

Service Tax



Service Tax rate increased from 6% to 8% and addition to the scope of taxable services

- Certain essential services (e.g., food & beverage and telecommunications) will continue to be subject to service tax at 6%.
- Scope of taxable services to be expanded to include logistics, brokerage, underwriting and karaoke services.

High Value Goods Tax



- High Value Goods Tax to apply on certain high-value items (e.g., watches and jewelry) at the rate of 5% to 10%.
- Scope of goods to be determined by a threshold and foreign tourists to be provided a refund facility.

Capital Gains Tax



- Capital gains tax to be imposed on the **disposal of unlisted shares** from 1 March 2024 onwards.
- Shares acquired before 1 March 2024 will be taxed at 10% of net gains **or** 2% of gross sales value.
- Shares acquired after 1 March 2024 will be taxed at 10% on net gains.
- There are likely to be exemptions for IPOs, group restructurings and venture capital companies, subject to applicable conditions.
- No details on interaction with real property gains tax and the method for valuation at this juncture.

E-Invoice



- The mandatory e-invoicing implementation deadline for taxpayers with an annual turnover or revenue exceeding RM100 million is deferred from **1 June 2024** to **1 August 2024**.
- Implementation of mandatory e-invoicing in phases for all other taxpayers, with full implementation from **1 July 2025**.

Pillar Two – Global Minimum Tax



- Expected implementation in 2025.
- The government will continue to monitor international developments surrounding global minimum tax.
- Applicable to multinational enterprises (MNE) groups with group turnover exceeding €750 million.
- To introduce new taxing rights over entities within the MNE group which are taxed below the globally agreed minimum tax rate of 15%.

Budget 2024: Tax Highlights

16 October 2023

Key Tax Incentives/Reliefs



Tax Incentive for Global Services Hub

- Proposed introduction of an outcome-based tax incentive, with a reduced tax rate of **5% or 10%** on service and/or trading income for up to 10 years.
- The incentive will apply to both new and existing companies undertaking certain qualifying activities centered around **strategic services** (e.g., regional profit & loss, strategic business planning, and shared services).

Reinvestment Incentive under the New Industrial Master Plan 2030

- Proposed introduction of an outcome-based tax incentive for existing companies that have **exhausted their Reinvestment Allowance** eligibility period as follows:
 - **Tier 1:** 100% of qualifying capital expenditure to be set-off against 100% of statutory income; and
 - **Tier 2:** 60% of qualifying capital expenditure to be set-off against 70% of statutory income.

Tax Incentives for Automation in Manufacturing, Services & Agriculture Sectors

- Accelerated capital allowance of 100% on the first RM 10 million of qualifying capital expenditure expanded to include the **commodity** sector.

Capital Allowance on Information and Communication Technology (ICT) Equipment & Computer Software

- The initial allowance for ICT equipment and computer software will be increased from **20% to 40%**.
- The capital allowance claim period to be reduced from 4 years to 3 years.

Incentive for Pengerang Integrated Petroleum Complex (PIPC)

- Tax incentives in the form of a **special tax rate** or **investment tax allowance** to be granted to **transform PIPC** into a hub for the development of chemical and petrochemical sectors.

Income Tax Exemption for Islamic Financial Activities in Labuan

- Labuan entities undertaking **Islamic financial-related trading activities** will be given **100%** income tax exemption for 5 years.

Income Tax Exemption on Islamic Securities Selling and Buying (ISSB)

- **Income tax exemption** on income arising from ISSB effective from YA 2024.

Income Tax Exemption on Shariah-Compliant Fund Management Services

- **60%** tax exemption for approved **Shariah-compliant fund management services** companies until YA 2027.

Income Tax Exemption on Sustainable and Responsible Investments (SRI) Sukuk Grant and Bond Grant Scheme

- Income tax exemption expanded to include **SRI-Linked Sukuk Grants** and **bonds** issued under the **ASEAN Sustainability-Linked Bond Standards** approved by the Securities Commission.

