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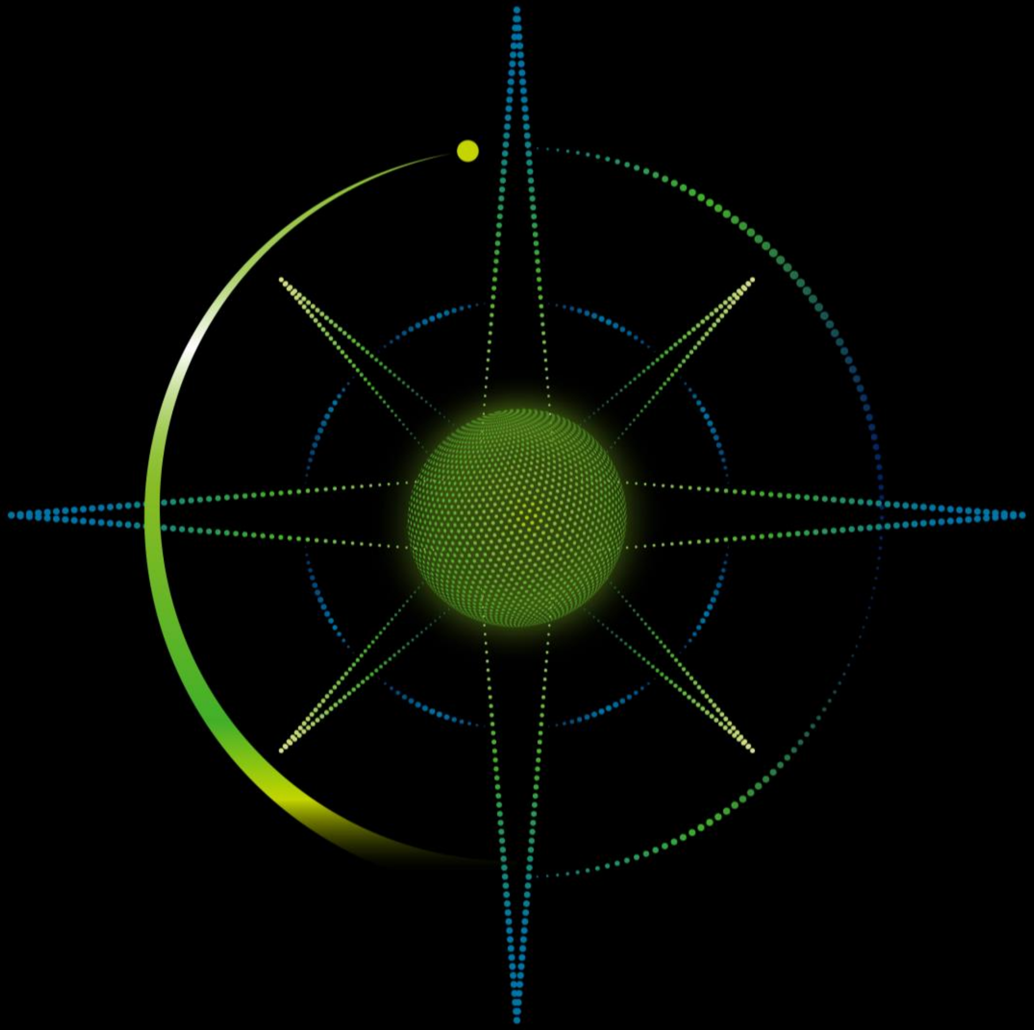

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Capital Gains Tax

Corporate Tax

Capital Gains Tax ("CGT")

What we know Budget 2023 and Budget 2024 Speech

Current

- No CGT is imposed on disposal of capital items except for Real Property Gains Tax ("RPGT") on gains arising from disposal of real properties or shares in real property companies ("RPC").
- Gains arising from revenue transactions are subject to tax under Income Tax Act, 1967 ("the Act").

Proposed

CGT on disposal of shares of a company incorporated in Malaysia not listed on the stock exchange.

Effective: 1 March 2024

Exemption

Exemption is to be granted for the disposal of unlisted shares in relation to:

- Initial Public Offering approved by Bursa Malaysia
- Restructuring within the same group
- Venture capital company

Corporate Tax

Capital Gains Tax ("CGT")

What have been provided Finance (No.2) Bill 2023 – amendments to ITA 1967

1. Section 2 Interpretation "capital asset" means movable or immovable property including any rights or interests thereof
2. Section 4(aa) gains or profits from the disposal of capital asset
3. Section 4B Non-business income…other than gains or profits where subsection 24(1) applies
4. Section 15C
5. Chapter 9, Part III (prevails over other foregoing chapters where there is any inconsistency)
6. Section 77A(1B)
7. Part XXI, Schedule 1
8. Para 38, Schedule 6:

(1) Gains or profits from the disposal of a capital asset situated in Malaysia.

(2) The exemption under subparagraph (1) shall not apply to—

(a) disposal of shares of a company incorporated in Malaysia not listed on the stock exchange; and

(b) disposal of shares under section 15C.

