



Budget 2024 - Highlights

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Capital gains tax



Presented by

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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



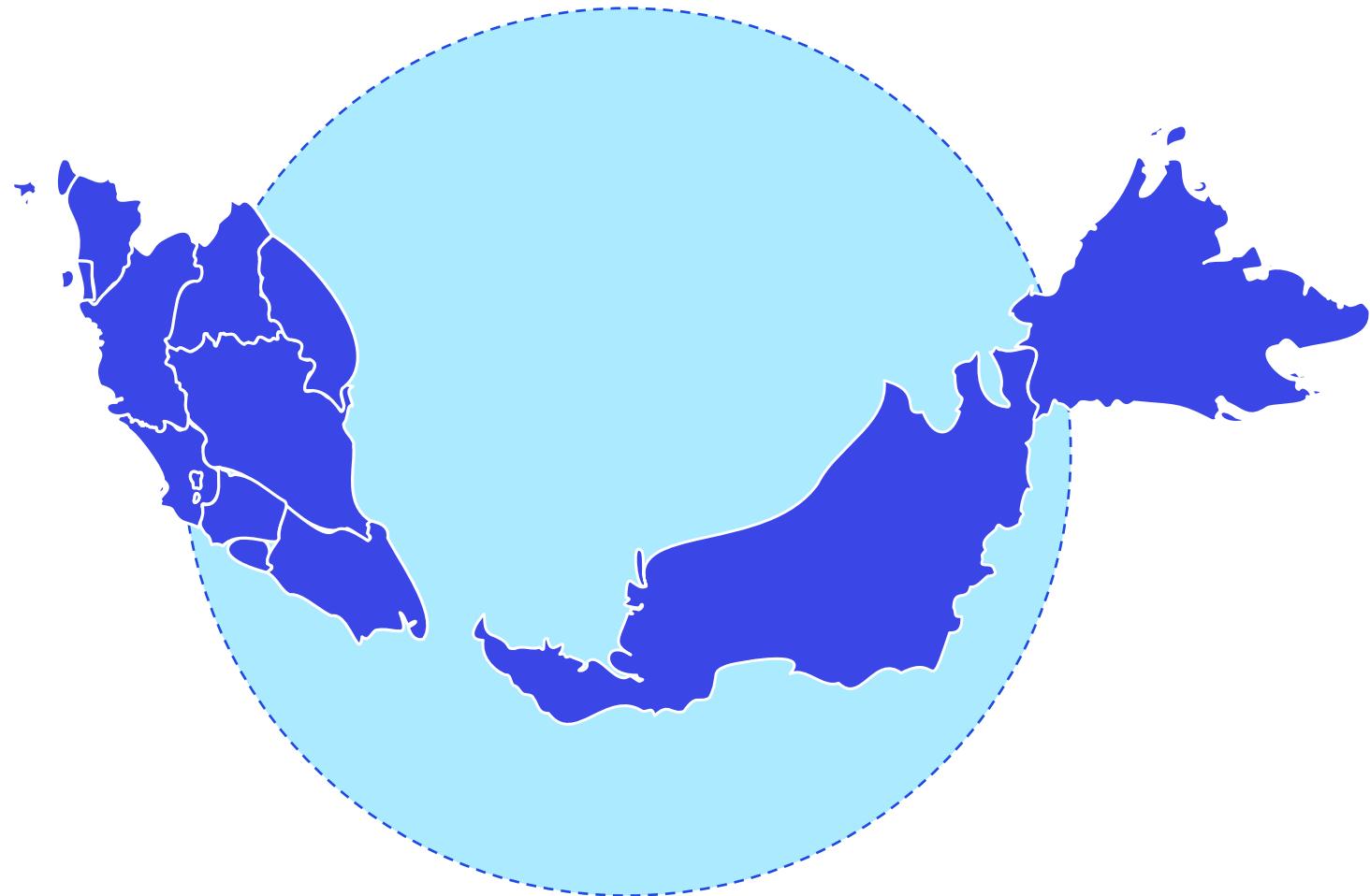
Shares of unlisted companies
incorporated in Malaysia



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

Capital Gains Tax

Effective date: 1 March 2024



-  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

Net gain

Unabsorbed capital losses

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

10 years

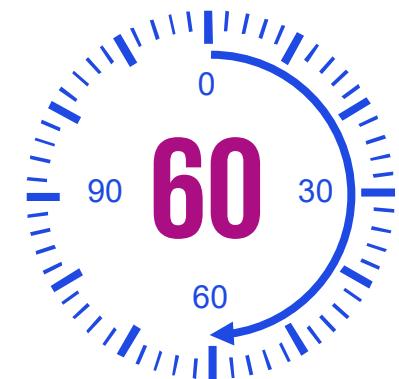
Date of disposal / acquisition

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

Profits are deemed to be derived from Malaysia

Potential implications

1.

