

# GMS Flash Alert

2023-232 | December 5, 2023



## Malaysia - 2024 Budget Highlights and Finance Bill: Tax Measures

Malaysia's prime minister and finance minister presented the second Budget from the Unity Government on 13 October 2023, with a theme: "Economic Reforms, Empowering the People."<sup>1</sup> The 2024 Budget focuses on supporting the national economy and people's well-being in a progressive and equitable manner while setting the precursor for future tax reforms. In addition, the Finance Bill was released on 7 November 2023.

Several initiatives are being implemented with the aim of supporting and raising people's standard of living and improving quality of life. However, this year's Budget does not offer any new tax measures. Having said that, a few existing reliefs are being expanded to include other related expenses and some are being extended to a longer period.

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### WHY THIS MATTERS

Although there are no new tax measures announced in this year's Budget, there are several reliefs that have changed; with expansion and extension of these reliefs taxpayers who leverage them may achieve some tax savings. The measures on the respective reliefs as announced in the Budget could impact assignees into Malaysia or outbound assignees who remain subject to Malaysian tax. For taxpayers who claim the reliefs noted in this *GMS Flash Alert*, they may find their tax burdens lightened to a certain degree, which may mean some savings for international assignment programme costs.

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## Expansion of Scope and Increased in Limits on Various Reliefs

It is proposed that the limit be increased or the scope be extended or expanded for the following existing reliefs.

Type of Tax Relief	Tax Relief Amount (Current) MYR	Tax Relief Amount (Proposed) MYR	Proposed Changes and Effective Period
<p>Medical expenses for taxpayer, spouse, and children on:</p> <ul style="list-style-type: none"> <li>i. Treatment of serious diseases;</li> <li>ii. Fertility treatment;</li> <li>iii. Vaccination</li> <li>iv. Full medical check-up, COVID-19 detection test/purchase of self-detection test kit or mental health examination / consultation; and</li> <li>v. Assessment for the purpose of diagnosis of learning disability and early intervention programme or rehabilitation treatment for learning disability.</li> </ul>	<p>10,000</p> <p>— [Restricted to MYR 1,000 each for items (iii) and (iv)]</p> <p>— [Restricted to MYR 4,000 for item (v)]</p>		<p>It is expanded to include dental examinations or treatment expenses up to MYR 1,000 by dental practitioners registered with the Malaysian Dental Council.</p> <p>(Effective from YA 2024)</p>
<p>Medical treatment, special needs, or carer expenses for parents.</p>	8,000		<p>It is expanded to include:</p> <ul style="list-style-type: none"> <li>• Dental treatment</li> <li>• Complete medical examination (limited to MYR 1,000).</li> </ul> <p>(Effective from YA 2024)</p>
<p>Expenses for taxpayer, spouse, and children on lifestyle:</p> <ul style="list-style-type: none"> <li>i. Purchase / subscription of books, journals, magazines, newspapers, and other similar publications;</li> <li>ii. Purchase of personal computer, smartphone, or tablet;</li> <li>iii. Purchase of sports equipment for sports activity as defined under the Sports Development Act 1997 and gym membership fees; and</li> <li>iv. Internet subscription.</li> </ul>	2,500		<p>It is expanded to include fees of any course other than up-skilling and self-enhancement courses conducted by a body recognised by the Director General of Skills Development under the National Skills Development Act 2006.</p> <p>The purchase of sports equipment and gym membership fees are excluded.</p> <p>(Effective from YA 2024)</p>
<p>Additional expenses for taxpayer, spouse, and children on lifestyle:</p>	500	1,000	<p>The maximum relief has been increased by MYR 500 and the scope is expanded to include payment of fees for gym membership or sports training for carrying</p>

<ul style="list-style-type: none"> <li>i. Purchase of sports equipment for sports activity defined under the Sports Development Act 1997;</li> <li>ii. Rental or entrance fee to any sports facilities; and</li> <li>iii. Registration fee for any sports competition where the organiser is approved and licensed by the Commissioner of Sports under the Sports Development Act 1997.</li> </ul>			<p>out sports activities as defined under the Sports Development Act 1997 provided by sports clubs / societies registered with the Commissioner of Sports or companies incorporated under the Companies Act 2016.</p> <p>(Effective from YA 2024)</p>
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Source: KPMG, Malaysia

## Extension of Period of Personal Tax Reliefs

It is proposed that the eligible period of claiming the following reliefs be extended as per the below.