DTA

Effective

1 January 2024

Corporate Tax

Capital Gains Tax ("CGT") - Chapter 9 Part III, Part XXI Schedule 1

Taxable persons:

- Company
- Limited Liability Partnership
- Co-operative society
- Trust Body (including unit trust)

"disposal" means to sell, convey, transfer, assign, settle or alienate whether by agreement or by force of law and includes a reduction of share capital and purchase by a company of its own shares

"shares" means all or any of the following:

(a) stock and shares;

(b) loan stock and debentures;

(c) a member's interest in a company;

(d) any option or other right in, over or relating to shares as defined in (a) to (c)

Tax rates

Capital asset acquisition date	CGT rate
Before 1 January 2024	• 10% on the chargeable income from the disposal of the capital asset, OR • 2% of gross on the disposal price of the capital asset
From 1 January 2024	10% on the chargeable income from the disposal of the capital asset

Date of disposal and acquisition

Any written agreement?	Date of disposal and acquisition
Yes	Date of the agreement*
No	Date of completion of the disposal

*Subject to conditional contract (i.e. approval by Government or State Government)

Corporate Tax

Capital Gains Tax (“CGT”) - Chapter 9 Part III, Section 77A(1B)

Reporting

Submission of the prescribed form through e-Filing must be done for each disposal transaction and CGT payment should be made **within 60 days from the date of disposal**

Deemed MV, valuation report

Computation adjusted income (treated as chargeable income)

Disposal consideration (reduced by expenditure w&e incurred for enhancing, preserving value, defending title, incidental costs) deduct acquisition consideration (less incidental costs, compensation, insurance for any kind of damage or injury, deposit forfeited)

Acquisition consideration

Losses

- Ascertained by reference to each disposal separately and treated as a separate source of gains or profits
- Capital losses are deductible against the same source of income and against the **subsequent disposal** of capital asset only
- Unabsorbed capital losses can be carried forward for a limited period of **10 consecutive YAs**

Corporate Tax

Capital Gains Tax (“CGT”) – Section 15C

Gains deemed derived from Malaysia:

disposal of capital assets deriving value from real property in Malaysia

Gains or profits accruing to a person in a year of assessment on the disposal of capital asset which is a share of a controlled company incorporated outside Malaysia (“Foreign Co”) shall be deemed to be derived from Malaysia where at the date of acquisition of the shares of Foreign Co, the Foreign Co owns real property situated in Malaysia or shares of another controlled company (“RPC”)* or both where the defined value of the real estate or shares of RPC or both is more than 75% of the value of the Foreign Co’s total tangible assets

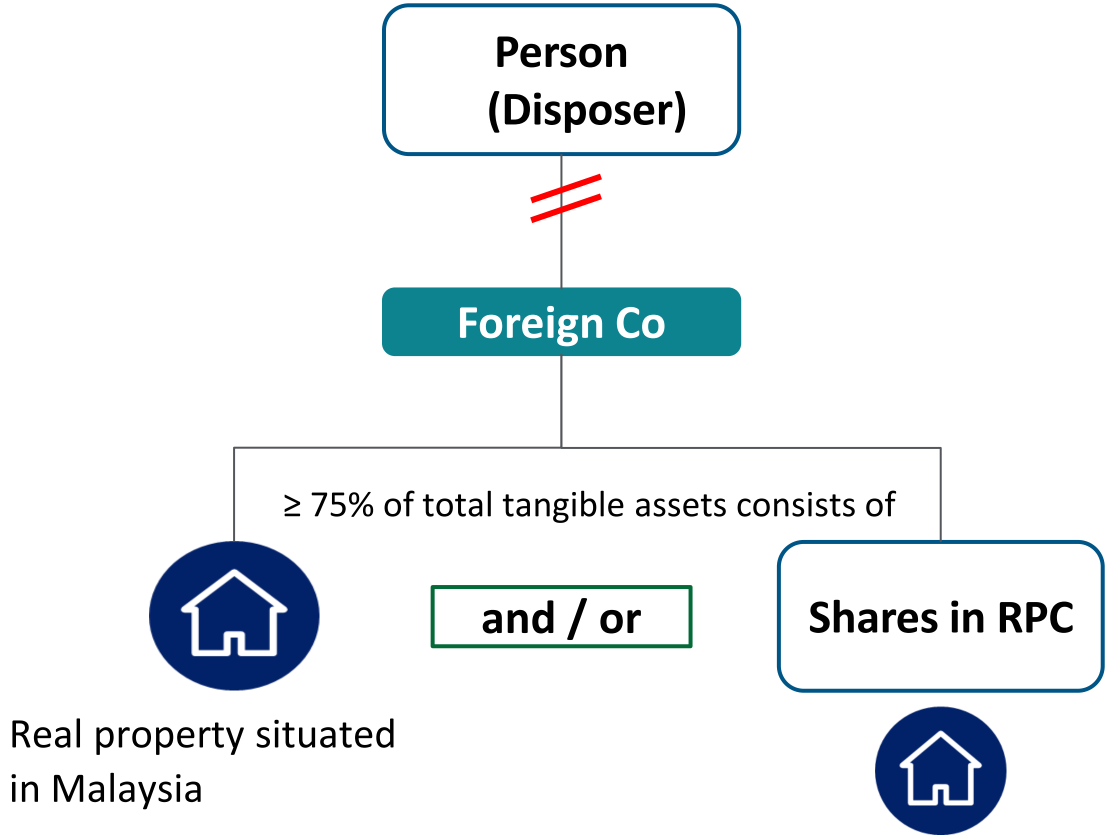
* the defined value of the real property situated in Malaysia owned by RPC is not less than 75% of the value of its total tangible asset

Effective: 1 January 2024

Corporate Tax

Capital Gains Tax (“CGT”) – Section 15C

Illustration - Gains deemed to be derived from Malaysia



Corporate Tax

Capital Gains Tax (“CGT”) – Section 15C

Section 15C

(3) The shares of the relevant company (i.e. Foreign Co in earlier slides) in this section

shall be deemed to be acquired—

(a) on the date the defined value of real property or shares or both owned by the relevant company is in accordance with subsection (2); or

(b) on the date of acquisition of the shares of the relevant company.

