



Deloitte TaxMax – The 50th series
Fostering economic growth the MADANI way

Au Yeong Pui Nee and Tan Lee Yong | 11 December 2024

Tax on dividends – How does it work?

Tax on dividends

Finance Bill 2025: Proposed amendment Section 6 of the Income Tax Act, 1967



Current

Single-tier tax system – the tax on company profits is final and dividends distributed are exempted at shareholder's level



Effective: Year of Assessment (YA) 2025



Proposed

A rate of 2% is imposed on chargeable dividend income

- ✓ After taking into account allowances and deductions
- ✓ Applicable to **individual shareholders**
- ✓ With **annual dividend income exceeding RM100,000**

* Annual dividend income of RM100,000 and below is exempted



Per Finance Bill, dividend income includes dividend in specie (in a form other than cash)

Illustration

Mr. A has annual dividend income of RM250,000 which is reinvested into the principal investment.

Mr. A receives the dividend in specie (not in cash). The first RM100,000 of dividend income is exempted from tax; the remaining RM150,000 dividend income will be subject to tax.

Scope of taxation

Applicable to dividend income distributed by **listed and unlisted companies in Malaysia**

Applicable to individual shareholders, consisting of:

1. Resident individuals
2. Non-resident individuals
3. Individuals holding shares through a nominee

Tax exempted dividends

- Sourced outside Malaysia (FSI)
- Profits of companies with pioneer status and reinvestment allowance
- Profits of shipping companies that is exempted from tax
- Distributed by cooperatives
- Declared by closed-end funds
- Dividend received by residents from Labuan entities
- Profit distribution by KWSP, LTAT (Lembaga Tabung Angkatan Tentera), ASNB, or unit trusts
- Any exemption granted on dividend income in the hands of individuals as determined by the Minister

The above list is extracted from Appendices from the Budget Speech and IRB's National Tax Seminar



Tax on Dividend income – Calculation

Chargeable Dividend Income

$$\frac{\text{Statutory Dividend Income}}{\text{Aggregate Income}} \times \text{Chargeable Income}$$

Illustration

Employment Income		300,000
Dividend income received from companies in M'sia	250,000	
Less: Exemption on first RM100,000	(100,000)	
Statutory Dividend Income	<u>150,000</u>	
Aggregate Income		<u>450,000</u>
Less: Personal Relief		(9,000)
Chargeable Income		<u>441,000</u>

Chargeable Dividend Income

$$\frac{150,000}{450,000} \times 441,000 = 147,000$$

Tax on Dividend Income

$$147,000 \times 2\% = \underline{\text{RM 2,940}}$$



Tax relief – What's new for 2025?

Tax relief for interest payments on loans for 1st Residential Property

Finance Bill 2025: Proposed amendment Section 46B of the Income Tax Act, 1967



Effective: 1 January 2025



Proposed

Tax relief for interest payments on loans to finance purchase of residential property

Conditions

1. It is the first residential property of taxpayer
2. A residential property; not for generating income
3. Sale and Purchase agreement executed from 1 Jan 2025 to 31 Dec 2027

House Price	Tax Relief for interest payments on the loan per year
Up to RM500,000	Limited to RM7,000
Costing RM500,001 to RM750,000	Limited to RM5,000
Costing above RM750,000	No relief available



Per the Finance Bill:-

- ✓ The relief is for three consecutive years of assessment commencing from the first year of assessment when interest is first expended by the taxpayer. Taxpayers are not able to choose the year the relief will commence
- ✓ The individual taxpayer is a Malaysia citizen and a resident



Tax relief for interest payments on loans for 1st Residential Property



Effective: YA 2025



Proposed

Where the Residential Property is co-owned by more than one person:-

- **If the property in question has a co-owner where it is not his first residential property, this co-owner will not be able to qualify for any relief**
- **Prescribed formula to apportion the interest for the claim of relief**

$$\frac{\text{Total interest expenses incurred by the individual}}{\text{Total interest expenses incurred by all individuals}} \times \text{Total interest expenses allowed to be deducted for the residence}$$



Tax Relief on medical treatment expenses

Finance Bill 2025: Proposed amendment Section 46(1)(h) of the Income Tax Act, 1967



Effective: YA 2025



Current



Proposed

Aggregate amount restricted to RM10,000

- ✓ Serious disease incurred for taxpayer, spouse or children
- ✓ Fertility treatment incurred for taxpayer or spouse

Limited to RM4,000

- ✓ Diagnostic and rehabilitation treatment for children with learning disabilities aged 18 years and below

Limited to RM1,000 for each category (self, spouse or child)