Type of Tax Relief	Tax Relief Amount (Current) MYR	Period for Tax Relief (Current)	Period for Tax Relief (Proposed)
Self-education fees – up-skilling and self-enhancement course is conducted by a body recognised by the Director General of Skills Development under the National Skills Development Act 2006.	2,000	Up to YA 2023	Extended to YA 2026
Payment for installation, rental, purchase (including hire-purchase) of equipment or subscription for use of electric vehicle charging facility for taxpayer's own vehicle and not for business use.	2,500	Up to YA 2023	Extended to YA 2027

Source: KPMG, Malaysia

## KPMG INSIGHTS

The proposed tax measures, as mentioned above, could benefit assignees in Malaysia if they qualify as tax residents in Malaysia, although the tax saving may not be significant. To qualify as tax residents in Malaysia, the assignees should consider their pattern of stay in Malaysia.

To support their claims for relief, taxpayers are reminded to retain documentary evidence. In the event of a tax audit, failure to produce the documentary evidence could result in a disallowance of the reliefs and attract penalties of up to 100 percent of the tax under-paid.

## Increase in Tax Exemption for Child-Care Allowance under Perquisites from Employment

Currently, a tax exemption up to MYR 2,400 is granted on the child-care allowance received by the employee or paid directly by the employers to child-care centres in respect of children aged 12 and below. It is proposed that that the exemption be increased to MYR 3,000 per year.

The above proposal is effective from YA 2024.

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### KPMG INSIGHTS

To claim the tax exemption, an employer's handbook or other written instruction must clearly state the intention of providing the allowance. The proposed tax measure is expected to ease the financial burdens of employees who have young children.

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## Extension of Period of Tax Incentive for Women Returning to Work after Career Break

Currently, an income tax exemption is granted on employment income received for a maximum period of 12 consecutive months for women who return to work after a career break of at least two years. The tax incentive is for applications received by the Talent Corporation Malaysia Berhad ("Talent Corp") not later than 31 December 2023.

To increase women's participation in the labour force, the government encourages more women to return to work after their career break. It is proposed that the existing tax exemption be extended until YA 2028 and the application must be made to Talent Corp from 1 January 2024 to 31 December 2027.

The above proposal is effective 1 January 2024.

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### KPMG INSIGHTS

Women who wish to apply for the incentive must fulfil all conditions including a career break period of at least two years before the date the application is received by Talent Corp.

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## Extension of Period on Tax Incentive for Returning Expert Programme ("REP")

Currently, in order to encourage skilled Malaysian professionals to return to Malaysia and help boost the country's economic growth, approved individuals under the REP can opt for employment income to be taxed at the flat rate of 15 percent for five consecutive YAs. The tax incentive is for applications received by Talent Corp until 31 December 2023. There are certain conditions that need to be fulfilled by an individual before submitting the application to Talent Corp.

It is proposed that the application period for the REP incentive be extended, i.e., applications to be received by the Talent Corp from 1 January 2024 until 31 December 2027.

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## KPMG INSIGHTS

The REP application should be submitted when the applicant is still residing and working abroad (after meeting certain conditions). Submissions made by applicants upon their return to Malaysia will not be considered.

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### **Preferential Tax Rate for Non-Citizen Individuals in Global Services Hub (“GSH”)**

It is proposed that a 15-percent income tax rate be given for a period of three consecutive YAs and limited to three non-citizen individuals holding key or C-suite positions with a monthly salary of at least MYR 35,000, appointed by a new company approved for the GSH incentive.