(4) For the purposes of this section, the acquisition price of shares of the relevant company shall—

(a) where paragraph (3)(a) applies, be deemed to be equal to a sum determined in accordance with the formula:

$$\frac{A}{B} \times C$$

Where A…

(b) where paragraph (3)(b) applies, be determined in accordance with paragraph 65E(2)(b) or

subsection 65E(8).

Corporate Tax

Capital Gains Tax (“CGT”) – Section 15C

Part XXI, Schedule 1

…income tax shall be charged for a YA on the income of a company, limited liability partnership, trust body or co-operative society from the disposal of capital asset referred to in paragraph 4(aa) at the following rates:

(a) in relation to a disposal of capital asset **situated in Malaysia** which was acquired before 1 January 2024…

(b) in relation to a disposal of capital asset **situated in Malaysia** which was acquired on or after 1 January 2024 at the rate of 10 per cent…

(c) in relation to a disposal of capital asset other than a disposal under paragraphs (a) and (b), at the applicable rate to the company, limited liability partnership, trust body or co-operative society as specified under Part I or IV on every ringgit of the chargeable income from the disposal of the capital asset.

Corporate Tax

Capital Gains Tax ("CGT") – Section 15C

Section 77A(1B)

Notwithstanding subsections (1), (3) and (4), every company, limited liability partnership, trust body or co-operative society who disposes of capital asset shall, within sixty days (or such other period the Director General may allow on a written request being made to him) of the date of disposal of that asset, furnish to the Director General a return in the prescribed form on an electronic medium or by way of electronic transmission in accordance with section 152A...

Corporate Tax

Capital Gains Tax (“CGT”) – Sections 3 and 4(aa)

Foreign source CGT

Scope

Taxes are levied on gains from disposal of all types of capital assets situated outside Malaysia and received in Malaysia.

Tax rate

The applicable tax rate is the prevailing income tax rates of the respective taxpayer categories.

Exemptions (??)

Met economic substance:

- Employ sufficient number of employees with the necessary qualifications
- Making adequate operating expenses

Effective: 1 January 2024

Corporate Tax

Corporate Tax

Filing of Estimate of Tax Payable and Special Allowances for Small Value Assets for Micro, Small and Medium Sized Companies (“MSMEs”)

Proposed

MSMEs resident and incorporated in Malaysia that have more than 20% of ordinary paid-up share capital owned by companies incorporated outside Malaysia or individuals who are not Malaysian citizens are not eligible to enjoy –

- Exemption from filing tax estimates for a period of 2 YAs from the YA in which the MSME commences operation;
- Special allowance for small value assets without a restriction of RM20,000.

Effective

YA 2024

Corporate Tax

Revision of Estimate of Tax Payable by a Company, LLP, Trust body or Co-operative society

Current

Revision of estimate of tax payable can be made in the 6th, 9th or both months of the basis period for a YA.

Proposed

To expand by allowing a company, LLP, trust body or co-operative society to revise its estimate of tax payable in the 11th month of the basis period.

Effective

YA 2024

Corporate Tax

Mandatory Electronic Delivery of Information and Document via Malaysian Income Tax Reporting System (“MITRS”)

Proposed

Companies and other than companies are required to provide information and furnish document through the MITRS

Deadline

Submit within 30 days after the deadline for submission of the return form

Penalty under Section 120 of the Income Tax Act 1967

Liable to a fine of not less than RM200 and not more than RM20,000 or to imprisonment for a term not exceeding 6 months, or both.

Effective

YA 2025

Corporate Tax

Interpretation of Foreign Taxes and Foreign Income

Current	Proposed
Section 2(1) of the Act **FOREIGN TAX** Any tax on income (or any other tax of a substantially similar character) chargeable or imposed by or under the laws of a territory outside Malaysia and in relation to paragraph 132(4)(d) or section 132A includes other taxes of every kind imposed by or under the laws of that territory	**FOREIGN TAX** Any tax on income (or any other tax of a substantially similar character) chargeable or imposed by or under the laws of a territory outside Malaysia **in which the same income arose** and in relation to paragraph 132(4)(d) or section 132A includes other taxes of every kind imposed by or under the laws of that territory
Paragraph 16, Schedule 7 of the Act **FOREIGN INCOME** Income derived from outside Malaysia or in the case of bilateral credit, includes income derived from Malaysia charged to foreign tax	**FOREIGN INCOME** In relation to— (a) unilateral credit, income derived from outside Malaysia charged to foreign tax; (b) bilateral credit, income derived from outside Malaysia and from Malaysia, charged to foreign tax

Effective: YA 2024

Corporate Tax

Review of Conditions for Approval for Institutions / Organisations / Funds Approved under Section 44(6) of the Act

	Current	Proposed	
		Option 1	Option 2
Conditions after obtaining approval under Section 44(6) of the Act : i. Utilisation of accumulated funds (business purpose) ii. Threshold of charitable activity expenditure	 Up to 25% At least 50%	 Up to 25% At least 50%	 > 25% and up to 35% At least 60%
Breach of conditions	Approval under Section 44(6) of the Act will be withdrawn.	• The institutions / organisations / funds will not be eligible for tax exemption in the YA the breach of conditions occurred. • Approval under Section 44(6) of the Act will not be withdrawn to ensure donors remain eligible for tax deductions on contributions made to the institutions / organisations / funds throughout the approval period.	

