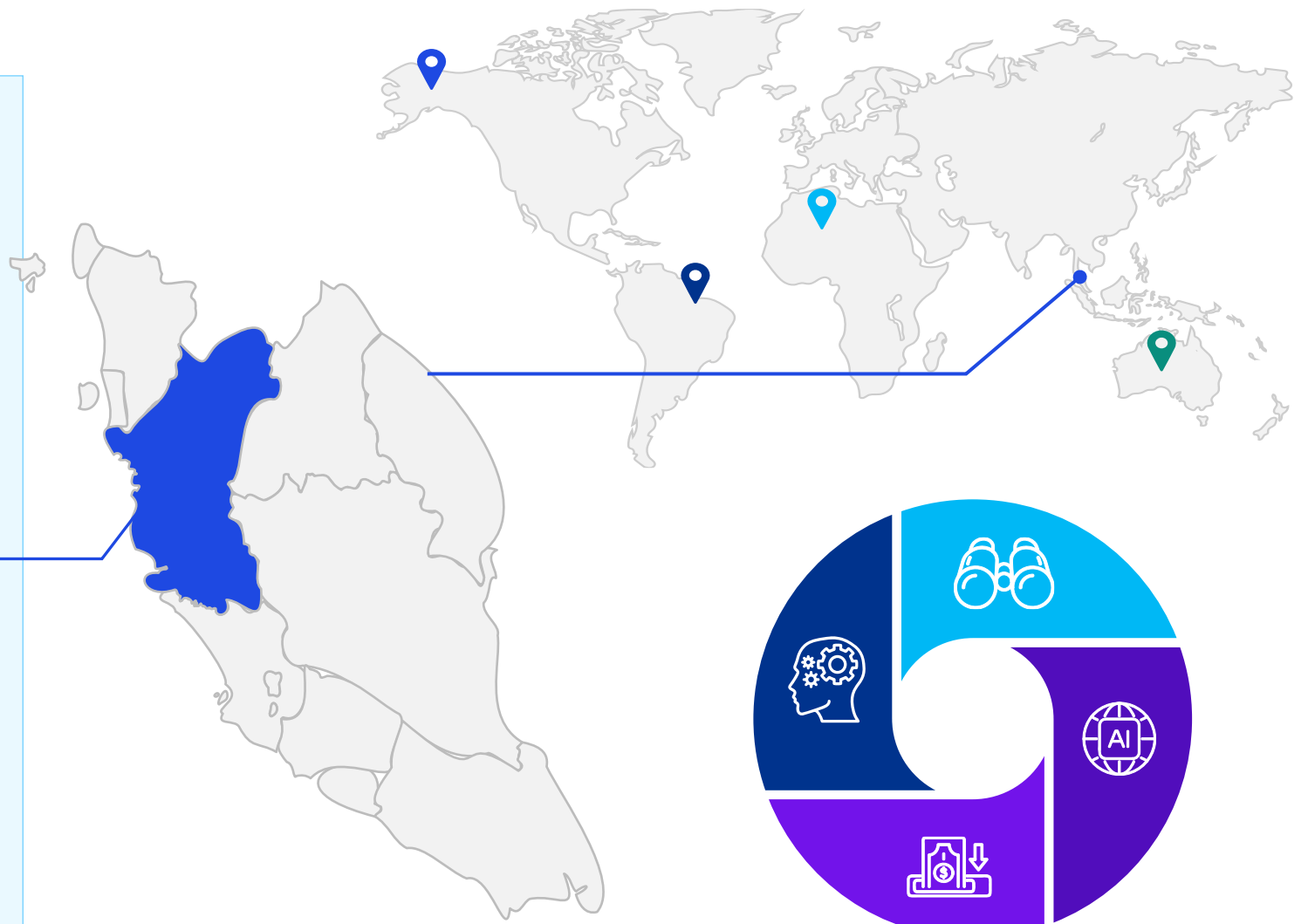
