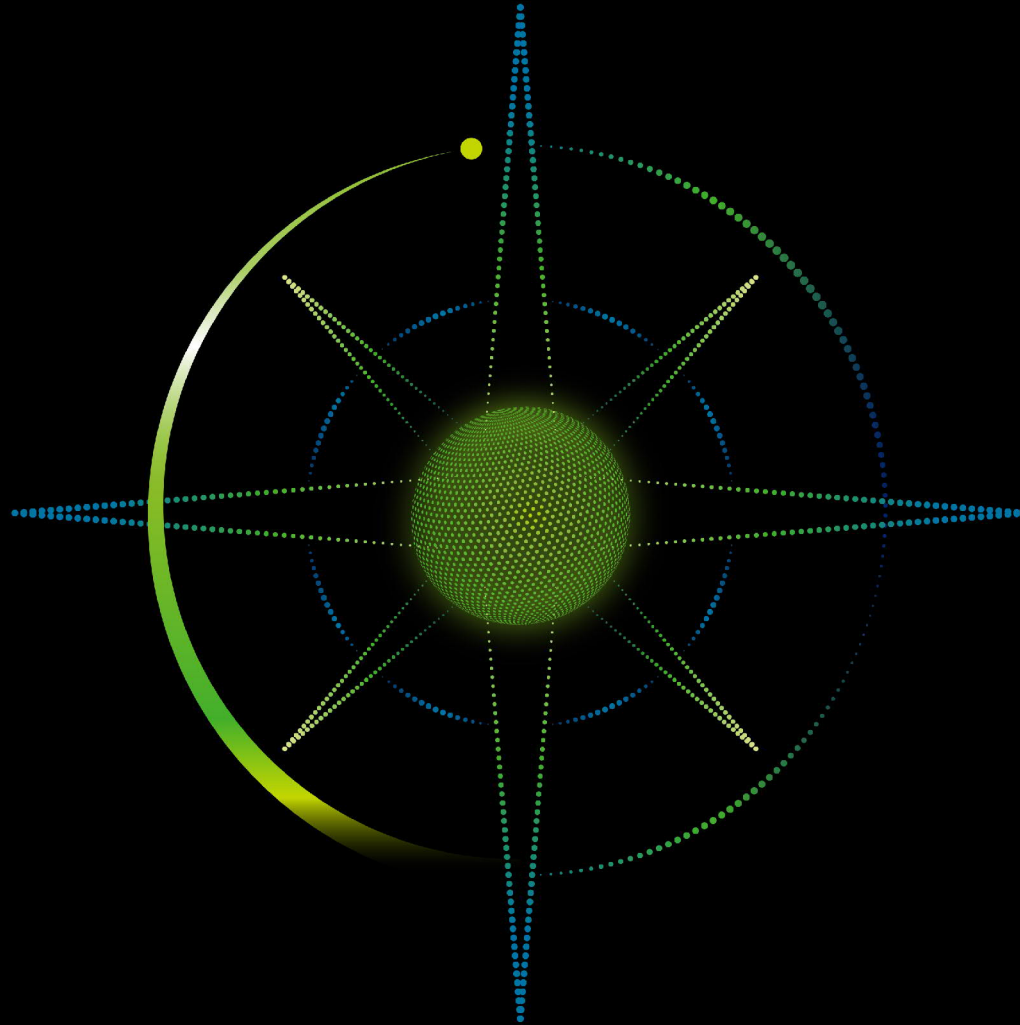


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Sustaining growth for a better tomorrow

Jo-Ann Tan | 21 November 2023



Tax Incentives

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

Accelerated Capital Allowance (“ACA”) in Manufacturing, Services and Agriculture Sectors

Current

- 100% ACA 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.
- For applications received by MIDA and Ministry of Agriculture and Food Security (“MAFS”) from 1 January 2023 until 31 December 2027.

Proposed

- The scope of ACA 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

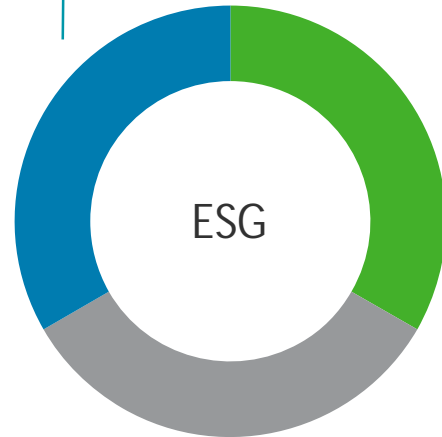
Proposed

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.



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

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.

Proposed

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”).