Effective: YA 2024

Corporate Tax

Exemption of Income Tax for Institutions, Organisations or Funds Approved under Section 44(6) of the Act

Current

Pursuant to Paragraph 13(1)(a), Schedule 6 of the Act

The income of an institution, organisation or fund approved under Section 44(6) of the Act is exempted from income tax so long as the **approval remains in force**.

Proposed

The income of an institution, organisation, or fund approved under Section 44(6) of the Act for a year of assessment is exempted from income tax as long as it **complies with the conditions of approval**

Effective: YA 2024

Corporate Tax

Tax Deduction under Section 44(6) of the Act for Contributions to Approved Institutions, Organisations or Funds that Implements Educational Programmes including Sports Education

Proposed

- Expansion of tax deduction of up to 10% of the aggregate income of individuals or companies to cover contributions to institutions, organisations or funds approved under Section 44(6) of the Act that implement educational programmes including sports education in collaboration with Ministry of Education.

Effective: YA 2024

Tax Incentive

Tax Incentives

Incentive for Reinvestment under The New Industrial Master Plan 2030

Current

Manufacturing and agricultural companies undertaking expansion, diversification, automation and modernisation projects are eligible for Reinvestment Allowance:

- ✓ 60% of capital expenditure;
- ✓ Set off against 70%/100% of statutory income;
- ✓ For 15 consecutive YAs.

Proposed

Investment in high-value activities under the New Industrial Master Plan 2030 by companies that have exhausted their RA eligibility period is eligible for Investment Tax Allowance:

	Tier 1	Tier 2
Qualifying Capital Expenditure	100%	60%
Statutory Income to be Set-Off	100%	70%

Approach: Outcome-based approach

Effective

For applications received by MIDA from 1 January 2024 until 31 December 2028

Tax Incentives

Review of Accelerated Capital Allowance ("ACA") rate on Information and Communication Technology ("ICT") Equipment and Computer Software

Qualifying Expenditures include:-

- Purchase of ICT equipment and computer software packages.
- Consultation, licensing and incidental fees related to customised computer software development.

	Current	Proposed
ACA rate	**Initial Allowance – 20%** **Annual Allowance – 20%**	**Initial Allowance – 40%** **Annual Allowance – 20%** With the revised rate, the capital allowance claim period is reduced from 4 years to 3 years.

Effective

YA 2024

Tax Incentives

Tax Incentive for Automation in Manufacturing, Services and Agriculture Sectors

Current	Proposed
❑ 100% accelerated capital allowance on the first RM 10 million of the qualifying capital expenditure for automation equipment including the adaptation of Industry 4.0 elements are given and can be fully absorbed within 1 year. ❑ Income tax exemption equivalent to 100% on the said qualifying capital expenditure. For applications received by MIDA and Ministry of Agriculture and Food Security ("MAFS") from 1 January 2023 until 31 December 2027.	The scope of tax incentive expanded to include the commodity sector under the Ministry of Plantation and Commodities ("KPK").

Effective

For application received by KPK from 14 October 2023 to 31 December 2027

Tax Incentives

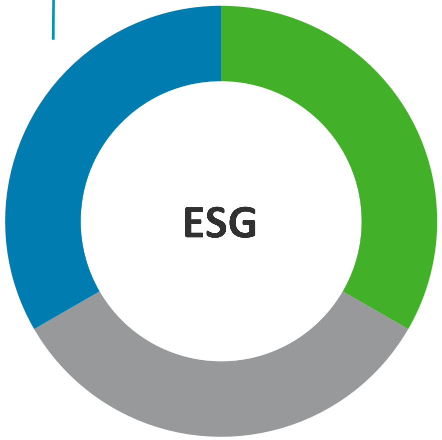
Tax Deduction on Environmental, Social and Governance (“ESG”) Related Expenditures

Current

Understanding

Implementation of ESG supports government initiatives and efforts in achieving sustainable development goals.

Compliance to ESG standards will increase costs of doing business as it is not allowed for tax deduction under the Income Tax Act 1967.



Proposed

Tax deduction **up to RM50,000** for each YA is given on ESG related expenditure as follows:

ESG related expenditures	Description
Enhance Sustainability Reporting Framework	ESG reporting by companies listed on the Bursa Malaysia stock exchange
Climate Risk Management and Scenario Analysis	ESG reporting by financial institutions regulated by Bank Negara Malaysia
Tax Corporate Governance Framework (“TCGF”) of Inland Revenue Board of Malaysia (“IRB”)	Preparation of reports related to TCGF by companies
Transfer Pricing Documentation	Preparation of transfer pricing documentation by companies
E-Invoicing implementation	Consultation fee for implementing e-invoicing incurred by Micro, Small and Medium Enterprises (“MSME”)
Any reporting requirement related to ESG	ESG reporting by companies to approved regulator by the Ministry of Finance

Effective

YA 2024 to YA 2027

Tax Incentives

Tax Deduction on Contributions for Environmental Preservation and Conservation Projects

Current	Proposed
Tax deduction under Section 34(6)(h) of the Income Tax Act 1967 is given on expenses incurred by any person carrying on a business for provision of services, public amenities, charity or community projects relating to: • Education; • Health; • Housing; • Enhancement of income of the poor; • Infrastructure; • Information and communication technology; • Maintenance of heritage building; or • Environmental preservation or conservation projects.	Special tax deduction under Section 34(6)(h) of the Income Tax Act 1967 expanded to cover entities contributing or sponsoring activities related to tree planting projects or environmental preservation and conservation awareness projects carried out and certified by the Forest Research Institute Malaysia.