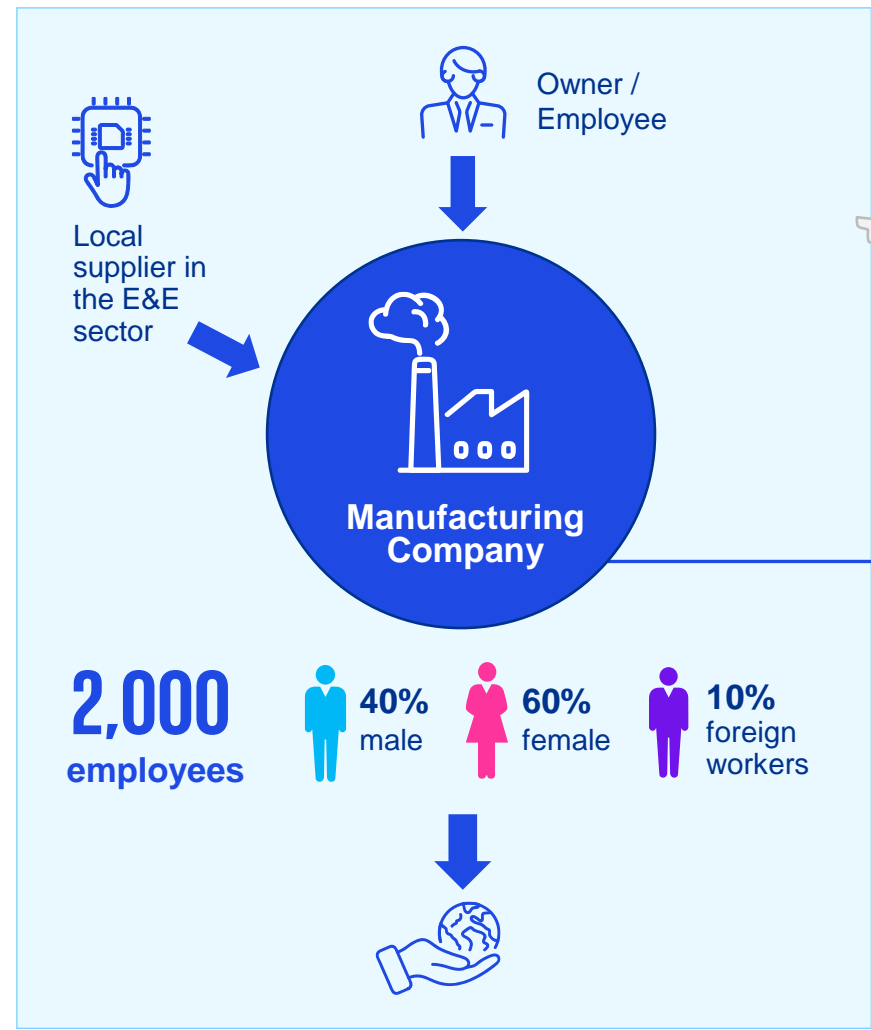
Proposed