- ✓ Indirect sale of immediate holding company shares located outside Malaysia
- ✓ M&A exercises

2.

Further clarification required

1. Method of valuation of shares (entire sum or attributable to Malaysia real property or shares or both?)
2. Administrative requirements and burden to file tax returns
3. Record keeping requirements and translation costs?

3.

- Interaction with existing RP GT
- Interaction with tax treaties
- WHT rules for foreign to foreign transfers
- Foreign tax credits
- Any safe harbour rules?

4.

Exemptions?

1. Bona fide reasons
2. IPO in overseas stock exchange
3. Holding/trading of listed shares in Malaysia

Capital Gains Tax

Regional tax regulations

Jurisdictions	Capital Gains Tax	Exemptions
Singapore	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
Thailand	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
Indonesia	Taxable at 5% of gross sale proceeds, including indirect transfers	<ul style="list-style-type: none"> Land and buildings at 2.5% Listed shares at 0.1% (additional 0.5% for founder shares)
Vietnam	Taxable at 20% normal corporate income tax rate, including indirect transfers	<ul style="list-style-type: none"> Public company shares sold by non-residents at 0.1% of proceeds JSCs sold by individuals at 0.1% of proceeds
China	20% of gains including indirect transfers	<ul style="list-style-type: none"> Shares listed on Chinese Stock Exchanges; complex indirect transfer rules
UK / Europe	Capital gains generally taxed at standard rates	<ul style="list-style-type: none"> Participation exemptions / substantial holding exemptions