Effective

For applications received by Ministry of Finance from 1 January 2024 to 31 December 2026

Tax Incentives

Tax Deduction for Rental of Non-commercial Electric Vehicle ("EV")

Current

Tax deduction on the rental of motor vehicle (other than a motor vehicle licensed by the appropriate authority for commercial transportation of goods or passengers) up to RM50,000 or RM100,000 (for a new motor vehicle costing not more than RM150,000).

Retabled Budget 2023

Tax deduction up to RM300,000 for companies that rent non-commercial EV from YA 2023 until YA 2025.

Gazette Order has yet to be released as-of-to-date.

Proposed

Tax deduction on non-commercial EV rental cost be extended for another **2 YAs**.

Effective

Until YA 2027

Tax Incentives

Further Tax Deduction for Development of Carbon Projects

Current

- Income tax exemption on the sale of Certified Emissions Reduction ("CERs") by a company incorporated and resident in Malaysia effective from the YAs 2008 until 2012.
- In 2022, Bursa Malaysia launched a voluntary carbon market ("VCM") initiative for carbon credit trading - the Bursa Carbon Exchange ("BCX").
- Expenditure related to the development of carbon projects incurred by carbon credit trading companies is allowable for tax deduction under Section 33(1) of the Income Tax Act 1967.

Proposed

- Further tax deduction of up to RM300,000 for costs incurred by companies on the Development and Measurement, Reporting and Verification ("MRV") related to the development of carbon projects.
- Deductible against income earned from carbon credits traded on Bursa Carbon Exchange ("BCX").
- Conditions:
  - ➢ The development of carbon projects must be registered with an international standards body recognised by Bursa Malaysia; and
  - ➢ Expenditure on development of carbon projects must be certified by the Malaysia Green Technology and Climate Change Corporation ("MGTC").

Effective:
For applications received by the MGTC from 1 January 2024 until 31 December 2026

Tax Incentives

Review of Green Technology Tax Incentive

Current

Green Investment Tax Allowance ("GITA")

- Investment Tax Allowance ("ITA") of 100% on capital expenditure for qualifying green activities for a period of 3 years.
- The ITA can be offset against up to 70% of the statutory income.

Green Investment Tax Exemption ("GITE")

- <u>Qualifying green services activities</u>
  Income tax exemption of 70% on statutory income for a period of 3 YAs
- <u>Solar leasing activity</u>
  Income tax exemption of 70% on statutory income for a period up to 10 YAs

Tax Incentives

Review of Green Technology Tax Incentive

Proposed

GITA Project (Business Purposes)

Qualifying Activities	GITA (%)	% of Statutory Income to be Set-Off	Incentive Period
Tier 1 i. Green hydrogen	100%	100% or 70%	Up to 10 years (5 + 5)
Tier 2 i. Integrated waste management ii. Electric vehicle charging station	100%	100%	5 years
Tier 3 i. Biomass ii. Biogas iii. Mini Hydro iv. Geothermal v. Solar vi. Wind energy	100%	70%	5 years

Effective:

For application received by Malaysian Investment Development Board ("MIDA") from 1 January 2024 to 31 December 2026

Tax Incentives

Review of Green Technology Tax Incentive

Proposed

GITA Asset (Own Consumption)

Qualifying Activities	GITA (%)	% of Statutory Income to be Set-Off	Incentive Period
Tier 1: • List of eligible assets approved by the Minister of Finance • Battery Energy Storage System • Green building	100%	70%	3 years
Tier 2: • List of eligible assets approved by the Minister of Finance • Renewable Energy System • Energy efficiency	60%	70%	3 years

Effective:
Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026 and verified by the Malaysian Green Technology and Climate Change Corporation

Tax Incentives

Review of Green Technology Tax Incentive

Proposed

GITE Solar Leasing

Tier (Capacity)	Tax Exemption on Statutory Income	Incentive Period
> 3 MW - ≤ 10 MW	70%	5 years
> 10 MW - ≤30 MW	70%	10 years

Effective:
For application received by MIDA from 1 January 2024 to 31 December 2026

Tax Incentives

Extension of Sustainable and Responsible Investments ("SRI") Incentive

	Current	Proposed
SRI Funds	Tax exemption on management fees income derived from the provision of fund management services for SRI Funds in Malaysia by a company approved by the Securities Commission ("SC") from YAs 2021 to 2023.	• Extended for a period of **4 years**. **Effective** **YA 2024 to YA 2027**
SRI Sukuk	Tax deduction is allowed on the cost of issuing or offering a SRI Sukuk approved or authorised by or lodged with the SC under the Capital Markets and Services Act 2007 from YAs 2016 to 2023.	

Tax Incentives

Expansion of Scope of Income Tax Exemption on SRI Sukuk Grant and Bond Grant Scheme

Current	Proposed
• The SC provides grant under the Green SRI Sukuk Grant and Bond Grant Scheme to Green SRI sukuk and bond issuers to finance the external review expenditure up to RM300,000. • Green SRI sukuk and bond issuers are given tax exemption on the receipt of such grant from 1 January 2018 to 31 December 2025.	• Existing income tax exemption to be expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Link Bond Standards approved by the SC.

For applications received by SC from 1 January 2024 to 31 December 2025

Tax Incentives

Review of Income Tax Exemptions on Shariah-Compliant Fund Management Services

Current

100% income tax exemption on statutory income from fund management services from investors including:

- ✓ Foreign investors in Malaysia / local investors / business trust investors or Real Estate Investment Trusts (REITs) investors in Malaysia.

Proposed

Income tax exemption period be extended for **4 years** with **60% tax exemption**.