- ✓ Vaccination
- ✓ Dental examination & treatment
- ✓ Full medical check-up including mental health check-up or consultation, COVID-19 detection test inclusive

Limited to **RM6,000**

- ✓ Diagnostic and rehabilitation treatment for children with learning disabilities

Limited to RM1,000 for each category (self, spouse or child)

- ✓ Vaccination
- ✓ Dental examination & treatment
- ✓ Full medical check-up including mental health check-up or consultation, self test kits such as COVID-19 and influenza test kit, fees for disease detection tests, purchase of self diagnostic medical devices registered under Medical Devices Act 2012

Tax relief on medical treatment, special needs, and carer expenses for parents

Finance Bill 2025: Proposed amendment Section 46(1)(c) of the Income Tax Act, 1967



Effective: YA 2025



Current



Proposed

Aggregate amount restricted to RM8,000

- ✓ Dental treatment limited to tooth extraction, filling, scaling, and cleaning but exclude cosmetic dental expenses for parents
- ✓ Medical care and treatment at clinics and hospitals for parents
- ✓ Treatment and homecare nursing, day care centers and nursing home for parents

Limited to RM1,000

- ✓ Full medical examination for parents

- ✓ Expanded to include **grandparents**

- ✓ Expanded to include **grandparents**

Limited to RM1,000

- ✓ Full medical examination **including vaccinations** for parents **and grandparents**

Tax relief on insurance premiums for education and medical benefits

Finance Bill 2025: Proposed amendment Section 49(1B) of the Income Tax Act, 1967



Effective: YA 2025



Current



Proposed



A tax relief is given on premiums paid for education and medical benefits in respect of self, spouse or child

✓ Maximum of RM3,000

✓ Increase to **RM4,000**

Tax relief on fees paid to childcare centres and kindergartens

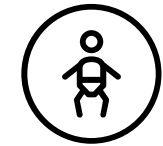
Finance Bill 2025: Proposed amendment Section 46(1)(r) of the Income Tax Act, 1967



Current



Proposed



A tax relief up to a maximum of RM3,000 on child care fees paid to registered childcare centers and kindergarten who enroll their children up to 6 years of age; claim by either parent

✓ Up to year of assessment 2024

✓ Up to (extended) to year of assessment **2027**

Tax relief on deposits made in Skim Simpanan Pendidikan Nasional (SSPN)

Finance Bill 2025: Proposed amendment Section 46(1)(k) of the Income Tax Act, 1967



Effective: YA 2025 to YA 2027



Current



Proposed

A tax relief up to RM8,000 on net deposits made by individual in respect of his/her child in SSPN during the year of assessment

✓ any withdrawal made during the year will reduce the claim of relief

✓ Up to year of assessment 2024

- ✓ Withdrawals intended to finance education costs for further studies will not reduce the amount eligible for relief
- ✓ To be claimed **by one (either) parent only up to RM8,000; irrespective of the number of children**
- ✓ For separate assessment, the parent who contributed to the SSPN deposit qualify for the relief
- ✓ Up to (extended) to year of assessment 2027

Increase of tax relief for persons with disabilities

Finance Bill 2025: Proposed amendment Section 46(1)(e), 47(1)(b) and 48(2)(b) of the Income Tax Act, 1967



Effective: YA 2025



Current



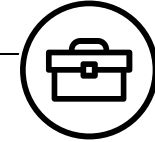
Proposed

Further tax relief for the disabled who is registered with the Department of Social Welfare

- ✓ Disabled individual (taxpayer) – RM6,000
- ✓ Disabled spouse – RM5,000
- ✓ Disabled child – RM6,000

- ✓ Disabled individual (taxpayer) – **Increase to RM7,000**
- ✓ Disabled spouse – **Increase to RM6,000**
- ✓ Disabled child – **Increase to RM8,000**

Other miscellaneous changes



Current



Proposed

Expenses for sports equipment and activities (Limit 1,000)

✓ For self, spouse and children

✓ Expanded to include parents (Effective: YA 2025)

Tax relief on contribution to Private Retirement Schemes and Deferred Annuities (Limit 3,000)

✓ Up to year of assessment 2025

✓ Up to (extended) to year of assessment 2030

Tax relief on Electric Vehicle (EV) charging facilities (Limit 2,500)

✓ for the payment of installation, rental, purchase including hire-purchase of equipment or subscription for use of electric vehicle charging facility for own vehicle

✓ Expanded to purchase of domestic use Food Waste Composting machine, claim once only from YA 2025 to YA 2027

Exemption period of Foreign-Sourced Income (FSI) remitted in Malaysia

✓ Up to 31 Dec 2026

✓ Extended to 31 Dec 2036



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