Corporate tax

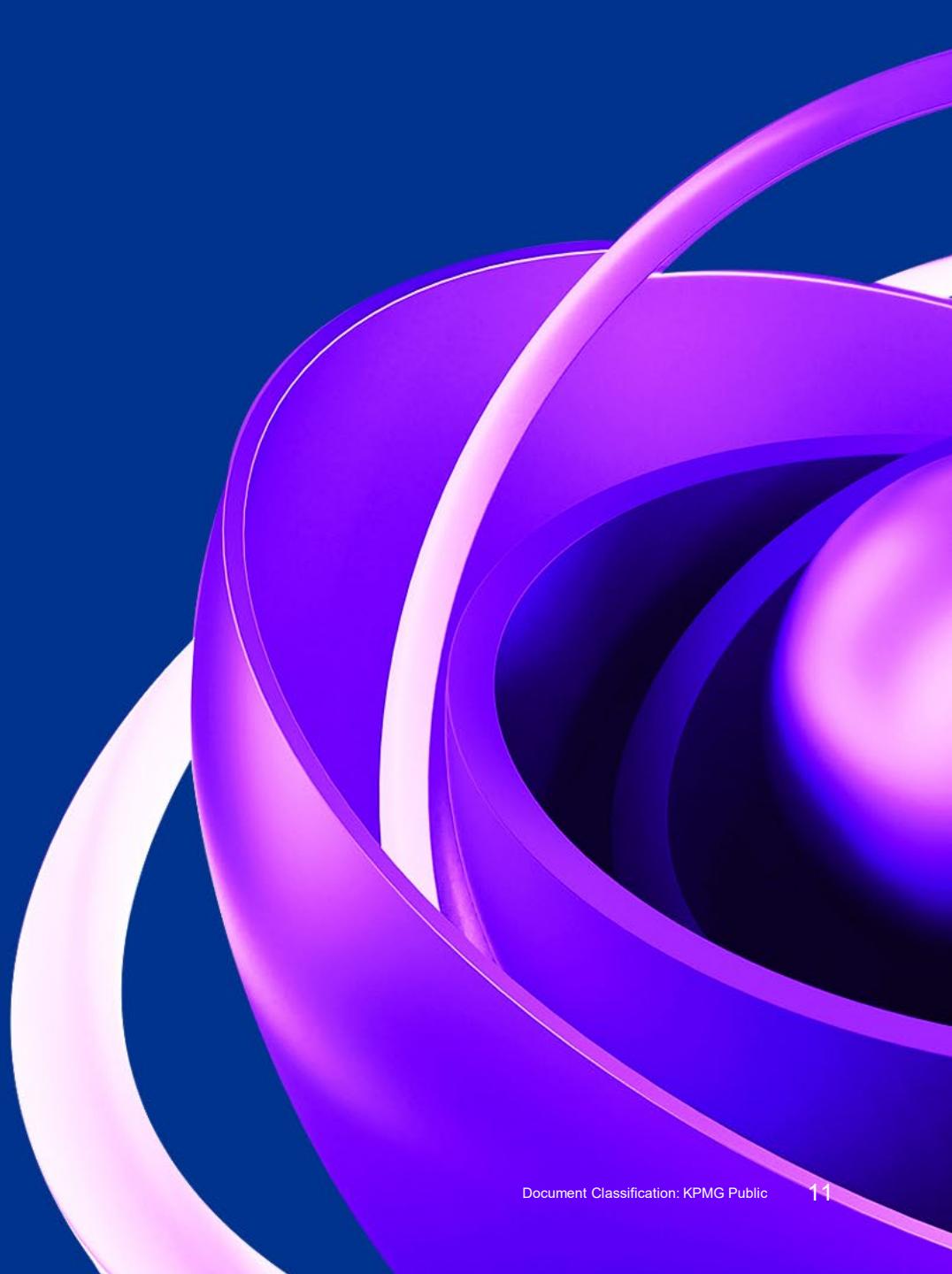


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Partner

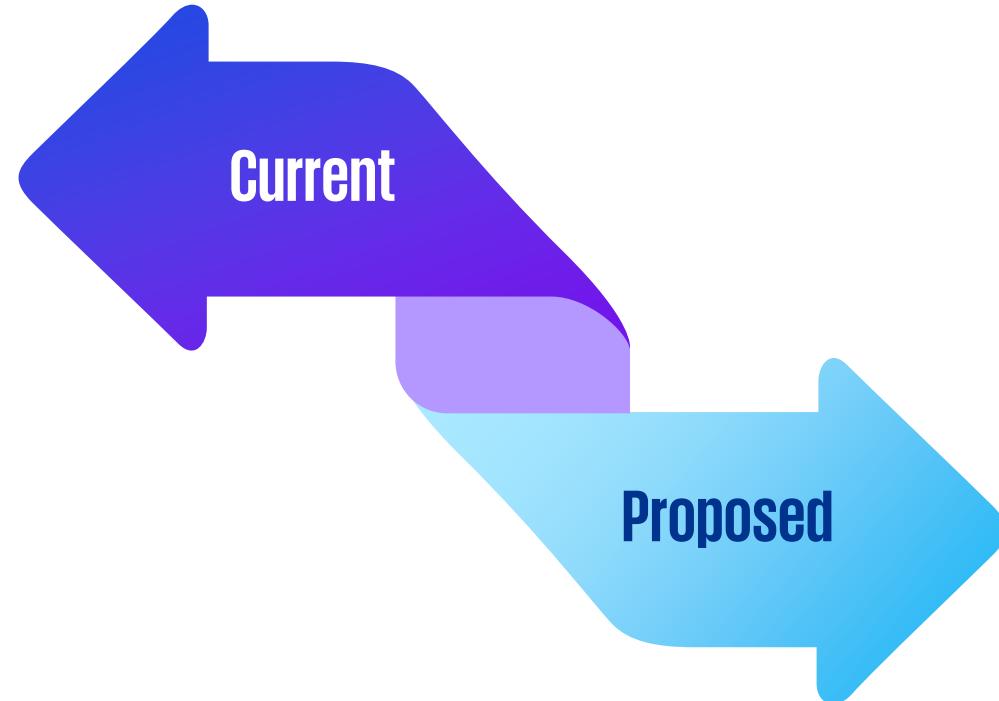
Corporate Tax Advisory
KPMG in Malaysia



Section 107C(7)

Revision of estimate of tax payable (ETP)