Effective

YA 2024 until YA 2027

Tax Incentives

Income Tax Exemption for Islamic Securities Buying And Selling ("ISSB") activities

Proposed

Income tax exemption on income arising from ISSB listed on Bursa, which is equivalent to the treatment of conventional securities listed on Bursa

Purposes:

- to increase the overall volume of securities trading and liquidity of the Shariah-compliant stock market through the involvement of more investors and brokers in ISSB transactions
- To ensure equivalent treatment is provided for securities borrowing and lending transactions

Effective

YA 2024

Tax Incentives

Income Tax Exemption for Islamic Financial-Related Trading Activities under Labuan International Business and Financial Centre ("IBFC")

Current

Labuan entity undertaking	
Trading activities	**Non-trading activities**
Audited net profits are taxed at a fixed rate of 3%*	Audited net profits are taxed at a fixed rate of 0%*

** Subject to substantive requirements which are adequate number of full-time employees and adequate amount of annual operating expenses in Labuan*

Proposed

5-year full income tax exemption given to Labuan entities that undertakes Islamic financial-related trading activities

Example of Islamic financial-related trading activities

- Islamic digital banking
- Islamic digital bourses
- Ummah-related companies
- Islamic digital token issuers

Effective: YA 2024 to YA 2028

Tax Incentives

Tax Incentive for Global Services Hub

	New Company		Existing Company	
	Tier 1	**Tier 2**	**Tier 1**	**Tier 2**
Incentive Period	5 + 5		5	
Tax Incentive (based on the outcome-based approach)	Tax rate at 5%	Tax rate at 10%	Tax rate at 5% on the value-added income	Tax rate at 10% on the value-added income
Types of Income Exempted	1. Services income; or 2. Services and trading income			
Qualifying Services & Additional Services	Undertake the following activities: i. Regional P&L / Business Management Unit; ii. Strategic business planning; iii. Corporate development; **and** iv. Any 2 qualifying activities under the services category (i.e., strategic services / business services / shared services / other services)			
Conditions (outcome-based)	1. Annual operating expenditure 2. High value full-time employees 3. C-suite with a minimum salary of RM35,000 4. Local ancillary services			

Tax Incentives

Tax Incentive for Global Services Hub (Cont'd)

	New Company		Existing Company	
	Tier 1	Tier 2	Tier 1	Tier 2
Conditions (outcome-based)	5. Collaboration with higher education institution / TVET 6. Training for Malaysian students / citizens 7. ESG elements 8. Other conditions as determined by the Minister of Finance			

Income tax rate of 15% for 3 consecutive YAs is also given to a maximum of 3 non-citizen individuals holding key/C-Suite positions with a monthly salary of at least RM35,000 appointed by a new company approved with Global Services Hub tax incentive.

Effective

For applications received by MIDA from 14 October 2023 until 31 December 2027

Tax Incentives

Tax Incentive for Pengerang Integrated Petroleum Complex (“PIPC”)

Proposed

Types of Tax Incentives	IMPLEMENTING COMPANY	
	New companies with a minimum investment of RM 500 million and above in chemical and petrochemical activities	Approved developer for PIPC Industrial Park Development
Income Tax Rate	Tier 1 = 5% Tier 2 = 10%	10% on real estate sales or rental activities for eligible projects for a period of 10 years
Investment Tax Allowance	100% of eligible capital expenditure	-
Incentive Period	5 + 5	-
Types of Exempted Income	Income from qualifying chemical and petrochemical product manufacturing activities	-
Other Tax Incentives	i. Stamp duty exemption on land / building transfer agreement or land / building rental agreement for qualifying projects ii. Exemption from stamp duty on land / building transfer agreements or land / building rental agreements to implement qualifying projects	Stamp duty exemption on land / building transfer agreement or land / building rental agreement for qualifying projects

Effective: For application received by MIDA from 14 October 2023 to 31 December 2028

Tax Incentives

Income Tax Exemption for Social Enterprise

Based on Budget 2022's proposal, full income tax exemption on all income for up to **3** subject to the following:

- Subject to the validity period of accreditation by the Ministry of Entrepreneur Development and Cooperatives.
- The exemption shall apply to applications received by the Ministry of Finance from 1 January 2022 until 31 December 2023.

Extended for 2 years

Note that this is yet to be gazetted.

Effective

For applications received by the Ministry of Finance from 1 January 2024 until 31 December 2025

Tax Incentives

Special Industrial Building Allowance for Private Nursing Home for Senior Citizens

Current	Proposed
The qualifying capital expenditure (i.e., construction cost, cost to purchase the building, the capital expenditure incurred on the alteration or renovation of rented premises) incurred in relation to the licensed private hospital, maternity home, and nursing home is eligible for industrial building allowance ("IBA") at the following rate: ➢ **Initial allowance – 10%** ➢ **Annual allowance – 3%**	IBA be given to private nursing homes for senior citizens at a rate of 10% on the cost of the building constructed or purchased, including renovation costs for each YA, subject to the following conditions: ✓ Private nursing homes approved by the Ministry of Health Malaysia; and ✓ Qualifying capital expenditure incurred from 1 January 2024 to 31 December 2026.

Tax Incentives

Special income tax rate for filming industry

Proposed

Introduction of special tax rate ranging from 0% to 10%

Eligible taxpayers

Taxpayers who perform filming in Malaysia:

- ✓ Foreign film production companies;
- ✓ Foreign film actors; and
- ✓ Foreign film crews.