It is proposed that the incentive be for applications that are received by the Malaysian Investment Development Authority (“MIDA”) from 14 October 2023 to 31 December 2027.

### **Submission of Tax Statutory Forms (i.e., Forms E/ CP21/ CP22/ CP22A/CP22B) Electronically**

Currently, it is not mandatory for employers to submit Forms E (except for employers which are companies and Labuan companies) / CP21 / CP22/ CP22A/ CP22B electronically to the Malaysian Inland Revenue Board (“MIRB”).

It is proposed that all categories of employers be required to submit Forms E / CP21 / CP22 / CP22A / CP22B through an electronic medium.

The above proposal has effect for the year ending 31 December 2023 and subsequent years for Form E and comes into operation from 1 January 2024 for Forms CP21 / CP22 / CP22A / CP22B.

### **Relaxation of Condition for Submission of Form CP22A/CP22B (Notification of Cessation of Employment)**

Currently, employers are not required to notify the MIRB via Form CP22A / CP22B on the cessation of employment of an employee where:

- (a) the employee’s employment income is subject to MTD or the employee’s total monthly remuneration from the employment is below the minimum amount of income that is subject to MTD; and
- (b) it is known to the employer that the employee is not retiring from employment.

It is proposed that the latter condition (item b) be removed.

The above proposal comes into operation on 1 January 2024.

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## KPMG INSIGHTS

It is mandatory for employers to submit Form CP22A/CP22B at least 30 days before the date of cessation of employment to avoid any penalties being imposed. With the relaxation of the condition (b), it is less administratively cumbersome for employers to discharge their tax obligations as no additional information from the employee is required.

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## Implementation of Self-Assessment System for Real Property Gains Tax (“RPGT”)

Presently, an official assessment system is in place whereby taxpayers or authorised parties (i.e., tax agent, advocates, and solicitors of the High Courts) will submit RPGT returns manually or online via MyTax portal. The RPGT returns will then be processed by the MIRB after which an assessment notice or a certificate of non-chargeability will be issued to taxpayers.

It is proposed that the Self-Assessment System (“SAS”) be implemented for RPGT whereby the “disposer” is required to calculate his or her own tax in the RPGT return. With the implementation of SAS, the submitted RPGT return is deemed to be a notice of assessment made by the Director General of Inland Revenue Board (“DGIR”) and is deemed to have been served on the taxpayer on the day the RPGT return is submitted and any tax payable shall be due and payable within the period of 60 days from the date of disposal. However, the deemed assessment can be amended by submitting an amended RPGT return within six months from the due date for submission of the RPGT return and the amendment can only be done once.

The tax payable under the deemed assessment made on the amended return shall be due and payable on the day the amended return is furnished. The taxpayer is required to keep documents for a period of seven years from the end of the YA of the deemed assessment, which is required to be presented to the MIRB in the event of a tax audit.

The above proposal comes into operation on 1 January 2025.

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## KPMG INSIGHTS

With the implementation of SAS for RPGT, the onus is on the taxpayers to compute their tax liability correctly and pay the correct amount of taxes on time. With SAS in place, the MIRB may place more emphasis on tax audits to foster voluntary tax compliance by taxpayers.

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## FOOTNOTE:

1 The Budget speech and related Budget documents can be found on the “[Budget 2024](#)” webpage on the website for Malaysia’s Ministry of Finance (in English). And in Malay, see the “[Bajet 2024](#)” webpage.

For Budget analysis and related publications/communications from the KPMG International member firm in Malaysia, see: “[2024 Budget Snapshots](#).”

MYR 1 = EUR 0.198  
MYR 1 = USD 0.214  
MYR 1 = GBP 0.17  
MYR 1 = AUD 0.32

*Source:* [www.xe.com](http://www.xe.com)

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