Revision of ETP in the 6th month and 9th month of the basis period for a YA



Introduction of revision of ETP in the 11th month of the basis period for a YA

w.e.f. YA 2024

Malaysian Income Tax Reporting System (MITRS)

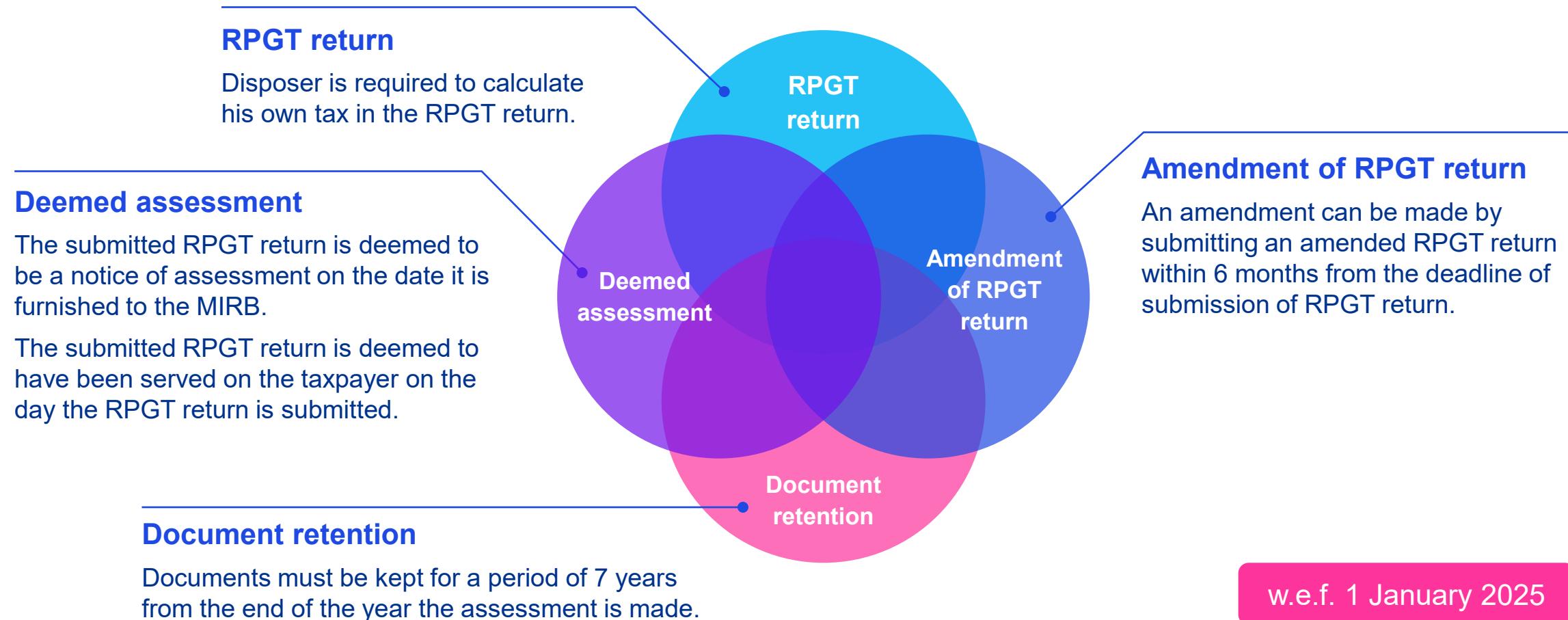
- Companies and other than companies are required to submit financial information and taxation worksheets via MITRS within **30 days** after the deadline for the submission of tax return.
- Failure to comply, on conviction (Section 120 of the Income Tax Act, 1967) –
 - ❖ Shall be liable to fine of not 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.