Real Property Gains Tax

Real Property Gains Tax ("RPGT")

Implementation of RPGT's self-assessment system

Current	Proposed
The filing of RPGT returns is under an official assessment by the IRB	Introduction of RPGT's self assessment system

Effective

1 January 2025

How does this impact taxpayers?

- Disposer is required to calculate his/her own tax in the RPGT return form
- The submitted RPGT return form is deemed to be a notice of assessment that is considered to have been served on the taxpayer by the IRB on the date the return is furnished by the taxpayer
- The assessment can be amended by submitting an amended RPGT return form within 6 months from the due date of the RPGT return form
- Documents to be retained for a period of 7 years from the end of the YA in which the assessment was raised

Real Property Gains Tax

Acquisition / disposal of shares in a real property company ("RPC")

Current	Proposed
Acquisition of shares in a RPC will be deemed to be an acquisition of chargeable assets whilst a disposal of shares in a RPC is deemed to be a disposal of chargeable assets that is subject to RPGT.	Acquisition / disposal of shares in a RPC by a company, LLP, trust body or co-operative society will no longer be deemed to be an acquisition / disposal of a chargeable asset for RPGT purposes as this will be caught under CGT.

Real Property Gains Tax

Effective

1 January 2024

Stamp Duty

Stamp Duty

Definition of ‘writing or written’

Current	Proposed
• Instrument include “every written documents” • The current definition of “instrument” does not clarify whether electronic instruments meet the interpretation of the “instrument”.	To include the definition of writing or written to include "*any handwriting, typewriting, printing, electronic record or transmission which is in an electronically readable form*"

Effective

1 January 2024

Stamp Duty

Evidence for instruments executed outside of Malaysia

Current	Proposed
• Instruments which are executed outside of Malaysia should be brought for stamping within 30 days from the date when it is first received in Malaysia. • As evidence of when it was first received in Malaysia, a copy of the post office stamp or the airway bill will need to be provided. • The current provision doesn’t clarify the verification in respect of receipt of instruments executed outside of Malaysia and received in Malaysia via electronic transmission.	• Instruments executed outside Malaysia concerning any matter in Malaysia are subject to stamping within 30 days of acceptance via electronic medium. • Any receipt of instrument in Malaysia via electronic transmission may be verified via a copy or the printout of the electronic transmission.

Effective

1 January 2024

Stamp Duty

Stamp duty for foreign currency loan

	Current	Proposed
Instrument under Item 27(a)(ii)	Instrument where the loan is a foreign currency loan or the financing was made according to the syariah in currencies other than RM	
Stamp duty	Duty at the rate of 0.5% but capped at RM2,000	Duty at the rate of 0.5% **without any capped amount**

Effective

1 January 2024

Stamp Duty

Stamp duty for transfer of property ownership involving the renunciation of rights to another eligible beneficiary

Current	Proposed
Eligible beneficiary renunciates his/her rights to another eligible beneficiary or non-beneficiary shall be subject to ad-valorem stamp duty of 1% to 4%.	The instrument for transfer of any property by way of release or renunciation by an eligible beneficiary to another eligible beneficiary entitled under the same estate shall be subject to a nominal stamp duty of RM10.

Effective

For instrument executed from 1 January 2024

Stamp Duty

Stamp duty for transfer of property to non-citizen individuals & foreign companies

Current	Proposed
Instrument for transfer of property in Malaysia is subject to ad-valorem stamp duty of 1% to 4%.	A flat stamp duty rate of 4% will be imposed on instruments for transfer of any property to non-citizen individuals (excluding Malaysian permanent residents) and foreign companies.

Effective

For instrument executed from 1 January 2024

Stamp Duty

Exercise of Original Jurisdiction by High Court in Stamp Duty Appeals

Proposed

Existing provision will be amended to clarify that the High Court shall exercise "original jurisdiction" while hearing an appeal of the duty payer on the assessment raised by the Collector of Stamp Duty.

Effective

1 January 2024

Stamp Duty

Termination of Use of Digital Franking Machine and Postal Franking Machine & Abolishment of the Use of Adhesive Stamps

Overall Objective

To fully implement online stamping through the Stamp Assessment and Payment system.

Stamp Duty

Proposed

- Termination of the use of digital franking machine and postal franking machine.
- Termination of the use of adhesive stamps.

Consequences

The Stamp Act 1949 will be amended to clarify that the documents/agreements which have been stamped using the Revenue Stamps method after 31 December 2023 are invalid as proof of being stamped.

Effective

1 January 2024

Petroleum Income Tax

Petroleum Income Tax

Definition of “Secondary Recovery”

Current

A project which has as its object the production of quantities of hydrocarbons by the application of external energy to the underground reservoir for the purpose of additional and accelerated recovery of those hydrocarbons which is carried out subsequent to the earlier recovery process.

Proposed

A method or process which has as its object the production of quantities of hydrocarbons by the application of external energy to the underground reservoir which is carried out—

(a) subsequent to the earlier recovery process for the purposes of additional and accelerated recovery of those hydrocarbons; or

(b) ***for the initial recovery or extraction of those hydrocarbons***

Effective: YA 2024

Petroleum Income Tax

Contiguous Agreement Areas

Current

Section 2(4)(a)(i) of the PITA

*Where **a partnership** carries on petroleum operations under two or more petroleum agreements and the areas under those agreements are contiguous, the petroleum operations in those areas shall be treated as being carried on under one petroleum agreement.*

Proposed

It is proposed that to be eligible for Section 2(4) treatment, all the members of the partnership must be the same original parties to the petroleum agreements and approved by the DGIR.