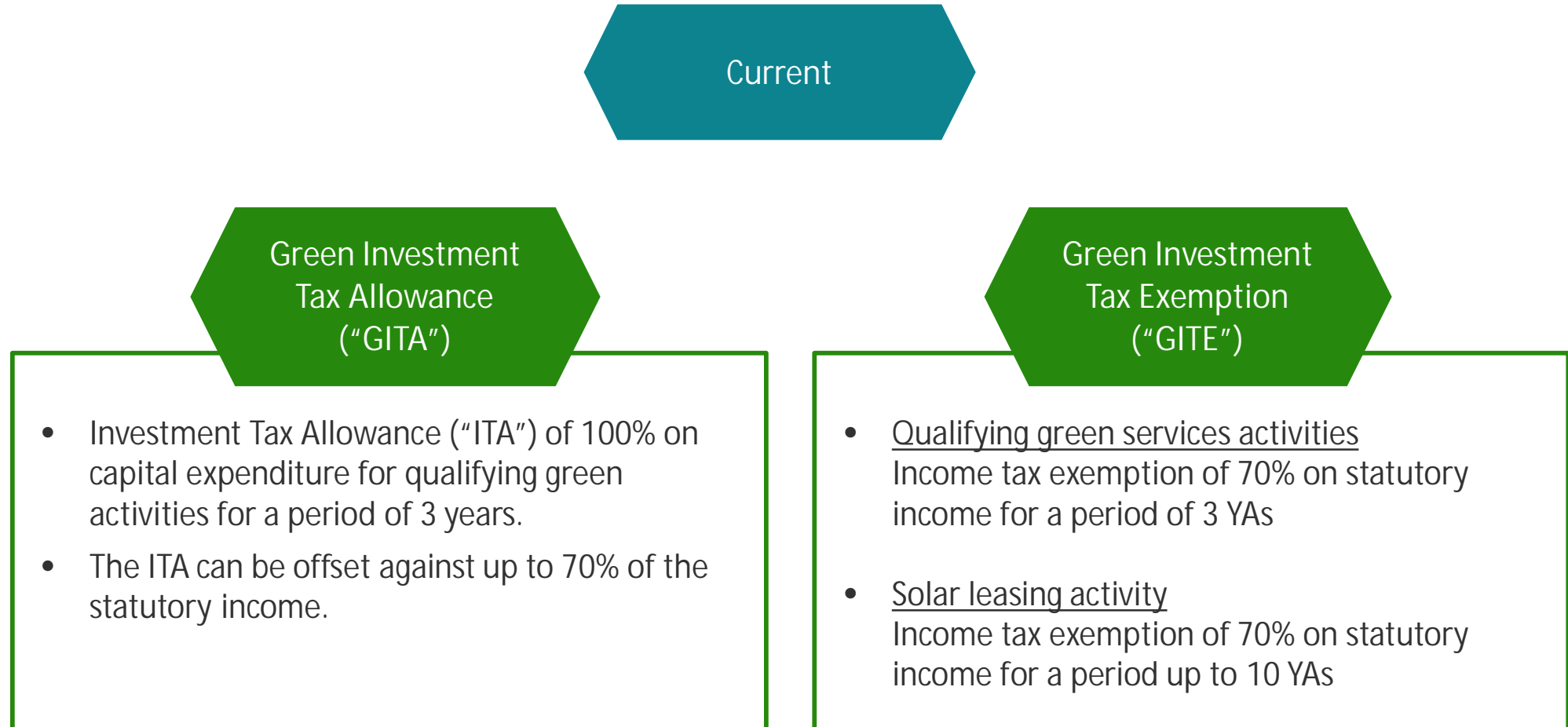


Effective:

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

Tax Incentives

Review of Green Technology Tax Incentive



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: <ul style="list-style-type: none">List of eligible assets approved by the Minister of FinanceBattery Energy Storage SystemGreen building	100%	70%	3 years
Tier 2: <ul style="list-style-type: none">List of eligible assets approved by the Minister of FinanceRenewable Energy SystemEnergy 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	<p>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.</p>	<ul style="list-style-type: none">Extended for a period of 4 years.
SRI Sukuk	<p>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.</p>	<ul style="list-style-type: none"> Effective YA 2024 to 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	<ol style="list-style-type: none"> 1. Services income; or 2. Services and trading income 			
Qualifying Services & Additional Services	Undertake the following activities: <ol style="list-style-type: none"> i. Regional P&L / Business Management Unit; ii. Strategic business planning; iii. Corporate development; and <ol style="list-style-type: none"> iv. Any 2 qualifying activities under the services category (i.e., strategic services / business services / shared services / other services) 			
Conditions (outcome-based)	<ol style="list-style-type: none"> 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)	<ol style="list-style-type: none">5. Collaboration with higher education institution / TVET6. Training for Malaysian students / citizens7. ESG elements8. 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

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

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%

Proposed

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.





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