Real Property Gains Tax

Implementation of RPGT self-assessment system



w.e.f. 1 January 2025

Other Tax Incentives

Other 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. 1 January 2024



Other 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

Effective YA 2024 to YA 2027

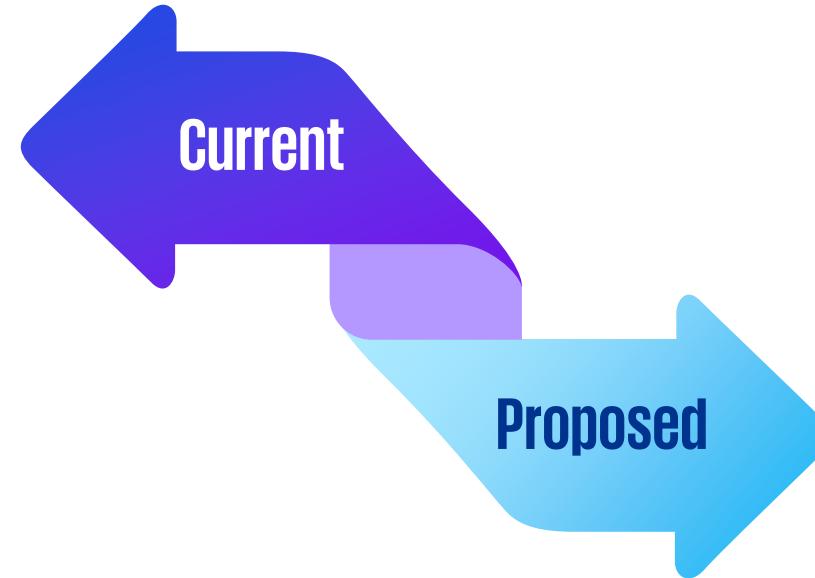


Stamp Duty

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

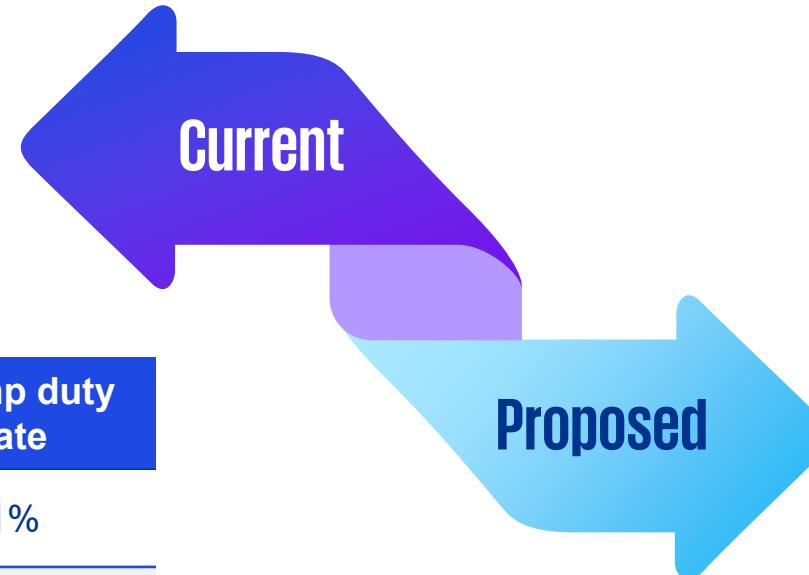
Item 32(aa), First Schedule

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



Presented by

Fong Chooi Lian

Executive Director
Global Mobility Services
KPMG in Malaysia

Personal reliefs

w.e.f. YA 2024



Medical treatment, special needs and carer expenses for parents capped at RM8,000

- Expansion of scope to include full medical examination for parents (limited to RM1,000)



Lifestyle expenses capped at RM2,500

- Expansion of scope to include fees for self-skills enhancement courses
- Removal of purchase of sports equipment and gymnasium membership



Medical treatment expenses for self, spouse and child capped at RM10,000

- Expansion of scope to include dental examination and treatment expenses (limited to RM1,000)



Sports equipment and activities

- Overall annual limit for personal relief will be increased from RM500 to RM1,000
- Expansion of scope to include gymnasium membership and sports training fees

YA 2024 to YA 2026



Education fees

- RM2,000 relief on fees paid for up-skilling or self-enhancement courses recognised by the Department of Skills Development, Ministry of Human Resources extended to YA 2026 (3 years)

YA 2024 to YA 2027



Electric vehicle (EV) charging facilities

- RM2,500 on cost relating to EV charging facility extended to YA 2027 (4 years)