Effective: YA 2024

Petroleum Income Tax

Review of tax incentives for Carbon Capture and Storage (“CCS”) and Hydrogen Sulphide projects under the Petroleum (Income Tax) Act 1967 (“PITA”)

Proposed

In order to ensure PITA continues to remain relevant with the latest developments and needs of the upstream oil and gas industry as well as to increase the interest of the foreign investors to continue to invest in Malaysia, PITA Review Committee which comprises of the Ministry of Finance (“MOF”), Inland Revenue Board (“IRB”) and PETRONAS is currently studying and designing tax incentives for CCS and Hydrogen Sulphide projects. The study is expected to be completed by the end of 2023.

Others

E-Invoicing Implementation in Stages

Q4 2023/Q1 2024

- Setting up of infrastructure and launching "pilot project" for selected companies
- Non-selected companies may implement voluntarily

By 1 August 2024

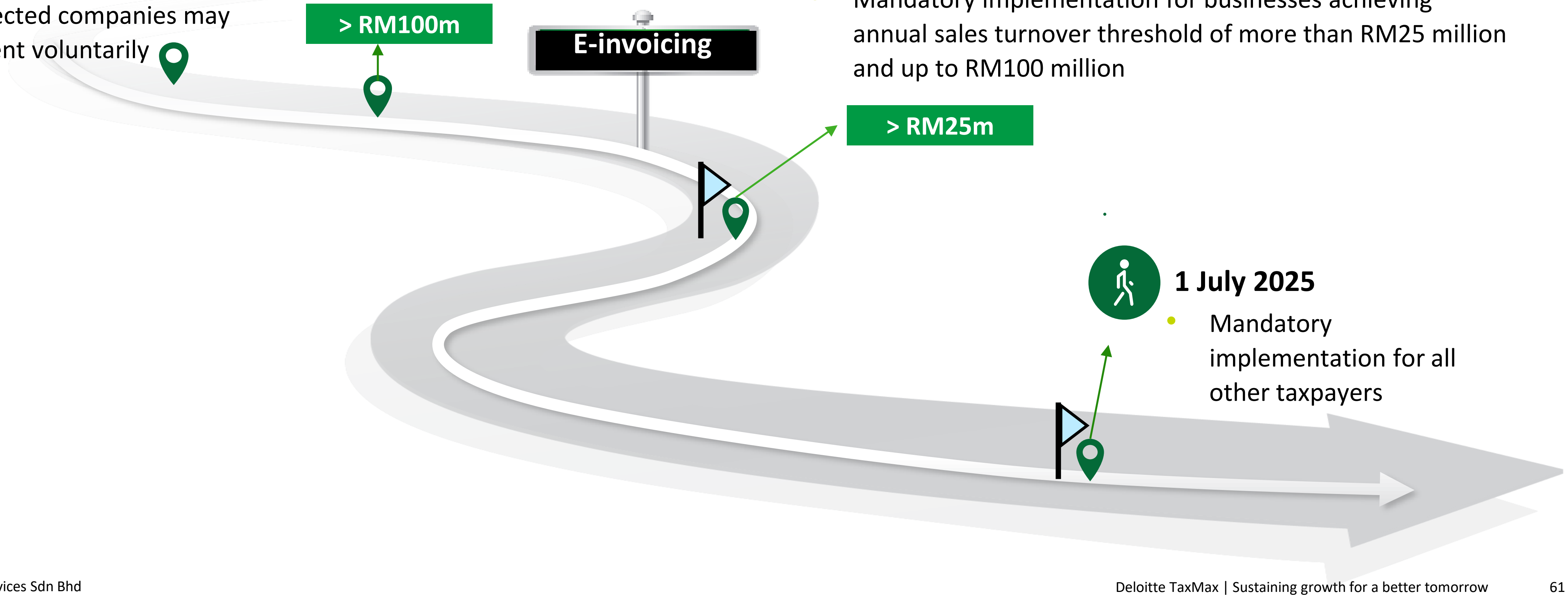
- Mandatory implementation for businesses achieving annual sales turnover threshold of more than RM100 million

By 1 January 2025

- Mandatory implementation for businesses achieving annual sales turnover threshold of more than RM25 million and up to RM100 million

1 July 2025

- Mandatory implementation for all other taxpayers



E-Invoicing

Penalties for failure to issue electronic invoices

1 Failure to enter and submit invoices

2 Failure of the supplier (i.e., recipient) in the case of self-billed invoices to submit the self-billed invoice

3 Failure of the supplier to submit a consolidated transaction invoice

Proposed

Liable to a fine of not less than RM200 and not more than RM20,000 or imprisonment not exceeding 6 months, or both

Implementation of Global Minimum Tax ("GMT")

What is GMT?
An international taxation rule to ensure that multinational enterprises ("MNEs") pay a fair share of tax wherever they operate and generate profits.

Proposed amendments:
New

- **Domestic Top Up Tax ("DTT")**
- **Multinational Top Up Tax ("MTT")**

In following legislations:

- Income Tax Act 1967
- Petroleum (Income Tax) Act 1967
- Labuan Business Activity Tax Act 1990

Effective
To be implemented in year 2025

GMT

Who is involved?

1. MNE group includes at least one entity or permanent establishment ("PE") that is not located in the same jurisdiction as the Ultimate Parent Entity ("UPE") with
2. Annual consolidated group revenue of at least EUR 750 million in at least two of the four immediately preceding fiscal years.

Who is excluded?

- Government bodies and international organizations
- Non-profit organization
- Pension fund
- An investment fund that is a UPE
- Real estate investment vehicle which is a UPE

What is the rate?
Minimum effective tax rate = 15%