- 1
 - To be extended to **YA 2027**
- 2
 - To be extended to **YA 2027**
 - Claimable by **either** parent
 - Withdrawals excludes withdrawals to finance education costs for further studies

Tax Incentives

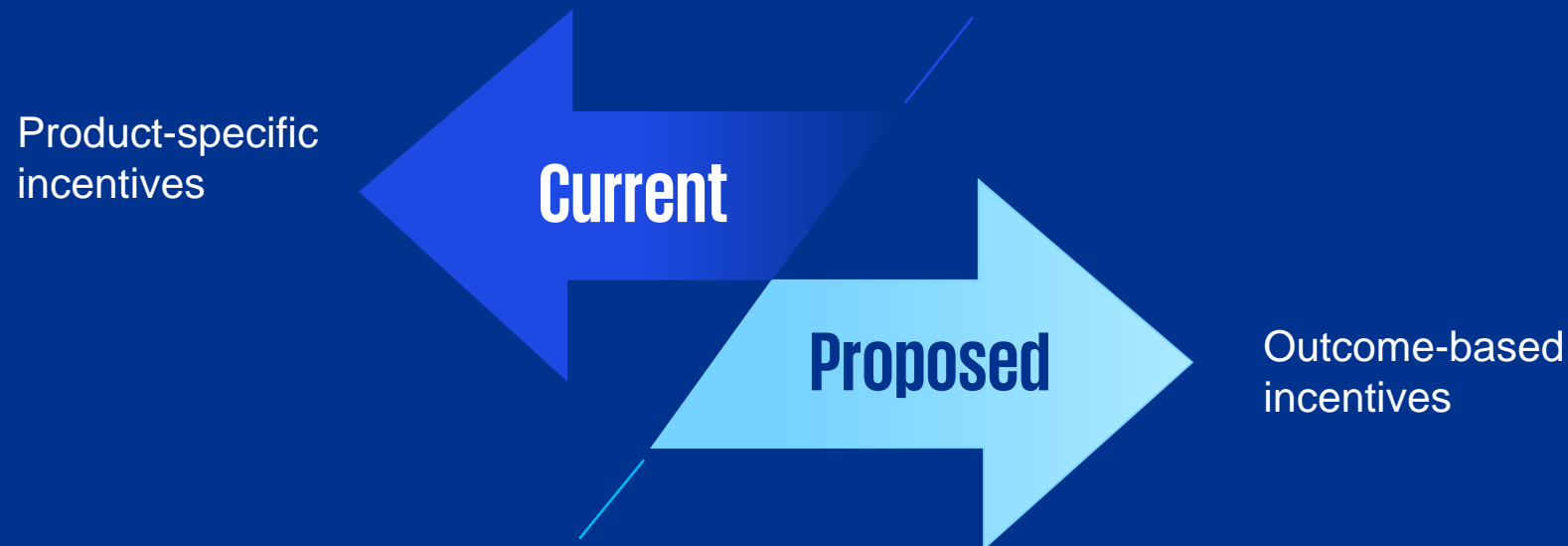


Case study



New Investment Incentive Framework

Designed to attract high-value activities

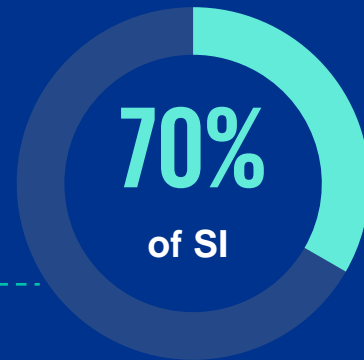


Expected to be implemented in Q3 2025.

Tax Incentives

Tax Exemption

which is equivalent to 50% of the value of increased exports to be expanded to include Integrated Circuit (IC) Design services.



Tax Deduction

where Private Higher Education Institutions (PHEI) and private skill training institutions that develop new courses in areas such as digital technology, AI, robotics, the IoT, data science, FinTech, and sustainable technology



Grant / matching fund

for the expansion of local suppliers in the electrical and electronic sectors, specialty chemicals and medical device sectors.

Tax incentives for Smart Logistics Complex (SLC)

60%

Investment Tax Allowance (ITA) to be set-off against 70% of Statutory Income for 5 years

Eligible SLC companies:

- SLC Investor and Operator that invest in the construction of smart warehouses that utilises IR4.0 elements and undertake eligible logistics services activities
- SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years and undertake eligible logistics services activities

For application received by Malaysian Investment Development Authority (MIDA) from 1 January 2025 until 31 December 2027.



Sales Tax and Service Tax



Sales Tax and Service Tax

Sales Tax

Current

- 1 Basic food items are exempted from Sales Tax

Proposed

- 1 Sales Tax exemption will be maintained on basic food items.
- 2 Sales Tax will be increased on **non-essential items** such as **imported premium goods** (e.g. avocado and salmon)

Service Tax

Current

- 1 8% Service Tax rate on most taxable services
- 2 6% Service Tax rate on essential services such as logistics, parking, telecommunications and F&B

Proposed

- 1 The scope of Service Tax will be expanded to include new service such as **commercial service transactions between businesses**

Proposed to be effective from 1 May 2025.

Review of Excise Duty Rate on Sugar Sweetened Beverages

Current

Currently, Excise Duty of RM0.50 per litre (introductory rate at RM0.40 per litre in 2019) is imposed on sugar sweetened beverages (“SSB”) based on the threshold of sugar content. Below are the types of SSB that are subject to Excise Duty:

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	RM0.50 per litre
	Flavoured milk-based beverages containing lactose	>7g/100ml	RM0.50 per litre
20.09	Fruit juices and vegetable juices whether or not containing added sugar or other sweetening matter	>12g/100ml	RM0.50 per litre

Proposed



Sugar Sweetened Beverages

Proposed to be effective from 1 January 2025.



Crude Palm Oil ("CPO")

Windfall Profit Levy of 3%

CPO Market Price (RM/MT)	Current Per MT	Proposed Per MT
Peninsular Malaysia	RM 3,000	RM 3,150
Sabah & Sarawak	RM 3,500	RM 3,650

Proposed to be effective from 1 January 2025.

Export Duty Exemption

CPO Market Price (RM/MT)	Current Rate	Proposed
≤ 3,600	No changes	
> 3,600	8.0%	8.5% to 10.0%

Proposed to be effective from 1 November 2024.



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