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MALAYSIA'S economy has shown promising signs of recovery, particularly driven by the surge in digital infrastructure investments from leading global technology firms.

As the country prepares for the Budget 2025 announcement, the focus is likely to centre on key incentive areas that align with Malaysia's long-term goals for sustainable and inclusive economic growth.

The government is expected to reassess its incentive policies to enhance support for green energy, innovation and digital transformation.

Stakeholders are eagerly anticipating these adjustments, which are expected to play a crucial role in strengthening these vital sectors and promoting a resilient and competitive economy for the future.

Shifting to a comprehensive incentive strategy

Budget 2025 is expected to adopt a more comprehensive strategy, emphasising both fiscal and non-fiscal measures to drive economic transformation.

On the fiscal side, the government is likely to offer incentives for upskilling and reskilling the workforce, encouraging the hiring of high-value jobs, and supporting local vendor development programmes to strengthen domestic supply chains.

These initiatives are crucial for enhancing Malaysia's competitiveness in high-tech and knowledge-based industries.

Equally important are the non-fiscal incentives designed to create an enabling environment for businesses to thrive.

These include developing a robust financial ecosystem to support investment and foster close collaboration between agencies and ministries to streamline processes and address investor needs.

Together, these initiatives reflect the government's commitment to creating an ecosystem where fiscal support and regula-

Focusing on a sustainable and inclusive future

Run-up to



tory efficiency work hand-in-hand to attract and retain investors.

Green subsidies

Malaysia is resolutely pursuing its goal of attaining carbon neutrality by 2050.

It is anticipated that Budget 2025 will highlight green and sustainability incentives aligned with this vision.

Building on previous initiatives, the government has introduced various green energy subsidies, such as grants, rebates and low-interest loans, aimed at promoting investments in renewable energy, energy efficiency and sustainable practices.

These measures are designed to help businesses reduce operational costs while transitioning to more environmentally friendly operations.

The budget may also include provisions to encourage the adoption of green technologies, with potential conditions tied to incentives for companies.

The scope of existing carbon-related incentives could be further expanded to better support industries in implementing greener solutions, with the possibility of new incentives to further promote sustainability efforts and prepare businesses for potential future carbon regulations.

With the recent surge of digital infrastructure investment into Malaysia, the government is also exploring guidelines for sustain-

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able digital infrastructure (data centres), focusing on metrics such as power usage effectiveness, water usage effectiveness and carbon usage effectiveness.

Collectively, these efforts aim to minimise resource consumption and foster the development of green technologies.

Prioritising local supply chain development

The government is anticipated to extend its focus beyond traditional metrics like employment headcounts, operational expenditures and capital expenditures to prioritise local vendor development as a fundamental component of economic growth.

Developing local supply chains is crucial for a country's economic advancement, particularly in relation to specific industry clusters.

By strategically integrating local businesses into global supply chains, governments can enhance capabilities in targeted sectors such as technology, manufacturing and green energy.

This approach empowers local firms and fosters collaboration with multinational corporations (MNCs), which provide essential support in knowledge transfer and resource sharing.

Government incentives, such

as tax breaks and grants for research and development, play a pivotal role in driving this initiative forward by encouraging local players to innovate and improve their offerings.

Focusing on industry clusters allows for the concentration of resources and expertise, further promoting collaboration among local vendors and MNCs.

This comprehensive strategy ensures that local businesses can meet the demands of a rapidly evolving market while positioning the country as a competitive player in the global economy.

By prioritising local supply chain development and leveraging targeted incentives, the government can create a resilient economic landscape that benefits all stakeholders.

Revamping tax policies in GMT era

As Malaysia anticipates the implementation of the global minimum tax (GMT), the government is refining its tax incentive policies to align with this framework.

For existing incentives, a flexible approach is being taken, with the government having open discussions with impacted MNCs and considering alternative incentive structures that achieve

overall objectives.

Looking ahead, new incentives may consider the needs of affected MNCs, potentially including reductions in tax rates and adjustments to the Investment Tax Allowance to meet international standards, while maintaining Malaysia's appeal to foreign investors.

The introduction of a Qualified Refundable Tax Credit (QRTC), similar to Singapore's model, could also be considered.

The QRTC is popular among MNCs for improving cash flow and encouraging investment in areas such as technology and sustainability, by offering immediate cash benefits based on qualifying expenses, while remaining compliant with the Organisation for Economic Cooperation and Development's Base Erosion and Profit Shifting initiative.

As business leaders, investors and industry stakeholders await the government's announcement of Budget 2025 on Oct 18, it's evident that the emphasis will be on sustainability, innovation and inclusivity.

The government's focus on green energy, digital transformation and mission-driven economic incentives highlights Malaysia's dedication to nurturing a vibrant and resilient economy.

These forthcoming initiatives are expected to equip businesses with the necessary resources to succeed in an increasingly competitive and environmentally conscious landscape, solidifying Malaysia's position as a global frontrunner in sustainable development and technological progress.

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