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Other Key Tax Incentives/Reliefs



Environmental-Related Incentives

Tax Deduction on Environmental, Social & Governance (ESG) Related Expenditure

- Tax deduction up to RM50,000 for each YA on ESG related expenditure (e.g., e-invoicing implementation, preparation of transfer pricing documentation, tax corporate governance framework reporting).

Green Technology Tax Incentive

- **Green Investment Tax Allowance (GITA) Project** (for business purposes):
 - 100% GITA to be set off against 100% or 70% of statutory income for up to 10 years (Tier 1) or 5 years (Tier 2 & Tier 3).
- **GITA Asset** (for own consumption):
 - 100% (Tier 1) or 60% (Tier 2) GITA to be set off against 70% of statutory income for qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026.
- **Green Income Tax Exemption (GITE) Solar Leasing:**
 - 70% tax exemption on statutory income: (a) >3MW - ≤10MW – 5 years; or (b) >10MW - ≤30MW – 10 years

Tax Deduction for Voluntary Carbon Market

- Tax deduction up to RM 300,000 for the costs incurred on the Development and Measurement, Reporting and Verification (MRV) related to the development of carbon projects. This is deductible against income earned from carbon credits traded on Bursa Carbon Exchange.



Tax Incentive Extensions

Tax Incentive	Period of Extension
Tax Exemption on SRI Fund Management Services Companies providing SRI fund management services are given tax exemption on management fees income for managing SRI funds.	Extended for 4 years from YA 2024 to YA 2027.
Tax Deduction on SRI Sukuk Issuance Tax deduction is given on the issuance cost of SRI Sukuk approved, authorised or lodged with the Securities Commission.	Extended for 4 years from YA 2024 to YA 2027.
Tax Exemption for Social Enterprises All income of an accredited Social Enterprise is eligible for income tax exemption.	Application period for tax exemption to be extended for 2 years from 1 January 2024 to 31 December 2025.
Tax Exemption for Angel Investor Angel investors investing in a tech start-up in the form of ordinary shares are eligible for tax exemption at the aggregate income level.	Extended for 3 years for investments from 1 January 2024 to 31 December 2026.
Tax Deduction for Rental of Electric Vehicles (EV) Companies that rent non-commercial EVs are given tax deduction on rental amounts up to RM 300,000.	Extended for 2 years up until YA 2027.

These key tax highlights are extracted from the Budget 2024 Text and Appendices which were released on 13 October 2023 and have yet to be passed into law at the time of publication.

Budget 2024: Tax Highlights

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Stamp Duty (effective 1 January 2024)

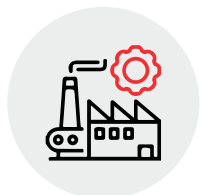


Type of Matter	Current Position	Proposed Position
Transfer of property ownership – renunciation of rights to another eligible beneficiary	<i>Ad valorem</i> stamp duty of 1% to 4%	Fixed duty of RM 10
Transfer of property ownership by non-citizen individuals and foreign-owned companies	<i>Ad valorem</i> stamp duty of 1% to 4% based on consideration/market value	Flat rate stamp duty of 4%

Entertainment Duty Exemption (For applications received by the Ministry of Finance from 1 January 2024 until 31 December 2028)



Type of Entertainment	Entertainment Duty Rate	
	Current	After Exemption
Stage performance by international artist/ Light show / Circus		
Film screening (Cinema) / Theatre		10%
Exhibition / Zoo / Aquarium		
Sport Event / E-sports / Bowling / Snooker / Pool / Billiard / Karaoke	25%	
Theme Park / Family Recreation Centre / Indoor Games Centre / Simulator		5%
Stage performance by local artist		0%



Import Duty and Sales Tax Exemption on Manufacturing Aids

- Full import duty and sales tax exemption will be given to eligible manufacturers on the importation and acquisition of manufacturing aids.
- Applicable to specific industries and categories of goods.
- Effective from 1 January 2024.



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