VIDEO 1: Personal Budget Widget

KPMG Personal Budget Widget



Scan the QR code to access the
KPMG Personal Budget Widget

or visit

kpmg.com.my/personalbudgetwidget

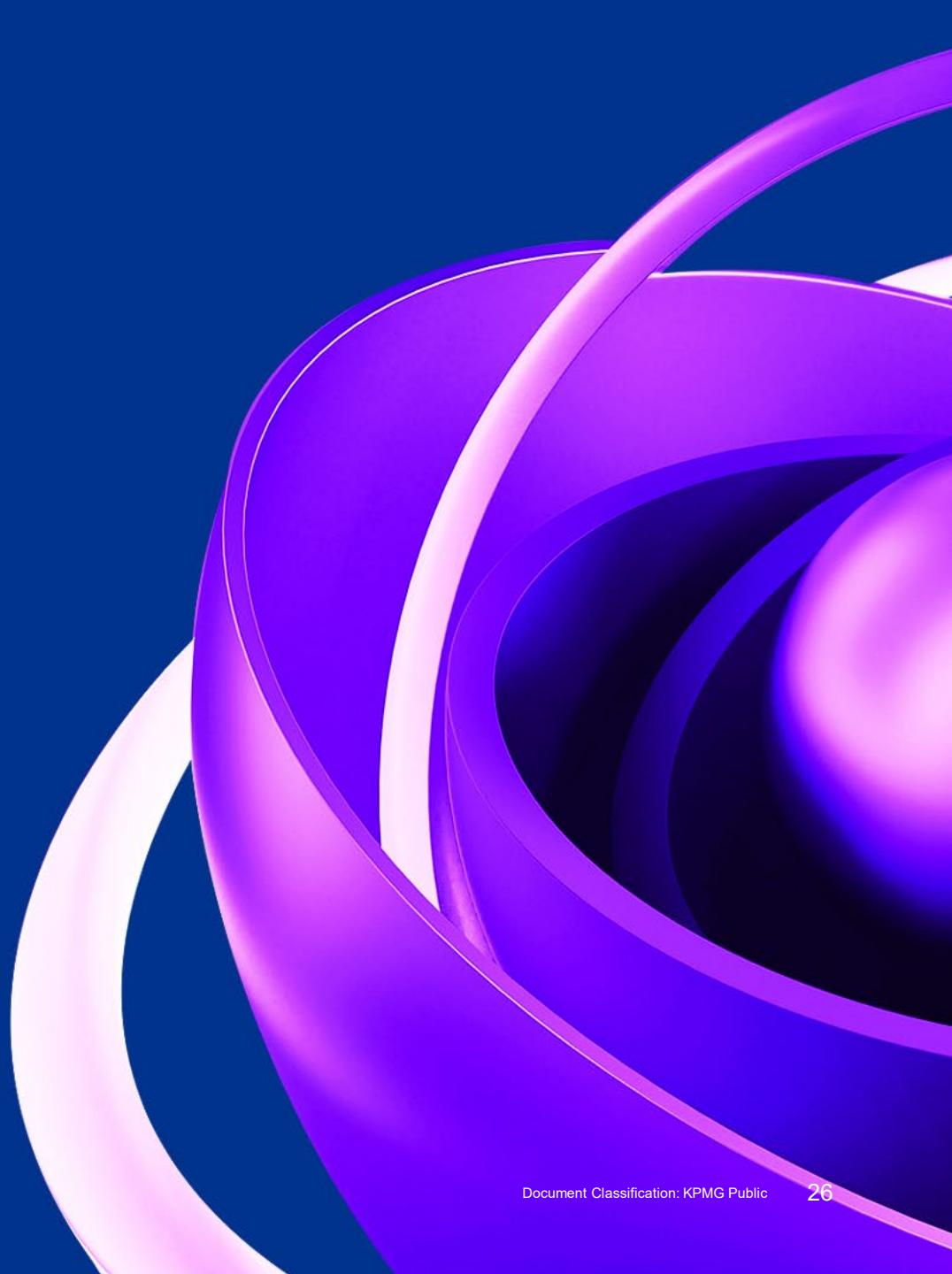
Indirect tax



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Service Tax

Increase in Service Tax Rate



ALL prescribed taxable services

except



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

Expansion of Taxable Services



Karaoke



Delivery Services (except for F&B)



Brokerage and Underwriting Services



Logistic



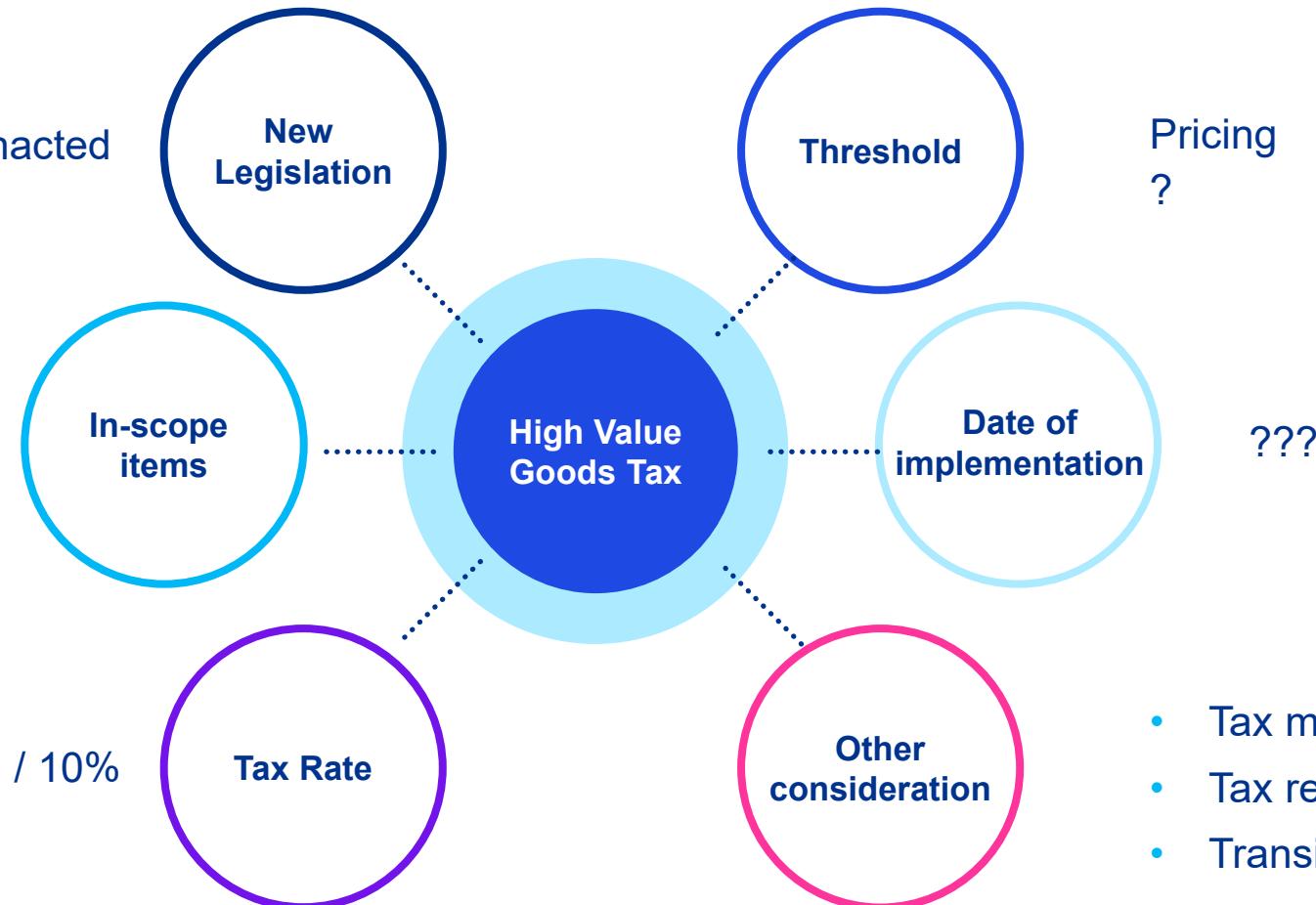
Registration threshold: RM 500,000

Proposed Effective Date : 1 March 2024

High Value Goods Tax

A new legislation will be enacted

- Jewellery and watches
- Other goods?



Tax incentives



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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



Tier 1

Tier 2

Tax rate for 5 + 5 years

Non-citizen individuals



- Limited to 3 non-citizen individuals
- Holding key / C-suite positions
- Monthly salary of at least RM35,000
- Appointed by new company approved with Global Services Hub

Existing company



Tier 1

Tier 2

Tax rate on value added-income for 5 years

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

Key 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





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